

ISSAI
1000–2999

INTOSAI



Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información visite www.issai.org.

Directriz de auditoría financiera

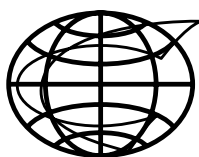
COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

SUBCOMITÉ PARA AUDITORÍA FINANCIERA-SECRETARÍA

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Las Directrices de Auditoría Financiera de la INTOSAI se basan en las Normas Internacionales de Auditoría (NIA) desarrolladas por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (IAASB) y publicadas por la Federación Internacional de Contadores (IFAC). Las NIA se incluyen en las Directrices con la autorización de la IFAC.

Preámbulo

En los últimos años de la década del 90, los miembros de la INTOSAI expresaron el requerimiento de contar con pautas sólidas y detalladas que sirvieran de apoyo a los auditores en su labor cotidiana. En 2001, el INCOSAI encargó la tarea de atender este requerimiento al Comité de Normas de Auditoría (o más bien a su ente predecesor, el Comité de Normas Profesionales – PSC). Para ello se debía tomar en cuenta las normas de auditoría reconocidas a nivel mundial y desarrolladas por otras organizaciones profesionales.

En 2002, durante la sesión del Comité Directivo, se aprobó un proyecto dirigido a satisfacer los requerimientos de los miembros en el área de auditoría financiera. La INTOSAI puso en marcha una cooperación con la Federación Internacional de Contadores (IFAC), y se decidió encomendar la tarea a las respectivas instancias a cargo de establecer las normas de auditoría: el Comité de Normas Profesionales (PSC) de INTOSAI y el Consejo de Normas Internacionales de Asesoría y Aseguramiento (IAASB) de IFAC. Se acordó que la INTOSAI pudiera beneficiarse con el trabajo realizado por el IAASB a través del Sub-Comité de Directrices de Auditoría Financiera (FAS) del PSC. Por lo tanto, las Directrices de Auditoría Financiera deberían atenerse – en la medida de lo posible – a las Normas Internacionales de Auditoría (NIA). Éste fue el punto de partida para la más integral de las iniciativas de definición de normas de la INTOSAI en lo que va de su existencia.

Las Directrices de Auditoría Financiera de la INTOSAI son el resultado de años de intenso trabajo por parte de un equipo muy calificado de miembros profesionales de su Sub-Comité de Directrices de Auditoría Financiera (FAS) de la INTOSAI. El desarrollo de estas directrices ha requerido la participación de expertos en auditoría y los aportes de un gran número de las organizaciones que conforman la INTOSAI. Gracias al acuerdo entre la INTOSAI y el IFAC, fue posible contar con la valiosa colaboración y el decidido apoyo del IAASB durante el proceso de formulación de las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) para Auditorías Financieras.

El desarrollo de estas normas ha podido llevarse a cabo gracias a la participación activa y los diversos aportes de más de noventa Entidades Fiscalizadoras Superiores (EFS), lo cual ha permitido asegurar la aplicabilidad y pertinencia de las ISSAI a nivel mundial. Sin este compromiso por parte de la comunidad de la INTOSAI, esta labor no hubiese sido posible.

Quisiera aprovechar esta oportunidad para agradecer a las EFS que conforman el FAS y a todas las demás organizaciones involucradas por sus invalores aportes al trabajo desarrollado por el sub-comité.

El Sub-Comité de Directrices de Auditoría Financiera alberga la esperanza de que estas directrices realcen la calidad, la credibilidad y el profesionalismo de la INTOSAI y sus miembros. De esta manera, confiamos haber contribuido a las aspiraciones mundiales de una mayor transparencia y rendición de cuentas.



Gert Jönsson

Auditor General Adjunto de la Oficina Nacional de Auditoría de Suecia
Presidente del Sub-Comité de Directrices para Auditoría Financiera de INTOSAI

Índice de la ISSAI 1000–2999

	Página
ISSAI 1000 – Introducción general a las Directrices de auditoría financiera de la INTOSAI ...	9
ISSAI 1003 – Glosario de términos de las directrices de auditoría financiera de la INTOSAI ...	51
Glosario de términos de las directrices de auditoría financiera de la INTOSAI	55
Glosario de términos contenidos en el Manual de la IFAC sobrenormas internacionales de control de calidad, auditoría, revisión, otros encargos de fiabilidad y servicios relacionados	63
ISSAI 1200 – Objetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría	87
Nota de Práctica para la nia 200	91
Norma Internacional de Auditoría 200	97
ISSAI 1210 – Acuerdo sobre los términos del contrato de auditoría	129
Nota de Práctica para la nia 210	133
Norma Internacional de Auditoría 210	141
ISSAI 1220 – Control de calidad en una auditoría de estados financieros	167
Nota de Práctica para la nia 220	171
Norma Internacional de Auditoría 220	173
ISSAI 1230 – Documentación de auditoría	195
Nota de Práctica para la nia 230	199
Norma Internacional de Auditoría 230	203
ISSAI 1240 – Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros	219
Nota de Práctica para la nia 240	223
Norma Internacional de Auditoría 240	237
ISSAI 1250 – Consideración de la normativa en la auditoría de estados financieros	283
Nota de Práctica para la nia 250	287
Norma Internacional de Auditoría 250	291
ISSAI 1260 – Comunicación con los encargados de la gobernanza	309
Nota de Práctica para la nia 260	313
Norma Internacional de Auditoría 260	317
ISSAI 1265 – Comunicación de deficiencias de control interno a los encargados de la gobernanza y a la dirección	343
Nota de Práctica para la nia 265	347
Norma Internacional de Auditoría 265	349

ISSAI 1300 – Planificación de una auditoría de estados financieros	363
Nota de Práctica para la nia 300	367
Norma Internacional de Auditoría 300	371
ISSAI 1315 – Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno	387
Nota de Práctica para la nia 315	391
Norma Internacional de Auditoría 315	397
ISSAI 1320 – La materialidad al planificar y ejecutar una auditoría	451
Nota de Práctica para la nia 320	455
Norma Internacional de Auditoría 320	459
ISSAI 1330 – Respuesta del auditor ante los riesgos evaluados	471
Nota de Práctica para la nia 330	475
Norma Internacional de Auditoría 330	479
ISSAI 1402 – Consideraciones de auditoría relativas a entidades que utilizan organizaciones de servicios	505
Nota de Práctica para la nia 402	509
Norma Internacional de Auditoría 402	515
ISSAI 1450 – Valoración de las incorrecciones detectadas durante la auditoría	541
Nota de Práctica para la nia 450	545
Norma Internacional de Auditoría 450	549
ISSAI 1500 – Evidencia de auditoría	563
Nota de Práctica para la nia 500	567
Norma Internacional de Auditoría 500	573
ISSAI 1501 – Evidencia de auditoría. Consideraciones adicionales en determinados ámbitos	593
Nota de Práctica para la nia 501	597
Norma Internacional de Auditoría 501	601
ISSAI 1505 – Confirmaciones externas	615
Nota de Práctica para la nia 505	619
Norma Internacional de Auditoría 505	621
ISSAI 1510 – Encargos iniciales de auditoría: saldos de apertura	635
Nota de Práctica para la nia 510	639
Norma Internacional de Auditoría 510	641
ISSAI 1520 – Procedimientos analíticos	657
Nota de Práctica para la nia 520	661
Norma Internacional de Auditoría 520	665

ISSAI 1530 – Muestreo de auditoría	675
Nota de Práctica para la nia 530	679
Norma Internacional de Auditoría 530	683
ISSAI 1540 – Auditoría de estimaciones contables, incluido el valor razonable, e información relacionada	703
Nota de Práctica para la nia 315	707
Norma Internacional de Auditoría 315	711
ISSAI 1550 – Partes vinculadas	759
Nota de Práctica para la nia 550	763
Norma Internacional de Auditoría 550	767
ISSAI 1560 – Hechos posteriores	797
Nota de Práctica para la nia 560	801
Norma Internacional de Auditoría 560	803
ISSAI 1570 – Empresa en funcionamiento	819
Nota de Práctica para la nia 570	823
Norma Internacional de Auditoría 570	827
ISSAI 1580 – Manifestaciones escritas	847
Nota de Práctica para la nia 580	851
Norma Internacional de Auditoría 580	855
ISSAI 1600 – Consideraciones específicas – Auditorías de estados financieros correspondientes a un grupo (incluido el trabajo de los auditores de los componentes)	875
Nota de Práctica para la nia 600	879
Norma Internacional de Auditoría 600	891
ISSAI 1610 – Utilización del trabajo de los auditores internos	945
Nota de Práctica para la nia 610	949
Norma Internacional de Auditoría 610	951
ISSAI 1620 – Utilización del trabajo de un experto	961
Nota de Práctica para la nia 620	965
Norma Internacional de Auditoría 620	969
ISSAI 1700 – Formación de una opinión y elaboración del informe sobre los estados financieros	993
Nota de Práctica para la nia 700	997
Norma Internacional de Auditoría 700	1001
ISSAI 1705 – Modificaciones a la opinión en el informe del auditor independiente	1033
Nota de Práctica para la nia 705	1037
Norma Internacional de Auditoría 705	1041

ISSAI 1706 – Párrafos de énfasis y párrafos sobre otros asuntos en el informe del auditor independiente	1071
Nota de Práctica para la nia 706	1075
Norma Internacional de Auditoría 706	1079
 ISSAI 1710 – Información comparativa: cifras correspondientes y estados financieros comparativos	 1093
Nota de Práctica para la nia 710	1097
Norma Internacional de Auditoría 710	1099
 ISSAI 1720 – La responsabilidad del auditor en relación con otra informaciónen documentos que contienen estados financieros auditados	 1121
Nota de Práctica para la nia 720	1125
Norma Internacional de Auditoría 720	1127
 ISSAI 1800 – Consideraciones específicas: Auditorías de estados financieros elaborados de acuerdo con un marco con finalidades especiales	 1137
Nota de Práctica para la nia 800	1141
Norma Internacional de Auditoría 800	1145
 ISSAI 1805 – Consideraciones específicas. Auditoría de un estado financiero individual o de cuentas, partidas o elementos concretos de un estado financiero	 1163
Nota de Práctica para la nia 805	1167
Norma Internacional de Auditoría 805	1171
 ISSAI 1810 – Encargos para informar sobre estados financieros resumidos	 1191
Nota de Práctica para la nia 810	1195
Norma Internacional de Auditoría 810	1197

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Directriz de auditoría financiera

Introducción general a las Directrices de auditoría financiera de la INTOSAI

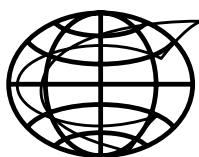
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 1000 (con nueva redacción), “Introducción general a las Directrices de auditoría financiera de la INTOSAI” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standard Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1000

	Paragraph
Introducción	1–9
Antecedentes	10–13
La finalidad de las Directrices de auditoría financiera de la INTOSAI	14–17
Estructura y contenido de las Directrices de auditoría financiera de la INTOSAI	5
Alcance de las Directrices de auditoría financiera de la INTOSAI	18–27
Aplicación de las Directrices de auditoría financiera de la INTOSAI.....	
Aplicación de las Directrices de auditoría financiera de la INTOSAI en calidad de normas..	28–29
Aplicación de las Directrices de auditoría financiera de la INTOSAI para apoyar los	
Principios fundamentales de la INTOSAI	30
Aplicación de las Directrices de auditoría financiera de la INTOSAI para apoyar	
otras normas	31
Autoridad	
Autoridad – Principios fundamentales y Directrices de auditoría financiera de la INTOSAI ...	32–36
Autoridad – Normas internacionales de auditoría	37–43
Cuestiones generales en las auditorías de entidades públicas	44–45
Diferentes sistemas de fiscalización en el sector público	46–48
Terminología empleada en las directrices	49–51
Juicio profesional y escepticismo profesional	52
Aceptación y continuidad del encargo	53–54
Objetivo de una auditoría de estados financieros	55–58
Acuerdo sobre los términos del contrato de auditoría	59–63
Procesos de garantía de calidad	64–66
Documentos de trabajo y documentación	67
Comunicación	68–70
Detección de fraudes y errores	71–74
Consideración por el auditor de leyes y reglamentos	75–76
Análisis de riesgos y procedimientos de auditoría	77–80
Materialidad en las auditorías de entidades públicas	81–84
Informes de auditoría en el sector público	85–86

Traducción de las Directrices de auditoría financiera de la INTOSAI 87–91

**Apéndice 1 – Conexión entre los Principios fundamentales de auditoría de la INTOSAI
(ISSAI 100–400) y las Directrices de auditoría financiera de la INTOSAI
(ISSAI 1000–2999)**

Apéndice 2 – Situación de las ISSAI en junio de 2009

Apéndice 3 – Autoridad atribuida a las NIA

Apéndice 4 – Recomendaciones para la traducción

Apéndice 5 – Lista de abreviaturas

Introducción general a las Directrices de auditoría financiera de la INTOSAI

Introducción

1. Las Directrices de auditoría financiera de la INTOSAI facilitan orientación para la realización de auditorías financieras de entidades públicas.
2. Las Directrices de auditoría financiera de la INTOSAI representan el cuarto nivel (directrices de auditoría) de la estructura de las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI), del cual los Principios fundamentales constituyen el primer nivel, los Requisitos previos para el funcionamiento de las EFS, el segundo y los Principios fundamentales de auditoría (incluidas las normas de auditoría de la INTOSAI), el tercero.¹
3. Las Directrices de auditoría financiera de la INTOSAI incluyen las Normas internacionales de auditoría (NIA) formuladas por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Auditing and Assurance Standards Board/IAASB). La INTOSAI contribuye al desarrollo de esas normas mediante su participación en los grupos de trabajo del IAASB que se encarga de formular nuevas normas o de revisar las ya existentes.
4. Las Notas de Práctica, que forman parte de las Directrices de auditoría financiera de la INTOSAI, sirven de guía para aplicar cada NIA en auditorías financieras de entidades públicas y sus orientaciones se añaden a las de dicha NIA.
5. Al aplicar las Directrices de auditoría financiera de la INTOSAI a las auditorías financieras de entidades públicas, las Entidades Fiscalizadoras Superiores reconocen que las NIA y las NP sirven conjuntamente de guía. Si indican en su informe que la auditoría se ha realizado conforme a las ISSAI, los auditores del sector público se atienen a lo dispuesto en todas las ISSAI pertinentes para la auditoría, según se explica en la sección referida a la autoridad (párrafos 28-43).
6. Si se comparan con los objetivos de una auditoría de estados financieros conforme a las NIA (es decir, expresar una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable), los objetivos de una auditoría financiera de entidades públicas pueden comprender obligaciones suplementarias en materia de auditoría y de elaboración de informes. Por ejemplo, los auditores del sector público pueden verse en la obligación de informar sobre la conformidad, o falta de conformidad con las normas establecidas, incluidas las que rigen el presupuesto y la rendición de cuentas, por parte de la entidad pública, sobre la eficacia del control interno en la presentación de información financiera o sobre la economía, eficiencia y eficacia de programas, proyectos y actividades.

¹ La relación entre los Principios fundamentales de auditoría de la INTOSAI (ISSAI 100–400) y las Directrices de auditoría financiera de la INTOSAI (ISSAI 1000–2999) queda ilustrada en el apéndice 1.

7. El mandato de fiscalización de una Entidad Fiscalizadora Superior o las obligaciones que imponen a las entidades del sector público la legislación, la reglamentación, las órdenes ministeriales, las exigencias de políticas públicas o las resoluciones del poder legislativo pueden acarrear también obligaciones suplementarias de auditoría y elaboración de informes para los auditores del sector público.
8. Las Directrices de auditoría financiera de la INTOSAI no facilitan orientación detallada sobre las obligaciones de auditoría y elaboración de informes en relación con la conformidad con las normas, ya que ésta se contiene en las Directrices para las auditorías de cumplimiento. La ISSAI 4200 facilita orientación para las auditorías de cumplimiento asociadas a una auditoría de estados financieros. Basada en los Principios fundamentales de auditoría de la INTOSAI, ha sido concebida para ayudar a los auditores del sector público que tengan la obligación de examinar la conformidad con las normas.² La ISSAI 4200 complementa a las Directrices de auditoría financiera (ISSAI 1000-2999) y debe leerse con ellas en caso de que haya obligaciones suplementarias como las descritas.
9. Cuando las Directrices de auditoría financiera se aplican conjuntamente con las Directrices para las auditorías de cumplimiento, la finalidad es dotar a los auditores del sector público de un conjunto completo de orientaciones para llevar a cabo auditorías de estados financieros en el sector público que también tengan por objetivo el examen de la conformidad con las normas.

Antecedentes

10. Las primeras normas de auditoría de la INTOSAI³ fueron publicadas por el Comité de normas de auditoría de la INTOSAI en junio de 1992, mientras que el Código de Ética de la INTOSAI fue aprobado en el XVI Congreso de la INTOSAI (INCOSAI)⁴ celebrado en Montevideo en 1998. Las normas de auditoría de la INTOSAI fueron reestructuradas ulteriormente, y el Código de Ética y las normas de auditoría de la INTOSAI actualmente en vigor fueron aprobados en el XVII INCOSAI celebrado en Seúl en 2001. Los dos textos se basan en la Declaración de Lima de Criterios sobre las Normas de Auditoría. El INCOSAI de Montevideo confirió por primera vez al Comité de normas de auditoría de la INTOSAI el mandato de formular directrices de aplicación de normas de auditoría. Este mandato fue reiterado en los posteriores congresos de Seúl (2001) y Budapest (2004). El Comité presentó las Directrices de auditoría del rendimiento de la INTOSAI para su aprobación en el congreso de 2001 y pasó después a ocuparse de las directrices de auditoría financiera.
11. Como respuesta a una necesidad expresada por los miembros de la INTOSAI, el Comité de normas de auditoría de dicha organización acordó trabajar en la formulación de directrices de auditoría financiera basadas en las NIA creadas por el IAASB. El Comité también acordó facilitar orientación sobre las obligaciones suplementarias de auditoría y elaboración de informes que recaen en los auditores del sector público. La tarea de desarrollar las Directrices de auditoría financiera de la INTOSAI fue encomendada al grupo de trabajo de esta organización que se encarga de este ámbito.

² ISSAI 4000, "Introducción general a las Directrices para la auditoría de cumplimiento" y ISSAI 4200, "Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros".

³ Las ISSAI 100-400 constituyen los Principios fundamentales de la INTOSAI.

⁴ INCOSAI es el Congreso de INTOSAI que se celebra cada tres años.

12. En septiembre de 2005, la INTOSAI fue reorganizada según el nuevo plan estratégico de la organización y el Comité de normas de auditoría fue sustituido por el Comité de normas profesionales (PSC). Las funciones del Grupo de Trabajo de directrices de auditoría financiera fueron asumidas por el Subcomité de directrices de auditoría financiera que había sido creado dentro de la nueva estructura de comités y que depende del PSC.
13. Se ha previsto incluir en el marco de las ISSAI, dentro del segundo nivel de su estructura, un código del control de calidad (ISSAI 40) que deberán aplicar las Entidades Fiscalizadoras Superiores para todo tipo de actividades de auditoría.

La finalidad de las Directrices de auditoría financiera de la INTOSAI

14. La finalidad primordial de las Directrices de auditoría financiera de la INTOSAI es proporcionar a los miembros de esta organización un conjunto completo de orientaciones para la auditoría de estados financieros de las entidades públicas. Las Directrices de auditoría financiera de la INTOSAI incluyen las Notas de Práctica creadas por la INTOSAI y las NIA formuladas por el IAASB, y todas ellas forman parte de la categoría de directriz dentro de la estructura de normas de la INTOSAI.
15. Los Principios fundamentales de la INTOSAI son primordiales para la realización de auditorías y la elaboración de los correspondientes informes por las Entidades Fiscalizadoras Superiores. De todos modos, al utilizar aspectos de las NIA que resultan pertinentes para las auditorías financieras realizadas por las Entidades Fiscalizadoras Superiores y crear las Notas de Práctica que incluyen consideraciones específicas para las auditorías financieras de entidades públicas, la INTOSAI proporciona un conjunto completo de Directrices de auditoría financiera que pueden utilizar todas las Entidades Fiscalizadoras Superiores en todos los entornos institucionales y de control.
16. Las Notas de Práctica contienen una declaración inequívoca sobre la aplicabilidad de las NIA a las auditorías de entidades públicas además de orientaciones adicionales para los auditores del sector público y están dirigidas a no sólo a ellos sino también, en su caso, a otros auditores que lleven a cabo auditorías financieras de entidades públicas, y cuando proceda servirán asimismo de guía general sobre las obligaciones de auditoría y elaboración de informes que recaen en los auditores del sector público. Existe una Nota de práctica distinta para cada NIA. Las Notas de Práctica se crean siempre que el IAASB publica nuevas NIA o actualiza las ya existentes. Las Directrices de auditoría financiera de la INTOSAI se aplican a las auditorías de estados financieros según se definen en la ISSAI 1200⁵ y tratan de consideraciones adicionales de auditoría para el sector público. Las obligaciones de auditoría y elaboración de informes de las Entidades Fiscalizadoras Superiores referentes a las auditorías financieras pueden incluir otros aspectos de las auditorías de regularidad (según se precisa en el párrafo 19). En el sector público, las auditorías de estados financieros aparecen combinadas a menudo con las auditorías de cumplimiento. La ISSAI 4200⁶ regula esas obligaciones suplementarias de auditoría y elaboración de informes. Las

⁵ ISSAI 1200 "Objetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría".

⁶ ISSAI 4200 "Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros".

auditorías de cumplimiento incluyen una valoración sobre si las actividades, operaciones financieras e información reflejadas o contenidas en las cuentas o los estados financieros resultan conformes con las resoluciones pertinentes del poder legislativo entre las que figuran las leyes y decisiones presupuestarias, las provisiones de fondos, los contratos, los convenios de subvención, etc.

17. Las Directrices de auditoría financiera de la INTOSAI se aplican a la auditoría de todos los niveles de la administración pública. En función del mandato de fiscalización o la ley reguladora de la Entidad Fiscalizadora Superior, las Directrices de auditoría financiera de la INTOSAI pueden aplicarse a entidades del sector privado que gestionen servicios o fondos públicos, por ejemplo a través de acuerdos de asociación o que sean receptoras de subvenciones o ayudas públicas.

Alcance de las Directrices de auditoría financiera de la INTOSAI

18. El objetivo de las Directrices de auditoría financiera de la INTOSAI es facilitar orientación para las auditorías de estados financieros del sector público y, dentro de ella, criterios generales sobre objetivos adicionales de auditoría y elaboración de informes en relación con la auditoría de estados financieros en el sector público.
19. Los Principios fundamentales de la INTOSAI no definen el concepto de una auditoría de estados financieros. Según la ISSAI 100⁷, el pleno alcance de la fiscalización pública abarca las auditorías de regularidad y las operacionales o de gestión. La auditoría de regularidad comprende:
 - a) la certificación de las cuentas rendidas por las entidades obligadas a ello, que incluye el examen y evaluación de los asientos contables y la expresión de la opinión que merezcan las cuentas y los estados financieros;
 - b) la certificación de la Cuenta General del Estado;
 - c) la fiscalización de los sistemas y de las operaciones financieras así como la valoración del cumplimiento de las disposiciones legales y reglamentarias aplicables;
 - d) la fiscalización de los sistemas de control y de auditoría internos;
 - e) la fiscalización de la probidad y corrección de las decisiones administrativas adoptadas en el seno de la entidad fiscalizada;
 - f) el informe acerca de cualquier otra cuestión surgida como consecuencia de la fiscalización, o relacionada con ella, y que la Entidad Fiscalizadora Superior considere que deba ser puesta de manifiesto
20. El alcance de una auditoría de regularidad realizada con arreglo a la ISSAI 100 es más vasto por tanto que el alcance de una auditoría de estados financieros realizada con arreglo a las NIA.
21. Más aún, la definición de auditoría financiera en cada Entidad Fiscalizadora Superior depende de su reglamentación, mandato y estructura organizativa. El mandato puede contener obligaciones de auditoría y elaboración de informes que sean diferentes o suplementarias a las establecidas

⁷ ISSAI 100- "Postulados básicos de la fiscalización pública de la INTOSAI", párrafos 38 y 39.

para la auditoría de estados financieros. La auditoría de este tipo de información exigirá a los auditores del sector público más trabajos que los requeridos exclusivamente para auditar y elaborar informes sobre los estados financieros con arreglo a las NIA.

22. Las NIA incluyen disposiciones aplicables a las auditorías financieras de entidades públicas, a menudo en un epígrafe separado, debido a la participación de la INTOSAI en su formulación. Las Notas de Práctica facilitan orientaciones adicionales que deberán tenerse en cuenta cuando guarden relación con el mandato de las Entidades Fiscalizadoras Superiores.

23. Aunque las Directrices de auditoría financiera pueden facilitar orientación sobre las obligaciones de auditoría y elaboración de informes de naturaleza adicional a la facilitada en las NIA, su finalidad no es servir de guía sobre el pleno alcance de una auditoría de regularidad realizada de acuerdo con los Principios fundamentales de la INTOSAI, o todas las obligaciones suplementarias de auditoría o elaboración de informes que se derivan de los mandatos de las Entidades fiscalizadoras superiores. En presencia de otras obligaciones distintas a las propias de la auditoría de estados financieros, los auditores del sector público pueden tener que aplicar otras directrices de la INTOSAI. La ISSAI 4200⁸ facilita orientación sobre las obligaciones derivadas de las auditorías de cumplimiento asociadas a una auditoría de estados financieros.

Estructura y contenido de las Directrices de auditoría financiera de la INTOSAI

24. Las Directrices de auditoría financiera de la INTOSAI constan inicialmente de 38 ISSAI, 36 de las cuales incorporan una NIA y una Nota de Práctica para apoyar la adopción y el uso de la NIA en el sector público. La NIA y la Nota de práctica componen ambas una directriz sobre el tema correspondiente. Las restantes ISSAI, que no se basan en las NIA ni las incorporan, son la ISSAI 1000 “Introducción general a las Directrices de auditoría financiera de la INTOSAI” y la ISSAI 1003, el Glosario⁹, que incluye el Glosario del IAASB y aporta términos y explicaciones de carácter complementario en relación con el sector público.

25. Las Directrices de auditoría financiera de la INTOSAI se clasifican como ISSAI (ISSAI 1000 a ISSAI 2999) dentro del sistema de la INTOSAI. Las tres últimas cifras del número de cada ISSAI corresponden al número de la NIA (por ejemplo, la ISSAI 1800 comprende la NIA 800 y su Nota de Práctica). El Apéndice 2 ofrece una visión general de las ISSAI de auditoría financiera.

26. Las NIA se caracterizan por presentar la información estructurada en distintas secciones:

a) Introducción

La parte introductoria puede contener información sobre la finalidad, el alcance y la materia de la NIA, además de las obligaciones de los auditores y otros intervinientes en el contexto de la NIA.

⁸ ISSAI 4200, “Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros”.

⁹ ISSAI 1003, “Glosario de términos de las Directrices de auditoría financiera de la INTOSAI”.

b) Objetivo

Cada NIA contiene una declaración inequívoca del objetivo del auditor en el ámbito de auditoría tratado en dicha NIA.

c) Definiciones

Para entender mejor las NIA, en cada una de ellas se definen los términos aplicables.

d) Exigencias

El (los) objetivo (s) se apoya (n) en exigencias claramente expresadas con la frase “el auditor deberá”. Al tomar como orientación las Directrices de auditoría financiera de la INTOSAI, el término “deberá” se interpretará como “podrá”. Cuando se haga referencia a las NIA en el informe de auditoría, habrá que atenerse a lo dispuesto en ellas.

e) Disposiciones de aplicación y otras disposiciones explicativas

Esta parte explica con más detalle el significado o la finalidad de las exigencias, o bien incluye ejemplos de procedimientos que pueden ser apropiados en circunstancias determinadas o subsecciones relativas a “consideraciones específicas a las entidades del sector público”. Estos párrafos se han insertado previo acuerdo con el IAASB para reforzar la aplicación en las auditorías financieras de entidades públicas. Algunas NIA contienen asimismo “consideraciones específicas para las auditorías de entidades de menor tamaño”, que no suelen aplicarse normalmente en la auditoría de entidades públicas o que reciben ayudas públicas aun cuando la entidad en cuestión cuente con poco personal, lleve a cabo operaciones sencillas o disponga de un presupuesto relativamente reducido. En estas situaciones, la entidad pública puede tener sin embargo que llevar a cabo operaciones complicadas, como la recepción de transferencias de otras administraciones y adecuarse a leyes, reglamentos, políticas y sistemas fijados por un nivel superior de la administración y responder por el empleo del dinero del contribuyente. Por consiguiente, los auditores del sector público examinarán cuidadosamente la pertinencia de todas esas consideraciones. Las Notas de Práctica pueden incluir orientaciones adicionales en este ámbito cuando se estime importante dar más instrucciones para las auditorías de entidades públicas de menor tamaño.

27. Las Notas de Práctica para las NIA están divididas en distintas secciones:

a) Fundamentos

Esta sección contiene información sobre la NIA, incluida una introducción a la misma, y el contenido de la Nota de Práctica.

b) Aplicabilidad de la NIA en la auditoría del sector público

Cada Nota de Práctica contiene una declaración inequívoca acerca de la aplicabilidad de la NIA a las auditorías de entidades públicas, en la que pueden influir cuestiones ligadas a las obligaciones legales y al mandato ampliado del auditor del sector público (legalidad/regularidad, aspectos de cumplimiento y rendimiento). En algunas Notas de Práctica, cuando se considera esencial para su alcance, se hace referencia a estas cuestiones.

c) Orientaciones adicionales sobre cuestiones ligadas al sector público

Con el fin de ayudar a los auditores del sector público a aplicar las NIA en las auditorías de entidades públicas, esta sección sirve de guía adicional y específica para este sector con carácter general y puede estructurarse en torno a los epígrafes de la NIA. Cuando proceda, los párrafos de esta sección harán referencia a los párrafos correspondientes de la NIA. La orientación puede consistir también en ejemplos más pertinentes para las auditorías de entidades públicas que los establecidos en la NIA. Cuando proceda también, se definirán términos

aplicables en esta sección, que se dividirá en subsecciones para cada ámbito. Como ejemplo de las cuestiones examinadas en esta sección pueden citarse los siguientes:

- i. Cuestiones referentes a legislación específica aplicable al sector público
- ii. Cuestiones referentes a aspectos de interés general del sector público, como la administración de recursos ajenos, la rendición de cuentas y la transparencia
- iii. Cuestiones referentes a los distintos modelos de Entidades Fiscalizadoras Superiores (modelos de Auditor General y del Tribunal de Cuentas) y la subcontratación de tareas por dichas Entidades a empresas de auditoría externas
- iv. Cuestiones referentes a principios y prácticas contables que resultan específicos de las entidades públicas
- v. Cuestiones referentes a determinadas organismos (ministerios, agencias, organismos semioficiales), y sectores públicos (hacienda, defensa, justicia, sanidad, medio ambiente, etc.).
- vi. Otras cuestiones directamente relacionadas con la aplicación de la NIA en las auditorías financieras de entidades públicas

Aplicación de las Directrices de auditoría financiera de la INTOSAI

Aplicación de las Directrices de auditoría financiera de la INTOSAI en calidad de normas

28. La referencia al uso de las normas puede ser de cuatro distintos tipos en función de las normas aplicadas y el mandato de la EFS:
 - a) Con arreglo a las ISSAI (1000-2999), lo que significa la plena conformidad con todas las NIA aplicables y con las orientaciones adicionales facilitadas en las Notas de Práctica para las NIA emitidas por la INTOSAI.
 - b) Con arreglo a las NIA, lo que significa la plena conformidad con todas las NIA aplicables.
 - c) Con arreglo a los Principios fundamentales de auditoría de la INTOSAI¹⁰, lo que no significa la plena conformidad con las NIA incluidas actualmente en las Directrices de auditoría financiera de la INTOSAI (ISSAI 1000-2999).
 - d) Con arreglo a las normas de auditoría nacionales que resulten pertinentes.
29. Se insta a los auditores del sector público que indiquen en su informe sobre un conjunto de estados financieros que la auditoría ha sido realizada con arreglo a las NIA a que apliquen las orientaciones adicionales para el sector público contenidas en las ISSAI 1000-2999. Cuando los auditores del sector público tengan obligaciones suplementarias de auditoría y elaboración de informes, será necesario también remitirse a las normas aplicables.

Aplicación de las Directrices de auditoría financiera de la INTOSAI para apoyar los Principios fundamentales de la INTOSAI

30. Las Directrices de auditoría financiera de la INTOSAI han sido formuladas para apoyar la aplicación de los Principios fundamentales¹¹ de la INTOSAI y de las NIA (como normas u orientación junto con las Notas de Práctica). Los Principios fundamentales de la INTOSAI han sido redactados para establecer normas generales para todas las actividades de auditoría llevadas a cabo por las Entidades fiscalizadoras superiores. La aplicación de las Directrices de auditoría financiera de la INTOSAI a modo de orientación no menoscabará la utilización de los Principios fundamentales de la INTOSAI como normas de auditoría dotadas de autoridad. En tal caso, se hará mención a que los Principios fundamentales de la INTOSAI constituyen las normas dotadas de autoridad.

Aplicación de las Directrices de auditoría financiera de la INTOSAI para apoyar otras normas

31. The INTOSAI Financial Audit Guidelines may also, if relevant, be used by Supreme Audit Institutions to support the use of other national standards for financial audits. This is appropriate only when the national audit standards are consistent with the INTOSAI Financial Audit Guidelines.

Autoridad

Autoridad – Principios fundamentales y Directrices de auditoría financiera de la INTOSAI

32. Los Principios fundamentales de la INTOSAI¹² contienen los principios fundamentales que deben regir el trabajo de auditoría llevado a cabo por una Entidad Fiscalizadora Superior. Aunque corresponde a cada Entidad juzgar hasta qué punto las normas son compatibles con su mandato, examinadas a la luz de las peculiaridades constitucionales, legales o de cualquier otro tipo, uno de los principios expuestos en el Código de Ética de la INTOSAI¹³ es la obligación para el auditor del sector público de aplicar normas de auditoría generalmente aceptadas.
33. Los Principios fundamentales de la INTOSAI seguirán siendo el marco normativo de fiscalización para los miembros de la INTOSAI, y su autoridad no se verá menoscabada en modo alguno por la publicación de las Directrices de auditoría financiera de la INTOSAI que incorporan las NIA y las Notas de Práctica. La INTOSAI reconoce que este marco normativo junto con la orientación facilitada por sus Directrices de auditoría financiera suministrará a sus miembros conceptos y orientaciones pertinentes para la realización de auditorías financieras.

10 ISSAI 100 "Postulados básicos de la fiscalización pública de la INTOSAI", ISSAI 200 "Normas generales de fiscalización pública de la INTOSAI", ISSAI 300 "Normas de procedimiento en la fiscalización pública de la INTOSAI", ISSAI 400 "Normas para la elaboración de informes en la fiscalización pública de la INTOSAI".

11 Ibidem.

12 ISSAI 100 "Postulados básicos de la fiscalización pública de la INTOSAI", ISSAI 200 "Normas generales de fiscalización pública de la INTOSAI", ISSAI 300 "Normas de procedimiento en la fiscalización pública de la INTOSAI", ISSAI 400 "Normas para la elaboración de informes en la fiscalización pública de la INTOSAI".

13 ISSAI 30- "Código de Ética de la INTOSAI".

34. El prefacio a los Principios fundamentales de la INTOSAI declara que, si bien se ha empleado la expresión “normas” en todo el documento, queda entendido que esa palabra se ha de interpretar como sinónimo de “directrices”, quedando así la autoridad para la aplicación de las normas dentro de la esfera de competencia de cada Entidad Fiscalizadora Superior. El preámbulo a los Principios fundamentales de la INTOSAI declara que, si bien las normas de auditoría de la INTOSAI no son de obligado cumplimiento para las Entidades Fiscalizadoras Superiores, expresan la opinión consensuada de éstas en cuanto a la mejor práctica. Cada una de estas Entidades debe juzgar en qué medida la aplicación de las normas es compatible con su mandato.
35. Las Directrices de auditoría financiera de la INTOSAI han de considerarse en relación con los Principios fundamentales de la INTOSAI, por lo que las Notas de Práctica no establecen exigencias de aplicación ni utilizan los términos “deberá” o “debería”. Las NIA incluyen esos términos y distinguen entre exigencias, por un lado, y disposiciones de aplicación y otras disposiciones explicativas, por otro. No obstante, tampoco tendrían que considerarse preceptivas para la Entidad Fiscalizadora Superior.
36. Los auditores de entidades públicas pueden utilizar las Directrices de auditoría financiera de la INTOSAI como una guía completa para llevar a cabo auditorías financieras. Cuando las directrices se utilicen como normas, los auditores de entidades públicas respetarán la autoridad de las NIA. Los párrafos 37-43 tratan de la autoridad de las NIA.

Autoridad – Normas internacionales de auditoría

37. El objetivo del IAASB es servir al interés público para lo cual establece de manera independiente, y bajo su propia autoridad, normas de elevada calidad sobre auditoría, revisión, otros encargos de fiabilidad, control de calidad y servicios relacionados, y facilita la convergencia de normas nacionales e internacionales, lo cual contribuye a una mejor calidad y uniformidad de la profesión en estas áreas por todo el mundo, y a una mayor confianza pública en la profesión de auditor en general.
38. El IAASB formula las NIA, las Normas internacionales sobre encargos de revisión (ISRE), las Normas internacionales sobre encargos de fiabilidad o para atestiguar (ISAE) y las Normas internacionales de servicios relacionados (ISRS), que se conocen colectivamente con el nombre de Normas sobre encargos del IAASB, el cual elabora también las Normas internacionales sobre control de calidad (ISQC). Las normas sobre encargos y las ISQC se conocen colectivamente con el nombre de Normas internacionales. Las Directrices de auditoría financiera de la INTOSAI incorporan las NIA, y no invalidan las leyes o los reglamentos locales que rigen la auditoría de estados financieros históricos o los encargos de fiabilidad de otra información en un país determinado conforme a su normativa. En el supuesto de que las leyes o los reglamentos locales difieran de las normas del IAASB, o entren en conflicto con ellas, sobre un asunto determinado, el encargo cumplido de acuerdo con dichas leyes o reglamentos no se ajustará automáticamente a lo establecido en las normas del IAASB. Un contable profesional no debería considerar que se cumplan las normas del IAASB si no ha observado la totalidad de las normas aplicables al encargo.
39. Según el prefacio a las Normas internacionales sobre control de calidad, auditoría, revisión, fiabilidad y servicios relacionados, las NIA están redactadas en el contexto de una auditoría de esta-

dos financieros realizada por un auditor independiente (salvo indicación en contrario de las NIA, se entienden estados financieros que contienen información financiera histórica). El objetivo de una auditoría de estados financieros es permitir al auditor expresar una opinión sobre si los estados financieros están elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable. Las NIA en su conjunto facilitan las normas necesarias para que el trabajo del auditor se adecue a este objetivo.

40. Al ser cada vez más aceptado internacionalmente su carácter de normas internacionales para las auditorías de estados financieros, las NIA formuladas por el IAASB constituyen una fuente de orientación sólida para la aplicación de los Principios fundamentales de la INTOSAI.
41. Desde 2003 la INTOSAI tiene celebrado un acuerdo con IAASB, en virtud del cual nombra expertos entre sus miembros para participar en las *task forces* del IAASB que se encargan de formular nuevas NIA o de revisar las existentes. Los expertos de estas *task forces* promueven la inclusión de consideraciones relativas al sector público en las NIA y, por consiguiente la aplicación de estas normas en las auditorías financieras de entidades públicas. La naturaleza de las normas internacionales exige del contable profesional que ejerza su juicio profesional a la hora de aplicarlas.
42. En cada NIA se determinarán claramente su alcance, su fecha de entrada en vigor y cualquier limitación específica que afecte a su aplicabilidad. Salvo indicación en contrario de la NIA, el contable profesional está autorizado a aplicarla antes de su fecha de entrada en vigor determinada claramente en ella.
43. Si los auditores del sector público declaran expresamente en su informe sobre los estados financieros que la auditoría ha sido realizada con arreglo a las NIA, tienen la obligación de respetar la autoridad atribuida a estas normas según se establece en la NIA 200 (Apéndice 3).

Cuestiones generales de las auditorías de entidades públicas

44. Esta sección trata de algunas cuestiones generales de interés para el sector público, pero no cubre todas las cuestiones relativas a este sector que pueden tenerse en cuenta en las auditorías financieras de un entorno específico. Sin embargo, las cuestiones tratadas se han estimado de importancia general para los auditores del sector público al aplicar las ISSAI sobre auditoría financiera.
45. Los conceptos expuestos en los párrafos 46-88 se refieren a cuestiones pertinentes para los auditores del sector público que se explican con más detalle en cada NP. Sin embargo, al aplicar las directrices hay que tener en cuenta el conjunto de todas ellas.

Diferentes sistemas de fiscalización en el sector público

46. Existen diferentes modelos de auditores externos en el mundo. Los tres más comunes son los siguientes:
 - a) Modelo de Auditor General
 - b) Modelo de Tribunal de Cuentas
 - c) Modelo de Órgano Colegiado.

47. Ahora bien, cada país puede tener un modelo único y existen muchas variaciones nacionales en cuanto al funcionamiento de una Entidad Fiscalizadora Superior que influyen a su vez en el modo en que se adoptan y aplican las ISSAI, las cuales se han elaborado para servir de guía a los auditores del sector público con independencia de su modelo. El modelo de Auditor General suele conceder prioridad a la auditoría financiera y funcionar en condiciones que hacen más pertinente la adopción de las ISSAI. El modelo de Órgano Colegiado es similar al anterior, salvo en lo referente a la estructura interna de la institución de auditoría. La diferencia principal que distingue al modelo de Tribunal de Cuentas reside en que, por lo general, los funcionarios públicos son responsables personalmente de pagos efectuados ilegalmente o sin autorización. Sin embargo, puede haber sanciones similares en el modelo de Auditor General en algunos casos. Las Entidades Fiscalizadoras Superiores pueden imponer sanciones o correcciones a los funcionarios controlados en esos entornos. La prioridad del trabajo de auditoría suele centrarse en verificar la legalidad de las operaciones en vez de expresar una opinión sobre la exactitud y fiabilidad de los estados financieros. El modelo de Órgano Colegiado puede igualmente comportar funciones jurisdiccionales. Los Principios fundamentales de la INTOSAI¹⁴ declaran que, dado el enfoque y la estructura que poseen algunas Entidades Fiscalizadoras Superiores, no todas las normas de auditoría de la INTOSAI son aplicables a todos los aspectos de su actividad. Por ejemplo, el carácter judicial del examen de los asuntos llevado a cabo por los Tribunales de Cuentas confiere a ciertos aspectos de su actividad un carácter fundamentalmente distinto de la auditoría financiera y operativa que efectúan las Entidades Fiscalizadoras Superiores organizadas en un sistema jerárquico regido por un auditor o un contador general. Las normas de la INTOSAI no regulan con detalle estas funciones jurisdiccionales.

48. En las ISSAI 1000-2999 se ha incluido, cuando se ha considerado necesario, orientación específica para las Entidades Fiscalizadoras Superiores con funciones jurisdiccionales como las que siguen el modelo de Tribunal de Cuentas. La prioridad especial dada a las cuestiones de conformidad en ese modelo puede requerir la adopción de las Directrices para las auditorías de cumplimiento¹⁵ de la INTOSAI además de las Directrices de auditoría financiera de la INTOSAI.

Terminología empleada en las directrices

49. En el marco de la cooperación entre la INTOSAI y el IAASB se ha empleado en las NÍA terminología “neutral con respecto al sector” en la medida de lo posible a efectos de facilitar su comprensión y aplicación tanto en el sector público como en el privado, para lo cual se ha incluido texto con la redacción apropiada en las mismas normas o en el glosario relacionado. También

¹⁴ ISSAI 100 “Postulados básicos de la fiscalización pública de la INTOSAI”, párrafo 13.

¹⁵ ISSAI 4000, ISSAI 4001 e ISSAI 4002.

pueden encontrarse las definiciones añadidas en las Notas de Práctica en el glosario de las Directrices de auditoría financiera de la INTOSAI¹⁶.

50. Un ejemplo de un concepto fundamental en las NIA son las cuestiones de interés público significativo que plantean las auditorías de las “entidades cotizadas en bolsa”. Las NIA establecen una serie de exigencias referentes concretamente a estas entidades que pueden no ser comunes en el sector público. Ahora bien, las entidades públicas de gran envergadura, complejidad o interés público pueden caracterizarse por un gran número de partes interesadas y ser comparables a las entidades cotizadas en bolsa. Las Notas de Práctica tratan de estos conceptos que puede ser necesario interpretar de modo distinto en el sector público.
51. Los términos típicos del sector privado como “empresa” y “sociedad” en cierta medida han sido sustituidos en las NIA por términos neutrales para reflejar una interpretación más general. En algunas ISSAI, tales como la ISSAI 1315¹⁷, se hace referencia a términos empleados en la NIA (empresa, personal comercial y de ventas) cuando se describe la estructura y componentes del control interno así como el proceso de análisis de riesgos. Los términos correspondientes en el sector público son mandato, objetivos, jefes y otro personal del programa.

Juicio profesional y escepticismo profesional

52. Los términos “juicio profesional” y “escepticismo profesional”¹⁸ se emplean con frecuencia en las NIA para imponer exigencias a las decisiones de actuación del auditor y para describir una actitud que entraña una mente inquisitiva. Estos conceptos no se han incorporado a los Principios fundamentales de la INTOSAI¹⁹ los cuales hacen referencia al concepto de debida diligencia: “Los auditores deben estar atentos a las deficiencias en el control, a las insuficiencias en la contabilidad, a las operaciones erróneas e irregulares, y a los resultados o situaciones que pueden ser indicativos de fraude, gastos inadecuados o ilícitos, operaciones no autorizadas, despilfarro, ineficiencia o falta de probidad.” El concepto de escepticismo profesional intensifica y amplía el concepto de diligencia debida y resulta fundamental en la planificación y ejecución de la auditoría. Estos conceptos son básicos en la mayoría de las normas profesionales y se han incorporado a las Directrices de auditoría financiera de la INTOSAI.

Aceptación y continuidad del encargo

53. Las NIA requieren que en ciertas situaciones el auditor se abstenga de expresar una opinión o abandone el encargo (o dimita)²⁰ siempre que el abandono sea posible en virtud de las leyes o los reglamentos aplicables. Puede ser necesario el abandono, por ejemplo, cuando:
 - el auditor y la dirección no llegan a un acuerdo sobre las condiciones del encargo;
 - no pueden cumplirse las exigencias deontológicas;
 - surgen dificultades considerables como la imposibilidad de acceder a la documentación o de aplicar los procedimientos establecidos;

¹⁶ ISSAI 1003 “Glosario de términos de las Directrices de auditoría financiera de la INTOSAI”.

¹⁷ ISSAI 1315 – “Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno”.

¹⁸ Véase la ISSAI 1003, “Glosario de términos de las Directrices de auditoría financiera de la INTOSAI”, para obtener definiciones completas.

¹⁹ ISSAI 200 – “Normas generales de fiscalización pública de la INTOSAI”, párrafo. 2.41.

²⁰ En las NIA sólo se utiliza el término “abandono”.

- el auditor se arriesga a quedar asociado a una información que podría inducir a error;
 - las limitaciones del alcance impiden obtener evidencia de auditoría suficiente y apropiada para fundamentar la opinión de auditoría.
54. Las funciones de las Entidades Fiscalizadoras Superiores, o las leyes y los reglamentos aplicables, no permiten generalmente la posibilidad de abandono y las Notas de Práctica facilitan orientación sobre otras conductas que pueden adoptarse en este tipo de situaciones.

Objetivo de una auditoría de estados financieros

55. Las NIA han sido redactadas en el contexto de la realización de una auditoría de estados financieros con arreglo a las NIA aunque dicho tipo de auditorías sea sólo una parte de la fiscalización del sector público. La NIA 200²¹ describe el marco de aplicación de cada NIA. Las NIA no distinguen entre encargos separados para informar sobre auditorías de rendimiento, o auditorías de cumplimiento o sobre cuestiones como las insuficiencias de los sistemas de control. La NIA 200 explica que el objetivo general del auditor al llevar a cabo una auditoría de estados financieros consiste en:
- a) Obtener garantías razonables de que los estados financieros están en conjunto libres de incorrecciones significativas, ya sea por causa de fraude o error, que le permitan expresar una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable.
 - b) Informar sobre los estados financieros, y proceder a su comunicación según se establece en las NIA, de conformidad con las constataciones de auditoría.
56. La finalidad de una auditoría es aumentar el grado de confianza de los usuarios de los estados financieros, mediante la expresión de una opinión por el auditor sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable. En la mayoría de los marcos de finalidad general, la opinión es sobre si los estados financieros tienen, en todos sus aspectos significativos, una presentación razonable u ofrecen una imagen fiel de la situación de acuerdo con el marco establecido. Existe la posibilidad de que las leyes y los reglamentos de las instituciones de control del sector público prescriban otras maneras de redactar la opinión. Una auditoría llevada a cabo con arreglo a las NIA y las exigencias deontológicas aplicables permite al auditor expresar una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con un marco de información financiera determinado.
57. La Declaración de Lima²² afirma lo siguiente: “El control no representa una finalidad en sí mismo, sino una parte imprescindible de un mecanismo regulador que debe señalar, oportunamente, las desviaciones normativas y las infracciones de los principios de legalidad, rentabilidad, utilidad y racionalidad de las operaciones financieras, de tal modo que puedan adoptarse las medidas correctivas convenientes en cada caso, determinarse la responsabilidad del órgano culpable, exigirse la indemnización correspondiente o adoptarse las determinaciones que impidan o, como mínimo, dificulten, la repetición de tales infracciones en el futuro”. Se trata de una función más

21 NIA 200 – “Objetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría”.

22 ISSAI 1 – “La Declaración de Lima”.

vasta que la de expresar una opinión sobre los estados financieros. Estos objetivos de auditoría más generales pueden tratarse en otras partes del sistema de normas profesionales de la INTOSAI. Las Directrices de auditoría financiera de la INTOSAI son aplicables a las auditorías financieras de entidades públicas. Las funciones generalmente más amplias pueden hacer necesaria la aplicación de otras ISSAI en lo relativo a obligaciones suplementarias.

58. Los Principios fundamentales de la INTOSAI establecen²³ (ISSAI 100) que en algunos aspectos del mandato de una Entidad Fiscalizadora Superior, particularmente en relación con la auditoría de estados financieros, los objetivos de fiscalización pueden ser similares a los objetivos de auditoría en el sector privado. La ISSAI 300²⁴ afirma que el auditor debe diseñar acciones y procedimientos de fiscalización que ofrezcan una garantía razonable de que se detecten los errores, las irregularidades y los actos ilícitos que pudieran repercutir directa y sustancialmente sobre los valores que figuran en los estados financieros, o sobre los resultados de la auditoría de regularidad. Las exigencias de regularidad en el sector público rara vez tienen menos importancia para la rendición de cuentas que la expresión de una opinión sobre los estados financieros con amplias concesiones respecto de la materialidad. El objetivo de las NIA es permitir al auditor expresar una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con un marco de información financiera determinado. El objetivo de fiscalización de una Entidad Fiscalizadora Superior es por lo tanto más amplio que los objetivos de una auditoría realizada con arreglo a las NIA. Además, el usuario de un informe de auditoría sobre estados financieros en el sector público busca un mayor grado de rendición de cuentas que el implicado por la NIA 200 ('decisiones económicas de los usuarios'). Las Directrices de auditoría financiera de la INTOSAI contribuyen junto con otras normas y directrices de la INTOSAI al objetivo más amplio de la auditoría del sector público.

Acuerdo sobre los términos del contrato de auditoría

59. Las NIA suelen referirse a tareas que se realizan mediante acuerdo con los clientes, mientras que las Entidades Fiscalizadoras Superiores normalmente tienen la misión de presentar informes sobre responsabilidades a órganos legislativos o reguladores. Estas misiones suelen obedecer a un mandato legal y la Entidad Fiscalizadora Superior tiene la obligación de llevarlas a cabo. En algunos entornos del sector público puede haber, además de las obligaciones del mandato, disposiciones contractuales para tareas de auditoría.
60. La NIA 210²⁵ se refiere a los acuerdos sobre los términos de un contrato y establece para los auditores exigencias relacionadas con la aceptación de un encargo. Estas exigencias ilustran que las NIA se fundan en las relaciones con el cliente y no en las competencias legales de las Entidades Fiscalizadoras Superiores. Sin embargo, la necesidad de mantener una relación de cooperación con la entidad controlada es común en ambos casos.

²³ ISSAI 100 – "Postulados básicos de la fiscalización pública de la INTOSAI".

²⁴ ISSAI 300 – "Normas de procedimiento en la fiscalización pública de la INTOSAI".

²⁵ NIA 210 – "Acuerdo sobre los términos del contrato de auditoría".

61. Además de las exigencias y la orientación contenidas en las NIA, pueden pesar más consideraciones para los auditores del sector público al aceptar encargos de auditoría. Por ejemplo, las aptitudes y competencia requeridas para una auditoría pueden ser mayores e incluir el conocimiento de las disposiciones aplicables en materia de elaboración de informes, por ejemplo, con destino al poder legislativo, a un órgano regulador o a la ciudadanía. Los auditores del sector público pueden verse a veces en la necesidad de adaptar su enfoque para adecuarse a las exigencias de las NIA, aplicando por ejemplo procedimientos relativos a la aceptación y la continuidad con el cliente a fin de obtener información valiosa para analizar el riesgo y elaborar los informes correspondientes.
62. Las Entidades Fiscalizadoras Superiores normalmente han de llevar a cabo la auditoría según lo establecido en su mandato y no suelen tener la opción de rechazar un encargo. La NIA 210 exige al auditor que no acepte un contrato si no se cumplen determinadas condiciones salvo que se vea obligado a ello por imperativo legal o reglamentario. En esos casos, cuando no se aplique esa exigencia, la Nota de Práctica facilitará orientaciones adicionales a los auditores del sector público sobre la línea de conducta más adecuada.
63. La NIA 210 exige al auditor obtener de la dirección y, en los casos que proceda, de los encargados de la gobernanza la declaración de que conocen y aceptan sus obligaciones. Si las leyes o los reglamentos regulan con suficiente detalle las condiciones del contrato, no será necesario posiblemente consignarlas en una carta de compromiso u otra forma aceptable de acuerdo por escrito. Puede haber excepciones a la exigencia de obtener de la dirección y, en los casos que proceda, de los encargados de la gobernanza la declaración de que conocen y aceptan sus obligaciones. Este tipo de encargos suele ser frecuente en el sector público y no suele utilizarse un acuerdo por escrito sobre sus condiciones. Las Directrices de auditoría financiera de la INTOSAI fomentan la introducción de estos acuerdos en la auditoría del sector público por los motivos expuestos en la Nota de Práctica.

Procesos de garantía de calidad

64. Los Principios fundamentales de la INTOSAI no contienen normas diferenciadas sobre el control de calidad del trabajo de auditoría, pero es posible encontrar orientación en las normas generales, que no definen las obligaciones del auditor en cuanto al control de calidad, sino que se centran en la responsabilidad conferida a la Entidad Fiscalizadora Superior de establecer disposiciones en materia de garantía de calidad²⁶. La NIA 220²⁷ requiere del auditor que aplique procedimientos de control de calidad en las auditorías y sus disposiciones son aplicables al trabajo de las Entidades Fiscalizadoras Superiores. Esta NIA se basa en la premisa de que la empresa (o el equivalente en el sector público) está sujeta a los procedimientos de control de calidad de la ISQC 1²⁸ o a exigencias nacionales como mínimo tan estrictas como ella.

26 ISSAI 200 “Normas generales de fiscalización pública de la INTOSAI”, párrafo 1.27.

27 NIA 220, “Control de calidad en una auditoría de estados financieros”.

28 ISQC 1, “Control de Calidad para las empresas que realizan auditorías y revisiones de estados financieros, y otros de Garantía y Servicios Relacionados”.

65. En las empresas de auditoría del sector privado, los socios son individualmente responsables de los encargos de auditoría y tienen autoridad para vincular a la empresa. En el caso de las Entidades Fiscalizadoras Superiores, el Auditor General, el Órgano Colegiado o el Tribunal de Cuentas tienen una responsabilidad de carácter global, aunque pueden delegarse las tareas operativas diarias. Por ejemplo, todos los auditores responsables de un encargo determinado en una Entidad Fiscalizadora Superior que siga el modelo de Auditor General dependerán jerárquicamente de éste en última instancia. En el sector público, es importante seleccionar revisores de control de calidad que sean independientes de la entidad controlada y puedan aportar una evaluación objetiva aunque formen parte de la misma dirección estratégica del auditor responsable de un encargo.
66. Además la ISQC 1²⁹ requiere que exista una rotación de socios para las entidades cotizadas en bolsa tras un período determinado. Esta exigencia puede aplicarse, dentro del sector público, a entidades que presenten un considerable interés público. Ahora bien, la legislación que regula el nombramiento y duración del cargo del Auditor General puede hacer la rotación impracticable. Las Entidades Fiscalizadoras Superiores tienen la posibilidad de instaurar políticas y procedimientos para promover que se cumpla el espíritu de esta exigencia (por ejemplo, mediante la rotación de personal clave con responsabilidad operativa para el encargo, la exigencia de revisiones de control de calidad del encargo o la práctica de una revisión paritaria).

Documentos de trabajo y documentación de auditoría

67. Los Principios fundamentales de la INTOSAI³⁰ establecen que el auditor debe asegurarse de que los documentos de trabajo contengan las pruebas que sirvan de fundamento suficiente y adecuado a las conclusiones, recomendaciones y opiniones expresadas. Más aún, el párrafo 5.5 requiere de los auditores que justifiquen documentalmente, de manera adecuada, todos los hechos relativos a la fiscalización, incluso los antecedentes y la extensión de la planeación, del trabajo realizado y de los hechos puestos de manifiesto. La NIA 230³¹ exige al auditor que recoja la documentación de auditoría en un expediente y complete el proceso administrativo de compilación del expediente final de auditoría en tiempo oportuno tras la fecha del informe de auditoría, y que no destruya o se deshaga de documentación de auditoría de ningún tipo antes de que finalice el período de conservación de la información. La ISQC 1³² (o exigencias nacionales como mínimo tan estrictas) requiere de las organizaciones de auditoría que establezcan políticas y procedimientos para compilar los expedientes. En el sector público estas exigencias de documentación y conservación de la información pueden estar sujetas a obligaciones legales de confidencialidad, por un lado, y de derechos de acceso atribuidos a terceros, por otro. La ISQC 1 establece exigencias a las empresas de auditoría (y equivalentes del sector público) en materia de control de calidad. La Nota de Práctica para la NIA 230 establece orientaciones adicionales en relación con la documentación.

26 ISSAI 200 “Normas generales de fiscalización pública de la INTOSAI”, párrafo 1.27.

27 NIA 220, “Control de calidad en una auditoría de estados financieros”.

28 ISQC 1, “Control de Calidad para las empresas que realizan auditorías y revisiones de estados financieros, y otros de Garantía y Servicios Relacionados”.

29 ISQC 1 – “Norma internacional de control de calidad 1- Control de Calidad para las empresas que realizan auditorías y revisiones de estados financieros, y otros de Garantía y Servicios Relacionados”. Esta norma establece exigencias para empresas de auditorías en materia de control de calidad y no está incluida en las Directrices de auditoría financiera de la INTOSAI.

30 ISSAI 300 – “Normas de procedimiento en la fiscalización pública de la INTOSAI”, párrafo 2.3 (d).

31 NIA 230 – “Documentación de auditoría”.

Comunicación

68. La NIA 260³³ define los encargados de la gobernanza como “la (s) persona (s) u organización (ones) con la responsabilidad en la supervisión de la dirección estratégica de la entidad y con obligaciones relacionadas con la rendición de cuentas de la entidad.” En el sector público, identificar a los encargados de la gobernanza puede constituir una tarea ardua. La entidad controlada puede formar parte de una estructura más vasta con órganos de gobernanza situados en diversos niveles de organización. En algunos casos, puede haber también distintas exigencias de elaboración de informes en relación con aspectos de auditorías financieras y de cumplimiento que abarquen órganos de gobernanza distintos. Las Notas de Práctica para las NIA referentes a la comunicación facilitan orientación adecuada para satisfacer las necesidades y expectativas del poder legislativo o de los órganos reguladores competentes.
69. La NIA 260 establece exigencias de comunicación anual de conformidad con exigencias deontológicas referentes a la independencia del auditor. Además de las consideraciones descritas en las ISSAI, cuestiones expuestas en el Código de Ética de la INTOSAI, como la neutralidad política, pueden ser también importantes para los auditores del sector público.
70. Los auditores del sector público pueden también tener fijadas obligaciones de comunicación más amplias que las previstas en la NIA 260. Según se declara en las Notas de Práctica correspondientes, es posible que los auditores del sector público tengan que comunicar con el poder legislativo, los órganos reguladores competentes, o los organismos de financiación correspondientes.

Detección de fraudes y errores

71. Los Principios fundamentales de la INTOSAI³⁴ afirman que la Entidad Fiscalizadora Superior debe asegurarse de que las técnicas empleadas son suficientes para detectar de una forma razonable todos los errores e irregularidades cuantitativamente significativos. La NIA 240³⁵ exige al auditor, como principio básico, que al planificar la auditoría analice el riesgo de que los estados financieros por causa de fraude o error puedan verse afectados por incorrecciones significativas, y también que indague con la dirección si se han descubierto fraudes. Los auditores del sector público pueden tener una obligación establecida formalmente en su mandato de detectar fraudes y, debido a la utilización de fondos públicos, tener que actuar con más intensidad en asuntos de fraude, por lo que es posible que deban reaccionar para satisfacer las expectativas de los ciudadanos al respecto.
72. Otro ámbito que puede presentar diferencias significativas con respecto a las auditorías del sector privado es el relacionado con las obligaciones de actuación del auditor del sector público en algunos entornos de dicho sector tras el descubrimiento de un delito. La Nota de Práctica para la NIA 240 hace referencia a las obligaciones más amplias de elaboración de informes en el sector público para hacer frente a posibles problemas de rendición de cuentas.

32 ISQC 1 – “Control de Calidad para las empresas que realizan auditorías y revisiones de estados financieros, y otros de Garantía y Servicios Relacionados”.

33 NIA 260 – “Comunicación con los encargados de la gobernanza”.

34 ISSAI 300 – “Normas de procedimiento en la fiscalización pública de la INTOSAI” párrafo 5.3.

35 NIA 240 – “Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros”.

73. Muchas Entidades Fiscalizadoras Superiores tienen la responsabilidad de contribuir a la prevención y detección del fraude de conformidad con los Principios fundamentales de la INTOSAI. La NIA 240 amplía criterios sobre el riesgo de auditoría y trata de su aplicación respecto del riesgo de incorrecciones materiales por causa de fraude. En el sector público, las obligaciones de los auditores pueden derivarse de leyes, reglamentos o directivas sobre la entidad controlada o regirse separadamente por el mandato de auditoría, y no limitarse por tanto al riesgo de incorrecciones materiales en los estados financieros por causa de fraude. Las obligaciones del auditor en relación con el fraude pueden ser más amplias que en el sector privado e incluir aspectos de cumplimiento, rendición de cuentas y buena gestión financiera del sector público.
74. En la Nota de Práctica se incluyen ámbitos en los que los auditores del sector público deben estar atentos a los riesgos de fraude como los de adjudicación de contratos públicos, subvenciones, privatizaciones, declaración falsa e intencionada de resultados e información, y abuso de poder o de autoridad.

Consideración por el auditor de leyes y reglamentos

75. La ISSAI 300³⁶ declara que la auditoría de regularidad constituye un aspecto esencial de la fiscalización pública. Un objetivo importante de este tipo de auditoría es el de velar, utilizando todos los medios disponibles, por la integridad y validez del presupuesto y de las cuentas públicas. Gracias a ello, el Parlamento u otros usuarios de los informes de auditoría están en condiciones de constatar con certeza la magnitud y la evolución de las obligaciones financieras del Estado. A tal fin, los auditores del sector público procederán al examen de las cuentas y de los estados financieros de la Administración con objeto de asegurar que todas las operaciones han sido debidamente contraídas, ordenadas, liquidadas y registradas. Los Principios fundamentales de la INTOSAI conceden una importancia particular al examen de la conformidad con las leyes y los reglamentos en las auditorías en el sector público, ya que los responsables de adoptar decisiones deben saber si se han respetado las leyes y los reglamentos, si sus resultados son conformes a los objetivos propuestos y, en su defecto, qué modificaciones se consideran necesarias.³⁷ Además de la auditoría de estados financieros, muchos encargos del sector público incluyen obligaciones suplementarias para el auditor de consideración de leyes y reglamentos que no tienen una incidencia significativa en los estados financieros. La ISSAI 4200³⁸ trata de las obligaciones del auditor en las auditorías de cumplimiento asociadas a una auditoría de estados financieros.
76. La NIA 250³⁹ afirma que el auditor no tiene la responsabilidad de impedir actos de incumplimiento de la normativa. Los auditores del sector público pueden tener, como ya se ha citado, obligaciones suplementarias respecto de la conformidad con leyes y reglamentos. Asimismo deben tenerse en cuentas las expectativas de los ciudadanos a la hora de planificar y ejecutar los procedimientos de auditoría.

36 ISSAI 300- "Normas de procedimiento en la fiscalización pública de la INTOSAI" párrafo 4.1.

37 ISSAI 300 – "Normas de procedimiento en la fiscalización pública de la INTOSAI" párrafo 4.2.

38 ISSAI 4200 – Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros.

Análisis de riesgos y procedimientos de auditoría

77. Las normas sobre el riesgo de auditoría⁴⁰ resultan fundamentales en un enfoque basado en el riesgo ligado a la actividad o de negocio que la NIA 315 define como un “riesgo derivado de condiciones, hechos, circunstancias, acciones u omisiones significativas que podrían afectar negativamente a la capacidad de la entidad para conseguir sus objetivos y ejecutar sus estrategias o derivado del establecimiento de objetivos y estrategias inadecuadas.” El riesgo de negocio es más amplio que el riesgo de incorrecciones materiales en los estados financieros.
78. El concepto general de riesgo de negocio se aplica en el contexto de la identificación y el análisis de riesgos en la auditoría del sector público donde este concepto se refiere al riesgo de falta de realización o de éxito de las actividades de las administraciones públicas, incluidos programas, estrategias de programas y objetivos. También pueden afectar al sector público riesgos ligados a circunstancias como el clima político, el interés público, el carácter sensible de los programas o la posible falta de conformidad con la legislación o las normas aplicables.
79. Además de las exigencias y la orientación contenidas en la NIA, pueden pesar más consideraciones en los auditores del sector público al analizar los riesgos y concebir procedimientos de auditoría. Para adquirir un conocimiento de la entidad, los auditores del sector público tendrán en cuenta el carácter más amplio de su mandato y cualesquiera otras leyes, reglamentos, directivas o requisitos que afecten a las operaciones de la entidad, así como los objetivos de la dirección, entre ellos la rendición de cuentas. La información correspondiente al análisis de riesgos puede obtenerse también a partir de una auditoría del rendimiento o bien de otras fuentes pertinentes como el testimonio de funcionarios públicos o informes o actas de reuniones del poder legislativo.
80. Los auditores del sector público, a diferencia de los auditores del sector privado, pueden tener obligaciones de elaboración de informes sobre la eficacia del control interno o la conformidad con leyes y reglamentos, por lo que sus revisiones de los sistemas de control interno pueden ser más amplias y detalladas que en el sector privado. Las obligaciones en materia de elaboración de informes pueden ser también mayores cuando los auditores del sector público deben comunicar todas las deficiencias identificadas y todas las desviaciones de cumplimiento que afecten al control interno (y no sólo las que revistan una importancia significativa) al poder legislativo u otras instancias públicas. En las Notas de Práctica correspondientes se facilita más orientación sobre el análisis de riesgos.

La materialidad en las auditorías de entidades públicas

81. El riesgo de incorrecciones materiales se define en la NIA 200⁴¹ como la posibilidad de que los estados financieros contengan errores significativos antes de la auditoría. En una auditoría de estados financieros, las incorrecciones son materiales cuando individualmente o junto con otras incorrecciones, pueden dar lugar a pensar razonablemente que influyen en las decisiones econó-

39 NIA 250 – “Consideración de la normativa en una auditoría de estados financieros”.

40 NIA 315 – “Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno”, NIA 330- “Respuesta del auditor ante los riesgos evaluados” y NIA 500- “Evidencia de auditoría”.

micas adoptadas por los usuarios sobre la base de los estados financieros. La materialidad presenta aspectos cuantitativos y cualitativos. En el sector público, la materialidad no se limita a las decisiones económicas de los usuarios. Los órganos legislativos y reguladores son con frecuencia los principales destinatarios de los estados financieros del sector público y pueden utilizarlos no sólo para tomar decisiones económicas sino también para pronunciarse sobre la continuación de determinados programas o financiamientos públicos. Los aspectos cualitativos de la materialidad son más importantes por lo general en el sector público que en el privado.

82. Las NIA que tratan de la materialidad establecen procedimientos para determinar los umbrales de la misma. En el sector público, los umbrales de materialidad pueden ser más bajos que los prescritos por las NIA debido al carácter sensible de algunos programas u operaciones, el interés público, la necesidad de una supervisión legislativa y una regulación eficaces y la naturaleza de la incorrección o la desviación (por ejemplo, si guarda relación con casos de fraude o corrupción).
83. El mandato más amplio que caracteriza al sector público puede hacer necesaria la auditoría de determinados aspectos relativos al cumplimiento y al control interno. Aunque las incorrecciones en la declaración de pequeños importes pueden parecer triviales, ni siquiera las ligeras desviaciones de cumplimiento o de control interno suelen considerarse triviales por su naturaleza. Aun cuando una operación, de la magnitud que sea, se haya registrado correctamente en los estados financieros, constituirá un caso de incumplimiento o de desviación del control interno si su carácter es ilegal o fraudulento o no respetó los controles.
84. Muchos auditores del sector público tienen la obligación de comunicar a la dirección o a los encargados de la gobernanza todas (no sólo las significativas) las incorrecciones detectadas o las desviaciones de cumplimiento o control, dado que pueden tener repercusiones en un contexto más amplio. En virtud de su mandato, algunas Entidades Fiscalizadoras Superiores pueden incluso decidir que se corrijan los casos de incumplimiento.

Informes de auditoría en el sector público

85. Una mayor coherencia en términos de informes de auditoría favorece la credibilidad dado que ayuda a dilucidar si su elaboración ha obedecido a las normas profesionales y facilita al lector la tarea de identificar las modificaciones de la opinión y conclusiones de auditoría tales como las deficiencias de control interno y los casos de falta de conformidad con las normas. Las NIA 700, 705, 706, 800, 805 y 810 tratan del formato que deberán tener los informes para las auditorías realizadas con arreglo a las NIA. En el sector privado, el informe de auditoría suele ser una comunicación unilateral dirigida a las partes interesadas como accionistas o el consejo de dirección en la que se describen el trabajo de auditoría llevado a cabo y las normas en que se ha basado, se exponen las obligaciones del auditor y de la dirección y se expresa claramente la opinión de auditoría. En algunos casos, el informe puede incluir otros párrafos para tratar cuestiones importantes de forma más pormenorizada.

41 NIA 200 – “Objetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría”.

86. Los informes de auditoría del sector público suelen tener la misma estructura aunque tienden a ser más largos e incluyen más cuestiones. En la legislación referente al sector público, el mandato o la práctica habitual pueden llevar al auditor de este sector a informar de las constataciones, conclusiones, recomendaciones y respuestas de la dirección. Esta información se añade a la contenida en el informe de auditoría sobre los estados financieros que se contempla en la ISSAI 1700⁴².

Traducción de las Directrices de auditoría financiera de la INTOSAI

87. El FAS ha establecido una serie de procedimientos para traducir a las lenguas oficiales de la INTOSAI⁴³ las orientaciones incluidas en las Directrices de auditoría financiera de la INTOSAI. Estos procedimientos se ajustan a las instrucciones dictadas por el Comité de normas profesionales de la INTOSAI en su reunión de junio de 2006 en Washington, DC.
88. Todas las orientaciones de la INTOSAI en sus Directrices de auditoría financiera se presentan en inglés a efectos de recibir comentarios, los cuales pueden aportarse en todas las lenguas oficiales de la INTOSAI.
89. La traducción a las lenguas oficiales de la INTOSAI tiene lugar antes de la aprobación de las ISSAI por INCOSAI. La garantía de la calidad de las traducciones es asegurada por los miembros del FAS, los expertos asumidos para la formulación de las Directrices de auditoría financiera de la INTOSAI u otros órganos de la INTOSAI.
90. Ahora bien, las NIA, formuladas por el IAASB y aprobadas como parte de las Directrices de auditoría financiera de la INTOSAI, se publican en inglés y no son traducidas por la INTOSAI. Las NIA están sujetas a derechos de autor de la Federación Internacional de Contadores (IFAC). Ésta ha creado una base de datos de traducciones de sus publicaciones por terceros, en la que figuran las lenguas, el título de las publicaciones, el nombre de la organización traductora y en su caso listas de términos clave traducidos. La IFAC no ha revisado la calidad de las publicaciones o los términos clave traducidos. Para servir el interés público y promover el cumplimiento de normas profesionales de calidad, y su convergencia internacional, la IFAC ha puesto a disposición del público esta base de datos de traducciones en su sitio web⁴⁴.
91. Las traducciones de las Directrices de auditoría financiera de la INTOSAI por las EFS han de ajustarse a las recomendaciones para la traducción que figuran en el Apéndice 4, mientras que las traducciones de las NIA han de respetar la *Policy for Translating and Reproducing Standards Issued by the IFAC*⁴⁵ de diciembre de 2008

42 ISSAI 1700 – “Formación de una opinión y elaboración del informe sobre los estados financieros”.

43 Las lenguas oficiales de la INTOSAI son alemán, árabe, español, francés e inglés.

44 <http://www.ifac.org/Translations/database.php>.

45 <http://www.ifac.org/Downloads/TranslationOfstandards.pdf>.

Apéndice 1 – Conexión entre los Principios fundamentales de auditoría de la INTOSAI (ISSAI 100-400) y las Directrices de auditoría financiera de la INTOSAI (ISSAI 1000-2999)

1. Este apéndice refleja la interrelación entre los Principios fundamentales de auditoría de la INTOSAI y las Normas internacionales de auditoría incorporadas a las Directrices de auditoría financiera de la INTOSAI junto con una Nota de Práctica. La conexión se presenta comenzando por los Principios fundamentales de auditoría de la INTOSAI. Para cada tema o párrafo de los Principios fundamentales, cuando se presenta orientación adicional en una ISSAI incluidas las Directrices de auditoría financiera, se expone la NIA correspondiente con su número, título y una breve descripción del contexto.
2. Esta lista no pretende abarcar todos los párrafos de los Principios fundamentales de la INTOSAI y las ISSAI, correspondientes, sino que ofrece una visión general de cómo las Directrices de auditoría financiera y las NIA encajan en la estructura de la INTOSAI.

ISSAI 100 – Postulados básicos de la fiscalización pública

<i>Principios fundamentales de auditoría</i>	<i>Orientación correspondiente a las ISSAI 1000-2999</i>	
General	ISSAI 1000	Introducción a las Directrices de auditoría financiera de la INTOSAI
General	ISSAI 1200	Objetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría
§ 8 – 11	ISSAI 1320	La materialidad al planificar y ejecutar una auditoría
§ 16	ISSAI 1500 ISSAI 1501	Evidencia de auditoría Evidencia de auditoría- Consideraciones adicionales en determinados ámbitos
§ 31	ISSAI 1315	Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno
	ISSAI 1450	Valoración de las incorrecciones detectadas durante la auditoría

ISSAI 200 – Normas generales de la fiscalización pública y normas sobre los derechos y el comportamiento de los auditores

<i>Normas generales</i>	<i>Orientación correspondiente a las ISSAI 1000-2999</i>	
General	ISSAI 1000	Introducción a las Directrices de auditoría financiera de la INTOSAI
General	ISSAI 1220	Control de calidad en una auditoría de estados financieros
§ 1.2.(d), 1.15	ISSAI 1300	Planificación de una auditoría de estados financieros
<i>Normas sobre los derechos y el comportamiento de los auditores</i>	<i>Orientación correspondiente a las ISSAI 1000-2999</i>	
General	ISSAI 1200	Objetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría
General	ISSAI 1210	Acuerdo sobre los términos del contrato de auditoría
§ 2.34 – Audit Opinion	ISSAI 1700	Formación de una opinión y elaboración del informe sobre los estados financieros
§ 2.35 – 43	ISSAI 1220	Control de calidad en una auditoría de estados financieros
§ 2.2.37 – Methodologies	ISSAI 1520	Procedimientos analíticos
	ISSAI 1530	Muestreo de auditoría
	ISSAI 1315	Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno
	ISSAI 1450	Valoración de las incorrecciones detectadas durante la auditoría
§ 2.41 Fraud	ISSAI 1240	Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros.
§ 2.2.43 – 45	ISSAI 1600	Consideraciones específicas- Auditorías de estados financieros correspondientes a un grupo (incluido el trabajo de los auditores de los componentes)
	ISSAI 1610	Utilización del trabajo de los auditores internos
	ISSAI 1620	Utilización del trabajo de un experto
§ 2.46 – Confidencialidad	ISSAI 1230	Documentación de auditoría

ISSAI 300 – Normas de procedimiento en la fiscalización pública

<i>Normas de auditoría</i>	<i>Orientación correspondiente a las ISSAI 1000-2999</i>	
§§ 1.1 – 1.4.	ISSAI 1300	Planificación de una auditoría de estados financieros
	ISSAI 1315	Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno
	ISSAI 1320	La materialidad al planificar y ejecutar una auditoría
	ISSAI 1330	Respuesta del auditor ante los riesgos evaluados
§§ 2.1 – 2.5	ISSAI 1220	Control de calidad en una auditoría de estados financieros
§§ 3.1 – 3.4	ISSAI 1315	Identificación y evaluación de los riesgos de incorrecciones materiales y estudio y evaluación mediante la comprensión de la entidad y su entorno
	ISSAI 1330	Respuesta del auditor ante los riesgos evaluados
§§ 4.1 – 4.7 Cumplimiento de las leyes y reglamentos aplicables	ISSAI 1250	Consideración de la normativa en una auditoría de estados financieros
	ISSAI 1240	Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros
§ 5.2 – Sistemas informáticos	ISSAI 1315	Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno
	ISSAI 1330	Respuesta del auditor ante los riesgos evaluados
§ 5.3 – Materialidad	ISSAI 1320	La materialidad al planificar y ejecutar una auditoría
	ISSAI 1500	Evidencia de auditoría
§§ 5.1 – 5.7 Evidencia de auditoría	ISSAI 1501	Evidencia de auditoría-Consideraciones adicionales en determinados ámbitos
	ISSAI 1230	Documentación de auditoría
§ 5.3 – Técnicas de obtención de la evidencia de auditoría	ISSAI 1505	Confirmaciones externas
	ISSAI 1510	Encargos iniciales de auditoría – Saldo de apertura
§§ 6.1 – 6.4 Análisis de estados financieros	ISSAI 1520	Procedimientos analíticos
	ISSAI 1530	Muestreo de auditoría
	ISSAI 1540	Auditoría de estimaciones contables, incluido el valor razonable e información relacionada
	ISSAI 1550	Partes vinculadas
	ISSAI 1560	Hechos posteriores
	ISSAI 1570	Empresa en funcionamiento
	ISSAI 1580	Manifestaciones escritas
	ISSAI 1520	Procedimientos analíticos

ISSAI 400 – Normas para la elaboración de informes en la fiscalización pública*Orientación correspondiente a las ISSAI 1000-2999*

General – Elaboración de informes	ISSAI 1700	Formación de una opinión y elaboración del informe sobre los estados financieros
	ISSAI 1705	Modificaciones a la opinión en el informe del auditor independiente
Informe de auditoría	ISSAI 1706	Párrafos de énfasis y párrafos sobre otros asuntos en el informe del auditor independiente
	ISSAI 1260	Comunicación con los encargados de la gobernanza
	ISSAI 1265	Comunicación de deficiencias de control interno a los encargados de la gobernanza y a la Dirección
	ISSAI 1800	Consideraciones específicas-Auditorías de estados financieros elaborados de acuerdo con un marco con finalidades especiales
	ISSAI 1805	Consideraciones específicas-Auditoría de un estado financiero individual o de cuentas, partidas o elementos concretos de un estado financiero
	ISSAI 1810	Encargos para informes sobre estados financieros resumidos
§ 4.3 – Objetivos	ISSAI 1200	Objetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría
§ 4.17 – Control interno	ISSAI 1315	Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno
§ 4.17 – Fraude	ISSAI 1240	Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros

Appendix 2 – ISSAIs, effective for audits of financial statements for periods beginning on or after December 15, 2009

ISSAI No.	Nota	Descripción
ISSAI 1000	* ⁴⁶	Introducción general a las Directrices de auditoría financiera de la INTOSAI
ISSAI 1003	*** ⁴⁷	Glosario de términos de las Directrices de auditoría financiera de la INTOSAI
ISSAI 1200	** ⁴⁸	Objetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría
ISSAI 1210	**	Acuerdo sobre los términos del contrato de auditoría
ISSAI 1220	**	Control de calidad en una auditoría de estados financieros
ISSAI 1230	**	Documentación de auditoría
ISSAI 1240	**	Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros
ISSAI 1250	**	Consideración de la normativa en una auditoría de estados financieros
ISSAI 1260	**	Comunicación con los encargados de la gobernanza
ISSAI 1265	**	Comunicación de deficiencias de control interno a los encargados de la gobernanza y la dirección
ISSAI 1300	**	Planificación de una auditoría de estados financieros
ISSAI 1315	**	Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno
ISSAI 1320	**	La materialidad al planificar y ejecutar una auditoría
ISSAI 1330	**	Respuesta del auditor ante los riesgos evaluados
ISSAI 1402	**	Consideraciones de auditoría relativas a entidades que utilizan organizaciones de servicios
ISSAI 1450	**	Valoración de las incorrecciones detectadas durante la auditoría
ISSAI 1500	**	Evidencia de auditoría
ISSAI 1501	**	Evidencia de auditoría – Consideraciones adicionales en determinados ámbitos
ISSAI 1505	**	Confirmaciones externas
ISSAI 1510	**	Encargos iniciales de auditoría – Saldo de apertura
ISSAI 1520	**	Procedimientos analíticos
ISSAI 1530	**	Muestreo de auditoría
ISSAI 1540	**	Auditoría de estimaciones contables, incluido el valor razonable, e información relacionada
ISSAI 1550	**	Partes vinculadas
ISSAI 1560	**	Hechos posteriores
ISSAI 1570	**	Empresa en funcionamiento
ISSAI 1580	**	Manifestaciones escritas
ISSAI 1600	**	Consideraciones específicas – Auditorías de estados financieros correspondientes a un grupo (incluido el trabajo de los auditores de los componentes)
ISSAI 1610	**	Utilización del trabajo de los auditores internos
ISSAI 1620	**	Utilización del trabajo de un experto

ISSAI 1700	**	Formación de una opinión y elaboración del informe sobre los estados financieros
ISSAI 1705	**	Modificaciones a la opinión en el informe del auditor independiente
ISSAI 1706	**	Párrafos de énfasis y párrafos sobre otros asuntos en el informe del auditor independiente
ISSAI 1710	**	Información comparativa – Cifras correspondientes y estados financieros comparativos
ISSAI 1720	**	La responsabilidad del auditor en relación con otra información en documentos que contienen estados financieros auditados
ISSAI 1800	**	Consideraciones específicas – Auditorías de estados financieros elaborados de acuerdo con un marco con finalidades especiales
ISSAI 1805	**	Consideraciones específicas – Auditoría de un estado financiero individual o de cuentas, partidas o elementos concretos de un estado financiero
ISSAI 1810	**	Encargos para informar sobre estados financieros resumidos

46* Estas ISSAI contienen orientaciones desarrolladas por la INTOSAI.

47*** La ISSAI 1003 incluirá un glosario elaborado por el IAASB y explicaciones añadidas para las auditorías de entidades públicas.

48** Estas ISSAI constan de la NIA correspondiente junto con su Nota de Práctica creada por la INTOSAI.

Apéndice 3 – Autoridad atribuida a las NIA

Extracto de la NIA 200 (aplicable a los períodos que comiencen a partir del 15 de diciembre de 2009)

2. Las NIA han sido redactadas en el contexto de la realización de una auditoría de estados financieros por un auditor y tendrán que adaptarse según requieran las circunstancias cuando se apliquen a las auditorías de otra información financiera histórica. Las NIA no abordan las obligaciones del auditor que puedan existir en leyes, reglamentos u otras normas en conexión, por ejemplo, con la oferta pública de valores y diferir de las obligaciones establecidas en las NIA. En esos casos, el auditor puede considerar útiles las NIA en algunos aspectos, pero tendrá que adecuarse a las obligaciones legales, reglamentarias o profesionales.

Una auditoría de estados financieros

3. La finalidad de una auditoría es aumentar el grado de confianza de los destinatarios de los estados financieros, mediante la expresión de una opinión por el auditor sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable. En la mayoría de los marcos de finalidad general, la opinión se centra en si los estados financieros, en todos sus aspectos significativos, constituyen una imagen fiel y una presentación razonable de la situación de acuerdo con el marco. Una auditoría permite al auditor formarse esa opinión cuando se realiza con arreglo a las NIA y las exigencias deontológicas pertinentes. (Ref.: Párrafo A1)
4. Los estados financieros sometidos al control de la auditoría son los de la entidad, elaborados por su dirección bajo la supervisión de los encargados de la gobernanza. Las NIA no imponen obligaciones a la dirección ni a los encargados de la gobernanza ni tampoco invalidan las leyes y los reglamentos que rigen sus obligaciones. No obstante, la realización de una auditoría con arreglo a las NIA se basa en la premisa de que la dirección y, cuando proceda, los encargados de la gobernanza han reconocido determinadas obligaciones que son fundamentales para la ejecución de la auditoría. Una auditoría de los estados financieros no libera a la dirección ni a los encargados de la gobernanza de sus responsabilidades. (Ref.: Párrafo A2-A11)
5. Como base de la opinión del auditor, las NIA exigen al auditor que obtenga garantías razonables de que los estados financieros en conjunto están libres de incorrecciones significativas, ya sea por causa de fraude o error. La garantía razonable representa un nivel de fiabilidad elevado. Se consigue cuando el auditor ha obtenido evidencia de auditoría suficiente y apropiada para reducir el riesgo de auditoría (es decir, el riesgo de que el auditor exprese una opinión inadecuada cuando los estados financieros están afectados por incorrecciones materiales) a un nivel aceptablemente bajo. Sin embargo, la garantía razonable no constituye un nivel de fiabilidad absoluto, porque hay limitaciones inherentes a una auditoría que hace que la evidencia de auditoría con la que el auditor extrae conclusiones y fundamenta su opinión sea en su mayor parte más persuasiva que conclusiva. (Ref.: Párrafo A28–A52)

6. El auditor aplica el concepto de materialidad al planificar y ejecutar la auditoría y al valorar la repercusión de las incorrecciones detectadas o no corregidas en los estados financieros⁴⁹. Por lo general, se entenderá que las incorrecciones, incluidas las omisiones, son materiales si, individualmente o junto con otras incorrecciones, pueden dar lugar a pensar razonablemente que influyen en las decisiones económicas adoptadas por los usuarios sobre la base de los estados financieros. El juicio sobre la materialidad dependerá de las circunstancias y de la percepción que tenga el auditor de las necesidades de información financiera de los usuarios de los estados financieros, así como de la envergadura en cuestión, o naturaleza de la incorrección o de ambas. La opinión de auditoría se refiere a los estados financieros en conjunto por lo que el auditor no es responsable de la detección de incorrecciones que no resulten materiales en relación con el conjunto de los estados financieros.
7. Las NIA contienen objetivos, exigencias y disposiciones de aplicación y otras disposiciones explicativas para ayudar al auditor a obtener garantías razonables, y establecen que el auditor deberá aplicar su juicio profesional y mantener una actitud de escepticismo profesional a través de todo el proceso de planificación y ejecución de la auditoría y asimismo:
 - Identificar y evaluar los riesgos de incorrecciones materiales, ya sea por causa de fraude o error, gracias a la comprensión de la entidad y su entorno, incluido el control interno.
 - Obtener evidencia de auditoría suficiente y apropiada sobre la existencia en su caso de incorrecciones significativas, gracias a la concepción y formulación de las respuestas adecuadas a los riesgos evaluados.
 - Formarse una opinión sobre los estados financieros con arreglo a las conclusiones derivadas de la evidencia de auditoría obtenida.
8. La modalidad que revista la opinión emitida por el auditor dependerá del marco de información financiera y de las leyes y los reglamentos aplicables. (Ref.: Párrafo A12-A13)
9. El auditor puede tener también otras obligaciones de comunicación e información a los usuarios, la dirección, los encargados de la gobernanza, o terceros ajenos a la entidad, en relación con las cuestiones que surjan en la auditoría. Las obligaciones pueden estar contenidas en las NIA o en las leyes y los reglamentos aplicables⁵⁰.

Fecha de entrada en vigor

10. Esta NIA entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir del 15 de diciembre de 2009.

Objetivos generales del auditor

11. Al llevar a cabo una auditoría de estados financieros, los objetivos generales del auditor son:
 - a) Obtener garantías razonables de que los estados financieros están libres de incorrecciones significativas, ya sea por causa de fraude o error, para poder expresar una opinión de que los

⁴⁹ NIA 320, "La materialidad al planificar y ejecutar una auditoría" y NIA 450, "Valoración de las incorrecciones detectadas durante la auditoría."

⁵⁰ Véase, por ejemplo, la NIA 260, "Comunicación con los encargados de la gobernanza;" y párrafo 43 de la NIA 240, "Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros".

⁵¹ En las NIA, sólo se utiliza el término "abandono".

estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable.

- b) Informar sobre los estados financieros, y realizar sus comunicaciones según se establece en las NIA, conforme a las constataciones de auditoría.
12. En todos los casos, cuando no puedan obtenerse garantías razonables y la expresión de una opinión con reservas en el informe de auditoría sea insuficiente, dadas las circunstancias, para informar a los usuarios de los estados financieros, las NIA exigen que el auditor se abstenga de expresar su opinión o abandone⁵¹ el encargo (o dimita) siempre que el abandono sea posible conforme a la ley o al reglamento aplicable.

Definiciones

13. A los efectos de las NIA, los siguientes términos tendrán el significado que se les atribuye a continuación:
- a) Marco de información financiera aplicable – Un marco de información financiera adoptado por la dirección, y cuando proceda por los encargados de la gobernanza, para la elaboración de los estados financieros, que resulte aceptable teniendo en cuenta la naturaleza de la entidad y el objetivo de los estados financieros, o en función de lo dispuesto en leyes y reglamentos. El término “marco de presentación razonable” se utiliza para designar un marco de información financiera que exige el cumplimiento de los requisitos establecidos en el marco y:
 - (i) parte del reconocimiento expreso o implícito que, para lograr una presentación razonable de los estados financieros, puede ser necesario que la dirección revele otra información que la requerida específicamente por el marco; o
 - (ii) parte del reconocimiento expreso que puede ser necesario que la dirección decida apartarse de una exigencia del marco para lograr una presentación razonable de los estados financieros. Estas decisiones en principio sólo serán necesarias en circunstancias muy excepcionales.

El término “marco de cumplimiento” se utiliza para designar un marco de información financiera que requiere el cumplimiento de los requisitos establecidos en el marco, pero no parte del reconocimiento al que se hace referencia en los incisos (i) o (ii) anteriores.
 - b) Evidencia de auditoría – Información empleada por el auditor para llegar a las conclusiones que sirven de fundamento a la opinión de auditoría. La evidencia de auditoría incluye tanto la información contenida en los registros contables subyacentes a los estados financieros como otra información. A los efectos de las NIA:
 - (i) La suficiencia de la evidencia de auditoría es un factor de medición cuantitativa. La cantidad de elementos que forman la evidencia de auditoría dependerá de la evaluación por el auditor de los riesgos de incorrecciones materiales y también de la calidad de dicha evidencia.
 - (ii) La idoneidad o carácter apropiado de la evidencia de auditoría es un factor de medición cuantitativa, es decir si es pertinente y fiable para respaldar las conclusiones que sirven de fundamento a la opinión de auditoría.
 - c) Riesgo de auditoría – El riesgo de que el auditor exprese una opinión de auditoría inapropiada cuando los estados financieros contienen incorrecciones materiales. El riesgo de auditoría está

⁵¹ En las NIA, sólo se utiliza el término “abandono”.

en función de los riesgos de incorrecciones materiales y del riesgo de no detección.

- d) Auditor – La persona o personas que llevan a cabo la auditoría, habitualmente el auditor responsable del encargo u otros miembros del equipo o, cuando proceda, la empresa de auditoría. Cuando una NIA quiera imponer expresamente una exigencia o una obligación al auditor responsable, se utilizará el término “auditor responsable” en vez del término “auditor”. Se entiende que los términos “auditor responsable” y “empresa de auditoría” se refieren los conceptos equivalentes en el sector público.
- e) Riesgo de detección – El riesgo de que los procedimientos aplicados por el auditor para reducir el riesgo de auditoría a un mínimo aceptable no sirvan para detectar una incorrección existente que puede ser material, ya sea individualmente o junto con otras incorrecciones.
- f) Estados financieros – Una representación estructurada de información financiera histórica, incluidas las notas relacionadas con ella, destinada a comunicar los recursos económicos o las obligaciones de una entidad en un momento concreto o los cambios registrados en un período determinado de acuerdo con un marco de información financiera. Las notas relacionadas ordinariamente comprenden un resumen de las políticas contables más significativas y otra información explicativa. El término “estados financieros” se refiere ordinariamente a un conjunto completo de estados financieros determinado por los requisitos del marco de información financiera aplicable, pero también puede referirse a un solo estado financiero.
- g) Información financiera histórica – Información expresada en términos financieros acerca de una entidad concreta, derivada fundamentalmente del sistema contable de la entidad, sobre hechos económicos acaecidos en períodos pasados o sobre condiciones o circunstancias económicas en momentos concretos del pasado.
- h) Dirección – La (s) persona (s) con responsabilidad ejecutiva para la conducción de las operaciones de la entidad. En algunas entidades de determinadas jurisdicciones, la dirección comprende a los encargados de la gobernanza en parte o en su totalidad, por ejemplo, los miembros ejecutivos del consejo de administración o un propietario-gerente.
- i) Incorrección – Diferencia entre el importe, clasificación, presentación, o revelación de una partida del estado financiero objeto de comunicación y el importe, clasificación, presentación, o revelación requerida para dicha partida por el marco de información financiera aplicable. Las incorrecciones pueden deberse a fraude o error. Cuando el auditor exprese una opinión sobre si los estados financieros constituyen, en todos sus aspectos significativos, una imagen fiel y una presentación razonable de la situación, las incorrecciones pueden consistir también en ajustes de importes, clasificación, presentación, o revelación de información que, a juicio del auditor, son necesarios para que los estados financieros constituyan, en todos sus aspectos significativos, una imagen fiel y una presentación razonable de la situación.
- j) Premisa referente a las obligaciones de la dirección y, en su caso, de los encargados de la gobernanza en la que se basa la auditoría – La dirección y, en su caso, los encargados de la gobernanza entienden y admiten que las obligaciones que se citan a continuación son fundamentales para la ejecución de una auditoría con arreglo a las NIA:
 - (i) Respecto de la elaboración de los estados financieros de acuerdo con el marco de información financiera aplicable, y cuando proceda su presentación razonable.
 - (ii) El control interno que la dirección y, en su caso, los encargados de la gobernanza estimen necesario para permitir la elaboración de estados financieros libres de incorrecciones significativas, ya sea por causa de fraude o error.
 - (iii) El suministro al auditor de:

- a. Acceso a toda la información que la dirección y, en su caso, los encargados de la gobernanza sepan que es pertinente para la elaboración de los estados financieros como registros, documentación y otros elementos.
- b. Datos adicionales que el auditor solicite a la dirección y, en su caso, los encargados de la gobernanza para los fines de la auditoría.
- c. Acceso sin restricciones a las personas de la entidad que el auditor estime necesario contactar para obtener evidencia de auditoría.

En un marco de presentación razonable, (i) las frases anteriores se entenderán como “respecto de la elaboración y presentación razonable de los estados financieros de acuerdo con el marco de información financiera,” o “respecto de la elaboración de estados financieros que ofrezcan una imagen fiel y correcta de acuerdo con el marco de información financiera.” La “premisa referente a las obligaciones de la dirección y, en su caso, los encargados de la gobernanza, de que la auditoría se realiza” puede designarse también como la “premisa.”

- k) Juicio profesional – La aplicación de formación, conocimiento y experiencia que resulten útiles, en el contexto proporcionado por las normas contables, deontológicas y de auditoría, para tomar decisiones fundamentadas sobre cuál debe ser la actuación apropiada a las circunstancias del encargo de auditoría.
- l) Escepticismo profesional – Actitud que implica una mente crítica y alerta con respecto a circunstancias que puedan indicar la existencia de incorrecciones por fraude o error, así como una valoración crítica de la evidencia de auditoría.
- m) Garantías razonables – En el contexto de una auditoría de estados financieros, un nivel de fiabilidad elevado pero no absoluto.
- n) Riesgo de incorrección material – El riesgo de que los estados financieros contengan incorrecciones materiales antes de la realización de la auditoría. Consta de dos componentes en el nivel de las declaraciones, descritos del siguiente modo a nivel de las afirmaciones:
 - (i) Riesgo inherente – La posibilidad de que una afirmación sobre un tipo de operación, saldo contable u otra información revelada contenga una incorrección material, ya sea individualmente o junto con otras incorrecciones, sin considerar cualquier control relacionado.
 - (ii) Riesgo de control – El riesgo de que una incorrección que pudiera existir en una afirmación sobre un tipo de operación, saldo contable u otra información revelada, y que pudiera ser material, ya sea individualmente o junto con otras incorrecciones, no pueda prevenirse o detectarse y corregirse oportunamente por el control interno de la entidad.
- o) Encargados de la gobernanza – La (s) persona (s) u organización (ones) (por ejemplo, una sociedad que actúa como administrador fiduciario) con responsabilidad en la supervisión de la dirección estratégica de la entidad y con obligaciones relacionadas con la rendición de cuentas de la entidad. Ello incluye la supervisión del proceso de información financiera. En algunas entidades de determinadas jurisdicciones, los encargados de la gobernanza (responsables del gobierno de la entidad) pueden incluir miembros de la dirección por ejemplo, los miembros ejecutivos del consejo de administración de una empresa del sector público o privado, o un propietario-gerente.

Exigencias

Exigencias deontológicas referidas a una auditoría de estados financieros

14. El auditor cumplirá las exigencias deontológicas aplicables, incluidas las ligadas a la independencia, en relación con los encargos de auditoría de estados financieros. (Ref.: Párrafo A14-A17)

Escepticismo profesional

15. El auditor planificará y ejecutará una auditoría con escepticismo profesional admitiendo que puede haber circunstancias que provoquen la existencia de incorrecciones materiales en los estados financieros. (Ref.: Párrafo A18-A22)

Juicio profesional

16. El auditor aplicará su juicio profesional para planificar y ejecutar una auditoría de estados financieros. (Ref.: Párrafo A23-A27)

Evidencia de auditoría suficiente y apropiada y riesgo de auditoría

17. Para obtener garantías razonables, el auditor obtendrá evidencia de auditoría suficiente y apropiada a fin de reducir el riesgo de auditoría a un mínimo aceptable y, por tanto, extraer conclusiones razonables para fundamentar su opinión de auditoría. (Ref.: Párrafo A28-A52)

Ejecución de una auditoría con arreglo a las NIA

Cumplimiento de las NIA aplicables a la auditoría

18. El auditor se atenderá a todas las NIA aplicables a la auditoría. Una NIA será aplicable a la auditoría siempre que esté en vigor y se den las circunstancias para su aplicación. (Ref.: Párrafo A53-A57)
19. El auditor adquirirá una comprensión de todo el texto de la NIA, incluidas sus disposiciones de aplicación y otras disposiciones explicativas para entender sus objetivos y aplicar correctamente sus exigencias. (Ref.: Párrafo A58-A66)

Objetivos declarados en cada NIA

21. Para alcanzar los objetivos generales de auditoría, el auditor utilizará los objetivos fijados en la correspondiente NIA al planificar y ejecutar la auditoría, teniendo presente la relación existente entre las distintas NIA, con el objetivo de: (Ref.: Párrafo A67-A69)
 - a) Determinar si es necesario aplicar otros procedimientos de auditoría además de los exigidos en las NIA para alcanzar los objetivos fijados en éstas. (Ref.: Párrafo A70)
 - b) Evaluar si se ha obtenido evidencia de auditoría suficiente y apropiada. (Ref.: Párrafo A71)

Cumplimiento de las exigencias aplicables

22. Sin perjuicio de lo dispuesto en el párrafo 23, el auditor cumplirá todas las exigencias de una NIA salvo que, en las circunstancias de la auditoría:
- a) No sea aplicable la NIA en su totalidad.
 - b) La exigencia no sea aplicable porque esté sujeta a una condición que no existe. (Ref.: Párrafo A72-A73)
23. En circunstancias excepcionales, el auditor puede considerar necesario apartarse de una exigencia aplicable de las NIA, en cuyo caso, aplicará otros procedimientos de auditoría para conseguir la finalidad buscada por dicha exigencia. En principio, sólo será necesario que el auditor se aparte de una exigencia cuando ésta se refiera a un procedimiento específico que, en el caso concreto de la auditoría, no resultaría eficaz para lograr la finalidad buscada por dicha exigencia. (Ref.: Párrafo A74)

Imposibilidad de lograr un objetivo

24. Si un objetivo de una NIA aplicable no pudiera alcanzarse, el auditor evaluará si esta imposibilidad le impide alcanzar los objetivos generales de auditoría, en cuyo caso y con arreglo a las NIA, modificará la opinión de auditoría o abandonará el encargo (cuando dicho abandono esté permitido por la ley o el reglamento aplicable). La imposibilidad de lograr un objetivo constituye una cuestión significativa que requiere su documentación de acuerdo con la NIA 230.⁵² (Ref.: Párrafo A75-A76)

⁵² NIA 230, "Documentación de auditoría," párrafo 8(c).

Apéndice 4 – Recomendaciones para la traducción

1. Las recomendaciones se basan en la experiencia adquirida por el FAS y la IFAC y ofrecen asesoramiento sobre la traducción de las Notas de Práctica. Las versiones traducidas de las NIA están sujetas a la autorización por escrito de la IFAC de conformidad con la Policy for Translating and Reproducing Standards Issued by the International Federation of Accountants⁵³ de diciembre de 2008.
2. Una Entidad Fiscalizadora Superior no debería referirse a las Directrices de auditoría financiera de la INTOSAI en sus informes de fiscalización si no tiene la certeza de que existe una traducción de calidad de todas las directrices en su lengua o lenguas de trabajo.
3. Para garantizar la mayor calidad posible de la traducción se recomienda a la organización traductora de las Directrices de auditoría financiera de la INTOSAI que:
 - Trace y lleve a la práctica un proceso que permita conseguir una traducción fidedigna, sin omisiones ni adiciones (salvo las notas del traductor), de la publicación. Una traducción fidedigna respeta el espíritu, el tono y la organización de la publicación.
 - Utilice en la medida de lo posible la lista de términos clave de la IFAC para traducir los términos clave (glosario), y la mantenga. Al traducir los términos clave, es importante que la organización intente entender el espíritu de los autores de la publicación para evitar malentendidos por la traducción literal del texto inglés.
 - Garantice que los términos clave se utilicen del modo más uniforme posible en la traducción de la publicación y, cuando proceda, en la traducción de publicaciones nuevas y revisadas. Se podrán emplear notas del traductor para hacer referencia al uso predominante en un país en el que el término clave elegido tenga un significado diferente.

Además,

- Debe traducirse el texto íntegro de todas las Directrices de auditoría financiera.
- Se recomienda emplear para la traducción las directrices en su versión inglesa, al ser el inglés la lengua de redacción.

Siempre que sea posible, la organización traductora (normalmente la Entidad Fiscalizadora Superior) debería:

- Contratar los servicios de un traductor profesional⁵⁴ para actuar de traductor principal, el cual concebirá y seguirá un proceso, de acuerdo con la organización, destinado a garantizar la traducción fidedigna citada anteriormente.
- Identificar la traducción de las NIA que se adopte como parte de las Directrices de auditoría financiera de la INTOSAI en la lengua en cuestión y considerar la posibilidad de utilizar NIA traducidas y su lista de términos clave. Dado que las NIA traducidas están sujetas a limitaciones de derechos de autor, será necesario en principio dirigirse a la IFAC para conseguir la autorización de acceso a la traducción y su utilización.

⁵³ <http://www.ifac.org/Translations/database.php>.

⁵⁴ Para la contratación del traductor profesional se recomienda tomar en consideración su competencia profesional en relación con el encargo, es decir, sus cualificaciones, conocimientos, dotes como traductor en la combinación de lenguas específica y su aptitud para traducir textos en el ámbito de la auditoría.

- Crear un grupo de revisión de las traducciones compuesto de hablantes de la lengua de destino que tengan un excelente conocimiento de inglés y experiencia en las normas y directrices publicadas por la INTOSAI o la IFAC. El grupo de revisión examinará la traducción de términos clave por el traductor principal y asumirá la responsabilidad de su calidad.
 - Mantener contacto con quienes tengan interés en traducir o hayan traducido las Directrices de auditoría financiera de la INTOSAI o las NIA a la misma lengua para alcanzar un acuerdo sobre la traducción de la lista de términos clave y, en última instancia, para llegar a una sola traducción de las Directrices de auditoría financiera de la INTOSAI en esa lengua⁵⁵.
 - Garantizar la existencia de procesos para la continuidad de la traducción.
4. En caso de discrepancias sobre el significado de un término o de una frase objeto de traducción, prevalecerá la versión inglesa.

⁵⁵ Una parte importante de las recomendaciones para la traducción está tomada de la *Policy for Translating and Reproducing Standards by the International Federation of Accountants* de diciembre de 2008.

Apéndice 5 – Lista de abreviaturas

FAS – Subcomité de Directrices de auditoría financiera de la INTOSAI

IAASB – Consejo de Normas Internacionales de Auditoría y Aseguramiento

IFAC – Federación Internacional de Contadores

INCOSAI – Congreso de la INTOSAI

INTOSAI – Organización Internacional de las Entidades Fiscalizadoras Superiores

ISAE – Normas internacionales sobre encargos de fiabilidad

ISQC – Norma internacional de control de calidad

ISRE – Normas internacionales sobre encargos de revisión

ISRS – Normas internacionales sobre servicios relacionados

ISSAI – Normas internacionales de las Entidades Fiscalizadoras Superiores

NIA – Norma internacional de auditoría

NP – Nota de Práctica

PSC – Comité de normas profesionales de la INTOSAI

ISSAI 1003

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

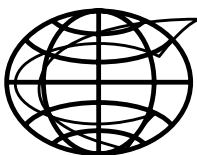
Glosario de términos de las Directrices de auditoría financiera de la INTOSAI

COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

SUBCOMITÉ PARA DIRECTRICES DE AUDITORÍA FINANCIERA-SECRETARÍA

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INTOSAI



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La presente directriz de auditoría financiera se basa en el "Handbook of International Standards on Auditing and Quality Control" (Manual de normas internacionales sobre auditoría y control de calidad) elaborado por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicado por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). El Glosario se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1003

GLOSARIO DE TÉRMINOS DE LAS DIRECTRICES DE AUDITORÍA FINANCIERA DE LA INTOSAI

Párrafo**Introducción 1–6**

Glosario de términos de las directrices de auditoría financiera de la INTOSAI

GLOSARIO DE TÉRMINOS CONTENIDOS EN EL MANUAL DE LA IFAC SOBRE NORMAS INTERNACIONALES DE CONTROL DE CALIDAD, AUDITORÍA, REVISIÓN, OTROS ENCARGOS DE FIABILIDAD Y SERVICIOS RELACIONADOS

Glosario de términos de las directrices de auditoría financiera de la INTOSAI

Introducción

1. Las Directrices de auditoría financiera de la INTOSAI facilitan orientación para la realización de auditorías financieras del sector público.
2. Las Directrices de auditoría financiera de la INTOSAI representan el cuarto nivel (directrices de auditoría) del Marco de las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI), del cual los Principios fundamentales constituyen el primer nivel, los Requisitos previos para el funcionamiento de las EFS, el segundo, y los Principios Fundamentales de Auditoría (incluidas las normas de auditoría de la INTOSAI), el tercero.
3. Las Directrices de auditoría financiera de la INTOSAI se basan, en la medida de lo posible, en las Normas Internacionales de Auditoría (NIA) emitidas por el Consejo de Normas *Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB)*. La INTOSAI contribuye al desarrollo de dichas normas mediante su participación en los grupos de trabajo del IAASB que se encargan de formular nuevas normas o de revisar las ya existentes.
4. En el marco de la cooperación entre la INTOSAI y el IAASB, se ha empleado en las NIA terminología “neutral con respecto al sector” en la medida de lo posible a fin de facilitar su comprensión y aplicación tanto en el sector público como en el privado para lo cual se ha incluido texto con la redacción apropiada en las mismas normas o en el glosario conexas. También pueden encontrarse definiciones añadidas a las Notas de Práctica en el glosario siguiente.
5. Las Notas de Práctica, que forman parte de las Directrices de auditoría financiera de la INTOSAI, sirven de guía para aplicar cada NIA en auditorías financieras de entidades públicas y sus orientaciones se añaden a las de dicha NIA. La Nota de Práctica, junto con la NIA correspondiente, constituye una directriz dentro de la estructura de normas ISSAI.
6. Al aplicar las Directrices de auditoría financiera de la INTOSAI a las auditorías financieras del sector público, las Entidades Fiscalizadoras Superiores reconocen que las NIA y las Notas de Práctica sirven conjuntamente de guía. Si indican en su informe que la auditoría se ha realizado conforme a las NIA, los auditores del sector público se atienen a lo dispuesto en todas las NIA pertinentes para la auditoría.

Glosario de términos de las directrices de auditoría financiera de la INTOSAI¹

Abuso – Toda conducta deficiente o impropia en comparación con la que una persona prudente consideraría razonable y necesaria en una práctica comercial razonable y necesaria atendiendo a las circunstancias. El concepto también engloba los casos de utilización ilegítima de la autoridad o del cargo para favorecer intereses económicos personales o de familiares o socios comerciales. El abuso no implica necesariamente la existencia de fraude o la infracción de leyes y regulaciones, de estipulaciones contractuales o de condiciones de concesión de subvenciones, sino que representa una desviación del concepto de decoro o reputación que está relacionado con los principios generales de la buena gestión financiera del sector público y de conducta de los servidores públicos.

Agencia – Tipo de organización perteneciente a la administración pública o a una asamblea parlamentaria.

Asignación de fondos – Autorización concedida por un órgano legislativo para destinar fondos a fines especificados por el poder legislativo o una autoridad similar.

Auditor del sector público – Persona o personas nombradas en virtud de una disposición estatutaria o de un acuerdo que actúan por cuenta de una agencia nacional de auditoría o de un tribunal de cuentas formado por jueces.

Auditor General – El responsable de una Entidad Fiscalizadora Superior constituida con arreglo al modelo de Auditor General.

Auditoría de cumplimiento – la auditoría de cumplimiento persigue determinar en qué medida la entidad auditada ha observado las leyes, los reglamentos, las políticas, los códigos establecidos y las estipulaciones contractuales, y puede abarcar gran variedad de materias controladas. Por lo general, su objetivo reside en proporcionar garantías a los destinatarios acerca del resultado de la evaluación o medición de una materia controlada a partir de criterios adecuados.

En las auditorías de cumplimiento llevadas a cabo en el contexto de los Principios fundamentales de auditoría de la INTOSAI, hay dos conceptos que revisten especial interés:

- a) Regularidad- las actividades, las operaciones y la información que quedan reflejados en los estados financieros de una entidad auditada resultan conformes con las normas constitutivas, los reglamentos de desarrollo y otros convenios, leyes y reglamentos aplicables, incluidas las leyes presupuestarias, y han sido debidamente autorizadas;
- b) Reputación- principios generales de buena gestión financiera del sector público y de conducta de los funcionarios públicos.

¹ El glosario de la IFAC se utiliza para auditorías efectuadas de conformidad con las NIA. El presente glosario contiene definiciones adicionales aplicables al sector público.

o de reputación, o bien de ambos tipos.

Dado que la reputación no es fácil de verificar objetivamente, puede resultar difícil, y en algunos casos imposible, llevar a cabo una auditoría que ofrezca un nivel de fiabilidad razonable. No suele haber pautas de comparación claras y objetivas para medir la reputación, pues lo que resulta aceptable para una parte del sector público no lo es para otra.

Auditoría de regularidad – De conformidad con la ISSAI 100², la auditoría de regularidad comprende:

- a) la certificación de las cuentas rendidas por las entidades obligadas a ello, que incluye el examen y evaluación de los asientos contables y la expresión de la opinión que merezcan las cuentas y los estados financieros;
- b) la certificación de la Cuenta General del Estado;
- c) la fiscalización de los sistemas y de las operaciones financieras así como la valoración del cumplimiento de las disposiciones legales y reglamentarias aplicables;
- d) la fiscalización de los sistemas de control y de auditoría internos;
- e) la fiscalización de la probidad y corrección de las decisiones administrativas adoptadas en el seno de la entidad fiscalizada;
- f) el informe acerca de cualquier otra cuestión surgida como consecuencia de la fiscalización o relacionada con ella y que la EFS considere que deba ser puesta de manifiesto.

Los términos “auditoría de regularidad” y “auditoría financiera” a menudo se utilizan indistintamente. En estas referencias a las auditorías se incluye una auditoría de los estados financieros y algunos o todos los elementos arriba expuestos en las letras a) a f), según el mandato de la Entidad Fiscalizadora Superior.

Auditoría de rendimiento o de gestión - Examen de la economía, eficiencia y eficacia con las cuales la entidad auditada utiliza sus recursos en el ejercicio de sus funciones, conocida también como auditoría de la optimización de recursos.

Auditoría financiera – Evaluación independiente, reflejada en una opinión de garantías razonables, de que la situación financiera presentada por una entidad, así como los resultados y la utilización de los recursos, se presentan fielmente de acuerdo con el marco de información financiera . (Véase auditoría de regularidad)

Caso de disconformidad con las normas – Incumplimiento de la ley o reglamentación, incluida las disposiciones presupuestarias, en una acción o una operación.

Comité directivo de la INTOSAI – Está compuesto por 18 miembros y, por lo general, se reúne anualmente entre congresos. Para garantizar una representación equilibrada de todos los países miembros, en el comité se encuentra representado cada uno de los siete grupos de trabajo regionales y los principales tipos de sistemas de auditoría pública.

² ISSAI 100 “Postulados básicos de la fiscalización pública”.

Control interno – El conjunto del sistema de controles financieros y de otro tipo, incluidos la estructura organizativa, los métodos, procedimientos y la auditoría interna establecidos por la dirección en el marco de sus objetivos empresariales a fin de dirigir la actividad de la entidad auditada de manera eficaz, eficiente y económica, garantizando el cumplimiento de las políticas de la dirección, salvaguardando los activos y los recursos, asegurando la exactitud e integridad de los registros contables y elaborando información financiera y de gestión oportuna y fiable (véase el glosario de términos de la IFAC).

Directrices para las auditorías de cumplimiento – Las Directrices para las auditorías de cumplimiento de la INTOSAI incluyen:

- a) ISSAI 4000 “Introducción general a unas directrices para auditorías de cumplimiento”;
- b) ISSAI 4100 “Directrices para las auditorías de cumplimiento realizadas separadamente de la auditoría de estados financieros”;
- c) ISSAI 4200 “Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros”.

Empresa – (Véase organización de auditoría)

Empresas de propiedad estatal – (Véase Empresas públicas comerciales)

Empresas públicas comerciales – Incluyen empresas comerciales, como servicios públicos, y empresas financieras, como instituciones financieras. Las empresas públicas comerciales no difieren sustancialmente de las entidades del sector privado que ejercen actividades similares; generalmente operan para obtener beneficios, aunque algunas pueden tener unas obligaciones estrictas de servicio a la comunidad en virtud de las cuales deben proporcionar a particulares y organizaciones bienes y servicios de manera gratuita o a un precio significativamente reducido.

Todas las empresas públicas comerciales reúnen las siguientes características:

- a) Se trata de entidades facultadas para contratar en nombre propio;
- b) Se le ha conferido la autoridad financiera y operativa para emprender una actividad comercial;
- c) Venden bienes y servicios a otras entidades en el curso habitual de sus actividades, obteniendo por ello beneficios o recuperando el coste total;
- d) No dependen de una financiación pública continua para subsistir (salvo cuando se trata de la compra de productos en condiciones de mercado);
- e) Están controladas por una entidad del sector público.

Encargados de la gobernanza – En el sector público, pueden existir responsabilidades de gobernanza en varios niveles organizativos y en diversas funciones (es decir, vertical o transversalmente). Por consiguiente, pueden existir instancias en las que puedan identificarse varios grupos como responsables de la gobernanza. Por otra parte, una auditoría del sector público puede incluir tanto objetivos relacionados con los estados financieros como objetivos de conformidad y en algunos casos esto implica unos órganos de gobernanza separados (véase también el glosario de términos de la IFAC).

Entidad auditada – Organización, programa, actividad o función objeto de una auditoría.

Entidad Fiscalizadora Superior – Organismo público de un estado que, con independencia de su designación, constitución u organización, ejerce en virtud de la ley la más importante función de auditoría pública de dicho Estado. En algunas Entidades Fiscalizadoras Superiores existe un único Auditor General designado que desempeña una función similar a la de “socio responsable del encargo”³ y que es el principal responsable de las auditorías del sector público. Otras Entidades Fiscalizadoras Superiores pueden estar organizadas como Tribunal de Cuentas o con arreglo a un sistema colegiado.

Entidad pública – oficina, unidad, agencia, servicio o ministerio públicos, o un grupo consolidado de estas entidades.

Estatutario – Decidido o controlado por ley.

Independencia – Tal como se define en la Declaración de Lima³ y en el Código de Ética de INTOSAI⁴. (Véase también el glosario de términos de la IFAC).

Interventor General – La función del Auditor General puede combinarse con la del Interventor, cuya función es más de control que de auditoría y se ejerce en la etapa anterior a la realización del gasto.

Jurisdicción – El derecho y la potestad de interpretar y aplicar la ley.

Legislación – Ley o conjunto de leyes propuestas por un gobierno y oficializadas por un parlamento.

Legislador – Miembro de un órgano legislativo.

Mandato de auditoría – Autoridad, cometidos, facultades discrecionales y deberes conferidos a una Entidad Fiscalizadora Superior en virtud de la constitución u otra disposición legislativa de un Estado.

Mandato más amplio – (Véase Objetivo de auditoría)

Ministerio – Servicio del gobierno dirigido por un ministro.

Modelo de Auditor General – (Véase Auditor General)

Modelo de órgano colegiado – Con arreglo al sistema colegial, la Entidad fiscalizadora superior cuenta con una serie de miembros que forman un colegio o consejo de dirección y toman decisiones de manera conjunta. Los órganos de auditoría colegiados suelen formar parte de un sistema parlamentario de rendición de cuentas. Los informes y dictámenes acordados por el colegio son presentados al Parlamento, donde suele existir algún tipo de comisión de cuentas públicas que toman medidas al respecto. Los órganos colegiados también pueden ejercer funciones jurisdiccionales.

Normas – Actos o resoluciones del poder legislativo u otros instrumentos, instrucciones y orientaciones de carácter legal emitidos por organismos públicos con las atribuciones legales necesarias a los que debe ajustarse la entidad auditada en su actuación (véase también la ISSAI 4200⁵.)

³ «ISSAI 30 “Código de Ética”

⁴ Sección 5 de la ISSAI 1, «La Declaración de Lima».

⁵ ISSAI 4200, “Directrices para las auditorías de cumplimiento de la INTOSAI– Auditorías de cumplimiento asociadas a una auditoría de estados financieros”

Nota de Práctica – Está incluida en las directrices de auditoría financiera de INTOSAI y explica cómo aplicar la NIA en una auditoría financiera del sector público. Asimismo, contienen orientaciones pertinentes para auditorías de entidades públicas complementarias de las disposiciones de la NIA.

Objetivo de auditoría – En una auditoría financiera de una entidad del sector privado, el objetivo de auditoría se limita a la expresión de una opinión de fiabilidad sobre una serie de afirmaciones. No obstante, los objetivos de una auditoría financiera del sector público suelen ir más allá de la formulación de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (el alcance de las NIA). El mandato de auditoría, o las obligaciones para las entidades del sector público derivadas de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo puede contener objetivos adicionales.

Estas obligaciones pueden incluir, por ejemplo, la aplicación de procedimientos, la notificación de casos de incumplimiento de las normas y la información sobre la eficacia del control interno. No obstante, aun no existiendo objetivos adicionales, los ciudadanos pueden tener expectativas en este respecto.

Organización de auditoría – Entidad de contables profesionales y otros profesionales especializados en auditoría. En el sector privado, las organizaciones pueden consistir en un único profesional, una sociedad o una empresa. En el sector público la organización puede ser una Entidad Fiscalizadora Superior.

Poder legislativo – Conjunto de personas elegidas oficialmente o seleccionadas por otros medios investidas con las atribuciones y la potestad de elaborar leyes para una unidad soberana, como un estado o una nación.

Rendición de cuentas – Principio según el cual los individuos, las organizaciones y la comunidad son responsables de la utilización que hagan de los recursos públicos y puede exigírseles que expliquen a los demás dicha utilización.

Reputación – (Véase auditoría de cumplimiento)

Requisitos éticos pertinentes – Tal como se definen en el Código de Ética de INTOSAI6. (Véase también el glosario de términos de la IFAC).

Riesgo de negocio (riesgo ligado a la actividad) – Se refiere a la posibilidad de que las actividades, incluidos los programas pertinentes, las estrategias y los objetivos de los mismos, no se completen o consigan. Además, también son importantes en el contexto del sector público los riesgos relativos a cuestiones como el clima político, el interés público y el carácter sensible de los programas, o la posible falta de conformidad con la legislación o las normas aplicables (véase también el glosario de términos de la IFAC)

Socio – (Véase socio responsable del encargo)

Socio responsable del encargo – El socio u otra persona de la organización de auditoría que se ocupa de

6 Capítulo 3 de la ISSAI 30 "Código de Ética"

la ejecución del encargo, así como del informe emitido en nombre de la organización auditora, y que, en caso necesario, está correctamente autorizado por un organismo profesional, jurídico o reglamentario. Numerosas jurisdicciones cuentan con un único Auditor General designado que desempeña una función equivalente a la de “socio responsable del encargo” y se encarga globalmente de las auditorías del sector público. No obstante, si el Auditor General designa a un empleado u a otra persona cualificada para realizar una auditoría en su nombre, es el auditor designado quien ejerce efectivamente las competencias del socio responsable del encargo. En el caso de las Entidades Fiscalizadoras Superiores que funcionan con arreglo a un modelo de tribunal de cuentas, los términos deben interpretarse en el contexto de las propias disposiciones de las Entidades Fiscalizadoras Superiores en materia de orientación estratégica del órgano de dirección y de las obligaciones de los miembros del equipo auditor (Véase también el Glosario de términos de la IFAC).

Tribunal de Cuentas – Con arreglo al modelo de Tribunal de Cuentas, la Entidad Fiscalizadora Superior es parte integrante del sistema judicial, que opera con independencia de los poderes ejecutivo y legislativo. Es probable que tenga sólo una relación limitada con el Parlamento nacional. La Entidad Fiscalizadora Superior se conoce normalmente como Tribunal de Cuentas y por lo general es una institución autónoma que se ocupa sólo de asuntos financieros. Menos habitualmente, puede formar parte de un Tribunal Supremo, en cuyo caso suele conocerse como Cámara de Cuentas.

Algunas características son las siguientes:

- *La Entidad Fiscalizadora Superior es un tribunal y sus miembros son jueces que pueden imponer sanciones correctoras a funcionarios auditados;*
- *El personal profesional de la Entidad Fiscalizadora Superior suele tener una formación más de tipo jurídica que contable o de auditoría;*
- *El seguimiento dado por el Parlamento a los informes del Tribunal es limitado.*

Pueden existir variaciones dentro del amplio modelo judicial descrito según los distintos Estados.

GLOSSARY OF TERMS¹

(February 2009)

Access controls—Procedures designed to restrict access to on-line terminal devices, programs and data. Access controls consist of “user authentication” and “user authorization.” “User authentication” typically attempts to identify a user through unique logon identifications, passwords, access cards or biometric data. “User authorization” consists of access rules to determine the computer resources each user may access. Specifically, such procedures are designed to prevent or detect:

- (a) Unauthorized access to on-line terminal devices, programs and data;
- (b) Entry of unauthorized transactions;
- (c) Unauthorized changes to data files;
- (d) The use of computer programs by unauthorized personnel; and
- (e) The use of computer programs that have not been authorized.

**Accounting estimate*—An approximation of a monetary amount in the absence of a precise means of measurement. This term is used for an amount measured at fair value where there is estimation uncertainty, as well as for other amounts that require estimation. Where ISA 540² addresses only accounting estimates involving measurement at fair value, the term “fair value accounting estimates” is used.

**Accounting records*—The records of initial accounting entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; the general and subsidiary ledgers, journal entries and other adjustments to the financial statements that are not reflected in formal journal entries; and records such as work sheets and spreadsheets supporting cost allocations, computations, reconciliations and disclosures.

Agreed-upon procedures engagement—An engagement in which an auditor is engaged to carry out those procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings. The recipients of the report form their own conclusions from the report by the auditor. The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures may misinterpret the results.

* Denotes a term defined in the ISAs.

† Denotes a term defined in ISQC 1.

¹ In the case of public sector engagements, the terms in this glossary should be read as referring to their public sector equivalents.

Where accounting terms have not been defined in the pronouncements of the International Auditing and Assurance Standards Board, reference should be made to the Glossary of Terms published by the International Accounting Standards Board.

² ISA 540, “Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures.”

**Analytical procedures*—Evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.

Annual report—A document issued by an entity, ordinarily on an annual basis, which includes its financial statements together with the auditor's report thereon.

**Anomaly*—A misstatement or deviation that is demonstrably not representative of misstatements or deviations in a population.

**Applicable financial reporting framework*—The financial reporting framework adopted by management and, where appropriate, those charged with governance in the preparation of the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation.

The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

- (a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.

The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (a) or (b) above.

Application controls in information technology— Manual or automated procedures that typically operate at a business process level. Application controls can be preventative or detective in nature and are designed to ensure the integrity of the accounting records. Accordingly, application controls relate to procedures used to initiate, record, process and report transactions or other financial data.

**Applied criteria (in the context of ISA 810³)*—The criteria applied by management in the preparation of the summary financial statements.

**Appropriateness (of audit evidence)*—The measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based.

³ ISA 810, “Engagements to Report on Summary Financial Statements.”

**Arm's length transaction*—A transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests.

**Assertions*—Representations by management, explicit or otherwise, that are embodied in the financial statements, as used by the auditor to consider the different types of potential misstatements that may occur.

Assess—Analyze identified risks of to conclude on their significance. “Assess,” by convention, is used only in relation to risk. (also see *Evaluate*)

Association—(see *Auditor association with financial information*)

**† Assurance*—(see *Reasonable assurance*)

Assurance engagement—An engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria. The outcome of the evaluation or measurement of a subject matter is the information that results from applying the criteria (also see *Subject matter information*). Under the “International Framework for Assurance Engagements” there are two types of assurance engagement a practitioner is permitted to perform: a reasonable assurance engagement and a limited assurance engagement.

Reasonable assurance engagement—The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement⁴ as the basis for a positive form of expression of the practitioner's conclusion.

Limited assurance engagement—The objective of a limited assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the practitioner's conclusion.

Assurance engagement risk—The risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated.

**Audit documentation*—The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as “working papers” or “workpapers” are also sometimes used).

**Audit evidence*—Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information

⁴ Engagement circumstances include the terms of the engagement, including whether it is a reasonable assurance engagement or a limited assurance engagement, the characteristics of the subject matter, the criteria to be used, the needs of the intended users, relevant characteristics of the responsible party and its environment, and other matters, for example events, transactions, conditions and practices, that may have a significant effect on the engagement.

contained in the accounting records underlying the financial statements and other information. (See *Sufficiency of audit evidence* and *Appropriateness of audit evidence*.)

**Audit file*—One or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.

*†*Audit firm*—(see *Firm*)

**Audit opinion*—(see *Modified opinion and Unmodified opinion*)

**Audit risk*—The risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated. Audit risk is a function of the risks of material misstatement and detection risk.

**Audit sampling (sampling)*—The application of audit procedures to less than 100% of items within a population of audit relevance such that all sampling units have a chance of selection in order to provide the auditor with a reasonable basis on which to draw conclusions about the entire population.

**Audited financial statements (in the context of ISA 810)*—Financial statements⁵ audited by the auditor in accordance with ISAs, and from which the summary financial statements are derived.

**Auditor*—“Auditor” is used to refer to the person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. Where an ISA expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner” rather than “auditor” is used. “Engagement partner” and “firm” are to be read as referring to their public sector equivalents where relevant.

Auditor association with financial information—An auditor is associated with financial information when the auditor attaches a report to that information or consents to the use of the auditor’s name in a professional connection.

**Auditor’s expert*—An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor’s expert may be either an auditor’s internal expert (who is a partner⁶ or staff, including temporary staff, of the auditor’s firm or a network firm), or an auditor’s external expert.

**Auditor’s point estimate or auditor’s range*—The amount, or range of amounts, respectively, derived from audit evidence for use in evaluating management’s point estimate.

**Auditor’s range*—(see *Auditor’s point estimate*)

**Business risk*—A risk resulting from significant conditions, events, circumstances, actions or inactions that could adversely affect an entity’s ability to achieve its

⁵ ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing,” paragraph 13(f), defines the term “financial statements.”

⁶ “Partner” and “firm” should be read as referring to their public sector equivalents where relevant.

objectives and execute its strategies, or from the setting of inappropriate objectives and strategies.

**Comparative financial statements*—Comparative information where amounts and other disclosures for the prior period are included for comparison with the financial statements of the current period but, if audited, are referred to in the auditor's opinion. The level of information included in those comparative financial statements is comparable with that of the financial statements of the current period.

**Comparative information*—The amounts and disclosures included in the financial statements in respect of one or more prior periods in accordance with the applicable financial reporting framework.

Compilation engagement—An engagement in which accounting expertise, as opposed to auditing expertise, is used to collect, classify and summarize financial information.

**Complementary user entity controls*—Controls that the service organization assumes, in the design of its service, will be implemented by user entities, and which, if necessary to achieve control objectives, are identified in the description of its system.

**Compliance framework*—(see *Applicable financial reporting framework* and *General purpose framework*)

**Component*—An entity or business activity for which group or component management prepares financial information that should be included in the group financial statements.

**Component auditor*—An auditor who, at the request of the group engagement team, performs work on financial information related to a component for the group audit.

**Component management*—Management responsible for the preparation of the financial information of a component.

**Component materiality*—The materiality for a component determined by the group engagement team.

Computer-assisted audit techniques—Applications of auditing procedures using the computer as an audit tool (also known as CAATs).

Control activities—Those policies and procedures that help ensure that management directives are carried out. Control activities are a component of internal control.

Control environment—Includes the governance and management functions and the attitudes, awareness and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment is a component of internal control.

**Control risk*—(see *Risk of material misstatement*)

Corporate governance—(see *Governance*)

**Corresponding figures*—Comparative information where amounts and other disclosures for the prior period are included as an integral part of the current period financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as “current period figures”). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures.

Criteria—The benchmarks used to evaluate or measure the subject matter including, where relevant, benchmarks for presentation and disclosure. Criteria can be formal or less formal. There can be different criteria for the same subject matter. Suitable criteria are required for reasonably consistent evaluation or measurement of a subject matter within the context of professional judgment.

Suitable criteria—Exhibit the following characteristics:

- (a) **Relevance:** relevant criteria contribute to conclusions that assist decision-making by the intended users.
- (b) **Completeness:** criteria are sufficiently complete when relevant factors that could affect the conclusions in the context of the engagement circumstances are not omitted. Complete criteria include, where relevant, benchmarks for presentation and disclosure.
- (c) **Reliability:** reliable criteria allow reasonably consistent evaluation or measurement of the subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by similarly qualified practitioners.
- (d) **Neutrality:** neutral criteria contribute to conclusions that are free from bias.
- (e) **Understandability:** understandable criteria contribute to conclusions that are clear, comprehensive, and not subject to significantly different interpretations.

**Date of approval of the financial statements*—The date on which all the statements that comprise the financial statements, including the related notes, have been prepared and those with the recognized authority have asserted that they have taken responsibility for those financial statements.

†Date of report (in relation to quality control)—The date selected by the practitioner to date the report.

**Date of the auditor’s report*—The date the auditor dates the report on the financial statements in accordance with ISA 700.⁷

**Date of the financial statements*—The date of the end of the latest period covered by the financial statements.

⁷ ISA 700, “Forming an Opinion and Reporting on Financial Statements.”

**Date the financial statements are issued*—The date that the auditor’s report and audited financial statements are made available to third parties.

**Deficiency in internal control*—This exists when:

- (a) A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis; or
- (b) A control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.

**Detection risk*—The risk that the procedures performed by the auditor to reduce audit risk to an acceptably low level will not detect a misstatement that exists and that could be material, either individually or when aggregated with other misstatements.

**Element*—(see *Element of a financial statement*)

**Element of a financial statement (in the context of ISA 805⁸)*—An element, account or item of a financial statement.

**Emphasis of Matter paragraph*—A paragraph included in the auditor’s report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements.

†*Engagement documentation*—The record of work performed, results obtained, and conclusions the practitioner reached (terms such as “working papers” or “workpapers” are sometimes used).

Engagement letter—Written terms of an engagement in the form of a letter.

*†*Engagement partner*⁹—The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

*†*Engagement quality control review*—A process designed to provide an objective evaluation, on or before the date of the report, of the significant judgments the engagement team made and the conclusions it reached in formulating the report. The engagement quality control review process is for audits of financial statements of listed entities and those other engagements, if any, for which the firm has determined an engagement quality control review is required.

*†*Engagement quality control reviewer*—A partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part

⁸ ISA 805, “Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement.”

⁹ “Engagement partner,” “partner,” and “firm” should be read as referring to their public sector equivalents where relevant.

of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments the engagement team made and the conclusions it reached in formulating the report.

*†*Engagement team*—All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes external experts engaged by the firm or a network firm.¹⁰

Entity's risk assessment process—A component of internal control that is the entity's process for identifying business risks relevant to financial reporting objectives and deciding about actions to address those risks, and the results thereof.

Environmental matters—

- (a) Initiatives to prevent, abate, or remedy damage to the environment, or to deal with conservation of renewable and non-renewable resources (such initiatives may be required by environmental laws and regulations or by contract, or they may be undertaken voluntarily);
- (b) Consequences of violating environmental laws and regulations;
- (c) Consequences of environmental damage done to others or to natural resources; and
- (d) Consequences of vicarious liability imposed by law (for example, liability for damages caused by previous owners).

Environmental performance report—A report, separate from the financial statements, in which an entity provides third parties with qualitative information on the entity's commitments towards the environmental aspects of the business, its policies and targets in that field, its achievement in managing the relationship between its business processes and environmental risk, and quantitative information on its environmental performance.

Environmental risk—In certain circumstances, factors relevant to the assessment of inherent risk for the development of the overall audit plan may include the risk of material misstatement of the financial statements due to environmental matters.

Error—An unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

**Estimation uncertainty*—The susceptibility of an accounting estimate and related disclosures to an inherent lack of precision in its measurement.

Evaluate—Identify and analyze the relevant issues, including performing further procedures as necessary, to come to a specific conclusion on a matter. "Evaluation," by convention, is used only in relation to a range of matters, including evidence, the results of procedures and the effectiveness of management's response to a risk. (also see *Assess*)

¹⁰ ISA 620, "Using the Work of an Auditor's Expert," paragraph 6(a), defines the term "auditor's expert."

**Exception*—A response that indicates a difference between information requested to be confirmed, or contained in the entity's records, and information provided by the confirming party.

**Experienced auditor*—An individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of:

- (a) Audit processes;
- (b) ISAs and applicable legal and regulatory requirements;
- (c) The business environment in which the entity operates; and
- (d) Auditing and financial reporting issues relevant to the entity's industry.

**Expert*—(see *Auditor's expert* and *Management's expert*)

**Expertise*—Skills, knowledge and experience in a particular field.

**External confirmation*—Audit evidence obtained as a direct written response to the auditor from a third party (the confirming party), in paper form, or by electronic or other medium.

**Fair presentation framework* —(see *Applicable financial reporting framework* and *General purpose framework*)

**Financial statements*—A structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but it can also refer to a single financial statement.

**†Firm*—A sole practitioner, partnership or corporation or other entity of professional accountants.

Forecast—Prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions management expects to take as of the date the information is prepared (best-estimate assumptions).

**Fraud*—An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

**Fraud risk factors*—Events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Fraudulent financial reporting—Involves intentional misstatements, including omissions of amounts or disclosures in financial statements, to deceive financial statement users.

General IT-controls—Policies and procedures that relate to many applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. General IT-controls commonly include controls over data center and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

**General purpose financial statements*—Financial statements prepared in accordance with a general purpose framework.

**General purpose framework*—A financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework.

The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

- (a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.

The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (a) or (b) above.¹¹

**Governance*—Describes the role of person(s) or organization(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity.

**Group*—All the components whose financial information is included in the group financial statements. A group always has more than one component.

**Group audit*—The audit of group financial statements.

**Group audit opinion*—The audit opinion on the group financial statements.

**Group engagement partner*—The partner or other person in the firm who is responsible for the group audit engagement and its performance, and for the auditor’s report on the group financial statements that is issued on behalf of the firm. Where joint auditors conduct the group audit, the joint engagement partners and their engagement teams collectively constitute the group engagement partner and the group engagement team.

**Group engagement team*—Partners, including the group engagement partner, and staff who establish the overall group audit strategy, communicate with component auditors,

¹¹ ISA 200, paragraph 13(a).

perform work on the consolidation process, and evaluate the conclusions drawn from the audit evidence as the basis for forming an opinion on the group financial statements.

**Group financial statements*—Financial statements that include the financial information of more than one component. The term “group financial statements” also refers to combined financial statements aggregating the financial information prepared by components that have no parent but are under common control.

**Group management*—Management responsible for the preparation of the group financial statements.

**Group-wide controls*—Controls designed, implemented and maintained by group management over group financial reporting.

**Historical financial information*—Information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.

**Inconsistency*—Other information that contradicts information contained in the audited financial statements. A material inconsistency may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for the auditor’s opinion on the financial statements.

*Independence*¹²—Comprises:

- (a) Independence of mind—the state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism.
- (b) Independence in appearance—the avoidance of facts and circumstances that are so significant a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would reasonably conclude a firm’s, or a member of the assurance team’s, integrity, objectivity or professional skepticism had been compromised.

Information system relevant to financial reporting—A component of internal control that includes the financial reporting system, and consists of the procedures and records established to initiate, record, process and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities and equity.

**Inherent risk*—(see *Risk of material misstatement*)

**Initial audit engagement*—An engagement in which either:

- (a) The financial statements for the prior period were not audited; or
- (b) The financial statements for the prior period were audited by a predecessor auditor.

¹² As defined in the IFAC *Code of Ethics for Professional Accountants*.

Inquiry—Inquiry consists of seeking information of knowledgeable persons, both financial and non-financial, within the entity or outside the entity.

Inspection (as an audit procedure)—Examining records or documents, whether internal or external, in paper form, electronic form, or other media, or a physical examination of an asset.

*†*Inspection (in relation to quality control)*—In relation to completed engagements, procedures designed to provide evidence of compliance by engagement teams with the firm's quality control policies and procedures.

Intended users—The person, persons or class of persons for whom the practitioner prepares the assurance report. The responsible party can be one of the intended users, but not the only one.

Interim financial information or statements—Financial information (which may be less than a complete set of financial statements as defined above) issued at interim dates (usually half-yearly or quarterly) in respect of a financial period.

**Internal audit function*—An appraisal activity established or provided as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control.

**Internal auditors*—Those individuals who perform the activities of the internal audit function. Internal auditors may belong to an internal audit department or equivalent function.

**Internal control*—The process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term "controls" refers to any aspects of one or more of the components of internal control.

**International Financial Reporting Standards*—The International Financial Reporting Standards issued by the International Accounting Standards Board.

Investigate—Inquire into matters arising from other procedures to resolve them.

IT environment—The policies and procedures that the entity implements and the IT infrastructure (hardware, operating systems, etc.) and application software that it uses to support business operations and achieve business strategies.

Limited assurance engagement—(see *Assurance engagement*)

*†*Listed entity*—An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.

**Management*—The person(s) with executive responsibility for the conduct of the entity's operations. For some entities in some jurisdictions, management includes some

or all of those charged with governance, for example, executive members of a governance board, or an owner-manager.

**Management bias*—A lack of neutrality by management in the preparation of information.

**Management's expert*—An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements.

**Management's point estimate*—The amount selected by management for recognition or disclosure in the financial statements as an accounting estimate.

Misappropriation of assets—Involves the theft of an entity's assets and is often perpetrated by employees in relatively small and immaterial amounts. However, it can also involve management who are usually more capable of disguising or concealing misappropriations in ways that are difficult to detect.

**Misstatement*—A difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.

Where the auditor expresses an opinion on whether the financial statements are presented fairly, in all material respects, or give a true and fair view, misstatements also include those adjustments of amounts, classifications, presentation, or disclosures that, in the auditor's judgment, are necessary for the financial statements to be presented fairly, in all material respects, or to give a true and fair view.

**Misstatement of fact*—Other information that is unrelated to matters appearing in the audited financial statements that is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the document containing audited financial statements.

**Modified opinion*—A qualified opinion, an adverse opinion or a disclaimer of opinion.

**†Monitoring (in relation to quality control)*—A process comprising an ongoing consideration and evaluation of the firm's system of quality control, including a periodic inspection of a selection of completed engagements, designed to provide the firm with reasonable assurance that its system of quality control is operating effectively.

Monitoring of controls—A process to assess the effectiveness of internal control performance over time. It includes assessing the design and operation of controls on a timely basis and taking necessary corrective actions modified for changes in conditions. Monitoring of controls is a component of internal control.

**Negative confirmation request*—A request that the confirming party respond directly to the auditor only if the confirming party disagrees with the information provided in the request.

**†Network*—A larger structure:

- (a) That is aimed at cooperation, and
- (b) That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.

*†*Network firm*—A firm or entity that belongs to a network.

**Non-compliance (in the context of ISA 250¹³)*—Acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations. Such acts include transactions entered into by, or in the name of, the entity, or on its behalf, by those charged with governance, management or employees. Non-compliance does not include personal misconduct (unrelated to the business activities of the entity) by those charged with governance, management or employees of the entity.

**Non-response*—A failure of the confirming party to respond, or fully respond, to a positive confirmation request, or a confirmation request returned undelivered.

**Non-sampling risk*—The risk that the auditor reaches an erroneous conclusion for any reason not related to sampling risk.

Observation—Consists of looking at a process or procedure being performed by others, for example, the auditor's observation of inventory counting by the entity's personnel, or of the performance of control activities.

**Opening balances*—Those account balances that exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and events of prior periods and accounting policies applied in the prior period. Opening balances also include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.

**Other information*—Financial and non-financial information (other than the financial statements and the auditor's report thereon) which is included, either by law, regulation, or custom, in a document containing audited financial statements and the auditor's report thereon.

**Other Matter paragraph*—A paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

**Outcome of an accounting estimate*—The actual monetary amount which results from the resolution of the underlying transaction(s), event(s) or condition(s) addressed by the accounting estimate.

Overall audit strategy—Sets the scope, timing and direction of the audit, and guides the development of the more detailed audit plan.

¹³ ISA 250, "Consideration of Laws and Regulations in an Audit of Financial Statements."

*†*Partner*—Any individual with authority to bind the firm with respect to the performance of a professional services engagement.

**Performance materiality*—The amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

*†*Personnel*—Partners and staff.

**Pervasive*—A term used, in the context of misstatements, to describe the effects on the financial statements of misstatements or the possible effects on the financial statements of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence. Pervasive effects on the financial statements are those that, in the auditor's judgment:

- (a) Are not confined to specific elements, accounts or items of the financial statements;
- (b) If so confined, represent or could represent a substantial proportion of the financial statements; or
- (c) In relation to disclosures, are fundamental to users' understanding of the financial statements.

**Population*—The entire set of data from which a sample is selected and about which the auditor wishes to draw conclusions.

**Positive confirmation request*—A request that the confirming party respond directly to the auditor indicating whether the confirming party agrees or disagrees with the information in the request, or providing the requested information.

Practitioner—A professional accountant in public practice.

**Preconditions for an audit*—The use by management of an acceptable financial reporting framework in the preparation of the financial statements and the agreement of management and, where appropriate, those charged with governance to the premise¹⁴ on which an audit is conducted.

**Predecessor auditor*—The auditor from a different audit firm, who audited the financial statements of an entity in the prior period and who has been replaced by the current auditor.

**Premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted*—That management and, where appropriate, those charged with governance have acknowledged and understand

¹⁴ ISA 200, paragraph 13.

that they have the following responsibilities that are fundamental to the conduct of an audit in accordance with ISAs. That is, responsibility:

- (a) For the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation;
- (b) For such internal control as management and, where appropriate, those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (c) To provide the auditor with:
 - (i) Access to all information of which management and, where appropriate, those charged with governance are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - (ii) Additional information that the auditor may request from management and, where appropriate, those charged with governance for the purpose of the audit; and
 - (iii) Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.

In the case of a fair presentation framework, (a) above may be restated as “for the preparation and *fair* presentation of the financial statements in accordance with the financial reporting framework,” or “for the preparation of financial statements *that give a true and fair view* in accordance with the financial reporting framework.”

The “premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted” may also be referred to as the “premise.”

*Professional accountant*¹⁵—An individual who is a member of an IFAC member body.

*Professional accountant in public practice*¹⁶—A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services. This term is also used to refer to a firm of professional accountants in public practice.

**Professional judgment*—The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.

¹⁵ As defined in the IFAC *Code of Ethics for Professional Accountants*.

¹⁶ As defined in the IFAC *Code of Ethics for Professional Accountants*.

**Professional skepticism*—An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.

**Professional standards*—International Standards on Auditing (ISAs) and relevant ethical requirements

†*Professional standards (in the context of ISQC 1)*¹⁷—IAASB Engagement Standards, as defined in the IAASB’s *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*, and relevant ethical requirements.

Projection—Prospective financial information prepared on the basis of:

- (a) Hypothetical assumptions about future events and management actions which are not necessarily expected to take place, such as when some entities are in a start-up phase or are considering a major change in the nature of operations; or
- (b) A mixture of best-estimate and hypothetical assumptions.

Prospective financial information—Financial information based on assumptions about events that may occur in the future and possible actions by an entity. Prospective financial information can be in the form of a forecast, a projection or a combination of both. (see *Forecast* and *Projection*)

Public sector—National governments, regional (for example, state, provincial, territorial) governments, local (for example, city, town) governments and related governmental entities (for example, agencies, boards, commissions and enterprises).

*†*Reasonable assurance (in the context of assurance engagements, including audit engagements, and quality control)*—A high, but not absolute, level of assurance.

Reasonable assurance engagement—(see *Assurance engagement*)

Recalculation—Consists of checking the mathematical accuracy of documents or records.

**Related party*—A party that is either:

- (a) A related party as defined in the applicable financial reporting framework; or
- (b) Where the applicable financial reporting framework establishes minimal or no related party requirements:
 - (i) A person or other entity that has control or significant influence, directly or indirectly through one or more intermediaries, over the reporting entity;
 - (ii) Another entity over which the reporting entity has control or significant influence, directly or indirectly through one or more intermediaries; or

¹⁷ ISQC 1, “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.”

- (iii) Another entity that is under common control with the reporting entity through having:
 - a. Common controlling ownership;
 - b. Owners who are close family members; or
 - c. Common key management.

However, entities that are under common control by a state (that is, a national, regional or local government) are not considered related unless they engage in significant transactions or share resources to a significant extent with one another.

Related services—Comprise agreed-upon procedures and compilations.

*†*Relevant ethical requirements*—Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprise Parts A and B of the International Federation of Accountants’ *Code of Ethics for Professional Accountants* (IFAC Code) together with national requirements that are more restrictive.

Reperformance—The auditor’s independent execution of procedures or controls that were originally performed as part of the entity’s internal controls.

**Report on the description and design of controls at a service organization (referred to in ISA 402¹⁸ as a type 1 report)*—A report that comprises:

- (a) A description, prepared by management of the service organization, of the service organization’s system, control objectives and related controls that have been designed and implemented as at a specified date; and
- (b) A report by the service auditor with the objective of conveying reasonable assurance that includes the service auditor’s opinion on the description of the service organization’s system, control objectives and related controls and the suitability of the design of the controls to achieve the specified control objectives.

**Report on the description, design, and operating effectiveness of controls at a service organization (referred to in ISA 402 as a type 2 report)*—A report that comprises:

- (a) A description, prepared by management of the service organization, of the service organization’s system, control objectives and related controls, their design and implementation as at a specified date or throughout a specified period and, in some cases, their operating effectiveness throughout a specified period; and
- (b) A report by the service auditor with the objective of conveying reasonable assurance that includes:
 - (i) The service auditor’s opinion on the description of the service organization’s system, control objectives and related controls, the suitability

¹⁸ ISA 402, “Audit Considerations Relating to an Entity Using a Service Organization.”

of the design of the controls to achieve the specified control objectives, and the operating effectiveness of the controls; and

- (ii) A description of the service auditor's tests of the controls and the results thereof.

Responsible party—The person (or persons) who:

- (a) In a direct reporting engagement, is responsible for the subject matter; or
- (b) In an assertion-based engagement, is responsible for the subject matter information (the assertion), and may be responsible for the subject matter.

The responsible party may or may not be the party who engages the practitioner (the engaging party).

Review (in relation to quality control)—Appraising the quality of the work performed and conclusions reached by others.

Review engagement—The objective of a review engagement is to enable an auditor to state whether, on the basis of procedures which do not provide all the evidence that would be required in an audit, anything has come to the auditor's attention that causes the auditor to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.

Review procedures—The procedures deemed necessary to meet the objective of a review engagement, primarily inquiries of entity personnel and analytical procedures applied to financial data.

**Risk assessment procedures*—The audit procedures performed to obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels.

**Risk of material misstatement*—The risk that the financial statements are materially misstated prior to audit. This consists of two components, described as follows at the assertion level:

- (a) *Inherent risk*—The susceptibility of an assertion about a class of transaction, account balance or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls.
- (b) *Control risk*—The risk that a misstatement that could occur in an assertion about a class of transaction, account balance or disclosure and that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity's internal control.

**Sampling*—(see *Audit sampling*)

**Sampling risk*—The risk that the auditor's conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same audit procedure. Sampling risk can lead to two types of erroneous conclusions:

- (a) In the case of a test of controls, that controls are more effective than they actually are, or in the case of a test of details, that a material misstatement does not exist when in fact it does. The auditor is primarily concerned with this type of erroneous conclusion because it affects audit effectiveness and is more likely to lead to an inappropriate audit opinion.
- (b) In the case of a test of controls, that controls are less effective than they actually are, or in the case of a test of details, that a material misstatement exists when in fact it does not. This type of erroneous conclusion affects audit efficiency as it would usually lead to additional work to establish that initial conclusions were incorrect.

**Sampling unit*—The individual items constituting a population.

Scope of a review—The review procedures deemed necessary in the circumstances to achieve the objective of the review.

**Service auditor*—An auditor who, at the request of the service organization, provides an assurance report on the controls of a service organization.

**Service organization*—A third-party organization (or segment of a third-party organization) that provides services to user entities that are part of those entities' information systems relevant to financial reporting.

**Service organization's system*—The policies and procedures designed, implemented and maintained by the service organization to provide user entities with the services covered by the service auditor's report.

Significance—The relative importance of a matter, taken in context. The significance of a matter is judged by the practitioner in the context in which it is being considered. This might include, for example, the reasonable prospect of its changing or influencing the decisions of intended users of the practitioner's report; or, as another example, where the context is a judgment about whether to report a matter to those charged with governance, whether the matter would be regarded as important by them in relation to their duties. Significance can be considered in the context of quantitative and qualitative factors, such as relative magnitude, the nature and effect on the subject matter and the expressed interests of intended users or recipients.

**Significant component*—A component identified by the group engagement team (i) that is of individual financial significance to the group, or (ii) that, due to its specific nature or circumstances, is likely to include significant risks of material misstatement of the group financial statements.

**Significant deficiency in internal control*—A deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

**Significant risk*—An identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration.

Smaller entity—An entity which typically possesses qualitative characteristics such as:

- (a) Concentration of ownership and management in a small number of individuals (often a single individual – either a natural person or another enterprise that owns the entity provided the owner exhibits the relevant qualitative characteristics); and
- (b) One or more of the following:
 - (i) Straightforward or uncomplicated transactions;
 - (ii) Simple record-keeping;
 - (iii) Few lines of business and few products within business lines;
 - (iv) Few internal controls;
 - (v) Few levels of management with responsibility for a broad range of controls; or
 - (vi) Few personnel, many having a wide range of duties.

These qualitative characteristics are not exhaustive, they are not exclusive to smaller entities, and smaller entities do not necessarily display all of these characteristics.

**Special purpose financial statements*—Financial statements prepared in accordance with a special purpose framework.

**Special purpose framework*—A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.¹⁹

**†Staff*—Professionals, other than partners, including any experts the firm employs.

**Statistical sampling*—An approach to sampling that has the following characteristics:

- (a) Random selection of the sample items; and
- (b) The use of probability theory to evaluate sample results, including measurement of sampling risk.

A sampling approach that does not have characteristics (a) and (b) is considered non-statistical sampling.

**Stratification*—The process of dividing a population into sub-populations, each of which is a group of sampling units which have similar characteristics (often monetary value).

Subject matter information—The outcome of the evaluation or measurement of a subject matter. It is the subject matter information about which the practitioner gathers

¹⁹ ISA 200, paragraph 13(a).

sufficient appropriate evidence to provide a reasonable basis for expressing a conclusion in an assurance report.

**Subsequent events*—Events occurring between the date of the financial statements and the date of the auditor’s report, and facts that become known to the auditor after the date of the auditor’s report.

**Subservice organization*—A service organization used by another service organization to perform some of the services provided to user entities that are part of those user entities’ information systems relevant to financial reporting.

**Substantive procedure*—An audit procedure designed to detect material misstatements at the assertion level. Substantive procedures comprise:

- (a) Tests of details (of classes of transactions, account balances, and disclosures); and
- (b) Substantive analytical procedures.

**Sufficiency (of audit evidence)*—The measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor’s assessment of the risks of material misstatement and also by the quality of such audit evidence.

Suitable criteria—(see *Criteria*)

**†Suitably qualified external person*—An individual outside the firm with the competence and capabilities to act as an engagement partner, for example a partner of another firm, or an employee (with appropriate experience) of either a professional accountancy body whose members may perform audits and reviews of historical financial information, or other assurance or related services engagements, or of an organization that provides relevant quality control services.

**Summary financial statements (in the context of ISA 810)*—Historical financial information that is derived from financial statements but that contains less detail than the financial statements, while still providing a structured representation consistent with that provided by the financial statements of the entity’s economic resources or obligations at a point in time or the changes therein for a period of time.²⁰ Different jurisdictions may use different terminology to describe such historical financial information.

Supplementary information—Information that is presented together with the financial statements that is not required by the applicable financial reporting framework used to prepare the financial statements, normally presented in either supplementary schedules or as additional notes.

Test—The application of procedures to some or all items in a population.

**Tests of controls*—An audit procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level.

²⁰ ISA 200, paragraph 13(f).

**Those charged with governance*—The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.²¹

**Tolerable misstatement*—A monetary amount set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the monetary amount set by the auditor is not exceeded by the actual misstatement in the population.

**Total rate of deviation*—A rate of deviation from prescribed internal control procedures set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the rate of deviation set by the auditor is not exceeded by the actual rate of deviation in the population.

Uncertainty—A matter whose outcome depends on future actions or events not under the direct control of the entity but that may affect the financial statements.

**Uncorrected misstatements*—Misstatements that the auditor has accumulated during the audit and that have not been corrected.

**Unmodified opinion*—The opinion expressed by the auditor when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.²²

**User auditor*—An auditor who audits and reports on the financial statements of a user entity.

**User entity*—An entity that uses a service organization and whose financial statements are being audited.

Walk-through test—Involves tracing a few transactions through the financial reporting system.

**Written representation*—A written statement by management provided to the auditor to confirm certain matters or to support other audit evidence. Written representations in this context do not include financial statements, the assertions therein, or supporting books and records.

²¹ For discussion of the diversity of governance structures, see paragraphs A1-A8 of ISA 260, “Communication with Those Charged with Governance.”

²² ISA 700, paragraphs 35-36, deal with the phrases used to express this opinion in the case of a fair presentation framework and a compliance framework respectively.

ISSAI 1200

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

Objetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría

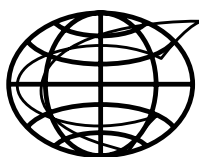
COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 200, “Objetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1200

NOTA DE PRÁCTICA PARA LA NIA 200

Párrafo

Fundamentos

Introducción a la NIA	
Contenido de la Nota de Práctica	P1

Aplicabilidad de la NIA en la auditoría del sector público	P2

Orientaciones adicionales sobre cuestiones ligadas al sector público	P3

Alcance de la NIA	P4–P9
La auditoría de estados financieros	P10–14
Objetivos generales del auditor	P15
Definiciones	P16
Exigencias deontológicas en una auditoría de estados financieros	P17–P18
Ejecución de una auditoría con arreglo a las NIA	P19
Evidencia de auditoría suficiente y apropiada y riesgo de auditoría	P20

NORMA INTERNACIONAL DE AUDITORÍA 200

Introducción

Alcance de la NIA	1–2
La auditoría de estados financieros	3–9
Fecha de entrada en vigor	10

Objetivos generales del auditor	11–12

Definiciones	13

Exigencias

Exigencias deontológicas en una auditoría de estados financieros	14
Escepticismo profesional	15
Juicio profesional	16
Evidencia de auditoría suficiente y apropiada y riesgo de auditoría	17
Ejecución de una auditoría con arreglo a las NIA	18–24

Disposiciones de aplicación y otras disposiciones explicativas

La auditoría de estados financieros	A1–A13
Exigencias deontológicas en una auditoría de estados financieros	A14–A17
Escepticismo profesional	A18–A22
Juicio profesional	A23–A27
Evidencia de auditoría suficiente y apropiada y riesgo de auditoría	A28–A52
Ejecución de una auditoría con arreglo a las NIA	A53–A76

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 200

Objetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 200, iObjetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría, y debe leerse conjuntamente con ella. La NIA 200 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 200 establece las obligaciones del auditor independiente cuando audita estados financieros con arreglo a las NIA; en concreto fija los objetivos generales del auditor independiente y explica cómo han de ser la naturaleza y el alcance de la auditoría para poder alcanzar dichos objetivos. También explica el alcance, la autoridad y la estructura de las NIA, e incluye requisitos que determinan las obligaciones generales del auditor independiente aplicables a todas las auditorías, entre ellas la de adecuarse a las NIA. El auditor independiente se denominará en lo sucesivo iel auditori.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Alcance de la NIA.
 - b) La auditoría de estados financieros.
 - c) Objetivos generales del auditor.
 - d) Definiciones.
 - e) Exigencias deontológicas en una auditoría de estados financieros.
 - f) Ejecución de una auditoría con arreglo a las NIA.
 - g) Evidencia de auditoría suficiente y apropiada y riesgo de auditoría.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 iIntroducción general a las Directrices de auditoría financiera de la INTOSAI.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 200 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 200 contiene disposiciones de aplicación y otras disposiciones explicativas con consideraciones específicas a las entidades del sector público en los párrafos A11 y A57.

Alcance de la NIA

- P4. Las NIA están redactadas en un contexto de auditoría de estados financieros². En el ámbito de la INTOSAI la auditoría de estados financieros puede formar parte de una auditoría de regularidad (financiera) de mayor amplitud. Según la ISSAI 100³, párrafo 39, una auditoría de regularidad (financiera) comprende:
- a) La certificación de las cuentas rendidas por las entidades obligadas a ello, que incluye el examen y evaluación de los asientos contables y la expresión de la opinión que merezcan las cuentas y los estados financieros.
 - b) La certificación de la Cuenta General del Estado.
 - c) La fiscalización de los sistemas y de las operaciones financieras así como la valoración del cumplimiento de las disposiciones legales y reglamentarias aplicables.
 - d) La fiscalización de los sistemas de control y de auditoría internos.
 - e) La fiscalización de la corrección e idoneidad de las decisiones administrativas adoptadas en el seno de la entidad fiscalizada.
 - f) La comunicación de cualquier otra cuestión surgida como consecuencia de la fiscalización o relacionada con ella y que la EFS considere que deba ser puesta de manifiesto.
- P5. Los términos *auditoría de regularidad* y *auditoría financiera* son con frecuencia intercambiables y se refieren a la auditoría de estados financieros, más algunos de los elementos expuestos en los anteriores subpárrafos a) a f), o todos ellos, en función del mandato de la EFS. Las Notas de Práctica de las Directrices de auditoría financiera (ISSAI 1000-2999) de la INTOSAI proporcionan orientaciones adicionales a los auditores del sector público que aplican las NIA al ejecutar auditorías de los estados financieros. Al llevar a cabo auditorías más amplias *de regularidad* o *financieras* del sector público, pueden obtenerse orientaciones más completas en el marco de las ISSAI que incluyen por ejemplo las Directrices de la INTOSAI para las auditorías de cumplimiento (ISSAI 4000⁴ y 4200⁵).

2 NIA 200, párrafo A1: La opinión del auditor sobre los estados financieros se refiere a la cuestión de si dichos estados financieros han sido elaborados, en todos sus aspectos significativos, con arreglo al marco de información financiera aplicable. La opinión es común a todas las auditorías de estados financieros y por tanto no garantiza, por ejemplo, la futura viabilidad de la entidad ni que la dirección la haya gestionado de forma eficaz o eficiente. En algunas jurisdicciones, sin embargo, las leyes y regulaciones aplicables pueden exigir a los auditores la emisión de opiniones sobre otras cuestiones específicas, como la eficacia del control interno, o la coherencia de un informe de gestión separado con los estados financieros. Aunque las NIA incluyen exigencias y orientaciones con respecto a estas cuestiones en la medida en que sean pertinentes para la obtención de una opinión sobre los estados financieros, el auditor puede verse obligado a llevar a cabo ulteriores trabajos en caso de tener asignadas obligaciones suplementarias de emitir dichas opiniones.

3 ISSAI 100, iPostulados básicos de la fiscalización pública de la INTOSAI.

4 ISSAI 4000, iIntroducción general a las Directrices para la auditoría de cumplimiento.i

5 ISSAI 4200, iDirectrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros.i

- P6. Las auditorías de regularidad (financieras) se llevan a cabo en distintos entornos. En los entornos de notificación de información financiera que evolucionan para adecuarse a prácticas reconocidas internacionalmente, la plena aplicación de las ISSAI 1000-2999 por los auditores del sector público constituirá una base suplementaria para transformar el entorno de la auditoría y hacerlo evolucionar a prácticas reconocidas internacionalmente.
- P7. En el sector público, la referencia a las normas de auditoría aplicables se hará de una de las maneras que se cita a continuación, en función de las normas aplicadas:
- a) Con arreglo a las NIA, lo que significa la plena conformidad con todas las NIA aplicables y, en su caso, con las orientaciones adicionales facilitadas en las Notas de Práctica para las NIA emitidas por la INTOSAI.
 - b) Con arreglo a los Principios fundamentales de auditoría de la INTOSAI, lo que no significa la plena conformidad con las NIA incluidas actualmente en las Directrices de auditoría financiera de la INTOSAI (ISSAI 1000 a 2999).
 - c) Con arreglo a las normas de auditoría nacionales que resulten pertinentes.
- P8. En el contexto del sector público, las Notas de Práctica emplean la expresión *auditores del sector público* de forma equivalente al término *auditor* tal y como se emplea en las NIA.
- P9. Algunas NIA contienen consideraciones específicas en relación con la auditoría de entidades de menor tamaño, que no suelen aplicarse en la auditoría de entidades públicas o que reciben ayudas públicas aun cuando dichas entidades cuenten con poco personal, lleven a cabo operaciones sencillas o dispongan de un presupuesto relativamente reducido. En esas situaciones, la entidad pública puede tener sin embargo que llevar a cabo operaciones complicadas, como la recepción de transferencias de otras administraciones y adecuarse a leyes, reglamentos, políticas y sistemas fijados por un nivel superior de la administración y responder por el empleo del dinero del contribuyente. Por consiguiente, los auditores del sector público examinarán cuidadosamente la pertinencia de todas esas consideraciones. Las Notas de Práctica pueden contener orientación adicional en este ámbito cuando se estime importante dar más instrucciones para la auditoría de las entidades públicas de menor tamaño.

La auditoría de estados financieros

- P10. Al remitirse al párrafo 6 de la NIA, los auditores del sector público incluirán en sus consideraciones las orientaciones adicionales incluidas en la Nota de Práctica de la NIA 320⁶.
- P11. El párrafo A7 de la NIA es uno de los muchos que tratan de los marcos de presentación fidedigna. Las normas contables internacionales del sector público (IPSA), emitidas por el Consejo de Normas Internacionales de Contabilidad para el Sector Público (International Public Sector Accounting Standards Board/IPSAB), constituyen un ejemplo de marco de presentación fidedigna concebidos para su empleo en el sector público.

6 NIA 320, *La materialidad al planificar y ejecutar una auditoría*.

- P12. El párrafo A8 de la NIA facilita ejemplos de estados financieros y el contenido de un conjunto completo de los mismos. Un conjunto completo de estados financieros para una entidad de sector público elaborado con arreglo al principio de contabilidad de ejercicio constará normalmente de:
- Un estado de la situación financiera.
 - Un estado del resultado financiero.
 - Las variaciones habidas en los activos y en el patrimonio neto.
 - Un estado de flujos de efectivo.
 - La comparación entre los importes efectivos y los presupuestados presentada separadamente como un estado financiero más o como conciliación.
 - Notas que incluyen un resumen de los principios contables más significativos aplicados y otras explicaciones.
- P13. En algunos entornos, el conjunto completo de estados financieros puede incluir también otros informes como los de resultado y de asignación de fondos.
- P14. Al remitirse al párrafo A10 de la NIA, los auditores del sector público incluirán en sus consideraciones las orientaciones adicionales contenidas en las Notas de Práctica de la NIA 210⁷ y la NIA 580⁸.

Objetivos generales del auditor

- P15. La posibilidad de renunciar al encargo que se describe en los párrafos 12 a 24 de la NIA no suele admitirse en la auditoría del sector público. Cuando se den circunstancias que normalmente exigirían la renuncia al encargo, los auditores del sector público pueden verse obligados a ampliar o intensificar sus comunicaciones, por ejemplo al poder legislativo.

Definiciones

- P16. Al remitirse a las definiciones contenidas en el párrafo 13 de la NIA los auditores del sector público tomarán nota de los siguientes extremos:
- a) El marco aplicable de información financiera: al igual que en el sector privado, los marcos del sector público pueden referirse a la presentación fidedigna o ser de conformidad.
 - b) El auditor: el término *auditor responsable* puede referirse por ejemplo al auditor general que tiene atribuida la obligación general de las auditorías del sector público o cualquier otra persona con las necesarias cualificaciones, nombrada por el primero o que actúa en su nombre para el encargo específico. El término *órgano fiscalizador* equivaldrá normalmente a la entidad fiscalizadora superior o a su equivalente a nivel local o regional.

⁷ NIA 210, *Acuerdo sobre los términos del contrato de auditoría*.

⁸ NIA 580, *Manifestaciones escritas*.

Exigencias deontológicas en una auditoría de estados financieros

- P17. El código de ética de la INTOSAI⁹ es aplicable en lo que se refiere al párrafo 14 de la NIA.
- P18. El párrafo 15 de la NIA obliga al auditor a planificar y ejecutar la auditoría con una óptica de escepticismo profesional y a admitir que pueden existir circunstancias que creen errores significativos en los estados financieros. Los principios fundamentales de la INTOSAI (ISSAI 200)¹⁰ se refieren al concepto de diligencia debida manifestando lo siguiente: i. Los auditores deben estar atentos a las deficiencias en el control, a las insuficiencias en la contabilidad, a las operaciones erróneas e irregulares y a los resultados o situaciones que pueden ser indicativos de fraude, gastos inadecuados o ilícitos, operaciones no autorizadas, despilfarro, ineficiencia o falta de probidad. ii. El concepto de escepticismo profesional intensifica y amplía el concepto de diligencia debida y resulta fundamental para la planificación y ejecución de la auditoría.

Ejecución de una auditoría con arreglo a las NIA

- P19. Al remitirse a los párrafos 18 a 20 de la NIA sobre la conformidad con las NIA aplicables a la auditoría, los auditores del sector público considerarán como guía, al aplicar las ISSAI para la auditoría de regularidad (financiera) del sector público, conjuntamente las NIA y la Nota de Práctica. Si en el informe del auditor se hace referencia a que la auditoría se ha realizado con arreglo a las NIA, los auditores del sector público tienen que adecuarse a todas las NIA aplicables a la auditoría según se expone en los párrafos 18 a 20 de la NIA.

Evidencia de auditoría suficiente y apropiada y riesgo de auditoría

- P20. Al remitirse a las fuentes de información, tal y como se expone en el párrafo A28 de la NIA, los auditores del sector público pueden considerar también la posibilidad de utilizar la información obtenida en otras auditorías de gestión y otras actividades de auditoría relacionadas con la entidad, siempre que la información siga siendo pertinente y fiable.

9 ISSAI 30, iCódigo de Ética de la INTOSAI.

10 ISSAI 200, iNormas Generales de Fiscalización Pública de la INTOSAI, i párrafo 2.

International Standard on Auditing

**Overall Objectives of the
Independent Auditor and the
Conduct of an Audit in
Accordance with
International Standards on
Auditing**



**International Federation
of Accountants**

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INTERNATIONAL STANDARD ON AUDITING 200

OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR AND THE CONDUCT OF AN AUDIT IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1–2
An Audit of Financial Statements	3–9
Effective Date	10
Overall Objectives of the Auditor	11–12
Definitions	13
Requirements	
Ethical Requirements Relating to an Audit of Financial Statements	14
Professional Skepticism	15
Professional Judgment	16
Sufficient Appropriate Audit Evidence and Audit Risk	17
Conduct of an Audit in Accordance with ISAs	18–24
Application and Other Explanatory Material	
An Audit of Financial Statements	A1–A13
Ethical Requirements Relating to an Audit of Financial Statements	A14–A17
Professional Skepticism	A18–A22
Professional Judgment	A23–A27
Sufficient Appropriate Audit Evidence and Audit Risk	A28–A52
Conduct of an Audit in Accordance with ISAs	A53–A76

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the independent auditor's overall responsibilities when conducting an audit of financial statements in accordance with ISAs. Specifically, it sets out the overall objectives of the independent auditor, and explains the nature and scope of an audit designed to enable the independent auditor to meet those objectives. It also explains the scope, authority and structure of the ISAs, and includes requirements establishing the general responsibilities of the independent auditor applicable in all audits, including the obligation to comply with the ISAs. The independent auditor is referred to as "the auditor" hereafter.
2. ISAs are written in the context of an audit of financial statements by an auditor. They are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. ISAs do not address the responsibilities of the auditor that may exist in legislation, regulation or otherwise in connection with, for example, the offering of securities to the public. Such responsibilities may differ from those established in the ISAs. Accordingly, while the auditor may find aspects of the ISAs helpful in such circumstances, it is the responsibility of the auditor to ensure compliance with all relevant legal, regulatory or professional obligations.

An Audit of Financial Statements

3. The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. In the case of most general purpose frameworks, that opinion is on whether the financial statements are presented fairly, in all material respects, or give a true and fair view in accordance with the framework. An audit conducted in accordance with ISAs and relevant ethical requirements enables the auditor to form that opinion. (Ref: Para. A1)
4. The financial statements subject to audit are those of the entity, prepared by management of the entity with oversight from those charged with governance. ISAs do not impose responsibilities on management or those charged with governance and do not override laws and regulations that govern their responsibilities. However, an audit in accordance with ISAs is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged certain responsibilities that are fundamental to the conduct of the audit. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. (Ref: Para. A2-A11)

5. As the basis for the auditor's opinion, ISAs require the auditor to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive. (Ref: Para. A28-A52)
6. The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.¹ In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in the light of surrounding circumstances, and are affected by the auditor's perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The auditor's opinion deals with the financial statements as a whole and therefore the auditor is not responsible for the detection of misstatements that are not material to the financial statements as a whole.
7. The ISAs contain objectives, requirements and application and other explanatory material that are designed to support the auditor in obtaining reasonable assurance. The ISAs require that the auditor exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit and, among other things:
 - Identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal control.
 - Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
 - Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.

¹ ISA 320, "Materiality in Planning and Performing an Audit" and ISA 450, "Evaluation of Misstatements Identified during the Audit."

8. The form of opinion expressed by the auditor will depend upon the applicable financial reporting framework and any applicable law or regulation. (Ref: Para. A12-A13)
9. The auditor may also have certain other communication and reporting responsibilities to users, management, those charged with governance, or parties outside the entity, in relation to matters arising from the audit. These may be established by the ISAs or by applicable law or regulation.²

Effective Date

10. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Overall Objectives of the Auditor

11. In conducting an audit of financial statements, the overall objectives of the auditor are:
 - (a) To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and
 - (b) To report on the financial statements, and communicate as required by the ISAs, in accordance with the auditor's findings.
12. In all cases when reasonable assurance cannot be obtained and a qualified opinion in the auditor's report is insufficient in the circumstances for purposes of reporting to the intended users of the financial statements, the ISAs require that the auditor disclaim an opinion or withdraw (or resign)³ from the engagement, where withdrawal is possible under applicable law or regulation.

Definitions

13. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Applicable financial reporting framework – The financial reporting framework adopted by management and, where appropriate, those charged with governance in the preparation of the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation.

² See, for example, ISA 260, "Communication with Those Charged with Governance;" and paragraph 43 of ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements."

³ In the ISAs, only the term "withdrawal" is used.

The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

- (i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.

The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.

- (b) Audit evidence – Information used by the auditor in arriving at the conclusions on which the auditor’s opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information. For purposes of the ISAs:
 - (i) Sufficiency of audit evidence is the measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor’s assessment of the risks of material misstatement and also by the quality of such audit evidence.
 - (ii) Appropriateness of audit evidence is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor’s opinion is based.
- (c) Audit risk – The risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated. Audit risk is a function of the risks of material misstatement and detection risk.
- (d) Auditor – “Auditor” is used to refer to the person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. Where an ISA expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner” rather than “auditor” is used. “Engagement partner” and “firm” are to be read as referring to their public sector equivalents where relevant.
- (e) Detection risk – The risk that the procedures performed by the auditor to reduce audit risk to an acceptably low level will not detect a misstatement that exists and that could be material, either individually or when aggregated with other misstatements.

- (f) Financial statements – A structured representation of historical financial information, including related notes, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement.
- (g) Historical financial information – Information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.
- (h) Management – The person(s) with executive responsibility for the conduct of the entity’s operations. For some entities in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager.
- (i) Misstatement – A difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.

Where the auditor expresses an opinion on whether the financial statements are presented fairly, in all material respects, or give a true and fair view, misstatements also include those adjustments of amounts, classifications, presentation, or disclosures that, in the auditor’s judgment, are necessary for the financial statements to be presented fairly, in all material respects, or to give a true and fair view.

- (j) Premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted – That management and, where appropriate, those charged with governance have acknowledged and understand that they have the following responsibilities that are fundamental to the conduct of an audit in accordance with ISAs. That is, responsibility:
 - (i) For the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation;
 - (ii) For such internal control as management and, where appropriate, those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and

- (iii) To provide the auditor with:
 - a. Access to all information of which management and, where appropriate, those charged with governance are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. Additional information that the auditor may request from management and, where appropriate, those charged with governance for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.

In the case of a fair presentation framework, (i) above may be restated as “for the preparation and *fair* presentation of the financial statements in accordance with the financial reporting framework,” or “for the preparation of financial statements *that give a true and fair view* in accordance with the financial reporting framework.”

The “premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted” may also be referred to as the “premise.”

- (k) Professional judgment – The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.
- (l) Professional skepticism – An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.
- (m) Reasonable assurance – In the context of an audit of financial statements, a high, but not absolute, level of assurance.
- (n) Risk of material misstatement – The risk that the financial statements are materially misstated prior to audit. This consists of two components, described as follows at the assertion level:
 - (i) Inherent risk – The susceptibility of an assertion about a class of transaction, account balance or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls.
 - (ii) Control risk – The risk that a misstatement that could occur in an assertion about a class of transaction, account balance or disclosure and that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity’s internal control.

- (o) Those charged with governance – The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

Requirements

Ethical Requirements Relating to an Audit of Financial Statements

- 14. The auditor shall comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. (Ref: Para. A14-A17)

Professional Skepticism

- 15. The auditor shall plan and perform an audit with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated. (Ref: Para. A18-A22)

Professional Judgment

- 16. The auditor shall exercise professional judgment in planning and performing an audit of financial statements. (Ref: Para. A23-A27)

Sufficient Appropriate Audit Evidence and Audit Risk

- 17. To obtain reasonable assurance, the auditor shall obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion. (Ref: Para. A28-A52)

Conduct of an Audit in Accordance with ISAs

Complying with ISAs Relevant to the Audit

- 18. The auditor shall comply with all ISAs relevant to the audit. An ISA is relevant to the audit when the ISA is in effect and the circumstances addressed by the ISA exist. (Ref: Para. A53-A57)
- 19. The auditor shall have an understanding of the entire text of an ISA, including its application and other explanatory material, to understand its objectives and to apply its requirements properly. (Ref: Para. A58-A66)
- 20. The auditor shall not represent compliance with ISAs in the auditor's report unless the auditor has complied with the requirements of this ISA and all other ISAs relevant to the audit.

Objectives Stated in Individual ISAs

21. To achieve the overall objectives of the auditor, the auditor shall use the objectives stated in relevant ISAs in planning and performing the audit, having regard to the interrelationships among the ISAs, to: (Ref: Para. A67-A69)
 - (a) Determine whether any audit procedures in addition to those required by the ISAs are necessary in pursuance of the objectives stated in the ISAs; and (Ref: Para. A70)
 - (b) Evaluate whether sufficient appropriate audit evidence has been obtained. (Ref: Para. A71)

Complying with Relevant Requirements

22. Subject to paragraph 23, the auditor shall comply with each requirement of an ISA unless, in the circumstances of the audit:
 - (a) The entire ISA is not relevant; or
 - (b) The requirement is not relevant because it is conditional and the condition does not exist. (Ref: Para. A72-A73)
23. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA. In such circumstances, the auditor shall perform alternative audit procedures to achieve the aim of that requirement. The need for the auditor to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the audit, that procedure would be ineffective in achieving the aim of the requirement. (Ref: Para. A74)

Failure to Achieve an Objective

24. If an objective in a relevant ISA cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs, to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA 230.⁴ (Ref: Para. A75-A76)

⁴ ISA 230, "Audit Documentation," paragraph 8(c).

Application and Other Explanatory Material

An Audit of Financial Statements

Scope of the Audit (Ref: Para. 3)

- A1. The auditor's opinion on the financial statements deals with whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. Such an opinion is common to all audits of financial statements. The auditor's opinion therefore does not assure, for example, the future viability of the entity nor the efficiency or effectiveness with which management has conducted the affairs of the entity. In some jurisdictions, however, applicable law or regulation may require auditors to provide opinions on other specific matters, such as the effectiveness of internal control, or the consistency of a separate management report with the financial statements. While the ISAs include requirements and guidance in relation to such matters to the extent that they are relevant to forming an opinion on the financial statements, the auditor would be required to undertake further work if the auditor had additional responsibilities to provide such opinions.

Preparation of the Financial Statements (Ref: Para. 4)

- A2. Law or regulation may establish the responsibilities of management and, where appropriate, those charged with governance in relation to financial reporting. However, the extent of these responsibilities, or the way in which they are described, may differ across jurisdictions. Despite these differences, an audit in accordance with ISAs is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged and understand that they have responsibility:
- (a) For the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation;
 - (b) For such internal control as management and, where appropriate, those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
 - (c) To provide the auditor with:
 - (i) Access to all information of which management and, where appropriate, those charged with governance are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - (ii) Additional information that the auditor may request from management and, where appropriate, those charged with governance for the purpose of the audit; and

- (iii) Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.

A3. The preparation of the financial statements by management and, where appropriate, those charged with governance requires:

- The identification of the applicable financial reporting framework, in the context of any relevant laws or regulations.
- The preparation of the financial statements in accordance with that framework.
- The inclusion of an adequate description of that framework in the financial statements.

The preparation of the financial statements requires management to exercise judgment in making accounting estimates that are reasonable in the circumstances, as well as to select and apply appropriate accounting policies. These judgments are made in the context of the applicable financial reporting framework.

A4. The financial statements may be prepared in accordance with a financial reporting framework designed to meet:

- The common financial information needs of a wide range of users (that is, “general purpose financial statements”); or
- The financial information needs of specific users (that is, “special purpose financial statements”).

A5. The applicable financial reporting framework often encompasses financial reporting standards established by an authorized or recognized standards setting organization, or legislative or regulatory requirements. In some cases, the financial reporting framework may encompass both financial reporting standards established by an authorized or recognized standards setting organization and legislative or regulatory requirements. Other sources may provide direction on the application of the applicable financial reporting framework. In some cases, the applicable financial reporting framework may encompass such other sources, or may even consist only of such sources. Such other sources may include:

- The legal and ethical environment, including statutes, regulations, court decisions, and professional ethical obligations in relation to accounting matters;
- Published accounting interpretations of varying authority issued by standards setting, professional or regulatory organizations;
- Published views of varying authority on emerging accounting issues issued by standards setting, professional or regulatory organizations;
- General and industry practices widely recognized and prevalent; and

- Accounting literature.

Where conflicts exist between the financial reporting framework and the sources from which direction on its application may be obtained, or among the sources that encompass the financial reporting framework, the source with the highest authority prevails.

- A6. The requirements of the applicable financial reporting framework determine the form and content of the financial statements. Although the framework may not specify how to account for or disclose all transactions or events, it ordinarily embodies sufficient broad principles that can serve as a basis for developing and applying accounting policies that are consistent with the concepts underlying the requirements of the framework.
- A7. Some financial reporting frameworks are fair presentation frameworks, while others are compliance frameworks. Financial reporting frameworks that encompass primarily the financial reporting standards established by an organization that is authorized or recognized to promulgate standards to be used by entities for preparing general purpose financial statements are often designed to achieve fair presentation, for example, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).
- A8. The requirements of the applicable financial reporting framework also determine what constitutes a complete set of financial statements. In the case of many frameworks, financial statements are intended to provide information about the financial position, financial performance and cash flows of an entity. For such frameworks, a complete set of financial statements would include a balance sheet; an income statement; a statement of changes in equity; a cash flow statement; and related notes. For some other financial reporting frameworks, a single financial statement and the related notes might constitute a complete set of financial statements:
- For example, the International Public Sector Accounting Standard (IPSAS), “Financial Reporting Under the Cash Basis of Accounting” issued by the International Public Sector Accounting Standards Board states that the primary financial statement is a statement of cash receipts and payments when a public sector entity prepares its financial statements in accordance with that IPSAS.
 - Other examples of a single financial statement, each of which would include related notes, are:
 - Balance sheet.
 - Statement of income or statement of operations.
 - Statement of retained earnings.

- Statement of cash flows.
 - Statement of assets and liabilities that does not include owner's equity.
 - Statement of changes in owners' equity.
 - Statement of revenue and expenses.
 - Statement of operations by product lines.
- A9. ISA 210 establishes requirements and provides guidance on determining the acceptability of the applicable financial reporting framework.⁵ ISA 800 deals with special considerations when financial statements are prepared in accordance with a special purpose framework.⁶
- A10. Because of the significance of the premise to the conduct of an audit, the auditor is required to obtain the agreement of management and, where appropriate, those charged with governance that they acknowledge and understand that they have the responsibilities set out in paragraph A2 as a precondition for accepting the audit engagement.⁷

Considerations Specific to Audits in the Public Sector

- A11. The mandates for audits of the financial statements of public sector entities may be broader than those of other entities. As a result, the premise, relating to management's responsibilities, on which an audit of the financial statements of a public sector entity is conducted may include additional responsibilities, such as the responsibility for the execution of transactions and events in accordance with law, regulation or other authority.⁸

Form of the Auditor's Opinion (Ref: Para. 8)

- A12. The opinion expressed by the auditor is on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The form of the auditor's opinion, however, will depend upon the applicable financial reporting framework and any applicable law or regulation. Most financial reporting frameworks include requirements relating to the presentation of the financial statements; for such frameworks, *preparation* of the financial statements in accordance with the applicable financial reporting framework includes *presentation*.

⁵ ISA 210, "Agreeing the Terms of Audit Engagements," paragraph 6(a).

⁶ ISA 800, "Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks," paragraph 8.

⁷ ISA 210, paragraph 6(b).

⁸ See paragraph A57.

- A13. Where the financial reporting framework is a fair presentation framework, as is generally the case for general purpose financial statements, the opinion required by the ISAs is on whether the financial statements are presented fairly, in all material respects, or give a true and fair view. Where the financial reporting framework is a compliance framework, the opinion required is on whether the financial statements are prepared, in all material respects, in accordance with the framework. Unless specifically stated otherwise, references in the ISAs to the auditor's opinion cover both forms of opinion.

Ethical Requirements Relating to an Audit of Financial Statements (Ref: Para. 14)

- A14. The auditor is subject to relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. Relevant ethical requirements ordinarily comprise Parts A and B of the International Federation of Accountants' *Code of Ethics for Professional Accountants* (the IFAC Code) related to an audit of financial statements together with national requirements that are more restrictive.
- A15. Part A of the IFAC Code establishes the fundamental principles of professional ethics relevant to the auditor when conducting an audit of financial statements and provides a conceptual framework for applying those principles. The fundamental principles with which the auditor is required to comply by the IFAC Code are:
- (a) Integrity;
 - (b) Objectivity;
 - (c) Professional competence and due care;
 - (d) Confidentiality; and
 - (e) Professional behavior.

Part B of the IFAC Code illustrates how the conceptual framework is to be applied in specific situations.

- A16. In the case of an audit engagement it is in the public interest and, therefore, required by the IFAC Code, that the auditor be independent of the entity subject to the audit. The IFAC Code describes independence as comprising both independence of mind and independence in appearance. The auditor's independence from the entity safeguards the auditor's ability to form an audit opinion without being affected by influences that might compromise that opinion. Independence enhances the auditor's ability to act with integrity, to be objective and to maintain an attitude of professional skepticism.

- A17. International Standard on Quality Control (ISQC) 1,⁹ or national requirements that are at least as demanding,¹⁰ deal with the firm's responsibilities to establish and maintain its system of quality control for audit engagements. ISQC 1 sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements, including those pertaining to independence.¹¹ ISA 220 sets out the engagement partner's responsibilities with respect to relevant ethical requirements. These include remaining alert, through observation and making inquiries as necessary, for evidence of non-compliance with relevant ethical requirements by members of the engagement team, determining the appropriate action if matters come to the engagement partner's attention that indicate that members of the engagement team have not complied with relevant ethical requirements, and forming a conclusion on compliance with independence requirements that apply to the audit engagement.¹² ISA 220 recognizes that the engagement team is entitled to rely on a firm's system of quality control in meeting its responsibilities with respect to quality control procedures applicable to the individual audit engagement, unless information provided by the firm or other parties suggests otherwise.

Professional Skepticism (Ref: Para. 15)

- A18. Professional skepticism includes being alert to, for example:
- Audit evidence that contradicts other audit evidence obtained.
 - Information that brings into question the reliability of documents and responses to inquiries to be used as audit evidence.
 - Conditions that may indicate possible fraud.
 - Circumstances that suggest the need for audit procedures in addition to those required by the ISAs.
- A19. Maintaining professional skepticism throughout the audit is necessary if the auditor is, for example, to reduce the risks of:
- Overlooking unusual circumstances.
 - Over generalizing when drawing conclusions from audit observations.
 - Using inappropriate assumptions in determining the nature, timing, and extent of the audit procedures and evaluating the results thereof.

⁹ International Standard on Quality Control (ISQC) 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements."

¹⁰ ISA 220, "Quality Control for an Audit of Financial Statements," paragraph 2.

¹¹ ISQC 1, paragraphs 20-25.

¹² ISA 220, paragraphs 9-12.

- A20. Professional skepticism is necessary to the critical assessment of audit evidence. This includes questioning contradictory audit evidence and the reliability of documents and responses to inquiries and other information obtained from management and those charged with governance. It also includes consideration of the sufficiency and appropriateness of audit evidence obtained in the light of the circumstances, for example in the case where fraud risk factors exist and a single document, of a nature that is susceptible to fraud, is the sole supporting evidence for a material financial statement amount.
- A21. The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary. Nevertheless, the auditor is required to consider the reliability of information to be used as audit evidence.¹³ In cases of doubt about the reliability of information or indications of possible fraud (for example, if conditions identified during the audit cause the auditor to believe that a document may not be authentic or that terms in a document may have been falsified), the ISAs require that the auditor investigate further and determine what modifications or additions to audit procedures are necessary to resolve the matter.¹⁴
- A22. The auditor cannot be expected to disregard past experience of the honesty and integrity of the entity's management and those charged with governance. Nevertheless, a belief that management and those charged with governance are honest and have integrity does not relieve the auditor of the need to maintain professional skepticism or allow the auditor to be satisfied with less-than-persuasive audit evidence when obtaining reasonable assurance.

Professional Judgment (Ref: Para. 16)

- A23. Professional judgment is essential to the proper conduct of an audit. This is because interpretation of relevant ethical requirements and the ISAs and the informed decisions required throughout the audit cannot be made without the application of relevant knowledge and experience to the facts and circumstances. Professional judgment is necessary in particular regarding decisions about:
- Materiality and audit risk.
 - The nature, timing, and extent of audit procedures used to meet the requirements of the ISAs and gather audit evidence.
 - Evaluating whether sufficient appropriate audit evidence has been obtained, and whether more needs to be done to achieve the objectives of the ISAs and thereby, the overall objectives of the auditor.

¹³ ISA 500, "Audit Evidence," paragraphs 7-9.

¹⁴ ISA 240, paragraph 13; ISA 500, paragraph 11; ISA 505, "External Confirmations," paragraphs 10-11, and 16.

- The evaluation of management's judgments in applying the entity's applicable financial reporting framework.
 - The drawing of conclusions based on the audit evidence obtained, for example, assessing the reasonableness of the estimates made by management in preparing the financial statements.
- A24. The distinguishing feature of the professional judgment expected of an auditor is that it is exercised by an auditor whose training, knowledge and experience have assisted in developing the necessary competencies to achieve reasonable judgments.
- A25. The exercise of professional judgment in any particular case is based on the facts and circumstances that are known by the auditor. Consultation on difficult or contentious matters during the course of the audit, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm, such as that required by ISA 220,¹⁵ assist the auditor in making informed and reasonable judgments.
- A26. Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of auditing and accounting principles and is appropriate in the light of, and consistent with, the facts and circumstances that were known to the auditor up to the date of the auditor's report.
- A27. Professional judgment needs to be exercised throughout the audit. It also needs to be appropriately documented. In this regard, the auditor is required to prepare audit documentation sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the significant professional judgments made in reaching conclusions on significant matters arising during the audit.¹⁶ Professional judgment is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or sufficient appropriate audit evidence.

Sufficient Appropriate Audit Evidence and Audit Risk (Ref: Para. 5 and 17)

Sufficiency and Appropriateness of Audit Evidence

- A28. Audit evidence is necessary to support the auditor's opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources such as previous audits (provided the auditor has determined whether changes have occurred since the previous audit

¹⁵ ISA 220, paragraph 18.

¹⁶ ISA 230, paragraph 8.

that may affect its relevance to the current audit¹⁷) or a firm's quality control procedures for client acceptance and continuance. In addition to other sources inside and outside the entity, the entity's accounting records are an important source of audit evidence. Also, information that may be used as audit evidence may have been prepared by an expert employed or engaged by the entity. Audit evidence comprises both information that supports and corroborates management's assertions, and any information that contradicts such assertions. In addition, in some cases, the absence of information (for example, management's refusal to provide a requested representation) is used by the auditor, and therefore, also constitutes audit evidence. Most of the auditor's work in forming the auditor's opinion consists of obtaining and evaluating audit evidence.

- A29. The sufficiency and appropriateness of audit evidence are interrelated. Sufficiency is the measure of the quantity of audit evidence. The quantity of audit evidence needed is affected by the auditor's assessment of the risks of misstatement (the higher the assessed risks, the more audit evidence is likely to be required) and also by the quality of such audit evidence (the higher the quality, the less may be required). Obtaining more audit evidence, however, may not compensate for its poor quality.
- A30. Appropriateness is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based. The reliability of evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained.
- A31. Whether sufficient appropriate audit evidence has been obtained to reduce audit risk to an acceptably low level, and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion, is a matter of professional judgment. ISA 500 and other relevant ISAs establish additional requirements and provide further guidance applicable throughout the audit regarding the auditor's considerations in obtaining sufficient appropriate audit evidence.

Audit Risk

- A32. Audit risk is a function of the risks of material misstatement and detection risk. The assessment of risks is based on audit procedures to obtain information necessary for that purpose and evidence obtained throughout the audit. The assessment of risks is a matter of professional judgment, rather than a matter capable of precise measurement.

¹⁷ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment," paragraph 9.

- A33. For purposes of the ISAs, audit risk does not include the risk that the auditor might express an opinion that the financial statements are materially misstated when they are not. This risk is ordinarily insignificant. Further, audit risk is a technical term related to the process of auditing; it does not refer to the auditor's business risks such as loss from litigation, adverse publicity, or other events arising in connection with the audit of financial statements.

Risks of Material Misstatement

- A34. The risks of material misstatement may exist at two levels:
- The overall financial statement level; and
 - The assertion level for classes of transactions, account balances, and disclosures.
- A35. Risks of material misstatement at the overall financial statement level refer to risks of material misstatement that relate pervasively to the financial statements as a whole and potentially affect many assertions.
- A36. Risks of material misstatement at the assertion level are assessed in order to determine the nature, timing, and extent of further audit procedures necessary to obtain sufficient appropriate audit evidence. This evidence enables the auditor to express an opinion on the financial statements at an acceptably low level of audit risk. Auditors use various approaches to accomplish the objective of assessing the risks of material misstatement. For example, the auditor may make use of a model that expresses the general relationship of the components of audit risk in mathematical terms to arrive at an acceptable level of detection risk. Some auditors find such a model to be useful when planning audit procedures.
- A37. The risks of material misstatement at the assertion level consist of two components: inherent risk and control risk. Inherent risk and control risk are the entity's risks; they exist independently of the audit of the financial statements.
- A38. Inherent risk is higher for some assertions and related classes of transactions, account balances, and disclosures than for others. For example, it may be higher for complex calculations or for accounts consisting of amounts derived from accounting estimates that are subject to significant estimation uncertainty. External circumstances giving rise to business risks may also influence inherent risk. For example, technological developments might make a particular product obsolete, thereby causing inventory to be more susceptible to overstatement. Factors in the entity and its environment that relate to several or all of the classes of transactions, account balances, or disclosures may also influence the inherent risk related to a specific assertion. Such factors may include, for example, a lack of sufficient working capital to continue operations or a declining industry characterized by a large number of business failures.

- A39. Control risk is a function of the effectiveness of the design, implementation and maintenance of internal control by management to address identified risks that threaten the achievement of the entity's objectives relevant to preparation of the entity's financial statements. However, internal control, no matter how well designed and operated, can only reduce, but not eliminate, risks of material misstatement in the financial statements, because of the inherent limitations of internal control. These include, for example, the possibility of human errors or mistakes, or of controls being circumvented by collusion or inappropriate management override. Accordingly, some control risk will always exist. The ISAs provide the conditions under which the auditor is required to, or may choose to, test the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures to be performed.¹⁸
- A40. The ISAs do not ordinarily refer to inherent risk and control risk separately, but rather to a combined assessment of the "risks of material misstatement." However, the auditor may make separate or combined assessments of inherent and control risk depending on preferred audit techniques or methodologies and practical considerations. The assessment of the risks of material misstatement may be expressed in quantitative terms, such as in percentages, or in non-quantitative terms. In any case, the need for the auditor to make appropriate risk assessments is more important than the different approaches by which they may be made.
- A41. ISA 315 establishes requirements and provides guidance on identifying and assessing the risks of material misstatement at the financial statement and assertion levels.

Detection Risk

- A42. For a given level of audit risk, the acceptable level of detection risk bears an inverse relationship to the assessed risks of material misstatement at the assertion level. For example, the greater the risks of material misstatement the auditor believes exists, the less the detection risk that can be accepted and, accordingly, the more persuasive the audit evidence required by the auditor.
- A43. Detection risk relates to the nature, timing, and extent of the auditor's procedures that are determined by the auditor to reduce audit risk to an acceptably low level. It is therefore a function of the effectiveness of an audit procedure and of its application by the auditor. Matters such as:
- adequate planning;
 - proper assignment of personnel to the engagement team;
 - the application of professional scepticism; and

¹⁸ ISA 330, "The Auditor's Responses to Assessed Risks," paragraphs 7-17.

- supervision and review of the audit work performed, assist to enhance the effectiveness of an audit procedure and of its application and reduce the possibility that an auditor might select an inappropriate audit procedure, misapply an appropriate audit procedure, or misinterpret the audit results.

A44. ISA 300¹⁹ and ISA 330 establish requirements and provide guidance on planning an audit of financial statements and the auditor's responses to assessed risks. Detection risk, however, can only be reduced, not eliminated, because of the inherent limitations of an audit. Accordingly, some detection risk will always exist.

Inherent Limitations of an Audit

A45. The auditor is not expected to, and cannot, reduce audit risk to zero and cannot therefore obtain absolute assurance that the financial statements are free from material misstatement due to fraud or error. This is because there are inherent limitations of an audit, which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive. The inherent limitations of an audit arise from:

- The nature of financial reporting;
- The nature of audit procedures; and
- The need for the audit to be conducted within a reasonable period of time and at a reasonable cost.

The Nature of Financial Reporting

A46. The preparation of financial statements involves judgment by management in applying the requirements of the entity's applicable financial reporting framework to the facts and circumstances of the entity. In addition, many financial statement items involve subjective decisions or assessments or a degree of uncertainty, and there may be a range of acceptable interpretations or judgments that may be made. Consequently, some financial statement items are subject to an inherent level of variability which cannot be eliminated by the application of additional auditing procedures. For example, this is often the case with respect to certain accounting estimates. Nevertheless, the ISAs require the auditor to give specific consideration to whether accounting estimates are reasonable in the context of the applicable financial reporting framework and related disclosures, and to the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments.²⁰

¹⁹ ISA 300, "Planning an Audit of Financial Statements."

²⁰ ISA 540, "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures," and ISA 700, "Forming an Opinion and Reporting on Financial Statements," paragraph 12.

The Nature of Audit Procedures

A47. There are practical and legal limitations on the auditor's ability to obtain audit evidence. For example:

- There is the possibility that management or others may not provide, intentionally or unintentionally, the complete information that is relevant to the preparation of the financial statements or that has been requested by the auditor. Accordingly, the auditor cannot be certain of the completeness of information, even though the auditor has performed audit procedures to obtain assurance that all relevant information has been obtained.
- Fraud may involve sophisticated and carefully organized schemes designed to conceal it. Therefore, audit procedures used to gather audit evidence may be ineffective for detecting an intentional misstatement that involves, for example, collusion to falsify documentation which may cause the auditor to believe that audit evidence is valid when it is not. The auditor is neither trained as nor expected to be an expert in the authentication of documents.
- An audit is not an official investigation into alleged wrongdoing. Accordingly, the auditor is not given specific legal powers, such as the power of search, which may be necessary for such an investigation.

Timeliness of Financial Reporting and the Balance between Benefit and Cost

A48. The matter of difficulty, time, or cost involved is not in itself a valid basis for the auditor to omit an audit procedure for which there is no alternative or to be satisfied with audit evidence that is less than persuasive. Appropriate planning assists in making sufficient time and resources available for the conduct of the audit. Notwithstanding this, the relevance of information, and thereby its value, tends to diminish over time, and there is a balance to be struck between the reliability of information and its cost. This is recognized in certain financial reporting frameworks (see, for example, the IASB's "Framework for the Preparation and Presentation of Financial Statements"). Therefore, there is an expectation by users of financial statements that the auditor will form an opinion on the financial statements within a reasonable period of time and at a reasonable cost, recognizing that it is impracticable to address all information that may exist or to pursue every matter exhaustively on the assumption that information is in error or fraudulent until proved otherwise.

A49. Consequently, it is necessary for the auditor to:

- Plan the audit so that it will be performed in an effective manner;

- Direct audit effort to areas most expected to contain risks of material misstatement, whether due to fraud or error, with correspondingly less effort directed at other areas; and
- Use testing and other means of examining populations for misstatements.

A50. In light of the approaches described in paragraph A49, the ISAs contain requirements for the planning and performance of the audit and require the auditor, among other things, to:

- Have a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels by performing risk assessment procedures and related activities;²¹ and
- Use testing and other means of examining populations in a manner that provides a reasonable basis for the auditor to draw conclusions about the population.²²

Other Matters that Affect the Inherent Limitations of an Audit

A51. In the case of certain assertions or subject matters, the potential effects of the inherent limitations on the auditor's ability to detect material misstatements are particularly significant. Such assertions or subject matters include:

- Fraud, particularly fraud involving senior management or collusion. See ISA 240 for further discussion.
- The existence and completeness of related party relationships and transactions. See ISA 550²³ for further discussion.
- The occurrence of non-compliance with laws and regulations. See ISA 250²⁴ for further discussion.
- Future events or conditions that may cause an entity to cease to continue as a going concern. See ISA 570²⁵ for further discussion.

Relevant ISAs identify specific audit procedures to assist in mitigating the effect of the inherent limitations.

A52. Because of the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with

²¹ ISA 315, paragraphs 5-10.

²² ISA 330; ISA 500; ISA 520, "Analytical Procedures;" ISA 530, "Audit Sampling."

²³ ISA 550, "Related Parties."

²⁴ ISA 250, "Consideration of Laws and Regulations in an Audit of Financial Statements."

²⁵ ISA 570, "Going Concern."

ISAs. Accordingly, the subsequent discovery of a material misstatement of the financial statements resulting from fraud or error does not by itself indicate a failure to conduct an audit in accordance with ISAs. However, the inherent limitations of an audit are not a justification for the auditor to be satisfied with less-than-persuasive audit evidence. Whether the auditor has performed an audit in accordance with ISAs is determined by the audit procedures performed in the circumstances, the sufficiency and appropriateness of the audit evidence obtained as a result thereof and the suitability of the auditor's report based on an evaluation of that evidence in light of the overall objectives of the auditor.

Conduct of an Audit in Accordance with ISAs

Nature of the ISAs (Ref: Para. 18)

- A53. The ISAs, taken together, provide the standards for the auditor's work in fulfilling the overall objectives of the auditor. The ISAs deal with the general responsibilities of the auditor, as well as the auditor's further considerations relevant to the application of those responsibilities to specific topics.
- A54. The scope, effective date and any specific limitation of the applicability of a specific ISA is made clear in the ISA. Unless otherwise stated in the ISA, the auditor is permitted to apply an ISA before the effective date specified therein.
- A55. In performing an audit, the auditor may be required to comply with legal or regulatory requirements in addition to the ISAs. The ISAs do not override law or regulation that governs an audit of financial statements. In the event that such law or regulation differs from the ISAs, an audit conducted only in accordance with law or regulation will not automatically comply with ISAs.
- A56. The auditor may also conduct the audit in accordance with both ISAs and auditing standards of a specific jurisdiction or country. In such cases, in addition to complying with each of the ISAs relevant to the audit, it may be necessary for the auditor to perform additional audit procedures in order to comply with the relevant standards of that jurisdiction or country.

Considerations Specific to Audits in the Public Sector

- A57. The ISAs are relevant to engagements in the public sector. The public sector auditor's responsibilities, however, may be affected by the audit mandate, or by obligations on public sector entities arising from law, regulation or other authority (such as ministerial directives, government policy requirements, or resolutions of the legislature), which may encompass a broader scope than an audit of financial statements in accordance with the ISAs. These additional responsibilities are not dealt with in the ISAs. They may be dealt with in the pronouncements of the International Organization of Supreme Audit Institutions or national standard setters, or in guidance developed by government audit agencies.

Contents of the ISAs (Ref: Para. 19)

A58. In addition to objectives and requirements (requirements are expressed in the ISAs using “shall”), an ISA contains related guidance in the form of application and other explanatory material. It may also contain introductory material that provides context relevant to a proper understanding of the ISA, and definitions. The entire text of an ISA, therefore, is relevant to an understanding of the objectives stated in an ISA and the proper application of the requirements of an ISA.

A59. Where necessary, the application and other explanatory material provides further explanation of the requirements of an ISA and guidance for carrying them out. In particular, it may:

- Explain more precisely what a requirement means or is intended to cover.
- Include examples of procedures that may be appropriate in the circumstances.

While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements of an ISA. The application and other explanatory material may also provide background information on matters addressed in an ISA.

A60. Appendices form part of the application and other explanatory material. The purpose and intended use of an appendix are explained in the body of the related ISA or within the title and introduction of the appendix itself.

A61. Introductory material may include, as needed, such matters as explanation of:

- The purpose and scope of the ISA, including how the ISA relates to other ISAs.
- The subject matter of the ISA.
- The respective responsibilities of the auditor and others in relation to the subject matter of the ISA.
- The context in which the ISA is set.

A62. An ISA may include, in a separate section under the heading “Definitions,” a description of the meanings attributed to certain terms for purposes of the ISAs. These are provided to assist in the consistent application and interpretation of the ISAs, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise. Unless otherwise indicated, those terms will carry the same meanings throughout the ISAs. The Glossary of Terms relating to International Standards issued by the International Auditing and Assurance Standards Board in the *Handbook of International Standards on Auditing and Quality Control* published by IFAC

contains a complete listing of terms defined in the ISAs. It also includes descriptions of other terms found in ISAs to assist in common and consistent interpretation and translation.

- A63. When appropriate, additional considerations specific to audits of smaller entities and public sector entities are included within the application and other explanatory material of an ISA. These additional considerations assist in the application of the requirements of the ISA in the audit of such entities. They do not, however, limit or reduce the responsibility of the auditor to apply and comply with the requirements of the ISAs.

Considerations Specific to Smaller Entities

- A64. For purposes of specifying additional considerations to audits of smaller entities, a “smaller entity” refers to an entity which typically possesses qualitative characteristics such as:

- (a) Concentration of ownership and management in a small number of individuals (often a single individual – either a natural person or another enterprise that owns the entity provided the owner exhibits the relevant qualitative characteristics); and
- (b) One or more of the following:
 - (i) Straightforward or uncomplicated transactions;
 - (ii) Simple record-keeping;
 - (iii) Few lines of business and few products within business lines;
 - (iv) Few internal controls;
 - (v) Few levels of management with responsibility for a broad range of controls; or
 - (vi) Few personnel, many having a wide range of duties.

These qualitative characteristics are not exhaustive, they are not exclusive to smaller entities, and smaller entities do not necessarily display all of these characteristics.

- A65. The considerations specific to smaller entities included in the ISAs have been developed primarily with unlisted entities in mind. Some of the considerations, however, may be helpful in audits of smaller listed entities.
- A66. The ISAs refer to the proprietor of a smaller entity who is involved in running the entity on a day-to-day basis as the “owner-manager.”

Objectives Stated in Individual ISAs (Ref: Para. 21)

- A67. Each ISA contains one or more objectives which provide a link between the requirements and the overall objectives of the auditor. The objectives in

individual ISAs serve to focus the auditor on the desired outcome of the ISA, while being specific enough to assist the auditor in:

- Understanding what needs to be accomplished and, where necessary, the appropriate means of doing so; and
- Deciding whether more needs to be done to achieve them in the particular circumstances of the audit.

A68. Objectives are to be understood in the context of the overall objectives of the auditor stated in paragraph 11 of this ISA. As with the overall objectives of the auditor, the ability to achieve an individual objective is equally subject to the inherent limitations of an audit.

A69. In using the objectives, the auditor is required to have regard to the interrelationships among the ISAs. This is because, as indicated in paragraph A53, the ISAs deal in some cases with general responsibilities and in others with the application of those responsibilities to specific topics. For example, this ISA requires the auditor to adopt an attitude of professional skepticism; this is necessary in all aspects of planning and performing an audit but is not repeated as a requirement of each ISA. At a more detailed level, ISA 315 and ISA 330 contain, among other things, objectives and requirements that deal with the auditor's responsibilities to identify and assess the risks of material misstatement and to design and perform further audit procedures to respond to those assessed risks, respectively; these objectives and requirements apply throughout the audit. An ISA dealing with specific aspects of the audit (for example, ISA 540) may expand on how the objectives and requirements of such ISAs as ISA 315 and ISA 330 are to be applied in relation to the subject of the ISA but does not repeat them. Thus, in achieving the objective stated in ISA 540, the auditor has regard to the objectives and requirements of other relevant ISAs.

Use of Objectives to Determine Need for Additional Audit Procedures (Ref: Para. 21(a))

A70. The requirements of the ISAs are designed to enable the auditor to achieve the objectives specified in the ISAs, and thereby the overall objectives of the auditor. The proper application of the requirements of the ISAs by the auditor is therefore expected to provide a sufficient basis for the auditor's achievement of the objectives. However, because the circumstances of audit engagements vary widely and all such circumstances cannot be anticipated in the ISAs, the auditor is responsible for determining the audit procedures necessary to fulfill the requirements of the ISAs and to achieve the objectives. In the circumstances of an engagement, there may be particular matters that require the auditor to perform audit procedures in addition to those required by the ISAs to meet the objectives specified in the ISAs.

Use of Objectives to Evaluate Whether Sufficient Appropriate Audit Evidence Has Been Obtained (Ref: Para. 21(b))

A71. The auditor is required to use the objectives to evaluate whether sufficient appropriate audit evidence has been obtained in the context of the overall objectives of the auditor. If as a result the auditor concludes that the audit evidence is not sufficient and appropriate, then the auditor may follow one or more of the following approaches to meeting the requirement of paragraph 21(b):

- Evaluate whether further relevant audit evidence has been, or will be, obtained as a result of complying with other ISAs;
- Extend the work performed in applying one or more requirements; or
- Perform other procedures judged by the auditor to be necessary in the circumstances.

Where none of the above is expected to be practical or possible in the circumstances, the auditor will not be able to obtain sufficient appropriate audit evidence and is required by the ISAs to determine the effect on the auditor's report or on the auditor's ability to complete the engagement.

Complying with Relevant Requirements

Relevant Requirements (Ref: Para. 22)

A72. In some cases, an ISA (and therefore all of its requirements) may not be relevant in the circumstances. For example, if an entity does not have an internal audit function, nothing in ISA 610²⁶ is relevant.

A73. Within a relevant ISA, there may be conditional requirements. Such a requirement is relevant when the circumstances envisioned in the requirement apply and the condition exists. In general, the conditionality of a requirement will either be explicit or implicit, for example:

- The requirement to modify the auditor's opinion if there is a limitation of scope²⁷ represents an explicit conditional requirement.
- The requirement to communicate significant deficiencies in internal control identified during the audit to those charged with governance,²⁸ which depends on the existence of such identified significant deficiencies; and the requirement to obtain sufficient appropriate audit

²⁶ ISA 610, "Using the Work of Internal Auditors."

²⁷ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report," paragraph 13.

²⁸ ISA 265, "Communicating Deficiencies in Internal Control to Those Charged with Governance and Management," paragraph 9.

evidence regarding the presentation and disclosure of segment information in accordance with the applicable financial reporting framework,²⁹ which depends on that framework requiring or permitting such disclosure, represent implicit conditional requirements.

In some cases, a requirement may be expressed as being conditional on applicable law or regulation. For example, the auditor may be required to withdraw from the audit engagement, *where withdrawal is possible under applicable law or regulation*, or the auditor may be required to do something, *unless prohibited by law or regulation*. Depending on the jurisdiction, the legal or regulatory permission or prohibition may be explicit or implicit.

Departure from a Requirement (Ref: Para. 23)

A74. ISA 230 establishes documentation requirements in those exceptional circumstances where the auditor departs from a relevant requirement.³⁰ The ISAs do not call for compliance with a requirement that is not relevant in the circumstances of the audit.

Failure to Achieve an Objective (Ref: Para. 24)

A75. Whether an objective has been achieved is a matter for the auditor's professional judgment. That judgment takes account of the results of audit procedures performed in complying with the requirements of the ISAs, and the auditor's evaluation of whether sufficient appropriate audit evidence has been obtained and whether more needs to be done in the particular circumstances of the audit to achieve the objectives stated in the ISAs. Accordingly, circumstances that may give rise to a failure to achieve an objective include those that:

- Prevent the auditor from complying with the relevant requirements of an ISA.
- Result in its not being practicable or possible for the auditor to carry out the additional audit procedures or obtain further audit evidence as determined necessary from the use of the objectives in accordance with paragraph 21, for example due to a limitation in the available audit evidence.

A76. Audit documentation that meets the requirements of ISA 230 and the specific documentation requirements of other relevant ISAs provides evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor. While it is unnecessary for the auditor to document separately (as in a checklist, for example) that individual objectives have been achieved,

²⁹ ISA 501, "Audit Evidence—Specific Considerations for Selected Items," paragraph 13.

³⁰ ISA 230, paragraph 12.

the documentation of a failure to achieve an objective assists the auditor's evaluation of whether such a failure has prevented the auditor from achieving the overall objectives of the auditor.

ISSAI 1210

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información, visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

Acuerdo sobre los términos del contrato de auditoría

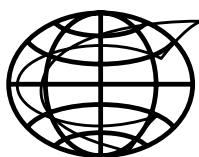
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 210, “Acuerdo sobre los términos del contrato de auditoría”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1210

NOTA DE PRÁCTICA PARA LA NIA 200	Párrafo
Fundamentos	
Introduction to the ISA	
Content of the Practice Note	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	P4
Condiciones previas a la ejecución de una auditoría	P5–P6
Acuerdo sobre los términos del contrato de auditoría	P7–P10
Aceptación de cambios en los términos del contrato de auditoría	P11
Apéndice 1: Ejemplo de una carta de encargo de auditoría en el sector público	
NORMA INTERNACIONAL DE AUDITORÍA 210	
Introducción	
Alcance de la NIA	1
Fecha de entrada en vigor	2
Objetivo	3
Definiciones	4–5
Exigencias	
Condiciones previas a la ejecución de una auditoría	6–8
Acuerdo sobre los términos del contrato de auditoría	9–12
Auditorías recurrentes	13
Aceptación de cambios en los términos del contrato de auditoría	14–17
Consideraciones adicionales respecto de la aceptación del contrato de auditoría	18–21
Disposiciones de aplicación y otras disposiciones explicativas	
Alcance de la NIA	A1
Condiciones previas a la ejecución de una auditoría	A2–A20
Acuerdo sobre los términos del contrato de auditoría	A21–A27
Auditorías recurrentes	A28
Aceptación de cambios en los términos del contrato de auditoría	A29–A33
Consideraciones adicionales respecto de la aceptación del contrato de auditoría	A34–A37
Apéndice 1: Ejemplo de una carta de encargo de auditoría	
Apéndice 2: Determinación de la aceptabilidad de marcos de objetivos generales	

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 210

Acuerdo sobre los términos del contrato de auditoría

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 210, iAcuerdo sobre los términos del contrato de auditoría y debe leerse conjuntamente con ella. La NIA 210 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir del 15 de diciembre de 2009 Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 210 establece las obligaciones del auditor cuando acuerda los términos del contrato de auditoría con la dirección de la entidad y, cuando proceda, con los encargados de la gobernanza, lo cual implica determinar la existencia de ciertas condiciones previas a la auditoría y la responsabilidad que recae en la dirección y, cuando proceda, en los encargados de la gobernanza. La NIA 220² aborda los aspectos de la aceptación de un encargo sujetos al control del auditor.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Condiciones previas a la ejecución de una auditoría.
 - b) Acuerdo sobre los términos del contrato de auditoría.
 - c) Aceptación de cambios en los términos del contrato de auditoría.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 210 es aplicable a los auditores de las entidades públicas en el desempeño de su función de auditores de los estados financieros.
- P3. Los términos de un contrato de auditoría en el sector público responden normalmente a un mandato, por lo que no están sujetos a peticiones de la dirección ni son fruto del acuerdo con ella. De este modo, las exigencias fijadas por la NIA, cuando se aplican al contexto del sector público, son útiles para establecer formalmente una comprensión común de los cometidos y obligaciones respectivas de la dirección y del auditor. Dado que el auditor del sector público recibe el mandato del poder legislativo, y a él debe informar, es frecuente que tengan que alcanzarse acuerdos entre dicho poder y la dirección.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 iIntroducción general a las Directrices de auditoría financiera de la INTOSAI.
² NIA 220, iControl de calidad en una auditoría de estados financierosi.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P4. La NIA 210 contiene disposiciones de aplicación y otras disposiciones explicativas con consideraciones específicas a las entidades del sector público en los párrafos A27 y A37.

Condiciones previas a la ejecución de una auditoría

- P5. Al determinar si se dan las necesarias condiciones previas a la ejecución de una auditoría según se dispone en el subpárrafo 6 a) de la NIA, los auditores del sector público deberán tener presente que en dicho sector el marco de información financiera a menudo está establecido en leyes y reglamentos. Cuando juzguen que el marco establecido en leyes y reglamentos no es aceptable, los auditores del sector público aplicarán las exigencias contenidas en los párrafos 8, 19 y 20 de la NIA, y deberán también tener en cuenta la posibilidad de:
- Informar al poder legislativo.
 - Influir en la fijación de normas por organismos profesionales o normativos, con arreglo a los principios expuestos en el subpárrafo 6 e) de la ISSAI 100 ³.
- P6. Al obtener de la dirección, y cuando sea necesario del poder legislativo y de los encargados de la gobernanza, la comprensión y aceptación de sus obligaciones como se declara en el subpárrafo 6 b) de la NIA 210, los auditores del sector público tendrán en cuenta que las obligaciones de la dirección y de los encargados de la gobernanza en el sector público pueden ser más amplias que en el sector privado. La regulación legislativa, así como las estructuras de gobernanza y gestión, pueden variar sobremanera en el sector público, por lo que resulta más necesario aún formalizar la comprensión y aceptación de las obligaciones a que se ha hecho referencia.

Acuerdo sobre los términos del contrato de auditoría

- P7. En el sector público pueden darse otros aspectos, además de los ejemplos enumerados en el párrafo A23 de la NIA, que tengan relación con la carta de encargo y sobre los que deban informar los auditores del sector público si llegan a su conocimiento en el curso de la auditoría, por ejemplo:
- Ejecución ineficaz de las operaciones: se refiere a la obligación que tiene la dirección de realizar actividades de modo eficaz y eficiente.
 - Casos de incumplimiento de las normas: se refiere a la obligación que tiene la dirección de realizar actividades, utilizar recursos y dar cuenta de su actividad de conformidad con las normas recibidas del poder legislativo y con otras instrucciones aplicables.
 - Despilfarro: se refiere a la obligación que tiene la dirección de obtener y utilizar recursos de manera económica, evitando el despilfarro de fondos públicos.
 - Casos de abuso: se refiere a la obligación que tiene la dirección de satisfacer las expectativas del poder legislativo y de los ciudadanos al guardar relación con unas normas de conducta adecuadas.
- Asimismo puede ser conveniente describir las disposiciones adoptadas para proteger la independencia de los auditores del sector público. Siempre que sean pertinentes, podrán añadirse a la carta de encargo otros objetivos de la auditoría.

³ ISSAI 100, i) Postulados básicos de la fiscalización pública, subpárrafo 6 e): Las autoridades correspondientes deben garantizar la promulgación de normas de contabilidad aceptables, relativas a los informes financieros y a su publicación, adecuadas a las necesidades de la Administración, y las entidades fiscalizadas deben fijarse objetivos específicos y mensurables y determinar qué niveles de rendimiento se han de lograr.

- P8. Además de los puntos enumerados en el párrafo A24 de la NIA, los auditores del sector público podrán considerar pertinente incluir otras disposiciones cuando la auditoría se subcontrate a otro auditor.
- P9. En el sector público, la aceptación y continuidad que se mencionan en el párrafo 7 de la NIA pueden verse afectadas por el hecho de que los auditores del sector público no tengan la posibilidad de rechazar la auditoría o desistir de su realización. Sin embargo, cuando la dirección o el poder legislativo impongan una limitación del alcance de la auditoría antes de que inicie ésta y que lleve al auditor a abstenerse de emitir una opinión sobre los estados financieros, los auditores del sector público examinarán la situación y su posible incidencia en la evaluación de riesgos, el enfoque de la auditoría y el informe del auditor. En algunos casos será conveniente también que se informe de ello separadamente al poder legislativo.
- P10. En el párrafo 8 de la NIA se estudian los motivos que puedan llevar al abandono del encargo de auditoría. Cuando no se reúnan las condiciones previas y los auditores del sector público no tengan la posibilidad de rechazar la auditoría, una línea de actuación apropiada, además de las medidas expuestas en los párrafos 19 y 20 de la NIA, puede ser informar al poder legislativo.

Aceptación de cambios en los términos del contrato de auditoría

- P11. Al examinar las exigencias contenidas en los párrafos 14 y 15 de la NIA, los auditores del sector público observarán que los términos de un contrato de auditoría en el sector público responden normalmente a un mandato, por lo que no pueden estar sujetos al acuerdo de la dirección ni a peticiones de ésta.

Appendix 1: Example of an Audit Engagement Letter in the Public Sector

A continuación se expone un ejemplo de carta de encargo para la ejecución de una auditoría de estados financieros de carácter general, elaborada y presentada de conformidad con las normas contables internacionales del sector público. Esta carta tiene un carácter orientativo, pero tendrá que adaptarse según las exigencias y circunstancias individuales. Puede ser conveniente obtener asesoramiento jurídico para determinar la idoneidad de la carta de encargo propuesta.

Destinatario

[Al representante de la alta dirección que corresponda]⁴

Fecha

Estimado/a Sr./Sra.

Carta de encargo de auditoría

Introducción

Los estados financieros [*grupo*] de [*nombre de la entidad*] y de [*nombre de las filiales*] a [*fecha*] correspondientes al ejercicio que finalizó en dicha fecha serán sometidos a fiscalización por (*órgano de fiscalización del sector público*) de conformidad con (*legislación pertinente*)

La presente carta tiene por objeto exponer:

- a) Los términos del contrato de auditoría y la naturaleza, y limitaciones, de la auditoría anual.
- b) Las obligaciones respectivas del auditor y de [*nivel de dirección adecuado*] en la auditoría anual.

Los términos del encargo de auditoría se detallan a continuación. La presente carta tendrá vigencia hasta la emisión de una nueva carta de encargo de auditoría.

Objetivo(s) de la auditoría

El (los) objetivo(s) de la auditoría anual es (son) el (los) siguiente (s):

- a) Emitir una opinión independiente sobre los estados financieros del [*grupo*] elaborados de conformidad con el marco y la legislación aplicables de información financiera.
- b) [Otros objetivos, por ejemplo relacionados con la conformidad con las normas o los controles internos].

⁴ Los destinatarios y referencias de la carta a la dirección, o el poder legislativo o los encargados de la gobernanza, serán los apropiados a las circunstancias del encargo, entre las que figuran las propias del entorno del sector público. Es importante remitir la carta a las personas adecuadas como se indica en el párrafo A21 de la NIA.

Obligaciones de los auditores

Normas de auditoría aplicables en la ejecución de la auditoría

Procederemos a nuestra auditoría de conformidad con las *[normas de auditoría aplicables]*.⁵

Normas de auditoría aplicadas

Planificación y ejecución de la auditoría [el contenido de esta sección deberá adaptarse para reflejar adecuadamente las normas de auditoría aplicadas].

Las normas de auditoría exigen que nos adecuemos a las exigencias deontológicas y planifiquemos y ejecutemos la auditoría para obtener garantías razonables de que los estados financieros del [grupo] están exentos de incorrecciones materiales. La auditoría supone aplicar procedimientos para obtener evidencia sobre los importes y las notas explicativas de los estados financieros. La selección de procedimientos depende del criterio del auditor, incluida la evaluación de los riesgos de incorrecciones materiales en los estados financieros ya sea por fraude o error. La auditoría implica asimismo una evaluación de la idoneidad de las políticas contables aplicadas y el carácter razonable de las estimaciones contables efectuadas por la dirección, así como una valoración de la presentación general de los estados financieros.

Debido a las limitaciones inherentes a la auditoría y también al control interno, existe el riesgo inevitable de que no lleguen a detectarse incorrecciones materiales, incluso cuando la auditoría se planifique y ejecute con arreglo a *[las normas de auditoría pertinentes]*.

Al proceder a nuestra evaluación de riesgos, tendremos en cuenta el control interno de la elaboración y presentación fidedigna por la entidad de los estados financieros para concebir procedimientos de auditoría que resulten apropiados a las circunstancias pero sin el propósito de emitir una opinión sobre la eficacia del control interno de la entidad. No obstante, le informaremos o comunicaremos por escrito cualquier deficiencia significativa del control interno que incida en los estados financieros y hayamos podido detectar en el curso de la auditoría.⁶

[Siempre que sea necesario, los auditores del sector público considerarán la posibilidad de añadir información sobre sus obligaciones en relación con cualquier otro objetivo de auditoría que tengan fijado]

Aunque nuestra auditoría no está orientada a informar sobre los extremos que se citan a continuación, lo haremos si llegan a nuestro conocimiento en el curso de la auditoría:

- a) Ejecución ineficaz de las operaciones: se refiere a la obligación que tiene la dirección de realizar actividades de modo eficaz y eficiente.

⁵ En el sector público, la referencia a las normas de auditoría aplicables se hará de una de las maneras que se cita a continuación, en función de las normas aplicadas:

a) Con arreglo a las NIA, lo que significa la plena conformidad con todas las NIA aplicables y, en su caso, con las orientaciones adicionales facilitadas en las Notas de Práctica para las NIA emitidas por la INTOSAI.

b) Con arreglo a los Principios fundamentales de auditoría de la INTOSAI, lo que no significa la plena conformidad con las NIA incluidas actualmente en las Directrices de auditoría financiera de la INTOSAI (ISSAI 1000-2999).

c) Con arreglo a las normas de auditoría nacionales que resulten pertinentes.

⁶ Esta sección deberá adaptarse si el auditor del sector público informa sobre la eficacia del control interno.

- b) Casos de falta de conformidad con las normas: se refiere a la obligación que tiene la dirección de realizar actividades, utilizar recursos y dar cuenta de su actividad de conformidad con las normas recibidas del poder legislativo y con otras instrucciones aplicables.
- c) Despilfarro: se refiere a la obligación que tiene la dirección de obtener y utilizar recursos de manera económica, evitando el despilfarro de fondos públicos.
- d) Casos de abuso: se refiere a la obligación que tiene la dirección de satisfacer las expectativas del poder legislativo y de los ciudadanos al guardar relación con unas normas de conducta adecuadas.

Presentación de informes

El formato y el contenido de nuestro informe pueden tener que modificarse a la vista de nuestras conclusiones de auditoría. *[Insertar la necesaria referencia al formato y contenido previstos del informe de auditoría.]*

Independencia

Nuestras exigencias deontológicas nos exigen que seamos independientes respecto de [tipo de entidad], por lo que confirmamos nuestra independencia en esta auditoría. Ello significa que carecemos de cualquier tipo de interés presunto o real, independientemente de su efecto en la práctica, que pueda considerarse incompatible con las obligaciones de integridad, objetividad e independencia. *(Clarificar las limitaciones presuntas de independencia mediante una descripción de las amenazas a ésta y de sus salvaguardas.)*

Obligaciones de la dirección y de los encargados de la gobernanza

[Las obligaciones de la dirección y, cuando proceda, de los encargados de la gobernanza, y la determinación del marco aplicable de información financiera. En lo relativo a este ejemplo, se parte de la base que el auditor ha decidido que las leyes y reglamentos no establecen adecuadamente estas obligaciones, por lo que se utiliza la descripción que figura en el subpárrafo 6 b) de la NIA 210. También cuando proceda se añadirán las obligaciones de la dirección en relación con objetivos de auditoría.]

La ejecución de nuestra auditoría se basará en que la dirección y, cuando proceda, los encargados de la gobernanza comprenden y aceptan sus obligaciones en lo relativo a:

- a) La elaboración y presentación fidedigna de los estados financieros (o la elaboración y presentación de estados financieros que proporcionen una imagen fiel y auténtica) de conformidad con (el marco aplicable de información financiera).
- b) Los controles internos que la dirección estime necesarios para permitir la elaboración de estados financieros exentos de incorrecciones materiales, ya se deban a fraude o error.
- c) La exigencia de facilitarnos:
 - i) Acceso a toda la información en conocimiento de la dirección que sea pertinente para la elaboración de los estados financieros, como registros y documentación, y cualquier otro material requerido.
 - ii) Cualquier otra información suplementaria que se solicite a la dirección para los fines de la auditoría.
 - iii) Acceso sin restricciones a aquellas personas de la entidad de las que sea necesario obtener evidencia de auditoría.

Carta de manifestaciones

Dentro de nuestros procedimientos ordinarios de auditoría, solicitaremos confirmación por escrito de la dirección sobre las manifestaciones que hayamos oído en el curso de la auditoría.

Otra información pertinente

[En esta sección puede ser conveniente incluir por ejemplo:

- Plazos legales de elaboración de informes.*
- Titularidad de los documentos de trabajo.*
- Disposiciones contractuales aplicables a auditores que desarrollen su labor en nombre de la entidad fiscalizadora del sector público.*
- Honorarios.*
- Direcciones de contacto, alojamiento del personal y recursos.*
- Cualquier otra cuestión que sirva para ilustrar el desfase de expectativas y garantizar la eficacia de la comunicación].*

Acuse de recibo de los términos del contrato

Le rogamos que acuse recibo de esta carta y manifieste la aceptación de los términos del encargo de auditoría firmando la copia adjunta y enviándola a [insertar nombre].

En caso de que antes de responder deseara obtener información complementaria, o bien debatir los términos del presente encargo, no dude en contactarme.

Atentamente,

Firma

.....

Auditor del sector público designado

Los términos del contrato de auditoría han llegado a conocimiento de la persona que firma [*nombre del signatario*] en nombre de [nombre de la entidad] y son aceptados por ella.

.....

Firma

.....

Nombre, apellidos y cargo

Fecha

[representante habilitado de la dirección o de los encargados de la gobernanza]

International Standard on Auditing

Agreeing the Terms of Audit Engagements



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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New York, New York 10017 USA

This International Standard on Auditing (ISA) 210, “Agreeing the Terms of Audit Engagements” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 210

AGREEING THE TERMS OF AUDIT ENGAGEMENTS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Effective Date	2
Objective	3
Definitions	4-5
Requirements	
Preconditions for an Audit	6-8
Agreement on Audit Engagement Terms	9-12
Recurring Audits	13
Acceptance of a Change in the Terms of the Audit Engagement	14-17
Additional Considerations in Engagement Acceptance	18-21
Application and Other Explanatory Material	
Scope of this ISA	A1
Preconditions for an Audit	A2-A20
Agreement on Audit Engagement Terms	A21-A27
Recurring Audits	A28
Acceptance of a Change in the Terms of the Audit Engagement	A29-A33
Additional Considerations in Engagement Acceptance	A34-A37
Appendix 1: Example of an Audit Engagement Letter	
Appendix 2: Determining the Acceptability of General Purpose Frameworks	

International Standard on Auditing (ISA) 210, “Agreeing the Terms of Audit Engagements” should be read in conjunction with ISA 200 “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities in agreeing the terms of the audit engagement with management and, where appropriate, those charged with governance. This includes establishing that certain preconditions for an audit, responsibility for which rests with management and, where appropriate, those charged with governance, are present. ISA 220¹ deals with those aspects of engagement acceptance that are within the control of the auditor. (Ref: Para. A1)

Effective Date

2. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

3. The objective of the auditor is to accept or continue an audit engagement only when the basis upon which it is to be performed has been agreed, through:
 - (a) Establishing whether the preconditions for an audit are present; and
 - (b) Confirming that there is a common understanding between the auditor and management and, where appropriate, those charged with governance of the terms of the audit engagement.

Definitions

4. For purposes of the ISAs, the following term has the meaning attributed below:

Preconditions for an audit – The use by management of an acceptable financial reporting framework in the preparation of the financial statements and the agreement of management and, where appropriate, those charged with governance to the premise² on which an audit is conducted.
5. For the purposes of this ISA, references to “management” should be read hereafter as “management and, where appropriate, those charged with governance.”

Requirements

Preconditions for an Audit

6. In order to establish whether the preconditions for an audit are present, the auditor shall:

¹ ISA 220, “Quality Control for an Audit of Financial Statements.”

² ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing,” paragraph 13.

- (a) Determine whether the financial reporting framework to be applied in the preparation of the financial statements is acceptable; and (Ref: Para. A2-A10)
- (b) Obtain the agreement of management that it acknowledges and understands its responsibility: (Ref: Para. A11-A14, A20)
 - (i) For the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation; (Ref: Para. A15)
 - (ii) For such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and (Ref: Para. A16-A19)
 - (iii) To provide the auditor with:
 - a. Access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. Additional information that the auditor may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.

Limitation on Scope Prior to Audit Engagement Acceptance

- 7. If management or those charged with governance impose a limitation on the scope of the auditor's work in the terms of a proposed audit engagement such that the auditor believes the limitation will result in the auditor disclaiming an opinion on the financial statements, the auditor shall not accept such a limited engagement as an audit engagement, unless required by law or regulation to do so.

Other Factors Affecting Audit Engagement Acceptance

- 8. If the preconditions for an audit are not present, the auditor shall discuss the matter with management. Unless required by law or regulation to do so, the auditor shall not accept the proposed audit engagement:
 - (a) If the auditor has determined that the financial reporting framework to be applied in the preparation of the financial statements is unacceptable, except as provided in paragraph 19; or
 - (b) If the agreement referred to in paragraph 6(b) has not been obtained.

Agreement on Audit Engagement Terms

9. The auditor shall agree the terms of the audit engagement with management or those charged with governance, as appropriate. (Ref: Para. A21)
10. Subject to paragraph 11, the agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable form of written agreement and shall include: (Ref: Para. A22-A25)
 - (a) The objective and scope of the audit of the financial statements;
 - (b) The responsibilities of the auditor;
 - (c) The responsibilities of management;
 - (d) Identification of the applicable financial reporting framework for the preparation of the financial statements; and
 - (e) Reference to the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content.
11. If law or regulation prescribes in sufficient detail the terms of the audit engagement referred to in paragraph 10, the auditor need not record them in a written agreement, except for the fact that such law or regulation applies and that management acknowledges and understands its responsibilities as set out in paragraph 6(b). (Ref: Para. A22, A26-A27)
12. If law or regulation prescribes responsibilities of management similar to those described in paragraph 6(b), the auditor may determine that the law or regulation includes responsibilities that, in the auditor's judgment, are equivalent in effect to those set out in that paragraph. For such responsibilities that are equivalent, the auditor may use the wording of the law or regulation to describe them in the written agreement. For those responsibilities that are not prescribed by law or regulation such that their effect is equivalent, the written agreement shall use the description in paragraph 6(b). (Ref: Para. A26)

Recurring Audits

13. On recurring audits, the auditor shall assess whether circumstances require the terms of the audit engagement to be revised and whether there is a need to remind the entity of the existing terms of the audit engagement. (Ref: Para. A28)

Acceptance of a Change in the Terms of the Audit Engagement

14. The auditor shall not agree to a change in the terms of the audit engagement where there is no reasonable justification for doing so. (Ref: Para. A29-A31)
15. If, prior to completing the audit engagement, the auditor is requested to change the audit engagement to an engagement that conveys a lower level of

assurance, the auditor shall determine whether there is reasonable justification for doing so. (Ref: Para. A32-A33)

16. If the terms of the audit engagement are changed, the auditor and management shall agree on and record the new terms of the engagement in an engagement letter or other suitable form of written agreement.
17. If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall:
 - (a) Withdraw from the audit engagement where possible under applicable law or regulation; and
 - (b) Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.

Additional Considerations in Engagement Acceptance

Financial Reporting Standards Supplemented by Law or Regulation

18. If financial reporting standards established by an authorized or recognized standards setting organization are supplemented by law or regulation, the auditor shall determine whether there are any conflicts between the financial reporting standards and the additional requirements. If such conflicts exist, the auditor shall discuss with management the nature of the additional requirements and shall agree whether:
 - (a) The additional requirements can be met through additional disclosures in the financial statements; or
 - (b) The description of the applicable financial reporting framework in the financial statements can be amended accordingly.

If neither of the above actions is possible, the auditor shall determine whether it will be necessary to modify the auditor's opinion in accordance with ISA 705.³ (Ref: Para. A34)

Financial Reporting Framework Prescribed by Law or Regulation—Other Matters Affecting Acceptance

19. If the auditor has determined that the financial reporting framework prescribed by law or regulation would be unacceptable but for the fact that it is prescribed by law or regulation, the auditor shall accept the audit engagement only if the following conditions are present: (Ref: Para. A35)
 - (a) Management agrees to provide additional disclosures in the financial statements required to avoid the financial statements being misleading; and

³ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

- (b) It is recognized in the terms of the audit engagement that:
 - (i) The auditor's report on the financial statements will incorporate an Emphasis of Matter paragraph, drawing users' attention to the additional disclosures, in accordance with ISA 706;⁴ and
 - (ii) Unless the auditor is required by law or regulation to express the auditor's opinion on the financial statements by using the phrases "present fairly, in all material respects," or "give a true and fair view" in accordance with the applicable financial reporting framework, the auditor's opinion on the financial statements will not include such phrases.
20. If the conditions outlined in paragraph 19 are not present and the auditor is required by law or regulation to undertake the audit engagement, the auditor shall:
- (a) Evaluate the effect of the misleading nature of the financial statements on the auditor's report; and
 - (b) Include appropriate reference to this matter in the terms of the audit engagement.

Auditor's Report Prescribed by Law or Regulation

21. In some cases, law or regulation of the relevant jurisdiction prescribes the layout or wording of the auditor's report in a form or in terms that are significantly different from the requirements of ISAs. In these circumstances, the auditor shall evaluate:
- (a) Whether users might misunderstand the assurance obtained from the audit of the financial statements and, if so,
 - (b) Whether additional explanation in the auditor's report can mitigate possible misunderstanding.⁵

If the auditor concludes that additional explanation in the auditor's report cannot mitigate possible misunderstanding, the auditor shall not accept the audit engagement, unless required by law or regulation to do so. An audit conducted in accordance with such law or regulation does not comply with ISAs. Accordingly, the auditor shall not include any reference within the auditor's report to the audit having been conducted in accordance with ISAs.⁶ (Ref: Para. A36-A37)

⁴ ISA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report."

⁵ ISA 706.

⁶ See also ISA 700, "Forming an Opinion and Reporting on Financial Statements," paragraph 43.

Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1)

- A1. Assurance engagements, which include audit engagements, may only be accepted when the practitioner considers that relevant ethical requirements such as independence and professional competence will be satisfied, and when the engagement exhibits certain characteristics.⁷ The auditor's responsibilities in respect of ethical requirements in the context of the acceptance of an audit engagement and in so far as they are within the control of the auditor are dealt with in ISA 220.⁸ This ISA deals with those matters (or preconditions) that are within the control of the entity and upon which it is necessary for the auditor and the entity's management to agree.

Preconditions for an Audit

The Financial Reporting Framework (Ref: Para. 6(a))

- A2. A condition for acceptance of an assurance engagement is that the criteria referred to in the definition of an assurance engagement are suitable and available to intended users.⁹ Criteria are the benchmarks used to evaluate or measure the subject matter including, where relevant, benchmarks for presentation and disclosure. Suitable criteria enable reasonably consistent evaluation or measurement of a subject matter within the context of professional judgment. For purposes of the ISAs, the applicable financial reporting framework provides the criteria the auditor uses to audit the financial statements, including where relevant their fair presentation.
- A3. Without an acceptable financial reporting framework, management does not have an appropriate basis for the preparation of the financial statements and the auditor does not have suitable criteria for auditing the financial statements. In many cases the auditor may presume that the applicable financial reporting framework is acceptable, as described in paragraphs A8-A9.

Determining the Acceptability of the Financial Reporting Framework

- A4. Factors that are relevant to the auditor's determination of the acceptability of the financial reporting framework to be applied in the preparation of the financial statements include:
- The nature of the entity (for example, whether it is a business enterprise, a public sector entity or a not for profit organization);

⁷ "International Framework for Assurance Engagements," paragraph 17.

⁸ ISA 220, paragraphs 9-11.

⁹ "International Framework for Assurance Engagements," paragraph 17(b)(ii).

- The purpose of the financial statements (for example, whether they are prepared to meet the common financial information needs of a wide range of users or the financial information needs of specific users);
 - The nature of the financial statements (for example, whether the financial statements are a complete set of financial statements or a single financial statement); and
 - Whether law or regulation prescribes the applicable financial reporting framework.
- A5. Many users of financial statements are not in a position to demand financial statements tailored to meet their specific information needs. While all the information needs of specific users cannot be met, there are financial information needs that are common to a wide range of users. Financial statements prepared in accordance with a financial reporting framework designed to meet the common financial information needs of a wide range of users are referred to as general purpose financial statements.
- A6. In some cases, the financial statements will be prepared in accordance with a financial reporting framework designed to meet the financial information needs of specific users. Such financial statements are referred to as special purpose financial statements. The financial information needs of the intended users will determine the applicable financial reporting framework in these circumstances. ISA 800 discusses the acceptability of financial reporting frameworks designed to meet the financial information needs of specific users.¹⁰
- A7. Deficiencies in the applicable financial reporting framework that indicate that the framework is not acceptable may be encountered after the audit engagement has been accepted. When use of that framework is prescribed by law or regulation, the requirements of paragraphs 19-20 apply. When use of that framework is not prescribed by law or regulation, management may decide to adopt another framework that is acceptable. When management does so, as required by paragraph 16, new terms of the audit engagement are agreed to reflect the change in the framework as the previously agreed terms will no longer be accurate.

General purpose frameworks

- A8. At present, there is no objective and authoritative basis that has been generally recognized globally for judging the acceptability of general purpose frameworks. In the absence of such a basis, financial reporting standards established by organizations that are authorized or recognized to promulgate standards to be used by certain types of entities are presumed to be acceptable for general purpose financial statements prepared by such entities, provided the organizations follow an established and transparent process involving

¹⁰ ISA 800, “Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks,” paragraph 8.

deliberation and consideration of the views of a wide range of stakeholders. Examples of such financial reporting standards include:

- International Financial Reporting Standards (IFRSs) promulgated by the International Accounting Standards Board;
- International Public Sector Accounting Standards (IPSASs) promulgated by the International Public Sector Accounting Standards Board; and
- Accounting principles promulgated by an authorized or recognized standards setting organization in a particular jurisdiction, provided the organization follows an established and transparent process involving deliberation and consideration of the views of a wide range of stakeholders.

These financial reporting standards are often identified as the applicable financial reporting framework in law or regulation governing the preparation of general purpose financial statements.

Financial reporting frameworks prescribed by law or regulation

- A9. In accordance with paragraph 6(a), the auditor is required to determine whether the financial reporting framework, to be applied in the preparation of the financial statements, is acceptable. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used in the preparation of general purpose financial statements for certain types of entities. In the absence of indications to the contrary, such a financial reporting framework is presumed to be acceptable for general purpose financial statements prepared by such entities. In the event that the framework is not considered to be acceptable, paragraphs 19-20 apply.

Jurisdictions that do not have standards setting organizations or prescribed financial reporting frameworks

- A10. When an entity is registered or operating in a jurisdiction that does not have an authorized or recognized standards setting organization, or where use of the financial reporting framework is not prescribed by law or regulation, management identifies a financial reporting framework to be applied in the preparation of the financial statements. Appendix 2 contains guidance on determining the acceptability of financial reporting frameworks in such circumstances.

Agreement of the Responsibilities of Management (Ref: Para. 6(b))

- A11. An audit in accordance with ISAs is conducted on the premise that management has acknowledged and understands that it has the responsibilities set out in paragraph 6(b).¹¹ In certain jurisdictions, such responsibilities may be

¹¹ ISA 200, paragraph A2.

specified in law or regulation. In others, there may be little or no legal or regulatory definition of such responsibilities. ISAs do not override law or regulation in such matters. However, the concept of an independent audit requires that the auditor's role does not involve taking responsibility for the preparation of the financial statements or for the entity's related internal control, and that the auditor has a reasonable expectation of obtaining the information necessary for the audit in so far as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit. To avoid misunderstanding, agreement is reached with management that it acknowledges and understands that it has such responsibilities as part of agreeing and recording the terms of the audit engagement in paragraphs 9-12.

- A12. The way in which the responsibilities for financial reporting are divided between management and those charged with governance will vary according to the resources and structure of the entity and any relevant law or regulation, and the respective roles of management and those charged with governance within the entity. In most cases, management is responsible for execution while those charged with governance have oversight of management. In some cases, those charged with governance will have, or will assume, responsibility for approving the financial statements or monitoring the entity's internal control related to financial reporting. In larger or public entities, a subgroup of those charged with governance, such as an audit committee, may be charged with certain oversight responsibilities.
- A13. ISA 580 requires the auditor to request management to provide written representations that it has fulfilled certain of its responsibilities.¹² It may therefore be appropriate to make management aware that receipt of such written representations will be expected, together with written representations required by other ISAs and, where necessary, written representations to support other audit evidence relevant to the financial statements or one or more specific assertions in the financial statements.
- A14. Where management will not acknowledge its responsibilities, or agree to provide the written representations, the auditor will be unable to obtain sufficient appropriate audit evidence.¹³ In such circumstances, it would not be appropriate for the auditor to accept the audit engagement, unless law or regulation requires the auditor to do so. In cases where the auditor is required to accept the audit engagement, the auditor may need to explain to management the importance of these matters, and the implications for the auditor's report.

¹² ISA 580, "Written Representations," paragraphs 10-11.

¹³ ISA 580, paragraph A26.

Preparation of the Financial Statements (Ref: Para. 6(b)(i))

A15. Most financial reporting frameworks include requirements relating to the presentation of the financial statements; for such frameworks, *preparation* of the financial statements in accordance with the financial reporting framework includes *presentation*. In the case of a fair presentation framework the importance of the reporting objective of fair presentation is such that the premise agreed with management includes specific reference to fair presentation, or to the responsibility to ensure that the financial statements will “give a true and fair view” in accordance with the financial reporting framework.

Internal Control (Ref: Para. 6(b)(ii))

- A16. Management maintains such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Internal control, no matter how effective, can provide an entity with only reasonable assurance about achieving the entity’s financial reporting objectives due to the inherent limitations of internal control.¹⁴
- A17. An independent audit conducted in accordance with the ISAs does not act as a substitute for the maintenance of internal control necessary for the preparation of financial statements by management. Accordingly, the auditor is required to obtain the agreement of management that it acknowledges and understands its responsibility for internal control. However, the agreement required by paragraph 6(b)(ii) does not imply that the auditor will find that internal control maintained by management has achieved its purpose or will be free of deficiencies.
- A18. It is for management to determine what internal control is necessary to enable the preparation of the financial statements. The term “internal control” encompasses a wide range of activities within components that may be described as the control environment; the entity’s risk assessment process; the information system, including the related business processes relevant to financial reporting, and communication; control activities; and monitoring of controls. This division, however, does not necessarily reflect how a particular entity may design, implement and maintain its internal control, or how it may classify any particular component.¹⁵ An entity’s internal control (in particular, its accounting books and records, or accounting systems) will reflect the needs of management, the complexity of the business, the nature of the risks to which the entity is subject, and relevant laws or regulation.

¹⁴ ISA 315, “Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment,” paragraph A46.

¹⁵ ISA 315, paragraph A51 and Appendix 1.

A19. In some jurisdictions, law or regulation may refer to the responsibility of management for the adequacy of accounting books and records, or accounting systems. In some cases, general practice may assume a distinction between accounting books and records or accounting systems on the one hand, and internal control or controls on the other. As accounting books and records, or accounting systems, are an integral part of internal control as referred to in paragraph A18, no specific reference is made to them in paragraph 6(b)(ii) for the description of the responsibility of management. To avoid misunderstanding, it may be appropriate for the auditor to explain to management the scope of this responsibility.

Considerations Relevant to Smaller Entities (Ref: Para. 6(b))

A20. One of the purposes of agreeing the terms of the audit engagement is to avoid misunderstanding about the respective responsibilities of management and the auditor. For example, when a third party has assisted with the preparation of the financial statements, it may be useful to remind management that the preparation of the financial statements in accordance with the applicable financial reporting framework remains its responsibility.

Agreement on Audit Engagement Terms

Agreeing the Terms of the Audit Engagement (Ref: Para. 9)

A21. The roles of management and those charged with governance in agreeing the terms of the audit engagement for the entity depend on the governance structure of the entity and relevant law or regulation.

*Audit Engagement Letter or Other Form of Written Agreement*¹⁶ (Ref: Para. 10-11)

A22. It is in the interests of both the entity and the auditor that the auditor sends an audit engagement letter before the commencement of the audit to help avoid misunderstandings with respect to the audit. In some countries, however, the objective and scope of an audit and the responsibilities of management and of the auditor may be sufficiently established by law, that is, they prescribe the matters described in paragraph 10. Although in these circumstances paragraph 11 permits the auditor to include in the engagement letter only reference to the fact that relevant law or regulation applies and that management acknowledges and understands its responsibilities as set out in paragraph 6(b), the auditor may nevertheless consider it appropriate to include the matters described in paragraph 10 in an engagement letter for the information of management.

¹⁶ In the paragraphs that follow, any reference to an audit engagement letter is to be taken as a reference to an audit engagement letter or other suitable form of written agreement.

Form and Content of the Audit Engagement Letter

A23. The form and content of the audit engagement letter may vary for each entity. Information included in the audit engagement letter on the auditor's responsibilities may be based on ISA 200.¹⁷ Paragraphs 6(b) and 12 of this ISA deal with the description of the responsibilities of management. In addition to including the matters required by paragraph 10, an audit engagement letter may make reference to, for example:

- Elaboration of the scope of the audit, including reference to applicable legislation, regulations, ISAs, and ethical and other pronouncements of professional bodies to which the auditor adheres.
- The form of any other communication of results of the audit engagement.
- The fact that because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with ISAs.
- Arrangements regarding the planning and performance of the audit, including the composition of the audit team.
- The expectation that management will provide written representations (see also paragraph A13).
- The agreement of management to make available to the auditor draft financial statements and any accompanying other information in time to allow the auditor to complete the audit in accordance with the proposed timetable.
- The agreement of management to inform the auditor of facts that may affect the financial statements, of which management may become aware during the period from the date of the auditor's report to the date the financial statements are issued.
- The basis on which fees are computed and any billing arrangements.
- A request for management to acknowledge receipt of the audit engagement letter and to agree to the terms of the engagement outlined therein.

A24. When relevant, the following points could also be made in the audit engagement letter:

- Arrangements concerning the involvement of other auditors and experts in some aspects of the audit.

¹⁷ ISA 200, paragraphs 3-9.

- Arrangements concerning the involvement of internal auditors and other staff of the entity.
- Arrangements to be made with the predecessor auditor, if any, in the case of an initial audit.
- Any restriction of the auditor's liability when such possibility exists.
- A reference to any further agreements between the auditor and the entity.
- Any obligations to provide audit working papers to other parties.

An example of an audit engagement letter is set out in Appendix 1.

Audits of Components

A25. When the auditor of a parent entity is also the auditor of a component, the factors that may influence the decision whether to send a separate audit engagement letter to the component include the following:

- Who appoints the component auditor;
- Whether a separate auditor's report is to be issued on the component;
- Legal requirements in relation to audit appointments;
- Degree of ownership by parent; and
- Degree of independence of the component management from the parent entity.

Responsibilities of Management Prescribed by Law or Regulation (Ref: Para. 11-12)

A26. If, in the circumstances described in paragraphs A22 and A27, the auditor concludes that it is not necessary to record certain terms of the audit engagement in an audit engagement letter, the auditor is still required by paragraph 11 to seek the written agreement from management that it acknowledges and understands that it has the responsibilities set out in paragraph 6(b). However, in accordance with paragraph 12, such written agreement may use the wording of the law or regulation if such law or regulation establishes responsibilities for management that are equivalent in effect to those described in paragraph 6(b). The accounting profession, audit standards setter, or audit regulator in a jurisdiction may have provided guidance as to whether the description in law or regulation is equivalent.

Considerations specific to public sector entities

A27. Law or regulation governing the operations of public sector audits generally mandate the appointment of a public sector auditor and commonly set out the public sector auditor's responsibilities and powers, including the power to access an entity's records and other information. When law or regulation

prescribes in sufficient detail the terms of the audit engagement, the public sector auditor may nonetheless consider that there are benefits in issuing a fuller audit engagement letter than permitted by paragraph 11.

Recurring Audits (Ref: Para. 13)

A28. The auditor may decide not to send a new audit engagement letter or other written agreement each period. However, the following factors may make it appropriate to revise the terms of the audit engagement or to remind the entity of existing terms:

- Any indication that the entity misunderstands the objective and scope of the audit.
- Any revised or special terms of the audit engagement.
- A recent change of senior management.
- A significant change in ownership.
- A significant change in nature or size of the entity's business.
- A change in legal or regulatory requirements.
- A change in the financial reporting framework adopted in the preparation of the financial statements.
- A change in other reporting requirements.

Acceptance of a Change in the Terms of the Audit Engagement

Request to Change the Terms of the Audit Engagement (Ref: Para. 14)

A29. A request from the entity for the auditor to change the terms of the audit engagement may result from a change in circumstances affecting the need for the service, a misunderstanding as to the nature of an audit as originally requested or a restriction on the scope of the audit engagement, whether imposed by management or caused by other circumstances. The auditor, as required by paragraph 14, considers the justification given for the request, particularly the implications of a restriction on the scope of the audit engagement.

A30. A change in circumstances that affects the entity's requirements or a misunderstanding concerning the nature of the service originally requested may be considered a reasonable basis for requesting a change in the audit engagement.

A31. In contrast, a change may not be considered reasonable if it appears that the change relates to information that is incorrect, incomplete or otherwise unsatisfactory. An example might be where the auditor is unable to obtain sufficient appropriate audit evidence regarding receivables and the entity asks for the audit engagement to be changed to a review engagement to avoid a qualified opinion or a disclaimer of opinion.

Request to Change to a Review or a Related Service (Ref: Para. 15)

- A32. Before agreeing to change an audit engagement to a review or a related service, an auditor who was engaged to perform an audit in accordance with ISAs may need to assess, in addition to the matters referred to in paragraphs A29-A31 above, any legal or contractual implications of the change.
- A33. If the auditor concludes that there is reasonable justification to change the audit engagement to a review or a related service, the audit work performed to the date of change may be relevant to the changed engagement; however, the work required to be performed and the report to be issued would be those appropriate to the revised engagement. In order to avoid confusing the reader, the report on the related service would not include reference to:
- (a) The original audit engagement; or
 - (b) Any procedures that may have been performed in the original audit engagement, except where the audit engagement is changed to an engagement to undertake agreed-upon procedures and thus reference to the procedures performed is a normal part of the report.

Additional Considerations in Engagement Acceptance***Financial Reporting Standards Supplemented by Law or Regulation (Ref: Para. 18)***

- A34. In some jurisdictions, law or regulation may supplement the financial reporting standards established by an authorized or recognized standards setting organization with additional requirements relating to the preparation of financial statements. In those jurisdictions, the applicable financial reporting framework for the purposes of applying the ISAs encompasses both the identified financial reporting framework and such additional requirements provided they do not conflict with the identified financial reporting framework. This may, for example, be the case when law or regulation prescribes disclosures in addition to those required by the financial reporting standards or when they narrow the range of acceptable choices that can be made within the financial reporting standards.¹⁸

Financial Reporting Framework Prescribed by Law or Regulation—Other Matters Affecting Acceptance (Ref: Para. 19)

- A35. Law or regulation may prescribe that the wording of the auditor's opinion use the phrases "present fairly, in all material respects" or "give a true and fair view" in a case where the auditor concludes that the applicable financial reporting framework prescribed by law or regulation would otherwise have been unacceptable. In this case, the terms of the prescribed wording of the

¹⁸ ISA 700, paragraph 15, includes a requirement regarding the evaluation of whether the financial statements adequately refer to or describe the applicable financial reporting framework.

auditor's report are significantly different from the requirements of ISAs (see paragraph 21).

Auditor's Report Prescribed by Law or Regulation (Ref: Para. 21)

- A36. ISAs require that the auditor shall not represent compliance with ISAs unless the auditor has complied with all of the ISAs relevant to the audit.¹⁹ When law or regulation prescribes the layout or wording of the auditor's report in a form or in terms that are significantly different from the requirements of ISAs and the auditor concludes that additional explanation in the auditor's report cannot mitigate possible misunderstanding, the auditor may consider including a statement in the auditor's report that the audit is not conducted in accordance with ISAs. The auditor is, however, encouraged to apply ISAs, including the ISAs that address the auditor's report, to the extent practicable, notwithstanding that the auditor is not permitted to refer to the audit being conducted in accordance with ISAs.

Considerations Specific to Public Sector Entities

- A37. In the public sector, specific requirements may exist within the legislation governing the audit mandate; for example, the auditor may be required to report directly to a minister, the legislature or the public if the entity attempts to limit the scope of the audit.

¹⁹ ISA 200, paragraph 20.

Appendix 1

(Ref: Paras. A23-24)

Example of an Audit Engagement Letter

The following is an example of an audit engagement letter for an audit of general purpose financial statements prepared in accordance with International Financial Reporting Standards. This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in this ISA. It will need to be varied according to individual requirements and circumstances. It is drafted to refer to the audit of financial statements for a single reporting period and would require adaptation if intended or expected to apply to recurring audits (see paragraph 13 of this ISA). It may be appropriate to seek legal advice that any proposed letter is suitable.

To the appropriate representative of management or those charged with governance of ABC Company:²⁰

[The objective and scope of the audit]

You²¹ have requested that we audit the financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

[The responsibilities of the auditor]

We will conduct our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and

²⁰ The addressees and references in the letter would be those that are appropriate in the circumstances of the engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons – see paragraph A21.

²¹ Throughout this letter, references to “you,” “we,” “us,” “management,” “those charged with governance” and “auditor” would be used or amended as appropriate in the circumstances.

the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with ISAs.

In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

[The responsibilities of management and identification of the applicable financial reporting framework (for purposes of this example it is assumed that the auditor has not determined that the law or regulation prescribes those responsibilities in appropriate terms; the descriptions in paragraph 6(b) of this ISA are therefore used).]

Our audit will be conducted on the basis that [management and, where appropriate, those charged with governance]²² acknowledge and understand that they have responsibility:

- (a) For the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards;²³
- (b) For such internal control as [management] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (c) To provide us with:
 - (i) Access to all information of which [management] is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - (ii) Additional information that we may request from [management] for the purpose of the audit; and
 - (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from [management and, where appropriate, those charged with governance], written confirmation concerning representations made to us in connection with the audit.

²² Use terminology as appropriate in the circumstances.

²³ Or, if appropriate, "For the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards."

We look forward to full cooperation from your staff during our audit.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

[Reporting]

[Insert appropriate reference to the expected form and content of the auditor's report.]

The form and content of our report may need to be amended in the light of our audit findings.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

XYZ & Co.

Acknowledged and agreed on behalf of ABC Company by

(signed)

.....

Name and Title

Date

Appendix 2

(Ref: Para. A10)

Determining the Acceptability of General Purpose Frameworks

Jurisdictions that Do Not Have Authorized or Recognized Standards Setting Organizations or Financial Reporting Frameworks Prescribed by Law or Regulation

1. As explained in paragraph A10 of this ISA, when an entity is registered or operating in a jurisdiction that does not have an authorized or recognized standards setting organization, or where use of the financial reporting framework is not prescribed by law or regulation, management identifies an applicable financial reporting framework. Practice in such jurisdictions is often to use the financial reporting standards established by one of the organizations described in paragraph A8 of this ISA.
2. Alternatively, there may be established accounting conventions in a particular jurisdiction that are generally recognized as the financial reporting framework for general purpose financial statements prepared by certain specified entities operating in that jurisdiction. When such a financial reporting framework is adopted, the auditor is required by paragraph 6(a) of this ISA to determine whether the accounting conventions collectively can be considered to constitute an acceptable financial reporting framework for general purpose financial statements. When the accounting conventions are widely used in a particular jurisdiction, the accounting profession in that jurisdiction may have considered the acceptability of the financial reporting framework on behalf of the auditors. Alternatively, the auditor may make this determination by considering whether the accounting conventions exhibit attributes normally exhibited by acceptable financial reporting frameworks (see paragraph 3 below), or by comparing the accounting conventions to the requirements of an existing financial reporting framework considered to be acceptable (see paragraph 4 below).
3. Acceptable financial reporting frameworks normally exhibit the following attributes that result in information provided in financial statements that is useful to the intended users:
 - (a) Relevance, in that the information provided in the financial statements is relevant to the nature of the entity and the purpose of the financial statements. For example, in the case of a business enterprise that prepares general purpose financial statements, relevance is assessed in terms of the information necessary to meet the common financial information needs of a wide range of users in making economic decisions. These needs are ordinarily met by presenting the financial position, financial performance and cash flows of the business enterprise.

- (b) Completeness, in that transactions and events, account balances and disclosures that could affect conclusions based on the financial statements are not omitted.
 - (c) Reliability, in that the information provided in the financial statements:
 - (i) Where applicable, reflects the economic substance of events and transactions and not merely their legal form; and
 - (ii) Results in reasonably consistent evaluation, measurement, presentation and disclosure, when used in similar circumstances.
 - (d) Neutrality, in that it contributes to information in the financial statements that is free from bias.
 - (e) Understandability, in that the information in the financial statements is clear and comprehensive and not subject to significantly different interpretation.
4. The auditor may decide to compare the accounting conventions to the requirements of an existing financial reporting framework considered to be acceptable. For example, the auditor may compare the accounting conventions to IFRSs. For an audit of a small entity, the auditor may decide to compare the accounting conventions to a financial reporting framework specifically developed for such entities by an authorized or recognized standards setting organization. When the auditor makes such a comparison and differences are identified, the decision as to whether the accounting conventions adopted in the preparation of the financial statements constitute an acceptable financial reporting framework includes considering the reasons for the differences and whether application of the accounting conventions, or the description of the financial reporting framework in the financial statements, could result in financial statements that are misleading.
 5. A conglomeration of accounting conventions devised to suit individual preferences is not an acceptable financial reporting framework for general purpose financial statements. Similarly, a compliance framework will not be an acceptable financial reporting framework, unless it is generally accepted in the particular jurisdictions by preparers and users.

ISSAI 1220

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

Control de calidad en una auditoría de estados financieros

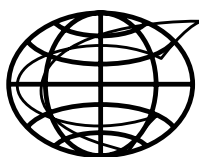
COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

SUBCOMITÉ PARA DIRECTRICES DE AUDITORÍA FINANCIERA-SECRETARÍA

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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 220 “Control de calidad en una auditoría de estados financieros” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1220

NOTA PRÁCTICA PARA LA NIA 220

Párrafo

Fundamentos

Introducción a la NIA	
Contenido de la Nota de Práctica	P1

Aplicabilidad de la NIA en la auditoría del sector público	P2

Orientaciones adicionales sobre cuestiones ligadas al sector público	P3

Sistema de control de calidad y función de los equipos de auditoría	P4
Exigencias deontológicas pertinentes	P5
Realización del trabajo	P6

NORMA INTERNACIONAL DE AUDITORÍA 220

Introducción

Alcance de la NIA	1
Sistema de control de calidad y función de los equipos de auditores	2-4
Fecha de entrada en vigor	5

Objetivo	6

Definiciones.....	7

Exigencias

Responsabilidad de la dirección con respecto a la calidad de las auditorías	8
Exigencias deontológicas pertinentes	9–11
Aceptación y conservación de la clientela y encargos de auditoría	12–13
Asignación de personal a los trabajos de auditoría	14
Realización del trabajo	15–22
Supervisión	23
Documentación	24–25

Disposiciones de aplicación y otras disposiciones explicativas

Sistema de control de calidad y función de los equipos de auditores	A1–A2
Responsabilidad de la dirección con respecto a la calidad de las auditorías	A3
Exigencias deontológicas pertinentes	A4–A7
Aceptación y conservación de la clientela y encargos de auditoría	A8–A9
Asignación de personal a los trabajos de auditoría	A10–A12
Realización del trabajo	A13–A31
Supervisión	A32–A34
Documentación	A35

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 220

Control de calidad en una auditoría de estados financieros

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 220, iControl de calidad en una auditoría de estados financieros, y debe leerse conjuntamente con ella. La NIA 220 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 220 se refiere a las obligaciones específicas del auditor con respecto a los procedimientos de control de calidad en una auditoría de los estados financieros. También aborda, en su caso, las responsabilidades del revisor del control calidad del trabajo. La NIA debe leerse conjuntamente con las exigencias deontológicas pertinentes.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Sistema de control de calidad y función de los equipos de auditores.
 - b) Exigencias deontológicas pertinentes.
 - c) Realización del trabajo.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 220 es aplicable a los auditores de entidades del sector público en el desempeño de su función de auditores de los estados financieros.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 220 contiene material de aplicación y explicativo con consideraciones específicas para entidades del sector público en los párrafos A7, A9, A12, A30 y A31 de la NIA.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 iIntroducción general a las directrices de auditoría financiera de la INTOSAI.

Sistema de control de calidad y función de los equipos de auditoría

- P4. La NIA, como se indica en su párrafo 2, parte del principio de que la empresa está sujeta a la norma internacional sobre control de calidad (ISQC 1)² o a normas nacionales con un nivel de exigencia similar. Próximamente se elaborará la ISSAI 40, Control de la calidad de la auditoría para las EFS, y se incluirá en el segundo nivel de la estructura de las ISSAI que habrán de aplicar las EFS a todos los tipos de actividades de auditoría.³

Exigencias deontológicas pertinentes

- P5. El párrafo 7, letra n) de la NIA define los requisitos deontológicos pertinentes. En el sector público, éstos pueden incluir el Código de ética de la INTOSAI⁴ o requisitos deontológicos nacionales aplicables a los auditores del sector público siempre que sean al menos tan restrictivos como los del *Código de ética* de la IFAC para contadores profesionales.

Realización del trabajo

- P6. En ciertos entornos de auditoría, como el de un Tribunal de Cuentas, los términos utilizados en el párrafo A30 de la NIA han de interpretarse en el contexto de la estructura de gobernanza de la entidad fiscalizadora superior.

² ISQC 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements."

³ La presente Nota de Práctica podrá ser objeto de modificaciones tras la elaboración de la ISSAI 40.

⁴ ISSAI 30, "Código de ética."

International Standard on Auditing

Quality Control for an Audit of Financial Statements



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

This International Standard on Auditing (ISA) 220, “Quality Control for an Audit of Financial Statements” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 220

QUALITY CONTROL FOR AN AUDIT OF FINANCIAL STATEMENTS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
System of Quality Control and Role of Engagement Teams	2-4
Effective Date	5
Objective	6
Definitions	7
Requirements	
Leadership Responsibilities for Quality on Audits	8
Relevant Ethical Requirements	9-11
Acceptance and Continuance of Client Relationships and Audit Engagements	12-13
Assignment of Engagement Teams	14
Engagement Performance	15-22
Monitoring	23
Documentation	24-25
Application and Other Explanatory Material	
System of Quality Control and Role of Engagement Teams	A1-A2
Leadership Responsibilities for Quality on Audits	A3
Relevant Ethical Requirements	A4-A7
Acceptance and Continuance of Client Relationships and Audit Engagements	A8-A9
Assignment of Engagement Teams	A10-A12
Engagement Performance	A13-A31

Monitoring A32-A34

Documentation A35

International Standard on Auditing (ISA) 220, “Quality Control for an Audit of Financial Statements” should be read in conjunction with ISA 200 “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the specific responsibilities of the auditor regarding quality control procedures for an audit of financial statements. It also addresses, where applicable, the responsibilities of the engagement quality control reviewer. This ISA is to be read in conjunction with relevant ethical requirements.

System of Quality Control and Role of Engagement Teams

2. Quality control systems, policies and procedures are the responsibility of the audit firm. Under ISQC 1, the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that:
 - (a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and
 - (b) The reports issued by the firm or engagement partners are appropriate in the circumstances.¹

This ISA is premised on the basis that the firm is subject to ISQC 1 or to national requirements that are at least as demanding. (Ref: Para. A1)

3. Within the context of the firm's system of quality control, engagement teams have a responsibility to implement quality control procedures that are applicable to the audit engagement and provide the firm with relevant information to enable the functioning of that part of the firm's system of quality control relating to independence.
4. Engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise. (Ref: Para. A2)

Effective Date

5. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

6. The objective of the auditor is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that:
 - (a) The audit complies with professional standards and applicable legal and regulatory requirements; and

¹ ISQC 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements," paragraph 11.

- (b) The auditor's report issued is appropriate in the circumstances.

Definitions

7. For purposes of the ISAs, the following terms have the meanings attributed below:
- (a) Engagement partner² – The partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor's report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
 - (b) Engagement quality control review – A process designed to provide an objective evaluation, on or before the date of the auditor's report, of the significant judgments the engagement team made and the conclusions it reached in formulating the auditor's report. The engagement quality control review process is only for audits of financial statements of listed entities and those other audit engagements, if any, for which the firm has determined an engagement quality control review is required.
 - (c) Engagement quality control reviewer – A partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments the engagement team made and the conclusions it reached in formulating the auditor's report.
 - (d) Engagement team – All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform audit procedures on the engagement. This excludes an auditor's external expert engaged by the firm or a network firm.³
 - (e) Firm – A sole practitioner, partnership or corporation or other entity of professional accountants.
 - (f) Inspection – In relation to completed audit engagements, procedures designed to provide evidence of compliance by engagement teams with the firm's quality control policies and procedures.
 - (g) Listed entity – An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.

² "Engagement partner," "partner," and "firm" should be read as referring to their public sector equivalents where relevant.

³ ISA 620, "Using the Work of an Auditor's Expert," paragraph 6(a), defines the term "auditor's expert."

- (h) Monitoring – A process comprising an ongoing consideration and evaluation of the firm’s system of quality control, including a periodic inspection of a selection of completed engagements, designed to provide the firm with reasonable assurance that its system of quality control is operating effectively.
- (i) Network firm – A firm or entity that belongs to a network.
- (j) Network – A larger structure:
 - (i) That is aimed at cooperation, and
 - (ii) That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.
- (k) Partner – Any individual with authority to bind the firm with respect to the performance of a professional services engagement.
- (l) Personnel – Partners and staff.
- (m) Professional standards – International Standards on Auditing (ISAs) and relevant ethical requirements.
- (n) Relevant ethical requirements – Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprise Parts A and B of the International Federation of Accountants’ *Code of Ethics for Professional Accountants* (IFAC Code) related to an audit of financial statements together with national requirements that are more restrictive.
- (o) Staff – Professionals, other than partners, including any experts the firm employs.
- (p) Suitably qualified external person – An individual outside the firm with the competence and capabilities to act as an engagement partner, for example a partner of another firm, or an employee (with appropriate experience) of either a professional accountancy body whose members may perform audits of historical financial information or of an organization that provides relevant quality control services.

Requirements

Leadership Responsibilities for Quality on Audits

8. The engagement partner shall take responsibility for the overall quality on each audit engagement to which that partner is assigned. (Ref: Para. A3)

Relevant Ethical Requirements

9. Throughout the audit engagement, the engagement partner shall remain alert, through observation and making inquiries as necessary, for evidence of non-compliance with relevant ethical requirements by members of the engagement team. (Ref: Para. A4-A5)
10. If matters come to the engagement partner's attention through the firm's system of quality control or otherwise that indicate that members of the engagement team have not complied with relevant ethical requirements, the engagement partner, in consultation with others in the firm, shall determine the appropriate action. (Ref: Para. A5)

Independence

11. The engagement partner shall form a conclusion on compliance with independence requirements that apply to the audit engagement. In doing so, the engagement partner shall: (Ref: Para. A5)
 - (a) Obtain relevant information from the firm and, where applicable, network firms, to identify and evaluate circumstances and relationships that create threats to independence;
 - (b) Evaluate information on identified breaches, if any, of the firm's independence policies and procedures to determine whether they create a threat to independence for the audit engagement; and
 - (c) Take appropriate action to eliminate such threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the audit engagement, where withdrawal is possible under applicable law or regulation. The engagement partner shall promptly report to the firm any inability to resolve the matter for appropriate action. (Ref: Para. A6-A7)

Acceptance and Continuance of Client Relationships and Audit Engagements

12. The engagement partner shall be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and audit engagements have been followed, and shall determine that conclusions reached in this regard are appropriate. (Ref: Para. A8-A9)
13. If the engagement partner obtains information that would have caused the firm to decline the audit engagement had that information been available earlier, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action. (Ref: Para. A9)

Assignment of Engagement Teams

14. The engagement partner shall be satisfied that the engagement team, and any auditor's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities to:
 - (a) Perform the audit engagement in accordance with professional standards and applicable legal and regulatory requirements; and
 - (b) Enable an auditor's report that is appropriate in the circumstances to be issued. (Ref: Para. A10-A12)

Engagement Performance

Direction, Supervision and Performance

15. The engagement partner shall take responsibility for:
 - (a) The direction, supervision and performance of the audit engagement in compliance with professional standards and applicable legal and regulatory requirements; and (Ref: Para. A13-A15, A20)
 - (b) The auditor's report being appropriate in the circumstances.

Reviews

16. The engagement partner shall take responsibility for reviews being performed in accordance with the firm's review policies and procedures. (Ref: Para. A16-A17, A20)
17. On or before the date of the auditor's report, the engagement partner shall, through a review of the audit documentation and discussion with the engagement team, be satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued. (Ref: Para. A18-A20)

Consultation

18. The engagement partner shall:
 - (a) Take responsibility for the engagement team undertaking appropriate consultation on difficult or contentious matters;
 - (b) Be satisfied that members of the engagement team have undertaken appropriate consultation during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm;
 - (c) Be satisfied that the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and

- (d) Determine that conclusions resulting from such consultations have been implemented. (Ref: Para. A21-A22)

Engagement Quality Control Review

19. For audits of financial statements of listed entities, and those other audit engagements, if any, for which the firm has determined that an engagement quality control review is required, the engagement partner shall:
 - (a) Determine that an engagement quality control reviewer has been appointed;
 - (b) Discuss significant matters arising during the audit engagement, including those identified during the engagement quality control review, with the engagement quality control reviewer; and
 - (c) Not date the auditor's report until the completion of the engagement quality control review. (Ref: Para. A23-A25)
20. The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the auditor's report. This evaluation shall involve:
 - (a) Discussion of significant matters with the engagement partner;
 - (b) Review of the financial statements and the proposed auditor's report;
 - (c) Review of selected audit documentation relating to the significant judgments the engagement team made and the conclusions it reached; and
 - (d) Evaluation of the conclusions reached in formulating the auditor's report and consideration of whether the proposed auditor's report is appropriate. (Ref: Para. A26-A27, A29-A31)
21. For audits of financial statements of listed entities, the engagement quality control reviewer, on performing an engagement quality control review, shall also consider the following:
 - (a) The engagement team's evaluation of the firm's independence in relation to the audit engagement;
 - (b) Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and
 - (c) Whether audit documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached. (Ref: Para. A28-A31)

Differences of Opinion

22. If differences of opinion arise within the engagement team, with those consulted or, where applicable, between the engagement partner and the engagement quality control reviewer, the engagement team shall follow the firm's policies and procedures for dealing with and resolving differences of opinion.

Monitoring

23. An effective system of quality control includes a monitoring process designed to provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. The engagement partner shall consider the results of the firm's monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms and whether deficiencies noted in that information may affect the audit engagement. (Ref: Para A32-A34)

Documentation

24. The auditor shall include in the audit documentation:⁴
- (a) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved.
 - (b) Conclusions on compliance with independence requirements that apply to the audit engagement, and any relevant discussions with the firm that support these conclusions.
 - (c) Conclusions reached regarding the acceptance and continuance of client relationships and audit engagements.
 - (d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the audit engagement. (Ref: Para. A35)
25. The engagement quality control reviewer shall document, for the audit engagement reviewed, that:
- (a) The procedures required by the firm's policies on engagement quality control review have been performed;
 - (b) The engagement quality control review has been completed on or before the date of the auditor's report; and
 - (c) The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.

⁴ ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

Application and Other Explanatory Material

System of Quality Control and Role of Engagement Teams (Ref: Para. 2)

A1. ISQC 1, or national requirements that are at least as demanding, deals with the firm's responsibilities to establish and maintain its system of quality control for audit engagements. The system of quality control includes policies and procedures that address each of the following elements:

- Leadership responsibilities for quality within the firm;
- Relevant ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Human resources;
- Engagement performance; and
- Monitoring.

National requirements that deal with the firm's responsibilities to establish and maintain a system of quality control are at least as demanding as ISQC 1 when they address all the elements referred to in this paragraph and impose obligations on the firm that achieve the aims of the requirements set out in ISQC 1.

***Reliance on the Firm's System of Quality Control* (Ref: Para. 4)**

A2. Unless information provided by the firm or other parties suggest otherwise, the engagement team may rely on the firm's system of quality control in relation to, for example:

- Competence of personnel through their recruitment and formal training.
- Independence through the accumulation and communication of relevant independence information.
- Maintenance of client relationships through acceptance and continuance systems.
- Adherence to applicable legal and regulatory requirements through the monitoring process.

Leadership Responsibilities for Quality on Audits (Ref: Para. 8)

A3. The actions of the engagement partner and appropriate messages to the other members of the engagement team, in taking responsibility for the overall quality on each audit engagement, emphasize:

- (a) The importance to audit quality of:

- (i) Performing work that complies with professional standards and applicable legal and regulatory requirements;
 - (ii) Complying with the firm's quality control policies and procedures as applicable;
 - (iii) Issuing auditor's reports that are appropriate in the circumstances; and
 - (iv) The engagement team's ability to raise concerns without fear of reprisals; and
- (b) The fact that quality is essential in performing audit engagements.

Relevant Ethical Requirements

Compliance with Relevant Ethical Requirements (Ref: Para. 9)

- A4. The IFAC Code establishes the fundamental principles of professional ethics, which include:
- (a) Integrity;
 - (b) Objectivity;
 - (c) Professional competence and due care;
 - (d) Confidentiality; and
 - (e) Professional behavior.

Definition of "Firm," "Network" and "Network Firm" (Ref: Para. 9-11)

- A5. The definitions of "firm," "network" or "network firm" in relevant ethical requirements may differ from those set out in this ISA. For example, the IFAC Code defines the "firm" as:
- (a) A sole practitioner, partnership or corporation of professional accountants;
 - (b) An entity that controls such parties through ownership, management or other means; and
 - (c) An entity controlled by such parties through ownership, management or other means.

The IFAC Code also provides guidance in relation to the terms "network" and "network firm."

In complying with the requirements in paragraphs 9-11, the definitions used in the relevant ethical requirements apply in so far as is necessary to interpret those ethical requirements.

Threats to Independence (Ref: Para. 11(c))

- A6. The engagement partner may identify a threat to independence regarding the audit engagement that safeguards may not be able to eliminate or reduce to an acceptable level. In that case, as required by paragraph 11(c), the engagement partner reports to the relevant person(s) within the firm to determine appropriate action, which may include eliminating the activity or interest that creates the threat, or withdrawing from the audit engagement, where withdrawal is possible under applicable law or regulation.

Considerations Specific to Public Sector Entities

- A7. Statutory measures may provide safeguards for the independence of public sector auditors. However, public sector auditors or audit firms carrying out public sector audits on behalf of the statutory auditor may, depending on the terms of the mandate in a particular jurisdiction, need to adapt their approach in order to promote compliance with the spirit of paragraph 11. This may include, where the public sector auditor's mandate does not permit withdrawal from the engagement, disclosure through a public report, of circumstances that have arisen that would, if they were in the private sector, lead the auditor to withdraw.

Acceptance and Continuance of Client Relationships and Audit Engagements
(Ref: Para. 12)

- A8. ISQC 1 requires the firm to obtain information considered necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client.⁵ Information such as the following assists the engagement partner in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and audit engagements are appropriate:
- The integrity of the principal owners, key management and those charged with governance of the entity;
 - Whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources;
 - Whether the firm and the engagement team can comply with relevant ethical requirements; and
 - Significant matters that have arisen during the current or previous audit engagement, and their implications for continuing the relationship.

⁵ ISQC 1, paragraph 27(a).

Considerations Specific to Public Sector Entities (Ref: Para. 12-13)

- A9. In the public sector, auditors may be appointed in accordance with statutory procedures. Accordingly, certain of the requirements and considerations regarding the acceptance and continuance of client relationships and audit engagements as set out in paragraphs 12, 13 and A8 may not be relevant. Nonetheless, information gathered as a result of the process described may be valuable to public sector auditors in performing risk assessments and in carrying out reporting responsibilities.

Assignment of Engagement Teams (Ref: Para. 14)

- A10. An engagement team includes a person using expertise in a specialized area of accounting or auditing, whether engaged or employed by the firm, if any, who performs audit procedures on the engagement. However, a person with such expertise is not a member of the engagement team if that person's involvement with the engagement is only consultation. Consultations are addressed in paragraph 18, and paragraph A21-A22.
- A11. When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner may take into consideration such matters as the team's:
- Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.
 - Understanding of professional standards and applicable legal and regulatory requirements.
 - Technical expertise, including expertise with relevant information technology and specialized areas of accounting or auditing.
 - Knowledge of relevant industries in which the client operates.
 - Ability to apply professional judgment.
 - Understanding of the firm's quality control policies and procedures.

Considerations Specific to Public Sector Entities

- A12. In the public sector, additional appropriate competence may include skills that are necessary to discharge the terms of the audit mandate in a particular jurisdiction. Such competence may include an understanding of the applicable reporting arrangements, including reporting to the legislature or other governing body or in the public interest. The wider scope of a public sector audit may include, for example, some aspects of performance auditing or a comprehensive assessment of compliance with law, regulation or other authority and preventing and detecting fraud and corruption.

Engagement Performance

Direction, Supervision and Performance (Ref: Para. 15(a))

A13. Direction of the engagement team involves informing the members of the engagement team of matters such as:

- Their responsibilities, including the need to comply with relevant ethical requirements, and to plan and perform an audit with professional skepticism as required by ISA 200.⁶
- Responsibilities of respective partners where more than one partner is involved in the conduct of an audit engagement.
- The objectives of the work to be performed.
- The nature of the entity's business.
- Risk-related issues.
- Problems that may arise.
- The detailed approach to the performance of the engagement.

Discussion among members of the engagement team allows less experienced team members to raise questions with more experienced team members so that appropriate communication can occur within the engagement team.

A14. Appropriate teamwork and training assist less experienced members of the engagement team to clearly understand the objectives of the assigned work.

A15. Supervision includes matters such as:

- Tracking the progress of the audit engagement.
- Considering the competence and capabilities of individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the audit engagement.
- Addressing significant matters arising during the audit engagement, considering their significance and modifying the planned approach appropriately.
- Identifying matters for consultation or consideration by more experienced engagement team members during the audit engagement.

⁶ ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph 15.

Reviews

Review Responsibilities (Ref: Para. 16)

A16. Under ISQC 1, the firm's review responsibility policies and procedures are determined on the basis that work of less experienced team members is reviewed by more experienced team members.⁷

A17. A review consists of consideration whether, for example:

- The work has been performed in accordance with professional standards and applicable legal and regulatory requirements;
- Significant matters have been raised for further consideration;
- Appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
- There is a need to revise the nature, timing and extent of work performed;
- The work performed supports the conclusions reached and is appropriately documented;
- The evidence obtained is sufficient and appropriate to support the auditor's report; and
- The objectives of the engagement procedures have been achieved.

The Engagement Partner's Review of Work Performed (Ref: Para. 17)

A18. Timely reviews of the following by the engagement partner at appropriate stages during the engagement allow significant matters to be resolved on a timely basis to the engagement partner's satisfaction on or before the date of the auditor's report:

- Critical areas of judgment, especially those relating to difficult or contentious matters identified during the course of the engagement;
- Significant risks; and
- Other areas the engagement partner considers important.

The engagement partner need not review all audit documentation, but may do so. However, as required by ISA 230, the partner documents the extent and timing of the reviews.⁸

A19. An engagement partner taking over an audit during the engagement may apply the review procedures as described in paragraphs A18 to review the

⁷ ISQC 1, paragraph 33.

⁸ ISA 230, paragraph 9(c).

work performed to the date of a change in order to assume the responsibilities of an engagement partner.

Considerations Relevant Where a Member of the Engagement Team with Expertise in a Specialized Area of Accounting or Auditing Is Used (Ref: Para. 15-17)

A20. Where a member of the engagement team with expertise in a specialized area of accounting or auditing is used, direction, supervision and review of that engagement team member's work may include matters such as:

- Agreeing with that member the nature, scope and objectives of that member's work; and the respective roles of, and the nature, timing and extent of communication between that member and other members of the engagement team.
- Evaluating the adequacy of that member's work including the relevance and reasonableness of that member's findings or conclusions and their consistency with other audit evidence.

Consultation (Ref: Para. 18)

A21. Effective consultation on significant technical, ethical, and other matters within the firm or, where applicable, outside the firm can be achieved when those consulted:

- Are given all the relevant facts that will enable them to provide informed advice; and
- Have appropriate knowledge, seniority and experience.

A22. It may be appropriate for the engagement team to consult outside the firm, for example, where the firm lacks appropriate internal resources. They may take advantage of advisory services provided by other firms, professional and regulatory bodies, or commercial organizations that provide relevant quality control services.

Engagement Quality Control Review

Completion of the Engagement Quality Control Review before Dating of the Auditor's Report (Ref: Para. 19(c))

A23. ISA 700 requires the auditor's report to be dated no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the auditor's opinion on the financial statements.⁹ In cases of an audit of financial statements of listed entities or when an engagement meets the criteria for an engagement quality control review, such a review assists the auditor in determining whether sufficient appropriate evidence has been obtained.

⁹ ISA 700, "Forming an Opinion and Reporting on Financial Statements," paragraph 41.

- A24. Conducting the engagement quality control review in a timely manner at appropriate stages during the engagement allows significant matters to be promptly resolved to the engagement quality control reviewer's satisfaction on or before the date of the auditor's report.
- A25. Completion of the engagement quality control review means the completion by the engagement quality control reviewer of the requirements in paragraphs 20-21, and where applicable, compliance with paragraph 22. Documentation of the engagement quality control review may be completed after the date of the auditor's report as part of the assembly of the final audit file. ISA 230 establishes requirements and provides guidance in this regard.¹⁰

Nature, Extent and Timing of Engagement Quality Control Review (Ref: Para. 20)

- A26. Remaining alert for changes in circumstances allows the engagement partner to identify situations in which an engagement quality control review is necessary, even though at the start of the engagement, such a review was not required.
- A27. The extent of the engagement quality control review may depend, among other things, on the complexity of the audit engagement, whether the entity is a listed entity, and the risk that the auditor's report might not be appropriate in the circumstances. The performance of an engagement quality control review does not reduce the responsibilities of the engagement partner for the audit engagement and its performance.

Engagement Quality Control Review of Listed Entities (Ref: Para. 21)

- A28. Other matters relevant to evaluating the significant judgments made by the engagement team that may be considered in an engagement quality control review of a listed entity include:
- Significant risks identified during the engagement in accordance with ISA 315,¹¹ and the responses to those risks in accordance with ISA 330,¹² including the engagement team's assessment of, and response to, the risk of fraud in accordance with ISA 240.¹³
 - Judgments made, particularly with respect to materiality and significant risks.
 - The significance and disposition of corrected and uncorrected misstatements identified during the audit.

¹⁰ ISA 230, paragraphs 14-16.

¹¹ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

¹² ISA 330, "The Auditor's Responses to Assessed Risks."

¹³ ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements."

- The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies.

These other matters, depending on the circumstances, may also be applicable for engagement quality control reviews for audits of financial statements of other entities.

Considerations Specific to Smaller Entities (Ref: Para. 20-21)

- A29. In addition to the audits of financial statements of listed entities, an engagement quality control review is required for audit engagements that meet the criteria established by the firm that subjects engagements to an engagement quality control review. In some cases, none of the firm's audit engagements may meet the criteria that would subject them to such a review.

Considerations Specific to Public Sector Entities (Ref: Para. 20-21)

- A30. In the public sector, a statutorily appointed auditor (for example, an Auditor General, or other suitably qualified person appointed on behalf of the Auditor General), may act in a role equivalent to that of engagement partner with overall responsibility for public sector audits. In such circumstances, where applicable, the selection of the engagement quality control reviewer includes consideration of the need for independence from the audited entity and the ability of the engagement quality control reviewer to provide an objective evaluation.
- A31. Listed entities as referred to in paragraphs 21 and A28 are not common in the public sector. However, there may be other public sector entities that are significant due to size, complexity or public interest aspects, and which consequently have a wide range of stakeholders. Examples include state owned corporations and public utilities. Ongoing transformations within the public sector may also give rise to new types of significant entities. There are no fixed objective criteria on which the determination of significance is based. Nonetheless, public sector auditors evaluate which entities may be of sufficient significance to warrant performance of an engagement quality control review.

Monitoring (Ref: Para. 23)

- A32. ISQC 1 requires the firm to establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate and operating effectively.¹⁴

¹⁴ ISQC 1, paragraph 48.

- A33. In considering deficiencies that may affect the audit engagement, the engagement partner may have regard to measures the firm took to rectify the situation that the engagement partner considers are sufficient in the context of that audit.
- A34. A deficiency in the firm's system of quality control does not necessarily indicate that a particular audit engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the auditor's report was not appropriate.

Documentation

Documentation of Consultations (Ref: Para. 24(d))

- A35. Documentation of consultations with other professionals that involve difficult or contentious matters that is sufficiently complete and detailed contributes to an understanding of:
- The issue on which consultation was sought; and
 - The results of the consultation, including any decisions taken, the basis for those decisions and how they were implemented.

ISSAI 1230

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Directriz de auditoría financiera

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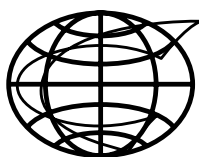
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 230 “Documentación de auditoría” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1230

NOTA DE PRÁCTICA PARA LA NIA 230

Párrafo

Fundamentos

Introduction to the ISA	
Content of the Practice Note	P1

Aplicabilidad de la NIA en la auditoría del sector público	P2

Orientaciones adicionales sobre cuestiones ligadas al sector público

Documentación de los procedimientos de auditoría aplicados y evidencia de auditoría obtenida ...	P3
Compilación del expediente final de auditoría	P4–P5
Cuestiones de confidencialidad y transparencia	P6–P14
Consideraciones específicas en materia de documentación para auditores del sector público con funciones jurisdiccionales	P15–P17

NORMA INTERNACIONAL DE AUDITORÍA 230

Introducción

Alcance de la NIA	1
Naturaleza y finalidad de la documentación de auditoría	2–3
Fecha de entrada en vigor	4

Objetivo	5

Definiciones	6

Exigencias

Preparación puntual de la documentación de auditoría	7
Documentación de los procedimientos de auditoría aplicados y evidencia de auditoría obtenida	8–13
Compilación del expediente final de auditoría	14–16

Disposiciones de aplicación y otras disposiciones explicativas

Preparación puntual de la documentación de auditoría	A1
Documentación de los procedimientos de auditoría aplicados y evidencia de auditoría obtenida	A2–A20
Compilación del expediente final de auditoría	A21–A24

Apéndice: Requisitos específicos sobre la documentación de auditoría contenidos en otras NIA

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 230

Documentación de auditoría

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 230, iDocumentación de auditoría, y debe leerse conjuntamente con ella. La NIA 230 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 230 expone la obligación del auditor de preparar documentación de auditoría en una auditoría de estados financieros y su anexo enumera otras NIA que contienen requisitos y orientaciones específicos en materia de documentación, pero que no limitan su contenido. La legislación o la reglamentación pueden establecer requisitos adicionales en materia de documentación.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Documentación de los procedimientos de auditoría aplicados y evidencia de auditoría obtenida.
 - b) Compilación del expediente final de auditoría.
 - c) Cuestiones de confidencialidad y transparencia.
 - d) Consideraciones específicas en materia de documentación para auditores del sector público con funciones jurisdiccionales.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 230 es aplicable a los auditores del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 iIntroducción general a las directrices de auditoría financiera de la INTOSAI.

Orientaciones adicionales sobre cuestiones ligadas al sector público

Documentación de los procedimientos de auditoría aplicados y evidencia de auditoría obtenida

- P3. El párrafo 8, letra c) de la NIA establece que el auditor debe preparar una documentación de auditoría suficiente para permitir a un auditor experimentado, que no haya tenido conexión previa con la auditoría, entender los asuntos importantes que surjan en el curso de ésta, las conclusiones alcanzadas al respecto y los principales juicios profesionales ejercidos para alcanzar dichas conclusiones. El párrafo A8 de la NIA explica que para juzgar la importancia de un asunto es necesario un análisis objetivo de los hechos y las circunstancias, y presenta ejemplos de asuntos importantes. Los auditores del sector público pueden tener que informar sobre una amplia serie de asuntos importantes que no formen parte de su informe de auditoría de los estados financieros, o cuestiones que puedan no dar lugar a incorrecciones materiales en la información financiera o en otra información conexa presentada. Como ejemplos de tales asuntos pueden citarse la falta de conformidad con la legislación o con el mandato aprobado, infracciones a las disposiciones contractuales o a los acuerdos de subvención, ausencia de autorización o incorrección de gastos, la ejecución presupuestaria, la certificación del déficit/superávit anual, las evaluaciones de financiación y costes de programas, o la información sobre indicadores de resultados.

Compilación del expediente final de auditoría

- P4. Conforme al párrafo 14 de la NIA, el auditor debe recoger la documentación de auditoría en un expediente y completar el proceso administrativo de compilación del expediente final de auditoría en tiempo oportuno tras la fecha del informe del auditor. El párrafo A21 de la NIA explica que un máximo de 60 días después de la fecha del informe del auditor suele ser un plazo adecuado para completar la compilación de dicho expediente. En el sector público, el proceso de finalización hasta la fecha del informe del auditor puede ser prolongado debido a los procedimientos de consulta con la entidad auditada u otras partes. No obstante, ello no obstará a la compilación en tiempo oportuno del expediente final.
- P5. El párrafo A23 de la NIA hace referencia a la norma internacional sobre control de calidad (NICC) 1², según la cual las organizaciones de auditoría han de establecer políticas y procedimientos para la conservación de documentación relativa a trabajos de auditoría. Como indica el párrafo A61 de la NICC 1, el período de conservación por regla general no ha de ser inferior a cinco años a partir de la fecha del informe del auditor. En el sector público pueden existir requisitos para la conservación de la documentación de auditoría durante períodos más prolongados o más cortos, debido a la importancia histórica de determinados tipos de documentos que, por ejemplo, pueden requerir la conservación indefinida en los archivos nacionales de un país. Asimismo, pueden existir requisitos adicionales relativos a las clasificaciones de seguridad nacionales, incluido el modo de archivo de la documentación. Los auditores del sector público se familiarizarán con la legislación aplicable en materia de conservación de documentación.

2 NICC 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" (Control de calidad para empresas que efectúan auditorías y revisiones de estados financieros y otros servicios de fiabilidad conexos).

Aspectos de confidencialidad y transparencia

- P6. Aunque la NIA 230 no aborda los aspectos de confidencialidad, custodia, integridad, accesibilidad y recuperabilidad de la documentación de trabajo, estos aspectos se tratan en la NICC 1 en el contexto de las obligaciones de organización de una auditoría. El párrafo A56 de la NICC 1 indica que las exigencias éticas pertinentes establecen la obligación para el personal de la organización auditora de observar siempre la confidencialidad de la información incluida en la documentación del trabajo, a menos que la entidad haya autorizado específicamente revelarla, o que exista una obligación legal o profesional para hacerlo.
- P7. Una diferencia fundamental entre los sectores privado y público estriba en que en este último pueden existir exigencias legislativas específicas en materia de confidencialidad por una parte, y derechos de acceso atribuidos a terceros, por otra. En el sector público se da la necesidad constante de equilibrar la confidencialidad y la necesidad de transparencia y rendición de cuentas.
- P8. El equilibrio entre confidencialidad y transparencia exige el ejercicio del juicio profesional para garantizar que la documentación de naturaleza confidencial se identifique claramente y se trate como tal, permitiendo al mismo tiempo el acceso adecuado a la misma. Así pues, es importante conocer las políticas y procedimientos de las entidades fiscalizadoras superiores en materia de confidencialidad. Estos procedimientos pueden incluir los tipos de documentación de auditoría que pueden ponerse a disposición del público, unas líneas de responsabilidad claramente definidas para la autorización de la revelación de dicha documentación y los procedimientos para facilitar la información, en su caso.
- P9. Por otra parte, los auditores del sector público pueden tener otras obligaciones normativas en materia de confidencialidad, basadas en el mandato de la entidad fiscalizadora superior de que se trate, o en la legislación relativa a secretos oficiales o a la intimidad. Dicha legislación, por ejemplo, podría afectar a auditorías de organismos de defensa, sanidad, servicios sociales o agencias tributarias. Los auditores del sector público deberán familiarizarse con las exigencias locales particulares a las que están sujetos por lo que a confidencialidad se refiere.
- P10. Asimismo, los auditores del sector público se informarán de cualquier legislación que permita el acceso público a la correspondencia de auditoría, por ejemplo, en los casos en que diarios electrónicos o de otro tipo están sometidos al control público. Este tipo de correspondencia puede incluir cartas dirigidas a la entidad auditada o remitidas por ésta, u otras partes, en relación con la obtención de evidencia de auditoría, así como consideraciones y juicios relativos a cuestiones de auditoría.
- P11. No es inusual en el sector público tener que responder a solicitudes externas de acceso a documentación de auditoría. Esto puede ser especialmente delicado cuando la parte externa intenta obtener indirectamente de la organización auditora información que no puede obtener directamente de la entidad auditada.
- P12. En principio, cuando la entidad auditada tenga la obligación normativa de compilar y conservar determinada información, las solicitudes de dicha información procedentes de terceros por lo general se transmitirán a la entidad auditada.

- P13. En situaciones en que auditores del sector público estudian la posibilidad de conceder acceso a documentación de auditoría, normalmente consultan a las partes interesadas (como la entidad auditada a la cual se refiere la solicitud) antes de revelar la información. En tales casos el auditor del sector público se asegurará de que aquellos a quienes se conceda el acceso se atengan al menos al mismo nivel de confidencialidad que el propio auditor.
- P14. En ciertos entornos, el trabajo de auditoría del sector público es subcontratado por la entidad fiscalizadora superior a otros auditores. La aceptación de este tipo de encargos suele implicar que el auditor que realiza el trabajo reconozca que la documentación de auditoría puede estar sujeta a la inspección de la entidad fiscalizadora superior que procedió a su nombramiento. Asimismo, dicha documentación puede ser objeto de inspección por parte de organismos de control que tengan derechos estatutarios de acceso a información relacionada con las obligaciones del auditor.

Consideraciones específicas con respecto a la documentación para auditores del sector público con funciones jurisdiccionales

- P15. En algunos entornos del sector público, como en un tribunal de cuentas, los auditores pueden estar sujetos a leyes y reglamentos que les exigen comprender y seguir unos procedimientos de documentación precisos en relación con las normas en materia probatoria. Los auditores del sector público adquirirán conocimientos de las políticas y los procedimientos que describan los requisitos suplementarios relativos a la documentación de auditoría y que están concebidos para garantizar el cumplimiento de las normas aplicables en materia probatoria. La documentación puede estar afectada por los siguientes factores, que serán tenidos en cuenta por el auditor:
- Legislación que imponga requisitos complementarios sobre documentación de auditoría.
 - El alcance de tales requisitos (si se han de aplicar a todos los documentos de la auditoría o a documentos específicos relativos a determinados asuntos de la auditoría).
 - Tratamiento, formalidades o exigencias adicionales a los que estén sujetos los documentos de auditoría.
 - La finalidad de cada exigencia adicional sobre garantías de protección legal al seguir las etapas de la auditoría.
 - Cualquier otro obstáculo que se pueda plantear a la documentación de auditoría debido a la manera particular en que se haya obtenido o elaborado.
- P16. Para los auditores del sector público con una función jurisdiccional, como un tribunal de cuentas, la documentación forma parte de la base de la decisión oficial. En este tipo de entorno, las garantías de protección legal pueden imponer el respeto de unos requisitos específicos y estrictos de la confidencialidad de la documentación en relación con la tramitación de una acción judicial. Además, puesto que las decisiones pueden dar lugar a un crédito público jurídicamente vinculante, pueden existir otros requisitos de conservación de documentación que deban respetar los auditores del sector público.
- P17. Los auditores del sector público que actúen en los tipos de entornos mencionados en el párrafo P15 deberán familiarizarse con las leyes y reglamentos aplicables al respecto.

International Standard on Auditing

Audit Documentation



**International Federation
of Accountants**

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INTERNATIONAL STANDARD ON AUDITING 230

AUDIT DOCUMENTATION

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Nature and Purposes of Audit Documentation	2-3
Effective Date	4
Objective	5
Definitions	6
Requirements	
Timely Preparation of Audit Documentation	7
Documentation of the Audit Procedures Performed and Audit Evidence Obtained	8-13
Assembly of the Final Audit File	14-16
Application and Other Explanatory Material	
Timely Preparation of Audit Documentation	A1
Documentation of the Audit Procedures Performed and Audit Evidence Obtained	A2-A20
Assembly of the Final Audit File	A21-A24
Appendix: Specific Audit Documentation Requirements in Other ISAs	

International Standard on Auditing (ISA) 230, “Audit Documentation” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to prepare audit documentation for an audit of financial statements. The Appendix lists other ISAs that contain specific documentation requirements and guidance. The specific documentation requirements of other ISAs do not limit the application of this ISA. Law or regulation may establish additional documentation requirements.

Nature and Purposes of Audit Documentation

2. Audit documentation that meets the requirements of this ISA and the specific documentation requirements of other relevant ISAs provides:
 - (a) Evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor;¹ and
 - (b) Evidence that the audit was planned and performed in accordance with ISAs and applicable legal and regulatory requirements.
3. Audit documentation serves a number of additional purposes, including the following:
 - Assisting the engagement team to plan and perform the audit.
 - Assisting members of the engagement team responsible for supervision to direct and supervise the audit work, and to discharge their review responsibilities in accordance with ISA 220.²
 - Enabling the engagement team to be accountable for its work.
 - Retaining a record of matters of continuing significance to future audits.
 - Enabling the conduct of quality control reviews and inspections in accordance with ISQC 1³ or national requirements that are at least as demanding.⁴
 - Enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements.

¹ ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph 11.

² ISA 220, "Quality Control for an Audit of Financial Statements," paragraphs 15-17.

³ ISQC 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements," paragraphs 32-33, 35-38, and 48.

⁴ ISA 220, paragraph 2.

Effective Date

4. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

5. The objective of the auditor is to prepare documentation that provides:
 - (a) A sufficient and appropriate record of the basis for the auditor's report; and
 - (b) Evidence that the audit was planned and performed in accordance with ISAs and applicable legal and regulatory requirements.

Definitions

6. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Audit documentation – The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as “working papers” or “workpapers” are also sometimes used).
 - (b) Audit file – One or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.
 - (c) Experienced auditor – An individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of:
 - (i) Audit processes;
 - (ii) ISAs and applicable legal and regulatory requirements;
 - (iii) The business environment in which the entity operates; and
 - (iv) Auditing and financial reporting issues relevant to the entity's industry.

Requirements

Timely Preparation of Audit Documentation

7. The auditor shall prepare audit documentation on a timely basis. (Ref: Para. A1)

Documentation of the Audit Procedures Performed and Audit Evidence Obtained

Form, Content and Extent of Audit Documentation

8. The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand: (Ref: Para. A2-A5, A16-A17)
 - (a) The nature, timing and extent of the audit procedures performed to comply with the ISAs and applicable legal and regulatory requirements; (Ref: Para. A6-A7)
 - (b) The results of the audit procedures performed, and the audit evidence obtained; and
 - (c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions. (Ref: Para. A8-A11)
9. In documenting the nature, timing and extent of audit procedures performed, the auditor shall record:
 - (a) The identifying characteristics of the specific items or matters tested; (Ref: Para. A12)
 - (b) Who performed the audit work and the date such work was completed; and
 - (c) Who reviewed the audit work performed and the date and extent of such review. (Ref: Para. A13)
10. The auditor shall document discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place. (Ref: Para. A14)
11. If the auditor identified information that is inconsistent with the auditor's final conclusion regarding a significant matter, the auditor shall document how the auditor addressed the inconsistency. (Ref: Para. A15)

Departure from a Relevant Requirement

12. If, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement in an ISA, the auditor shall document how the alternative audit procedures performed achieve the aim of that requirement, and the reasons for the departure. (Ref: Para. A18-A19)

Matters Arising after the Date of the Auditor's Report

13. If, in exceptional circumstances, the auditor performs new or additional audit procedures or draws new conclusions after the date of the auditor's report, the auditor shall document: (Ref: Para. A20)
 - (a) The circumstances encountered;
 - (b) The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and
 - (c) When and by whom the resulting changes to audit documentation were made and reviewed.

Assembly of the Final Audit File

14. The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report. (Ref: Para. A21-A22)
15. After the assembly of the final audit file has been completed, the auditor shall not delete or discard audit documentation of any nature before the end of its retention period. (Ref: Para. A23)
16. In circumstances other than those envisaged in paragraph 13 where the auditor finds it necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, the auditor shall, regardless of the nature of the modifications or additions, document: (Ref: Para. A24)
 - (a) The specific reasons for making them; and
 - (b) When and by whom they were made and reviewed.

Application and Other Explanatory Material

Timely Preparation of Audit Documentation (Ref: Para. 7)

- A1. Preparing sufficient and appropriate audit documentation on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before the auditor's report is finalized. Documentation prepared after the audit work has been performed is likely to be less accurate than documentation prepared at the time such work is performed.

Documentation of the Audit Procedures Performed and Audit Evidence Obtained

Form, Content and Extent of Audit Documentation (Ref: Para. 8)

- A2. The form, content and extent of audit documentation depend on factors such as:
- The size and complexity of the entity.
 - The nature of the audit procedures to be performed.
 - The identified risks of material misstatement.
 - The significance of the audit evidence obtained.
 - The nature and extent of exceptions identified.
 - The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or audit evidence obtained.
 - The audit methodology and tools used.
- A3. Audit documentation may be recorded on paper or on electronic or other media. Examples of audit documentation include:
- Audit programs.
 - Analyses.
 - Issues memoranda.
 - Summaries of significant matters.
 - Letters of confirmation and representation.
 - Checklists.
 - Correspondence (including e-mail) concerning significant matters.
- The auditor may include abstracts or copies of the entity's records (for example, significant and specific contracts and agreements) as part of audit documentation. Audit documentation, however, is not a substitute for the entity's accounting records.
- A4. The auditor need not include in audit documentation superseded drafts of working papers and financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.
- A5. Oral explanations by the auditor, on their own, do not represent adequate support for the work the auditor performed or conclusions the auditor

reached, but may be used to explain or clarify information contained in the audit documentation.

Documentation of Compliance with ISAs (Ref: Para. 8(a))

- A6. In principle, compliance with the requirements of this ISA will result in the audit documentation being sufficient and appropriate in the circumstances. Other ISAs contain specific documentation requirements that are intended to clarify the application of this ISA in the particular circumstances of those other ISAs. The specific documentation requirements of other ISAs do not limit the application of this ISA. Furthermore, the absence of a documentation requirement in any particular ISA is not intended to suggest that there is no documentation that will be prepared as a result of complying with that ISA.
- A7. Audit documentation provides evidence that the audit complies with the ISAs. However, it is neither necessary nor practicable for the auditor to document every matter considered, or professional judgment made, in an audit. Further, it is unnecessary for the auditor to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the audit file. For example:
- The existence of an adequately documented audit plan demonstrates that the auditor has planned the audit.
 - The existence of a signed engagement letter in the audit file demonstrates that the auditor has agreed the terms of the audit engagement with management or, where appropriate, those charged with governance.
 - An auditor's report containing an appropriately qualified opinion on the financial statements demonstrates that the auditor has complied with the requirement to express a qualified opinion under the circumstances specified in the ISAs.
 - In relation to requirements that apply generally throughout the audit, there may be a number of ways in which compliance with them may be demonstrated within the audit file:
 - For example, there may be no single way in which the auditor's professional skepticism is documented. But the audit documentation may nevertheless provide evidence of the auditor's exercise of professional skepticism in accordance with the ISAs. Such evidence may include specific procedures performed to corroborate management's responses to the auditor's inquiries.

- Similarly, that the engagement partner has taken responsibility for the direction, supervision and performance of the audit in compliance with the ISAs may be evidenced in a number of ways within the audit documentation. This may include documentation of the engagement partner's timely involvement in aspects of the audit, such as participation in the team discussions required by ISA 315.⁵

Documentation of Significant Matters and Related Significant Professional Judgments (Ref: Para. 8(c))

- A8. Judging the significance of a matter requires an objective analysis of the facts and circumstances. Examples of significant matters include:
- Matters that give rise to significant risks (as defined in ISA 315).⁶
 - Results of audit procedures indicating (a) that the financial statements could be materially misstated, or (b) a need to revise the auditor's previous assessment of the risks of material misstatement and the auditor's responses to those risks.
 - Circumstances that cause the auditor significant difficulty in applying necessary audit procedures.
 - Findings that could result in a modification to the audit opinion or the inclusion of an Emphasis of Matter paragraph in the auditor's report.
- A9. An important factor in determining the form, content and extent of audit documentation of significant matters is the extent of professional judgment exercised in performing the work and evaluating the results. Documentation of the professional judgments made, where significant, serves to explain the auditor's conclusions and to reinforce the quality of the judgment. Such matters are of particular interest to those responsible for reviewing audit documentation, including those carrying out subsequent audits when reviewing matters of continuing significance (for example, when performing a retrospective review of accounting estimates).
- A10. Some examples of circumstances in which, in accordance with paragraph 8, it is appropriate to prepare audit documentation relating to the use of professional judgment include, where the matters and judgments are significant:

⁵ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment," paragraph 10.

⁶ ISA 315, paragraph 4(e).

- The rationale for the auditor's conclusion when a requirement provides that the auditor "shall consider" certain information or factors, and that consideration is significant in the context of the particular engagement.
- The basis for the auditor's conclusion on the reasonableness of areas of subjective judgments (for example, the reasonableness of significant accounting estimates).
- The basis for the auditor's conclusions about the authenticity of a document when further investigation (such as making appropriate use of an expert or of confirmation procedures) is undertaken in response to conditions identified during the audit that caused the auditor to believe that the document may not be authentic.

A11. The auditor may consider it helpful to prepare and retain as part of the audit documentation a summary (sometimes known as a completion memorandum) that describes the significant matters identified during the audit and how they were addressed, or that includes cross-references to other relevant supporting audit documentation that provides such information. Such a summary may facilitate effective and efficient reviews and inspections of the audit documentation, particularly for large and complex audits. Further, the preparation of such a summary may assist the auditor's consideration of the significant matters. It may also help the auditor to consider whether, in light of the audit procedures performed and conclusions reached, there is any individual relevant ISA objective that the auditor cannot achieve that would prevent the auditor from achieving the overall objectives of the auditor.

Identification of Specific Items or Matters Tested, and of the Preparer and Reviewer
(Ref: Para. 9)

A12. Recording the identifying characteristics serves a number of purposes. For example, it enables the engagement team to be accountable for its work and facilitates the investigation of exceptions or inconsistencies. Identifying characteristics will vary with the nature of the audit procedure and the item or matter tested. For example:

- For a detailed test of entity-generated purchase orders, the auditor may identify the documents selected for testing by their dates and unique purchase order numbers.
- For a procedure requiring selection or review of all items over a specific amount from a given population, the auditor may record the scope of the procedure and identify the population (for example, all journal entries over a specified amount from the journal register).

- For a procedure requiring systematic sampling from a population of documents, the auditor may identify the documents selected by recording their source, the starting point and the sampling interval (for example, a systematic sample of shipping reports selected from the shipping log for the period from April 1 to September 30, starting with report number 12345 and selecting every 125th report).
- For a procedure requiring inquiries of specific entity personnel, the auditor may record the dates of the inquiries and the names and job designations of the entity personnel.
- For an observation procedure, the auditor may record the process or matter being observed, the relevant individuals, their respective responsibilities, and where and when the observation was carried out.

A13. ISA 220 requires the auditor to review the audit work performed through review of the audit documentation.⁷ The requirement to document who reviewed the audit work performed does not imply a need for each specific working paper to include evidence of review. The requirement, however, means documenting what audit work was reviewed, who reviewed such work, and when it was reviewed.

Documentation of Discussions of Significant Matters with Management, Those Charged with Governance, and Others (Ref: Para. 10)

A14. The documentation is not limited to records prepared by the auditor but may include other appropriate records such as minutes of meetings prepared by the entity's personnel and agreed by the auditor. Others with whom the auditor may discuss significant matters may include other personnel within the entity, and external parties, such as persons providing professional advice to the entity.

Documentation of How Inconsistencies have been Addressed (Ref: Para. 11)

A15. The requirement to document how the auditor addressed inconsistencies in information does not imply that the auditor needs to retain documentation that is incorrect or superseded.

Considerations Specific to Smaller Entities (Ref. Para. 8)

A16. The audit documentation for the audit of a smaller entity is generally less extensive than that for the audit of a larger entity. Further, in the case of an audit where the engagement partner performs all the audit work, the documentation will not include matters that might have to be documented

⁷ ISA 220, paragraph 17.

solely to inform or instruct members of an engagement team, or to provide evidence of review by other members of the team (for example, there will be no matters to document relating to team discussions or supervision). Nevertheless, the engagement partner complies with the overriding requirement in paragraph 8 to prepare audit documentation that can be understood by an experienced auditor, as the audit documentation may be subject to review by external parties for regulatory or other purposes.

- A17. When preparing audit documentation, the auditor of a smaller entity may also find it helpful and efficient to record various aspects of the audit together in a single document, with cross-references to supporting working papers as appropriate. Examples of matters that may be documented together in the audit of a smaller entity include the understanding of the entity and its internal control, the overall audit strategy and audit plan, materiality determined in accordance with ISA 320,⁸ assessed risks, significant matters noted during the audit, and conclusions reached.

Departure from a Relevant Requirement (Ref: Para. 12)

- A18. The requirements of the ISAs are designed to enable the auditor to achieve the objectives specified in the ISAs, and thereby the overall objectives of the auditor. Accordingly, other than in exceptional circumstances, the ISAs call for compliance with each requirement that is relevant in the circumstances of the audit.
- A19. The documentation requirement applies only to requirements that are relevant in the circumstances. A requirement is not relevant⁹ only in the cases where:
- (a) The entire ISA is not relevant (for example, if an entity does not have an internal audit function, nothing in ISA 610¹⁰ is relevant); or
 - (b) The requirement is conditional and the condition does not exist (for example, the requirement to modify the auditor's opinion where there is an inability to obtain sufficient appropriate audit evidence, and there is no such inability).

Matters Arising after the Date of the Auditor's Report (Ref: Para. 13)

- A20. Examples of exceptional circumstances include facts which become known to the auditor after the date of the auditor's report but which existed at that date and which, if known at that date, might have caused the financial

⁸ ISA 320, "Materiality in Planning and Performing an Audit."

⁹ ISA 200, paragraph 22.

¹⁰ ISA 610, "Using the Work of Internal Auditors."

statements to be amended or the auditor to modify the opinion in the auditor's report.¹¹ The resulting changes to the audit documentation are reviewed in accordance with the review responsibilities set out in ISA 220,¹² with the engagement partner taking final responsibility for the changes.

Assembly of the Final Audit File (Ref: Para. 14-16)

- A21. ISQC 1 (or national requirements that are at least as demanding) requires firms to establish policies and procedures for the timely completion of the assembly of audit files.¹³ An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.¹⁴
- A22. The completion of the assembly of the final audit file after the date of the auditor's report is an administrative process that does not involve the performance of new audit procedures or the drawing of new conclusions. Changes may, however, be made to the audit documentation during the final assembly process if they are administrative in nature. Examples of such changes include:
- Deleting or discarding superseded documentation.
 - Sorting, collating and cross-referencing working papers.
 - Signing off on completion checklists relating to the file assembly process.
 - Documenting audit evidence that the auditor has obtained, discussed and agreed with the relevant members of the engagement team before the date of the auditor's report.
- A23. ISQC 1 (or national requirements that are at least as demanding) requires firms to establish policies and procedures for the retention of engagement documentation.¹⁵ The retention period for audit engagements ordinarily is no shorter than five years from the date of the auditor's report, or, if later, the date of the group auditor's report.¹⁶
- A24. An example of a circumstance in which the auditor may find it necessary to modify existing audit documentation or add new audit documentation after

¹¹ ISA 560, "Subsequent Events," paragraph 14.

¹² ISA 220, paragraph 16.

¹³ ISQC 1, paragraph 45.

¹⁴ ISQC 1, paragraph A54.

¹⁵ ISQC 1, paragraph 47.

¹⁶ ISQC 1, paragraph A61.

file assembly has been completed is the need to clarify existing audit documentation arising from comments received during monitoring inspections performed by internal or external parties.

ISSAI 1240

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Directriz de auditoría financiera

Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros

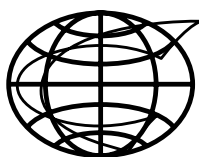
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 240 “Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1240

NOTA DE PRÁCTICA PARA LA NIA 240

Párrafo

Fundamentos

Introducción a la NIA

Contenido de la Nota de Práctica P1

Aplicabilidad de la NIA en la auditoría del sector público P2

Orientaciones adicionales sobre cuestiones ligadas al sector público P3

Consideraciones generales P4–P5

Definiciones P6

Escepticismo profesional P7–P9

Debate en el seno del equipo auditor P10

Procedimientos de evaluación de riesgos y actividades conexas P11–14

Identificación y evaluación de riesgos de incorrecciones materiales por causa de fraude P15

Respuestas a los riesgos evaluados de incorrecciones materiales por causa de fraude P16–P17

Valoración de la evidencia de auditoría P18

Imposibilidad del auditor de proseguir con el encargo de auditoría P19

Comunicaciones con la dirección y los encargados de la gobernanza P20

Comunicaciones con órganos reguladores, judiciales y policiales P21

Apéndice 1: Ejemplos de factores añadidos de riesgo de fraude en el sector público

Apéndice 2: Ejemplos adicionales de procedimientos de auditoría utilizables para contrarrestar los riesgos evaluados de incorrecciones materiales por causa de fraude en el sector público

Apéndice 3: Ejemplos adicionales de circunstancias indicativas de la posibilidad de fraude en el sector público

NORMA INTERNACIONAL DE AUDITORÍA 240

Introducción

Alcance de la NIA 1

Características del fraude 2–3

Obligaciones de prevención y detección del fraude 4–8

Fecha de entrada en vigor 9

Objetivos 10

Definiciones 11

Exigencias	Párrafo
Escepticismo profesional	12–14
Debate en el seno del equipo auditor	15
Procedimientos de evaluación de riesgos y actividades conexas	16–24
Identificación y evaluación de riesgos de incorrecciones materiales por causa de fraude	25–27
Respuestas a los riesgos evaluados de incorrecciones materiales por causa de fraude	28–33
Valoración de la evidencia de auditoría	34–37
Imposibilidad del auditor de proseguir con el encargo de auditoría	38
Manifestaciones escritas	39
Comunicaciones con la dirección y los encargados de la gobernanza	40–42
Comunicaciones con órganos reguladores, judiciales y policiales	43
Documentación	44–47

Disposiciones de aplicación y otras disposiciones explicativas

Características del fraude	A1–A6
Escepticismo profesional	A7–A9
Debate en el seno del equipo auditor	A10–A11
Procedimientos de evaluación de riesgos y actividades conexas	A12–A27
Identificación y evaluación de riesgos de incorrecciones materiales por causa de fraude ...	A28–A32
Respuestas a los riesgos evaluados de incorrecciones materiales por causa de fraude	A33–A48
Valoración de la evidencia de auditoría	A49–A53
Imposibilidad del auditor de proseguir con el encargo de auditoría	A54–A57
Manifestaciones escritas	A58–A59
Comunicaciones con la dirección y los encargados de la gobernanza	A60–A64
Comunicaciones con órganos reguladores, judiciales y policiales	A65–A67

Apéndice 1: Ejemplos de factores de riesgo de fraude

Apéndice 2: Ejemplos adicionales de procedimientos de auditoría utilizables para contrarrestar los riesgos evaluados de incorrecciones materiales por causa de fraude en el sector público

Apéndice 3: Ejemplos adicionales de circunstancias indicativas de la posibilidad de fraude en el sector público

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 240

Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 240, “Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros”, y debe leerse conjuntamente con ella. La NIA 240 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 240 establece las obligaciones del auditor en relación con el fraude en una auditoría de estados financieros, y en concreto detalla cómo deben aplicarse la NIA 315² y la NIA 330³ para responder a los riesgos de incorrecciones materiales por causa de fraude.

Contenido de la nota de práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Definiciones.
 - c) Escepticismo profesional.
 - d) Debate en el seno del equipo auditor.
 - e) Procedimientos de evaluación de riesgos y actividades conexas.
 - f) Identificación y evaluación de riesgos de incorrecciones materiales por causa de fraude.
 - g) Respuestas a los riesgos evaluados de incorrecciones materiales por causa de fraude.
 - h) Valoración de la evidencia de auditoría.
 - i) Imposibilidad del auditor de proseguir con el encargo de auditoría.
 - j) Comunicaciones con la dirección y los encargados de la gobernanza.
 - k) Comunicaciones con órganos reguladores, judiciales y policiales.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 240 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI.”

² NIA 315, “Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno.”

³ NIA 330, “Respuesta del auditor ante los riesgos evaluados.”

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 240 contiene disposiciones de aplicación y otras disposiciones explicativas con consideraciones específicas a las entidades del sector público en los párrafos A6, A57 y A67.

Consideraciones generales

- P4. En una auditoría financiera en el sector público los objetivos van más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría derivado de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo puede contener objetivos adicionales, entre ellos obligaciones de auditoría o de información, cuando los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden esperar de los auditores del sector público que notifiquen cualquier caso de falta de conformidad con las normas que hayan detectado durante la auditoría o informen sobre la eficacia del control interno. Los auditores del sector público han de tomar en consideración estas obligaciones suplementarias, y los riesgos de fraude conexos, al planificar y ejecutar la auditoría.
- P5. Los párrafos 2 y 3 de la NIA abordan las características del fraude. Tres condiciones concurren normalmente cuando se produce un fraude y pueden encontrarse con frecuencia en el sector público bajo formas diversas, a saber:
- Incentivos o presiones (de forma real o percibida) a la dirección o a los empleados que proporcionen a estos un motivo para cometer el fraude. Los empleados del sector público se ven a menudo apremiados a prestar servicios de gran calidad con recursos escasos y a atenerse al presupuesto, particularmente cuando las circunstancias económicas son adversas y existe presión para mantener los gravámenes impuestos a los usuarios y los tipos impositivos, con lo cual existe un incentivo para sobrestimar ingresos y subestimar gastos. También puede haber incentivos para gastar el presupuesto disponible al término del ejercicio.
 - Oportunidad (características o circunstancias de una entidad que permiten la perpetración del fraude). En el sector público pueden darse con más frecuencia dificultades para contratar a nuevos empleados o falta de personal con las necesarias cualificaciones. Estas situaciones suelen dar lugar a insuficiencias de control interno que crean oportunidades de fraude. El uso extendido de operaciones de efectivo de gran volumen y valor reducido en algunas entidades del sector público, como las que se registran en departamentos policiales o en clínicas, puede constituir un factor de riesgo añadido. Aunque el valor en juego sea reducido en términos monetarios, estas situaciones pueden llevar a un quebrantamiento de la confianza y de las expectativas de los ciudadanos, así como del control democrático.
 - Racionalización o actitud (conducta, carácter o valores éticos que sirven a los individuos para justificar la comisión de un fraude). Los sueldos generalmente más bajos del sector público, en comparación con el sector privado, pueden hacer pensar a los empleados que gozan de justificación para hacer un uso indebido de los fondos. Al igual que se indicaba anteriormente, esta actitud puede llevar a un quebrantamiento de la confianza y de las expectativas de los ciudadanos, así como del control democrático.

Definiciones

- P6. Tal y como se declara en el artículo 1 de la parte de Generalidades de la Declaración de Lima de INTOSAI⁴ «La institución del control es immanente a la economía financiera pública. El control no representa una finalidad en sí mismo, sino una parte imprescindible de un mecanismo regulador que debe señalar, oportunamente, las desviaciones normativas y las infracciones de los principios de legalidad, rentabilidad, utilidad y racionalidad de las operaciones financieras, de tal modo que puedan adoptarse las medidas correctivas convenientes en cada caso, determinarse la responsabilidad del órgano culpable, exigirse la indemnización correspondiente o adoptarse las determinaciones que impidan o, por lo menos, dificulten, la repetición de tales infracciones en el futuro». Los auditores del sector público se mantendrán en alerta durante toda la auditoría para detectar posibles casos de abuso. En este contexto, la Nota de Práctica añade una definición complementaria:
- Se entiende por abuso toda conducta deficiente o impropia en comparación con la que una persona prudente consideraría razonable y necesaria en una actividad comercial atendiendo a las circunstancias. El concepto también engloba los casos de utilización ilegítima de la autoridad o del cargo para favorecer intereses económicos personales o de familiares o socios comerciales. El abuso no implica necesariamente la existencia de fraude o la infracción de leyes y regulaciones, de estipulaciones contractuales o de condiciones de concesión de subvenciones, sino que representa una desviación del concepto de decoro que está relacionado con los principios generales de la buena gestión financiera del sector público y de conducta de los servidores públicos.

Escepticismo profesional

- P7. La obligación que tiene el auditor de mantener una actitud de escepticismo profesional durante la auditoría, contemplada en la NIA, se recoge en la ISSAI 1200.
- P8. En el sector público el mantenimiento de una actitud de escepticismo profesional durante la auditoría puede verse amenazado, según se describe en los párrafos 12 a 14 de la NIA, por las siguientes causas:
- El carácter de las relaciones personales o profesionales como consecuencia del proceso o del entorno políticos.
 - El carácter exclusivo del mandato recibido por el órgano fiscalizador del sector público que anula la competencia representada por otros auditores.
 - La falta de un imperativo de rotación periódica de los auditores que se produce en algunos entornos.

De ello se deduce que los auditores del sector público adoptarán las medidas necesarias para contrarrestar estas amenazas, como pueden ser las salvaguardas contempladas en la ISSAI 1220.

- P9. Cuando obtengan información acerca de la existencia de presuntos abusos, los auditores del sector público examinarán si éstos pueden llegar a afectar significativamente a los estados financieros. El examen debe realizarse con una doble perspectiva, cualitativa y cuantitativa. Los auditores del sector público no facilitan garantías razonables en cuanto a la detección del abuso pero sopesarán la necesidad de informar de esos casos si lo estiman conveniente.

4 ISSAI 1, «La Declaración de Lima».

Debate en el seno del equipo auditor

- P10. El párrafo 15 de la NIA establece la necesidad de debate en el seno del equipo auditor y de que el responsable de la auditoría decida qué cuestiones deben comunicarse a los miembros del equipo auditor que no participan en el debate. En el sector público, el debate puede abarcar además los objetivos adicionales y los riesgos conexos de incorrecciones materiales que se describen en el párrafo P4. Los auditores del sector público pueden incluir también en el debate a auditores encargados de ejecutar auditorías de rendimiento, y de otro tipo, de la entidad.

Procedimientos de evaluación de riesgos y actividades conexas

- P11. Al remitirse a las exigencias contenidas en el subpárrafo 17 c) de la NIA, los auditores del sector público pueden informarse asimismo, si lo estiman conveniente, de la comunicación mantenida por la dirección con otros órganos públicos.
- P12. Al remitirse a la exigencia de indagar acerca de los encargados de la gobernanza que se establece en el párrafo 21 de la NIA, los auditores del sector público podrán también incluir a los funcionarios de un ministerio, por ejemplo, o a consejeros o miembros de las comisiones parlamentarias pertinentes.
- P13. Conforme al párrafo 22 de la NIA, el auditor evaluará si las relaciones inusuales o inesperadas que hayan sido detectadas al aplicar procedimientos analíticos, en relación por ejemplo con las cuentas de ingresos, apuntan a riesgos de incorrecciones materiales debido a la existencia de fraude. En el sector público, puede haber otros ámbitos, además de las cuentas de ingresos, con relevancia para los procedimientos analíticos según sea la naturaleza de las operaciones de la entidad. En muchas entidades del sector público, algunos ámbitos como los de adjudicación de contratos o concesión de subvenciones pueden tener más trascendencia en este aspecto que las cuentas de ingresos. Al aplicar procedimientos analíticos, los auditores del sector público tendrán presente los especiales problemas que plantean el criterio contable de caja y la posibilidad consiguiente de manipulación de la información financiera.
- P14. Al evaluar los factores de riesgo de fraude que se señalan en el párrafo 24, los auditores del sector público tendrán presente, atendiendo a los ejemplos facilitados en el Apéndice 1 de la NIA, que dicho sector puede comportar factores de riesgo añadidos. En el Apéndice 1 de esta Nota de Práctica se facilitan ejemplos de dichos factores en el sector público.

Identificación y evaluación de riesgos de incorrecciones materiales por causa de fraude

- P15. En el sector público, el reconocimiento de ingresos no siempre es el ámbito en que presumiblemente hay más riesgos de fraude como se expone en el párrafo 26 de la NIA. Dicho reconocimiento puede revestir gran trascendencia para las autoridades tributarias u otros organismos que recaudan ingresos como las universidades públicas, los hospitales o los órganos reguladores, que recaudan derechos por los servicios prestados o reciben fondos de donantes. Ahora bien, en muchas entidades del sector público, la atención se centra principalmente en los gastos y en ámbitos como la adjudicación de contratos y el pago de subvenciones, por lo cual los auditores del sector público tendrán presente otros ámbitos, además del reconocimiento de ingresos, al establecer presunciones sobre los riesgos de fraude.

Respuestas a los riesgos evaluados de incorrecciones materiales por causa de fraude

- P16. Al concebir y aplicar procedimientos de auditoría adicionales, cuyo alcance, naturaleza, oportunidad respondan a los riesgos evaluados de incorrecciones materiales debido a la existencia de fraude en una cuenta o partida, según se señala en el párrafo 30 de la NIA e indican los ejemplos facilitados en el Apéndice 2 de la NIA, los auditores del sector público tendrán en cuenta que en dicho sector pueden ser pertinentes otros procedimientos de auditoría. En el Apéndice 2 de esta Nota de Práctica se facilitan ejemplos de dichos procedimientos adicionales.
- P17. El subpárrafo 32 c) de la NIA 240 aborda la cuestión de operaciones importantes que no se corresponden con las operaciones y actividades corrientes de la entidad auditada, como las que se citan a continuación:
- Incentivos económicos al desarrollo.
 - Disposiciones leoninas en acuerdos sindicales.
 - Adquisición o venta de inmuebles.
 - Intercambio de tierras.
 - Concesión de derechos de servidumbre.
 - Asociaciones público - privadas.
 - Privatización de servicios públicos.
 - Extinción anticipada de deudas.
 - Concesión de garantías públicas para el rescate de entidades privadas en caso de dificultades financieras.

Valoración de la evidencia de auditoría

- P18. Según se dispone en el párrafo 35 de la NIA, cuando detecte una incorrección el auditor debe valorar si es indicativa de la existencia de fraude y, en ese caso, analizar sus posibles repercusiones. El Apéndice 3 de la NIA enumera una serie de circunstancias que indicarian la posible existencia de fraude, mientras que en el Apéndice 3 de esta Nota de Práctica se recogen ejemplos de otras circunstancias propias del sector público.

Imposibilidad del auditor de proseguir con el encargo de auditoría

- P19. Los auditores del sector público carecen por lo general de la facultad de abandonar un encargo de auditoría, tal y como se describe en el subpárrafo 38 c) de la NIA, por lo que deberán sopesar el efecto que puede tener en la opinión de auditoría y la necesidad de recurrir a otras formas de comunicación, como informar separadamente al poder legislativo o elaborar informes confidenciales o de divulgación restringida.

Comunicaciones con la dirección y los encargados de la gobernanza

- P20. Los auditores del sector público pueden tener la obligación, o tomar la decisión, de comunicar las cuestiones contempladas en el párrafo 41 de la NIA no sólo a los encargados de la gobernanza sino también a otras partes interesadas como el poder legislativo.

Comunicaciones con órganos reguladores, judiciales y policiales

- P21. La obligación de notificar el fraude en el sector público puede estar regulada de forma específica en el mandato de auditoría o en las leyes y los reglamentos aplicables, con arreglo al párrafo 43 de la NIA que trata de las comunicaciones con terceros ajenos a la entidad que pueden ser también los órganos reguladores, judiciales y policiales. En algunos entornos hay a veces la obligación de remitir los indicios de fraude a órganos de investigación e incluso de cooperar con ellos para determinar si efectivamente se ha producido fraude o abuso. En otros entornos, los auditores del sector público tienen que informar de las circunstancias que pueden ser indicativas de fraude a los órganos pertinentes de los poderes del Estado, como el ministerio fiscal, la policía y (si así lo establece la legislación) terceros afectados. Los auditores del sector público procurarán no interferir con otras investigaciones o actuaciones legales, habrán de estar familiarizados con la legislación y reglamentación aplicable a la notificación y documentación de indicios o sospechas de fraude y tendrán que sopesar la necesidad de recabar asesoramiento jurídico en la materia.

Apéndice 1: Ejemplos de factores añadidos de riesgo de fraudes en el sector público

Los factores de riesgo de fraude que se enumeran en este Apéndice son ejemplo de las situaciones a las que pueden verse confrontados los auditores del sector público. Aunque abarcan gran número de situaciones, estos factores no dejan de ser ejemplos, por lo que los auditores pueden identificar otros diferentes, y no son pertinentes además en todas las circunstancias ni su trascendencia es la misma en todas las entidades del sector público, cuyas dimensiones, características o circunstancias varían. Tampoco el orden en que se citan estos ejemplos de factores de riesgo refleja su importancia relativa ni la frecuencia de su aparición.

Factores de riesgo de incorrecciones derivadas de la presentación de información financiera fraudulenta

Los factores de riesgo de incorrecciones derivadas de la presentación de información financiera fraudulenta se clasifican en función de las tres condiciones que concurren generalmente cuando se produce el fraude: incentivos/presiones, oportunidad y actitudes/racionalización. A continuación se exponen diversos ejemplos.

Incentivos/Presiones

Circunstancias de inestabilidad financiera o amenazas planteadas por la situación política, económica y presupuestaria o por las condiciones de funcionamiento de la entidad como las siguientes:

• Deficiencias de los controles presupuestarios.

- Privatizaciones.
- Nuevos programas.
- Modificaciones importantes de los programas existentes.
- Nuevas fuentes de financiación.
- Nueva legislación o reglamentación o nuevas directivas.
- Decisiones políticas como la de reubicación de las operaciones.
- Programas sin fondos o recursos suficientes.
- Adquisición de bienes y servicios en determinados sectores, como el de defensa.
- Externalización de actividades públicas.
- Operaciones sujetas a investigación.
- Cambios políticos.
- Asociaciones público - privadas.

Excesiva presión impuesta a la dirección para cumplir las exigencias o expectativas de terceros o los encargados de la gobernanza como consecuencia de las circunstancias siguientes:

- Aumento de las expectativas de los ciudadanos.
- Expectativas superiores a las normales para ajustarse al presupuesto.
- Reducción de los presupuestos sin la correlativa reducción de las expectativas en torno a los servicios prestados.

Oportunidad

Las características del sector público proporcionan la oportunidad de presentar información financiera fraudulenta como consecuencia de las circunstancias siguientes:

- Un ambiente cerrado con estrechos contactos y conexiones de carácter político.
- Estructuras jerárquicas y burocráticas y la consiguiente mentalidad de lealtad y obediencia creada por relaciones jerárquicas intensas y bien definidas.
- Transferencias tortuosas entre agencias que dificultan el seguimiento de la pista del dinero y tienden a ocultar la efectiva utilización de los fondos.
- El abuso de poder por parte de los funcionarios de mayor rango.
- Acceso potencial a puestos de dirección del sector privado tras el abandono del cargo, debido por ejemplo a la adjudicación de contratos públicos.
- Tolerancia de errores en la información financiera.

El seguimiento llevado a cabo por la dirección no es eficaz como consecuencia de las circunstancias siguientes:

- Fuerte entramado de motivaciones, conexiones y lealtades políticas.
- Clima político inestable.

La estructura organizativa es compleja o inestable como se demuestra por la:

- Dispersión de las actividades públicas en numerosos puntos, por ejemplo ayuntamientos situados en zonas alejadas.

Los elementos de control interno resultan deficientes como consecuencia de las circunstancias siguientes:

- Dificultades para la contratación de nuevos empleados o falta de personal cualificado.
- Falta de aplicaciones y plataformas informáticas perfeccionadas para atender las necesidades específicas del sector público.
- Fragmentación y falta de integración de la infraestructura informática.

Actitudes/Racionalización

- Los salarios generalmente inferiores del sector público con respecto al sector privado pueden llevar a los empleados a justificar la presentación de información financiera fraudulenta, sobre todo si existen incentivos tales como primas.
- Indiferencia a las repercusiones de los fallos de la administración que en el sector privado llevarían aparejadas sanciones económicas, despidos o penas de cárcel.

Factores de riesgo de incorrecciones derivadas de malversación de activos

Algunos de los factores de riesgo de incorrecciones derivadas de la presentación de información financiera fraudulenta pueden también estar presentes cuando se producen incorrecciones por la malversación de activos. Por ejemplo, habrá a veces falta de eficacia en el seguimiento llevado a cabo por la dirección e insuficiencias de control interno al mismo tiempo que se producen incorrecciones derivadas de la presentación de información financiera fraudulenta o malversación de activos. A continuación se exponen ejemplos de dichos factores.

Incentivos/Presiones

Malas relaciones entre la entidad y los empleados con acceso al manejo de efectivo u otros activos susceptibles de apropiación que pueden llevar a los empleados a realizar la malversación. Es posible que esas malas relaciones se deban a las circunstancias siguientes:

- Estructuras rígidas de remuneración en el sector público que no satisfagan las expectativas.
- Recompensa de la antigüedad y no del rendimiento.

Elementos exclusivos del proceso de licitación y adjudicación de contratos del sector público como los que se enumeran a continuación:

- Contratos con repercusiones políticas sensibles.
- Riesgo de soborno y pago de comisiones debido a la competencia generada por el elevado volumen o valor de los contratos.
- Contratos con partes vinculadas.
- Naturaleza arriesgada de algunas actividades públicas, como las de los sectores del armamento, recursos naturales, etc.

Abuso de autoridad y de poder:

- La posibilidad de soborno cuando se trata de decisiones sobre temas sensibles como subvenciones, solicitudes de permiso de trabajo o residencia o solicitudes de obtención de la nacionalidad.

Oportunidad

Algunas circunstancias pueden aumentar las posibilidades de que se produzca una malversación, como por ejemplo:

- Discrepancia entre el valor real y el valor registrado de los activos patrimoniales.
- Deficiencias del criterio contable de caja como por ejemplo:
 - Falta de anotación de determinados activos.
 - Falta de información adecuada sobre la titularidad de bienes inmuebles como edificios y terrenos.
 - Posibilidad de manipular el período de registro de las operaciones.
 - Transición no estructurada o sin control del principio de contabilidad de caja al de devengo.

Actitudes/Racionalización

- Funcionarios públicos que no distinguen entre transacciones privadas y públicas y hacen por ejemplo un uso abusivo de las tarjetas de crédito oficiales.
- Funcionarios públicos que mantienen la creencia que su rango justifica un estilo de vida similar a los ejecutivos del sector privado, cuando su régimen de remuneración no es suficiente para sostenerlo.
- Tolerancia de conductas inadmisibles en situaciones en que resulte difícil despedir o sustituir empleados.

Apéndice 2: Ejemplos adicionales de procedimientos de auditoría utilizables para contrarrestar los riesgos evaluados de incorrecciones materiales por causa de fraude en el sector público

Respuestas concretas ñ Incorrecciones derivadas de la presentación de información financiera fraudulenta

Además de los ejemplos de respuestas recogidos en la NIA, se pueden citar otros aplicables al sector público como los siguientes:

Planificación de la auditoría

Hacer frente a los riesgos enumerados en el Apéndice 1 de esta Nota de Práctica, dado su carácter genérico, puede implicar un proceso de planificación más intenso. Si bien los procedimientos pueden ser los mismos que en el sector privado, una evaluación más detenida de los riesgos requerirá quizá la práctica de pruebas más detalladas.

Dentro de este proceso de planificación más intenso, pueden considerarse los siguientes aspectos:

Conflicto de Intereses

- Creación, mantenimiento y consulta de una base de datos con información adicional referente por ejemplo a:
 - Fraudes notificados.
 - Noticias de medios de comunicación.
 - Medidas disciplinarias adoptadas contra empleados.
 - Denuncias.
 - Reacciones de los ciudadanos y de las partes interesadas.
 - El enlace con la información obtenida por los órganos reguladores, el ministerio público, las agencias encargadas de la investigación de delitos económicos graves u otras agencias de investigación que consideren pertinente los auditores del sector público.
 - Información procedente de agentes públicos, mecanismos de denuncia interna, etc.
 - Resultados de investigaciones judiciales o de auditorías de gestión (sobre todo en relación con la adjudicación de contratos públicos y la inversión en infraestructuras).

Adjudicación de contratos públicos

La adjudicación de contratos públicos está sujeta por lo general a numerosas leyes y reglamentaciones, que a menudo regulan detalladamente procedimientos de contratación pública destinados a que todos los interesados reciban en todo momento la misma invitación y tengan las mismas oportunidades de participar en una licitación. Estos procedimientos suelen responder también a la necesidad de ofrecer un trato transparente y equitativo a todos los licitadores y, pese a que suelen ser los mismos que en el sector privado, requieren la realización de pruebas más detenidas al evaluar los riesgos.

Dentro de este proceso de planificación más intenso, pueden considerarse los siguientes aspectos:

Sistema de licitación

- Interrogar a la dirección si se ha creado y existe en la práctica un sistema de licitación que abarque tanto la adquisición de bienes y de servicios como la enajenación y el arrendamiento de bienes públicos.
- Verificar en la documentación relativa al sistema de licitaciones si existen disposiciones que puedan comprometer su carácter equitativo, justo, transparente, competitivo y eficiente en relación con los costes.
- Comparar la documentación relativa al sistema de licitaciones con las leyes y reglamentaciones aplicables.
- Verificar en la documentación relativa al sistema de licitaciones si existen normas o criterios de referencias propios de un sistema de esas características.

Conflicto de intereses

- Inspeccionar por medio de entrevistas con la dirección y de comprobación de la documentación relativa al sistema de licitaciones y las actas de las reuniones de la comisión de licitaciones si los responsables de la adjudicación de contratos públicos y otros intervinientes:
 - Admitieron y declararon todo posible conflicto de intereses.
 - Trataron de modo equitativo a todos los proveedores y posibles proveedores.
 - No utilizaron su posición con fines de lucro personal o para beneficiar ilícitamente a otras personas.
 - No comprometieron la credibilidad o integridad del sistema de licitaciones aceptando regalos, hospitalidad o cualquier otro tipo de dádiva.
 - Utilizaron los bienes públicos con escrupulosidad.
 - Ayudaron a las autoridades o a los encargados del sistema de contabilidad a combatir la corrupción y el fraude en el sistema de licitaciones.
- Indagar e inspeccionar si la entidad practicaba controles para informar de conflictos de intereses y si estos controles habían sido comunicados al personal.
- Comprobar la documentación de apoyo para determinar si en el período examinado había un sistema para garantizar el cumplimiento de normas deontológicas.

Conducta irregular e infracciones

- Indagar por medio de entrevistas con la dirección si durante el período examinado se registraron alegaciones de conducta irregular o infracciones en relación con el sistema de licitaciones.
- Verificar si se notificó y abordó adecuadamente cualquier caso de conducta irregular o infracción en relación con el sistema de licitaciones detectado en otra parte del proceso de auditoría. Confirmar asimismo si han sido alertadas las autoridades competentes.
- Indagar por medio de entrevistas con la dirección si durante el período examinado se registraron casos de licitadores que cometieran acciones fraudulentas cuando competían para la adjudicación de un contrato. Si así sucedió, interrogar a la dirección si fueron rechazadas las ofertas de esos licitadores.
- Si la entidad auditada está aplicando un mecanismo de denuncia interna, investigar cómo se denuncian y abordan las infracciones en esa organización. Examinar y debatir con el servicio de auditoría los resultados del mecanismo de denuncia interna y determinar si se han adoptado medidas correctoras cuando ha habido infracciones.

- Indagar por medio de entrevistas con la dirección si durante el período examinado se recibieron quejas de los interesados en relación con el sistema de licitaciones o la información relativa al mismo. Si así sucedió, investigar si se adoptaron medidas al respecto.

Pruebas de confirmación o sustantivas

- Inspeccionar los registros y la documentación para localizar:
 - Nombres y direcciones de vendedores inhabituales.
 - Recepción de copias (facturas, órdenes de compras, etc.) en vez de originales.
 - Pedidos de material ya existente en cantidades suficientes.
 - Pedidos de materiales cuya eliminación está programada debido a su estado de obsolescencia.
 - Pedidos de materiales cuya naturaleza no se ajusta al mandato y a las operaciones de la entidad.
 - Compras por un importe o por una cantidad justo inferiores al límite exigido para la aprobación por el nivel siguiente.
 - Fragmentación de las compras mediante pedidos u otros medios para eludir las políticas en vigor.
 - Pagos a los vendedores al margen del sistema normal de licitaciones.
 - Firmas de la dirección o de supervisores en documentos firmados normalmente por subordinados (evitando así los controles ordinarios).
 - Concesión a los proveedores de un volumen significativo de bienes o servicios de la entidad del sector público.
 - Precios superiores a los del mercado, especialmente en compras de grandes cantidades.
 - Esquemas de adjudicación de contratos que indican la existencia de rotación de las ofertas.
 - Combinación de escasa calidad con precios elevados / porcentaje elevado de productos con problemas.
 - Existencia de una única fuente de provisión de bienes y servicios en cantidades significativas.
 - Recurso excesivo a procedimientos excepcionales, de urgencia o abreviados para la adquisición de bienes y servicios públicos.

Ajustes presupuestarios

- Cerciorarse de que el procedimiento presupuestario se adecua a las exigencias legales.
- Cerciorarse de que el presupuesto ha sido aprobado correctamente.
- Examinar el proceso de notificación mensual de las previsiones presupuestarias y la ejecución real:
 - Investigar toda posible excepción (gastos excesivos o insuficientes) y sus motivos, así como las medidas adoptadas.
 - Confirmar que las excepciones han sido autorizadas en caso necesario.
- Examinar todo ajuste presupuestario significativo o movimiento excesivo de fondos entre programas realizados en fechas próximas al término del ejercicio o posteriormente, así como sus motivos.
- Examinar los informes de resultados para determinar si se registraron infracciones significativas de objetivos fijados en el plan estratégico / gastos excesivos o insuficientes por importes considerables al término del ejercicio.

- Examinar todo ajuste presupuestario realizado en fechas próximas al término del ejercicio o posteriormente para determinar si fue oportunamente autorizado por el poder legislativo en caso necesario.

Costes de personal

- Examinar los registros de gastos y dietas de viaje para determinar si hay indicios de:
 - Inclusión de gastos personales.
 - Solicitudes de reembolso de gastos de alojamiento, representación o comidas que no resulten conformes con lo establecido.
 - Autorización por persona distinta al supervisor ordinario.
 - Fechas, horas u otros elementos de las solicitudes de reembolso de gastos que resulten inhabituales o irrazonables.
- Examinar las hojas de asistencia para determinar si hay indicios de:
 - Autorización por persona distinta al supervisor ordinario.
 - Extravío o alteración de las hojas de asistencia o cualquier otro hecho inhabitual en relación con ellas, especialmente si sucede de forma recurrente con los mismos empleados.
 - Número excesivo o inhabitual de horas extraordinarias.
 - Utilización de códigos horarios o de códigos de clasificación de empleados que resulten inhabituales o inapropiados.
- Proceder a pruebas de confirmación de las nóminas para determinar si hay indicios de:
 - Número excesivo o inhabitual de horas extraordinarias.
 - Discrepancias inhabituales entre los importes reales y los presupuestados o variaciones estacionales.
 - Ingresos bancarios en números de cuentas inhabituales o en cuentas en lugares inhabituales (por ejemplo la realización de más de un ingreso en un ejercicio en la misma cuenta puede ser reveladora de la existencia de empleados ficticios).
 - Comparación entre la remuneración por empleado o grupo de empleados al final del ejercicio con el nivel de remuneraciones normal para la categoría laboral correspondiente.
- Analizar los procedimientos de contratación y sus controles y proceder a la realización de pruebas con el fin de determinar si:
 - Los puestos publicados han sido debidamente autorizados.
 - Los puestos han sido publicados conforme a la reglamentación aplicable (requisitos de transparencia, competencia abierta y leal, etc.).
 - Se ha cumplido el procedimiento de contratación en sus distintas fases (entrevista, presentación de referencias y su control, fijación del nivel adecuado de remuneración, etc.).
 - Se ha prestado la necesaria atención a los indicios de amistades o enemistades personales.
 - Se ha dado el curso apropiado a las denuncias recibidas respecto de procedimientos de contratación.

Apéndice 3: Ejemplos adicionales de circunstancias indicativas de la posibilidad de fraude en el sector público

A continuación se enumeran ejemplos de circunstancias que pueden indicar la existencia de incorrecciones en los estados financieros por causa de fraude.

Discrepancias en los registros contables:

- Transferencias considerables de operaciones entre fondos y programas.

Procedimientos presupuestarios anormales:

- Ajustes presupuestarios significativos.
- Solicitudes de financiación complementaria.
- Falta de autorización de los ajustes presupuestarios.
- Gastos excesivos o insuficientes por importes considerables.
- Los indicadores de resultados señalan incumplimientos importantes.

Adjudicación de contratos públicos:

- Procesos judiciales.
- Ausencia de normativa sobre la adjudicación de contratos públicos.
- Modificaciones recientes a la normativa sobre adjudicación de contratos públicos.
- Normativa compleja o falta de claridad.
- Importes considerables en juego (como en el sector de defensa).
- Inspección por los órganos reguladores.
- Denuncias de posibles proveedores sobre prácticas irregulares en la organización de licitaciones.
- El nombramiento de antiguos funcionarios para puestos de responsabilidad en empresas que han recibido contratos públicos.

Concesión de subvenciones y financiación por donantes:

- Incumplimiento de los requisitos exigidos para las subvenciones.
- Falta de claridad de los requisitos exigidos para las subvenciones.
- Recepción de las subvenciones por destinatarios no designados.
- Denuncias de destinatarios o grupos de interés designados.

Activos:

- Uso no autorizado de activos.
- Material objeto de uso personal o no programado como teléfonos móviles, cámaras digitales, ordenadores, vehículos, herramientas, etc.
- Activos materiales que puedan ser objeto de uso personal o de un uso desviado, como edificios o terrenos desocupados, equipamiento obsoleto, activos abandonados, etc.
- Pérdida de material utilizado en procedimientos oficiales de carácter confidencial como pasaportes y documentos de identidad.

International Standard on Auditing

**The Auditor's
Responsibilities Relating to
Fraud in an Audit of
Financial Statements**



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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INTERNATIONAL STANDARD ON AUDITING 240

THE AUDITOR'S RESPONSIBILITIES RELATING TO FRAUD IN AN AUDIT OF FINANCIAL STATEMENTS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Characteristics of Fraud	2-3
Responsibility for the Prevention and Detection of Fraud	4-8
Effective Date	9
Objectives	10
Definitions	11
Requirements	
Professional Skepticism	12-14
Discussion among the Engagement Team	15
Risk Assessment Procedures and Related Activities	16-24
Identification and Assessment of the Risks of Material Misstatement Due to Fraud	25-27
Responses to the Assessed Risks of Material Misstatement Due to Fraud	28-33
Evaluation of Audit Evidence	34-37
Auditor Unable to Continue the Engagement	38
Written Representations	39
Communications to Management and with Those Charged with Governance	40-42
Communications to Regulatory and Enforcement Authorities	43
Documentation	44-47

Application and Other Explanatory Material

Characteristics of Fraud	A1-A6
Professional Skepticism	A7-A9
Discussion among the Engagement Team	A10-A11
Risk Assessment Procedures and Related Activities	A12-A27
Identification and Assessment of the Risks of Material Misstatement Due to Fraud	A28-A32
Responses to the Assessed Risks of Material Misstatement Due to Fraud	A33-A48
Evaluation of Audit Evidence	A49-A53
Auditor Unable to Continue the Engagement	A54-A57
Written Representations	A58-A59
Communications to Management and with Those Charged with Governance	A60-A64
Communications to Regulatory and Enforcement Authorities	A65-A67
Appendix 1: Examples of Fraud Risk Factors	
Appendix 2: Examples of Possible Audit Procedures to Address the Assessed Risks of Material Misstatement Due to Fraud	
Appendix 3: Examples of Circumstances that Indicate the Possibility of Fraud	

International Standard on Auditing (ISA) 240, “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to fraud in an audit of financial statements. Specifically, it expands on how ISA 315¹ and ISA 330² are to be applied in relation to risks of material misstatement due to fraud.

Characteristics of Fraud

2. Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
3. Although fraud is a broad legal concept, for the purposes of the ISAs, the auditor is concerned with fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Although the auditor may suspect or, in rare cases, identify the occurrence of fraud, the auditor does not make legal determinations of whether fraud has actually occurred. (Ref: Para. A1-A6)

Responsibility for the Prevention and Detection of Fraud

4. The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behavior which can be reinforced by an active oversight by those charged with governance. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of analysts as to the entity's performance and profitability.

¹ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

² ISA 330, "The Auditor's Responses to Assessed Risks."

Responsibilities of the Auditor

5. An auditor conducting an audit in accordance with ISAs is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs.³
6. As described in ISA 200,⁴ the potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error. This is because fraud may involve sophisticated and carefully organized schemes designed to conceal it, such as forgery, deliberate failure to record transactions, or intentional misrepresentations being made to the auditor. Such attempts at concealment may be even more difficult to detect when accompanied by collusion. Collusion may cause the auditor to believe that audit evidence is persuasive when it is, in fact, false. The auditor's ability to detect a fraud depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. While the auditor may be able to identify potential opportunities for fraud to be perpetrated, it is difficult for the auditor to determine whether misstatements in judgment areas such as accounting estimates are caused by fraud or error.
7. Furthermore, the risk of the auditor not detecting a material misstatement resulting from management fraud is greater than for employee fraud, because management is frequently in a position to directly or indirectly manipulate accounting records, present fraudulent financial information or override control procedures designed to prevent similar frauds by other employees.
8. When obtaining reasonable assurance, the auditor is responsible for maintaining professional skepticism throughout the audit, considering the potential for management override of controls and recognizing the fact that audit procedures that are effective for detecting error may not be effective in detecting fraud. The requirements in this ISA are designed to assist the auditor in identifying and assessing the risks of material misstatement due to fraud and in designing procedures to detect such misstatement.

³ ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph A51.

⁴ ISA 200, paragraph A51.

Effective Date

9. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objectives

10. The objectives of the auditor are:
- (a) To identify and assess the risks of material misstatement of the financial statements due to fraud;
 - (b) To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
 - (c) To respond appropriately to fraud or suspected fraud identified during the audit.

Definitions

11. For purposes of the ISAs, the following terms have the meanings attributed below:
- (a) Fraud – An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
 - (b) Fraud risk factors – Events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Requirements

Professional Skepticism

12. In accordance with ISA 200, the auditor shall maintain professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance. (Ref: Para. A7- A8)
13. Unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine. If conditions identified during the audit cause the auditor to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, the auditor shall investigate further. (Ref: Para. A9)
14. Where responses to inquiries of management or those charged with governance are inconsistent, the auditor shall investigate the inconsistencies.

Discussion among the Engagement Team

15. ISA 315 requires a discussion among the engagement team members and a determination by the engagement partner of which matters are to be communicated to those team members not involved in the discussion.⁵ This discussion shall place particular emphasis on how and where the entity's financial statements may be susceptible to material misstatement due to fraud, including how fraud might occur. The discussion shall occur setting aside beliefs that the engagement team members may have that management and those charged with governance are honest and have integrity. (Ref: Para. A10-A11)

Risk Assessment Procedures and Related Activities

16. When performing risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the entity's internal control, required by ISA 315,⁶ the auditor shall perform the procedures in paragraphs 17-24 to obtain information for use in identifying the risks of material misstatement due to fraud.

Management and Others within the Entity

17. The auditor shall make inquiries of management regarding:
- (a) Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments; (Ref: Para. A12-A13)
 - (b) Management's process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist; (Ref: Para. A14)
 - (c) Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity; and
 - (d) Management's communication, if any, to employees regarding its views on business practices and ethical behavior.
18. The auditor shall make inquiries of management, and others within the entity as appropriate, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. (Ref: Para. A15-A17)
19. For those entities that have an internal audit function, the auditor shall make inquiries of internal audit to determine whether it has knowledge of any actual,

⁵ ISA 315, paragraph 10.

⁶ ISA 315, paragraphs 5-24.

suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud. (Ref: Para. A18)

Those Charged with Governance

20. Unless all of those charged with governance are involved in managing the entity,⁷ the auditor shall obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks. (Ref: Para. A19-A21)
21. Unless all of those charged with governance are involved in managing the entity, the auditor shall make inquiries of those charged with governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries are made in part to corroborate the responses to the inquiries of management.

Unusual or Unexpected Relationships Identified

22. The auditor shall evaluate whether unusual or unexpected relationships that have been identified in performing analytical procedures, including those related to revenue accounts, may indicate risks of material misstatement due to fraud.

Other Information

23. The auditor shall consider whether other information obtained by the auditor indicates risks of material misstatement due to fraud. (Ref: Para. A22)

Evaluation of Fraud Risk Factors

24. The auditor shall evaluate whether the information obtained from the other risk assessment procedures and related activities performed indicates that one or more fraud risk factors are present. While fraud risk factors may not necessarily indicate the existence of fraud, they have often been present in circumstances where frauds have occurred and therefore may indicate risks of material misstatement due to fraud. (Ref: Para. A23-A27)

Identification and Assessment of the Risks of Material Misstatement Due to Fraud

25. In accordance with ISA 315, the auditor shall identify and assess the risks of material misstatement due to fraud at the financial statement level, and at the assertion level for classes of transactions, account balances and disclosures.⁸
26. When identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in

⁷ ISA 260, "Communication with Those Charged with Governance," paragraph 13.

⁸ ISA 315, paragraph 25.

revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks. Paragraph 47 specifies the documentation required where the auditor concludes that the presumption is not applicable in the circumstances of the engagement and, accordingly, has not identified revenue recognition as a risk of material misstatement due to fraud. (Ref: Para. A28-A30)

27. The auditor shall treat those assessed risks of material misstatement due to fraud as significant risks and accordingly, to the extent not already done so, the auditor shall obtain an understanding of the entity's related controls, including control activities, relevant to such risks. (Ref: Para. A31-A32)

Responses to the Assessed Risks of Material Misstatement Due to Fraud

Overall Responses

28. In accordance with ISA 330, the auditor shall determine overall responses to address the assessed risks of material misstatement due to fraud at the financial statement level.⁹ (Ref: Para. A33)
29. In determining overall responses to address the assessed risks of material misstatement due to fraud at the financial statement level, the auditor shall:
 - (a) Assign and supervise personnel taking account of the knowledge, skill and ability of the individuals to be given significant engagement responsibilities and the auditor's assessment of the risks of material misstatement due to fraud for the engagement; (Ref: Para. A34-A35)
 - (b) Evaluate whether the selection and application of accounting policies by the entity, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings; and
 - (c) Incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures. (Ref: Para. A36)

Audit Procedures Responsive to Assessed Risks of Material Misstatement Due to Fraud at the Assertion Level

30. In accordance with ISA 330, the auditor shall design and perform further audit procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement due to fraud at the assertion level.¹⁰ (Ref: Para. A37-A40)

⁹ ISA 330, paragraph 5.

¹⁰ ISA 330, paragraph 6.

Audit Procedures Responsive to Risks Related to Management Override of Controls

31. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.
32. Irrespective of the auditor's assessment of the risks of management override of controls, the auditor shall design and perform audit procedures to:
 - (a) Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. In designing and performing audit procedures for such tests, the auditor shall:
 - (i) Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
 - (ii) Select journal entries and other adjustments made at the end of a reporting period; and
 - (iii) Consider the need to test journal entries and other adjustments throughout the period. (Ref: Para. A41-A44)
 - (b) Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, the auditor shall:
 - (i) Evaluate whether the judgments and decisions made by management in making the accounting estimates included in the financial statements, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. If so, the auditor shall reevaluate the accounting estimates taken as a whole; and
 - (ii) Perform a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in the financial statements of the prior year. (Ref: Para. A45-A47)
 - (c) For significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual given the auditor's understanding of the entity and its environment and other information

obtained during the audit, the auditor shall evaluate whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. (Ref: Para. A48)

33. The auditor shall determine whether, in order to respond to the identified risks of management override of controls, the auditor needs to perform other audit procedures in addition to those specifically referred to above (that is, where there are specific additional risks of management override that are not covered as part of the procedures performed to address the requirements in paragraph 32).

Evaluation of Audit Evidence (Ref: Para. A49)

34. The auditor shall evaluate whether analytical procedures that are performed near the end of the audit, when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity, indicate a previously unrecognized risk of material misstatement due to fraud. (Ref: Para. A50)
35. If the auditor identifies a misstatement, the auditor shall evaluate whether such a misstatement is indicative of fraud. If there is such an indication, the auditor shall evaluate the implications of the misstatement in relation to other aspects of the audit, particularly the reliability of management representations, recognizing that an instance of fraud is unlikely to be an isolated occurrence. (Ref: Para. A51)
36. If the auditor identifies a misstatement, whether material or not, and the auditor has reason to believe that it is or may be the result of fraud and that management (in particular, senior management) is involved, the auditor shall reevaluate the assessment of the risks of material misstatement due to fraud and its resulting impact on the nature, timing and extent of audit procedures to respond to the assessed risks. The auditor shall also consider whether circumstances or conditions indicate possible collusion involving employees, management or third parties when reconsidering the reliability of evidence previously obtained. (Ref: Para. A52)
37. If the auditor confirms that, or is unable to conclude whether, the financial statements are materially misstated as a result of fraud the auditor shall evaluate the implications for the audit. (Ref: Para. A53)

Auditor Unable to Continue the Engagement

38. If, as a result of a misstatement resulting from fraud or suspected fraud, the auditor encounters exceptional circumstances that bring into question the auditor's ability to continue performing the audit, the auditor shall:
- (a) Determine the professional and legal responsibilities applicable in the circumstances, including whether there is a requirement for the auditor

- to report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities;
- (b) Consider whether it is appropriate to withdraw from the engagement, where withdrawal is possible under applicable law or regulation; and
- (c) If the auditor withdraws:
 - (i) Discuss with the appropriate level of management and those charged with governance the auditor's withdrawal from the engagement and the reasons for the withdrawal; and
 - (ii) Determine whether there is a professional or legal requirement to report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities, the auditor's withdrawal from the engagement and the reasons for the withdrawal. (Ref: Para. A54-A57)

Written Representations

39. The auditor shall obtain written representations from management and, where appropriate, those charged with governance that:
 - (a) They acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;
 - (b) They have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;
 - (c) They have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:
 - (i) Management;
 - (ii) Employees who have significant roles in internal control; or
 - (iii) Others where the fraud could have a material effect on the financial statements; and
 - (d) They have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. (Ref: Para. A58-A59)

Communications to Management and with Those Charged with Governance

40. If the auditor has identified a fraud or has obtained information that indicates that a fraud may exist, the auditor shall communicate these matters on a timely basis to the appropriate level of management in order to inform those with primary responsibility for the prevention and detection of fraud of matters

relevant to their responsibilities. (Ref: Para. A60)

41. Unless all of those charged with governance are involved in managing the entity, if the auditor has identified or suspects fraud involving:

- (a) management;
- (b) employees who have significant roles in internal control; or
- (c) others where the fraud results in a material misstatement in the financial statements,

the auditor shall communicate these matters to those charged with governance on a timely basis. If the auditor suspects fraud involving management, the auditor shall communicate these suspicions to those charged with governance and discuss with them the nature, timing and extent of audit procedures necessary to complete the audit. (Ref: Para. A61-A63)

42. The auditor shall communicate with those charged with governance any other matters related to fraud that are, in the auditor's judgment, relevant to their responsibilities. (Ref: Para. A64)

Communications to Regulatory and Enforcement Authorities

43. If the auditor has identified or suspects a fraud, the auditor shall determine whether there is a responsibility to report the occurrence or suspicion to a party outside the entity. Although the auditor's professional duty to maintain the confidentiality of client information may preclude such reporting, the auditor's legal responsibilities may override the duty of confidentiality in some circumstances. (Ref: Para. A65-A67)

Documentation

44. The auditor shall include the following in the audit documentation¹¹ of the auditor's understanding of the entity and its environment and the assessment of the risks of material misstatement required by ISA 315:¹²
- (a) The significant decisions reached during the discussion among the engagement team regarding the susceptibility of the entity's financial statements to material misstatement due to fraud; and
 - (b) The identified and assessed risks of material misstatement due to fraud at the financial statement level and at the assertion level.
45. The auditor shall include the following in the audit documentation of the auditor's responses to the assessed risks of material misstatement required by ISA 330:¹³

¹¹ ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

¹² ISA 315, paragraph 32.

¹³ ISA 330, paragraph 28.

- (a) The overall responses to the assessed risks of material misstatement due to fraud at the financial statement level and the nature, timing and extent of audit procedures, and the linkage of those procedures with the assessed risks of material misstatement due to fraud at the assertion level; and
 - (b) The results of the audit procedures, including those designed to address the risk of management override of controls.
46. The auditor shall include in the audit documentation communications about fraud made to management, those charged with governance, regulators and others.
47. If the auditor has concluded that the presumption that there is a risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, the auditor shall include in the audit documentation the reasons for that conclusion.

Application and Other Explanatory Material

Characteristics of Fraud (Ref: Para. 3)

- A1. Fraud, whether fraudulent financial reporting or misappropriation of assets, involves incentive or pressure to commit fraud, a perceived opportunity to do so and some rationalization of the act. For example:
- Incentive or pressure to commit fraudulent financial reporting may exist when management is under pressure, from sources outside or inside the entity, to achieve an expected (and perhaps unrealistic) earnings target or financial outcome – particularly since the consequences to management for failing to meet financial goals can be significant. Similarly, individuals may have an incentive to misappropriate assets, for example, because the individuals are living beyond their means.
 - A perceived opportunity to commit fraud may exist when an individual believes internal control can be overridden, for example, because the individual is in a position of trust or has knowledge of specific deficiencies in internal control.
 - Individuals may be able to rationalize committing a fraudulent act. Some individuals possess an attitude, character or set of ethical values that allow them knowingly and intentionally to commit a dishonest act. However, even otherwise honest individuals can commit fraud in an environment that imposes sufficient pressure on them.
- A2. Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial

statement users. It can be caused by the efforts of management to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability. Such earnings management may start out with small actions or inappropriate adjustment of assumptions and changes in judgments by management. Pressures and incentives may lead these actions to increase to the extent that they result in fraudulent financial reporting. Such a situation could occur when, due to pressures to meet market expectations or a desire to maximize compensation based on performance, management intentionally takes positions that lead to fraudulent financial reporting by materially misstating the financial statements. In some entities, management may be motivated to reduce earnings by a material amount to minimize tax or to inflate earnings to secure bank financing.

- A3. Fraudulent financial reporting may be accomplished by the following:
- Manipulation, falsification (including forgery), or alteration of accounting records or supporting documentation from which the financial statements are prepared.
 - Misrepresentation in, or intentional omission from, the financial statements of events, transactions or other significant information.
 - Intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure.
- A4. Fraudulent financial reporting often involves management override of controls that otherwise may appear to be operating effectively. Fraud can be committed by management overriding controls using such techniques as:
- Recording fictitious journal entries, particularly close to the end of an accounting period, to manipulate operating results or achieve other objectives.
 - Inappropriately adjusting assumptions and changing judgments used to estimate account balances.
 - Omitting, advancing or delaying recognition in the financial statements of events and transactions that have occurred during the reporting period.
 - Concealing, or not disclosing, facts that could affect the amounts recorded in the financial statements.
 - Engaging in complex transactions that are structured to misrepresent the financial position or financial performance of the entity.
 - Altering records and terms related to significant and unusual transactions.
- A5. Misappropriation of assets involves the theft of an entity's assets and is often perpetrated by employees in relatively small and immaterial amounts.

However, it can also involve management who are usually more able to disguise or conceal misappropriations in ways that are difficult to detect. Misappropriation of assets can be accomplished in a variety of ways including:

- Embezzling receipts (for example, misappropriating collections on accounts receivable or diverting receipts in respect of written-off accounts to personal bank accounts).
- Stealing physical assets or intellectual property (for example, stealing inventory for personal use or for sale, stealing scrap for resale, colluding with a competitor by disclosing technological data in return for payment).
- Causing an entity to pay for goods and services not received (for example, payments to fictitious vendors, kickbacks paid by vendors to the entity's purchasing agents in return for inflating prices, payments to fictitious employees).
- Using an entity's assets for personal use (for example, using the entity's assets as collateral for a personal loan or a loan to a related party).

Misappropriation of assets is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

Considerations Specific to Public Sector Entities

- A6. The public sector auditor's responsibilities relating to fraud may be a result of law, regulation or other authority applicable to public sector entities or separately covered by the auditor's mandate. Consequently, the public sector auditor's responsibilities may not be limited to consideration of risks of material misstatement of the financial statements, but may also include a broader responsibility to consider risks of fraud.

Professional Skepticism (Ref: Para. 12-14)

- A7. Maintaining professional skepticism requires an ongoing questioning of whether the information and audit evidence obtained suggests that a material misstatement due to fraud may exist. It includes considering the reliability of the information to be used as audit evidence and the controls over its preparation and maintenance where relevant. Due to the characteristics of fraud, the auditor's professional skepticism is particularly important when considering the risks of material misstatement due to fraud.
- A8. Although the auditor cannot be expected to disregard past experience of the honesty and integrity of the entity's management and those charged with governance, the auditor's professional skepticism is particularly important in considering the risks of material misstatement due to fraud because there may have been changes in circumstances.

A9. An audit performed in accordance with ISAs rarely involves the authentication of documents, nor is the auditor trained as or expected to be an expert in such authentication.¹⁴ However, when the auditor identifies conditions that cause the auditor to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, possible procedures to investigate further may include:

- Confirming directly with the third party.
- Using the work of an expert to assess the document's authenticity.

Discussion among the Engagement Team (Ref: Para. 15)

A10. Discussing the susceptibility of the entity's financial statements to material misstatement due to fraud with the engagement team:

- Provides an opportunity for more experienced engagement team members to share their insights about how and where the financial statements may be susceptible to material misstatement due to fraud.
- Enables the auditor to consider an appropriate response to such susceptibility and to determine which members of the engagement team will conduct certain audit procedures.
- Permits the auditor to determine how the results of audit procedures will be shared among the engagement team and how to deal with any allegations of fraud that may come to the auditor's attention.

A11. The discussion may include such matters as:

- An exchange of ideas among engagement team members about how and where they believe the entity's financial statements may be susceptible to material misstatement due to fraud, how management could perpetrate and conceal fraudulent financial reporting, and how assets of the entity could be misappropriated.
- A consideration of circumstances that might be indicative of earnings management and the practices that might be followed by management to manage earnings that could lead to fraudulent financial reporting.
- A consideration of the known external and internal factors affecting the entity that may create an incentive or pressure for management or others to commit fraud, provide the opportunity for fraud to be perpetrated, and indicate a culture or environment that enables management or others to rationalize committing fraud.
- A consideration of management's involvement in overseeing employees with access to cash or other assets susceptible to misappropriation.

¹⁴ ISA 200, paragraph A47.

- A consideration of any unusual or unexplained changes in behavior or lifestyle of management or employees which have come to the attention of the engagement team.
- An emphasis on the importance of maintaining a proper state of mind throughout the audit regarding the potential for material misstatement due to fraud.
- A consideration of the types of circumstances that, if encountered, might indicate the possibility of fraud.
- A consideration of how an element of unpredictability will be incorporated into the nature, timing and extent of the audit procedures to be performed.
- A consideration of the audit procedures that might be selected to respond to the susceptibility of the entity's financial statement to material misstatement due to fraud and whether certain types of audit procedures are more effective than others.
- A consideration of any allegations of fraud that have come to the auditor's attention.
- A consideration of the risk of management override of controls.

Risk Assessment Procedures and Related Activities

Inquiries of Management

Management's Assessment of the Risk of Material Misstatement Due to Fraud (Ref: Para. 17(a))

- A12. Management accepts responsibility for the entity's internal control and for the preparation of the entity's financial statements. Accordingly, it is appropriate for the auditor to make inquiries of management regarding management's own assessment of the risk of fraud and the controls in place to prevent and detect it. The nature, extent and frequency of management's assessment of such risk and controls may vary from entity to entity. In some entities, management may make detailed assessments on an annual basis or as part of continuous monitoring. In other entities, management's assessment may be less structured and less frequent. The nature, extent and frequency of management's assessment are relevant to the auditor's understanding of the entity's control environment. For example, the fact that management has not made an assessment of the risk of fraud may in some circumstances be indicative of the lack of importance that management places on internal control.

Considerations specific to smaller entities

- A13. In some entities, particularly smaller entities, the focus of management's assessment may be on the risks of employee fraud or misappropriation of assets.

Management's Process for Identifying and Responding to the Risks of Fraud (Ref: Para. 17(b))

- A14. In the case of entities with multiple locations management's processes may include different levels of monitoring of operating locations, or business segments. Management may also have identified particular operating locations or business segments for which a risk of fraud may be more likely to exist.

Inquiry of Management and Others within the Entity (Ref: Para. 18)

- A15. The auditor's inquiries of management may provide useful information concerning the risks of material misstatements in the financial statements resulting from employee fraud. However, such inquiries are unlikely to provide useful information regarding the risks of material misstatement in the financial statements resulting from management fraud. Making inquiries of others within the entity may provide individuals with an opportunity to convey information to the auditor that may not otherwise be communicated.
- A16. Examples of others within the entity to whom the auditor may direct inquiries about the existence or suspicion of fraud include:
- Operating personnel not directly involved in the financial reporting process.
 - Employees with different levels of authority.
 - Employees involved in initiating, processing or recording complex or unusual transactions and those who supervise or monitor such employees.
 - In-house legal counsel.
 - Chief ethics officer or equivalent person.
 - The person or persons charged with dealing with allegations of fraud.
- A17. Management is often in the best position to perpetrate fraud. Accordingly, when evaluating management's responses to inquiries with an attitude of professional skepticism, the auditor may judge it necessary to corroborate responses to inquiries with other information.

Inquiry of Internal Audit (Ref: Para. 19)

- A18. ISA 315 and ISA 610 establish requirements and provide guidance in audits of those entities that have an internal audit function.¹⁵ In carrying out the requirements of those ISAs in the context of fraud, the auditor may inquire about specific internal audit activities including, for example:
- The procedures performed, if any, by the internal auditors during the year to detect fraud.

¹⁵ ISA 315, paragraph 23, and ISA 610, "Using the Work of Internal Auditors."

- Whether management has satisfactorily responded to any findings resulting from those procedures.

Obtaining an Understanding of Oversight Exercised by Those Charged with Governance (Ref: Para. 20)

- A19. Those charged with governance of an entity oversee the entity's systems for monitoring risk, financial control and compliance with the law. In many countries, corporate governance practices are well developed and those charged with governance play an active role in oversight of the entity's assessment of the risks of fraud and of the relevant internal control. Since the responsibilities of those charged with governance and management may vary by entity and by country, it is important that the auditor understands their respective responsibilities to enable the auditor to obtain an understanding of the oversight exercised by the appropriate individuals.¹⁶
- A20. An understanding of the oversight exercised by those charged with governance may provide insights regarding the susceptibility of the entity to management fraud, the adequacy of internal control over risks of fraud, and the competency and integrity of management. The auditor may obtain this understanding in a number of ways, such as by attending meetings where such discussions take place, reading the minutes from such meetings or making inquiries of those charged with governance.

Considerations Specific to Smaller Entities

- A21. In some cases, all of those charged with governance are involved in managing the entity. This may be the case in a small entity where a single owner manages the entity and no one else has a governance role. In these cases, there is ordinarily no action on the part of the auditor because there is no oversight separate from management.

Consideration of Other Information (Ref: Para. 23)

- A22. In addition to information obtained from applying analytical procedures, other information obtained about the entity and its environment may be helpful in identifying the risks of material misstatement due to fraud. The discussion among team members may provide information that is helpful in identifying such risks. In addition, information obtained from the auditor's client acceptance and retention processes, and experience gained on other engagements performed for the entity, for example engagements to review interim financial information, may be relevant in the identification of the risks of material misstatement due to fraud.

¹⁶ ISA 260, paragraphs A1-A8, discuss with whom the auditor communicates when the entity's governance structure is not well defined.

Evaluation of Fraud Risk Factors (Ref: Para. 24)

A23. The fact that fraud is usually concealed can make it very difficult to detect. Nevertheless, the auditor may identify events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud (fraud risk factors). For example:

- The need to meet expectations of third parties to obtain additional equity financing may create pressure to commit fraud;
- The granting of significant bonuses if unrealistic profit targets are met may create an incentive to commit fraud; and
- A control environment that is not effective may create an opportunity to commit fraud.

A24. Fraud risk factors cannot easily be ranked in order of importance. The significance of fraud risk factors varies widely. Some of these factors will be present in entities where the specific conditions do not present risks of material misstatement. Accordingly, the determination of whether a fraud risk factor is present and whether it is to be considered in assessing the risks of material misstatement of the financial statements due to fraud requires the exercise of professional judgment.

A25. Examples of fraud risk factors related to fraudulent financial reporting and misappropriation of assets are presented in Appendix 1. These illustrative risk factors are classified based on the three conditions that are generally present when fraud exists:

- An incentive or pressure to commit fraud;
- A perceived opportunity to commit fraud; and
- An ability to rationalize the fraudulent action.

Risk factors reflective of an attitude that permits rationalization of the fraudulent action may not be susceptible to observation by the auditor. Nevertheless, the auditor may become aware of the existence of such information. Although the fraud risk factors described in Appendix 1 cover a broad range of situations that may be faced by auditors, they are only examples and other risk factors may exist.

A26. The size, complexity, and ownership characteristics of the entity have a significant influence on the consideration of relevant fraud risk factors. For example, in the case of a large entity, there may be factors that generally constrain improper conduct by management, such as:

- Effective oversight by those charged with governance.
- An effective internal audit function.
- The existence and enforcement of a written code of conduct.

Furthermore, fraud risk factors considered at a business segment operating level may provide different insights when compared with those obtained when considered at an entity-wide level.

Considerations Specific to Smaller Entities

- A27. In the case of a small entity, some or all of these considerations may be inapplicable or less relevant. For example, a smaller entity may not have a written code of conduct but, instead, may have developed a culture that emphasizes the importance of integrity and ethical behavior through oral communication and by management example. Domination of management by a single individual in a small entity does not generally, in and of itself, indicate a failure by management to display and communicate an appropriate attitude regarding internal control and the financial reporting process. In some entities, the need for management authorization can compensate for otherwise deficient controls and reduce the risk of employee fraud. However, domination of management by a single individual can be a potential deficiency in internal control since there is an opportunity for management override of controls.

Identification and Assessment of the Risks of Material Misstatement Due to Fraud

Risks of Fraud in Revenue Recognition (Ref: Para. 26)

- A28. Material misstatement due to fraudulent financial reporting relating to revenue recognition often results from an overstatement of revenues through, for example, premature revenue recognition or recording fictitious revenues. It may result also from an understatement of revenues through, for example, improperly shifting revenues to a later period.
- A29. The risks of fraud in revenue recognition may be greater in some entities than others. For example, there may be pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition in the case of listed entities when, for example, performance is measured in terms of year-over-year revenue growth or profit. Similarly, for example, there may be greater risks of fraud in revenue recognition in the case of entities that generate a substantial portion of revenues through cash sales.
- A30. The presumption that there are risks of fraud in revenue recognition may be rebutted. For example, the auditor may conclude that there is no risk of material misstatement due to fraud relating to revenue recognition in the case where there is a single type of simple revenue transaction, for example, leasehold revenue from a single unit rental property.

Identifying and Assessing the Risks of Material Misstatement Due to Fraud and Understanding the Entity's Related Controls (Ref: Para. 27)

- A31. Management may make judgments on the nature and extent of the controls it chooses to implement, and the nature and extent of the risks it chooses to assume.¹⁷ In determining which controls to implement to prevent and detect fraud, management considers the risks that the financial statements may be materially misstated as a result of fraud. As part of this consideration, management may conclude that it is not cost effective to implement and maintain a particular control in relation to the reduction in the risks of material misstatement due to fraud to be achieved.
- A32. It is therefore important for the auditor to obtain an understanding of the controls that management has designed, implemented and maintained to prevent and detect fraud. In doing so, the auditor may learn, for example, that management has consciously chosen to accept the risks associated with a lack of segregation of duties. Information from obtaining this understanding may also be useful in identifying fraud risks factors that may affect the auditor's assessment of the risks that the financial statements may contain material misstatement due to fraud.

Responses to the Assessed Risks of Material Misstatement Due to Fraud

Overall Responses (Ref: Para. 28)

- A33. Determining overall responses to address the assessed risks of material misstatement due to fraud generally includes the consideration of how the overall conduct of the audit can reflect increased professional skepticism, for example, through:
- Increased sensitivity in the selection of the nature and extent of documentation to be examined in support of material transactions.
 - Increased recognition of the need to corroborate management explanations or representations concerning material matters.

It also involves more general considerations apart from the specific procedures otherwise planned; these considerations include the matters listed in paragraph 29, which are discussed below.

Assignment and Supervision of Personnel (Ref: Para. 29(a))

- A34. The auditor may respond to identified risks of material misstatement due to fraud by, for example, assigning additional individuals with specialized skill and knowledge, such as forensic and IT experts, or by assigning more experienced individuals to the engagement.

¹⁷ ISA 315, paragraph A48.

- A35. The extent of supervision reflects the auditor's assessment of risks of material misstatement due to fraud and the competencies of the engagement team members performing the work.

Unpredictability in the Selection of Audit Procedures (Ref: Para. 29(c))

- A36. Incorporating an element of unpredictability in the selection of the nature, timing and extent of audit procedures to be performed is important as individuals within the entity who are familiar with the audit procedures normally performed on engagements may be more able to conceal fraudulent financial reporting. This can be achieved by, for example:

- Performing substantive procedures on selected account balances and assertions not otherwise tested due to their materiality or risk.
- Adjusting the timing of audit procedures from that otherwise expected.
- Using different sampling methods.
- Performing audit procedures at different locations or at locations on an unannounced basis.

Audit Procedures Responsive to Assessed Risks of Material Misstatement Due to Fraud at the Assertion Level (Ref: Para. 30)

- A37. The auditor's responses to address the assessed risks of material misstatement due to fraud at the assertion level may include changing the nature, timing and extent of audit procedures in the following ways:

- The nature of audit procedures to be performed may need to be changed to obtain audit evidence that is more reliable and relevant or to obtain additional corroborative information. This may affect both the type of audit procedures to be performed and their combination. For example:
 - Physical observation or inspection of certain assets may become more important or the auditor may choose to use computer-assisted audit techniques to gather more evidence about data contained in significant accounts or electronic transaction files.
 - The auditor may design procedures to obtain additional corroborative information. For example, if the auditor identifies that management is under pressure to meet earnings expectations, there may be a related risk that management is inflating sales by entering into sales agreements that include terms that preclude revenue recognition or by invoicing sales before delivery. In these circumstances, the auditor may, for example, design external confirmations not only to confirm outstanding amounts, but also to confirm the details of the sales agreements, including date, any rights of return and delivery

terms. In addition, the auditor might find it effective to supplement such external confirmations with inquiries of non-financial personnel in the entity regarding any changes in sales agreements and delivery terms.

- The timing of substantive procedures may need to be modified. The auditor may conclude that performing substantive testing at or near the period end better addresses an assessed risk of material misstatement due to fraud. The auditor may conclude that, given the assessed risks of intentional misstatement or manipulation, audit procedures to extend audit conclusions from an interim date to the period end would not be effective. In contrast, because an intentional misstatement – for example, a misstatement involving improper revenue recognition – may have been initiated in an interim period, the auditor may elect to apply substantive procedures to transactions occurring earlier in or throughout the reporting period.
- The extent of the procedures applied reflects the assessment of the risks of material misstatement due to fraud. For example, increasing sample sizes or performing analytical procedures at a more detailed level may be appropriate. Also, computer-assisted audit techniques may enable more extensive testing of electronic transactions and account files. Such techniques can be used to select sample transactions from key electronic files, to sort transactions with specific characteristics, or to test an entire population instead of a sample.

A38. If the auditor identifies a risk of material misstatement due to fraud that affects inventory quantities, examining the entity's inventory records may help to identify locations or items that require specific attention during or after the physical inventory count. Such a review may lead to a decision to observe inventory counts at certain locations on an unannounced basis or to conduct inventory counts at all locations on the same date.

A39. The auditor may identify a risk of material misstatement due to fraud affecting a number of accounts and assertions. These may include asset valuation, estimates relating to specific transactions (such as acquisitions, restructurings, or disposals of a segment of the business), and other significant accrued liabilities (such as pension and other post-employment benefit obligations, or environmental remediation liabilities). The risk may also relate to significant changes in assumptions relating to recurring estimates. Information gathered through obtaining an understanding of the entity and its environment may assist the auditor in evaluating the reasonableness of such management estimates and underlying judgments and assumptions. A retrospective review of similar management judgments and assumptions applied in prior periods may also provide insight about the reasonableness of judgments and assumptions supporting management estimates.

- A40. Examples of possible audit procedures to address the assessed risks of material misstatement due to fraud, including those that illustrate the incorporation of an element of unpredictability, are presented in Appendix 2. The appendix includes examples of responses to the auditor's assessment of the risks of material misstatement resulting from both fraudulent financial reporting, including fraudulent financial reporting resulting from revenue recognition, and misappropriation of assets.

Audit Procedures Responsive to Risks Related to Management Override of Controls

Journal Entries and Other Adjustments (Ref: Para. 32(a))

- A41. Material misstatement of financial statements due to fraud often involve the manipulation of the financial reporting process by recording inappropriate or unauthorized journal entries. This may occur throughout the year or at period end, or by management making adjustments to amounts reported in the financial statements that are not reflected in journal entries, such as through consolidating adjustments and reclassifications.
- A42. Further, the auditor's consideration of the risks of material misstatement associated with inappropriate override of controls over journal entries is important since automated processes and controls may reduce the risk of inadvertent error but do not overcome the risk that individuals may inappropriately override such automated processes, for example, by changing the amounts being automatically passed to the general ledger or to the financial reporting system. Furthermore, where IT is used to transfer information automatically, there may be little or no visible evidence of such intervention in the information systems.
- A43. When identifying and selecting journal entries and other adjustments for testing and determining the appropriate method of examining the underlying support for the items selected, the following matters are of relevance:
- *The assessment of the risks of material misstatement due to fraud* – the presence of fraud risk factors and other information obtained during the auditor's assessment of the risks of material misstatement due to fraud may assist the auditor to identify specific classes of journal entries and other adjustments for testing.
 - *Controls that have been implemented over journal entries and other adjustments* – effective controls over the preparation and posting of journal entries and other adjustments may reduce the extent of substantive testing necessary, provided that the auditor has tested the operating effectiveness of the controls.
 - *The entity's financial reporting process and the nature of evidence that can be obtained* – for many entities routine processing of transactions involves a combination of manual and automated steps and procedures.

Similarly, the processing of journal entries and other adjustments may involve both manual and automated procedures and controls. Where information technology is used in the financial reporting process, journal entries and other adjustments may exist only in electronic form.

- *The characteristics of fraudulent journal entries or other adjustments* – inappropriate journal entries or other adjustments often have unique identifying characteristics. Such characteristics may include entries (a) made to unrelated, unusual, or seldom-used accounts, (b) made by individuals who typically do not make journal entries, (c) recorded at the end of the period or as post-closing entries that have little or no explanation or description, (d) made either before or during the preparation of the financial statements that do not have account numbers, or (e) containing round numbers or consistent ending numbers.
- *The nature and complexity of the accounts* – inappropriate journal entries or adjustments may be applied to accounts that (a) contain transactions that are complex or unusual in nature, (b) contain significant estimates and period-end adjustments, (c) have been prone to misstatements in the past, (d) have not been reconciled on a timely basis or contain unreconciled differences, (e) contain inter-company transactions, or (f) are otherwise associated with an identified risk of material misstatement due to fraud. In audits of entities that have several locations or components, consideration is given to the need to select journal entries from multiple locations.
- *Journal entries or other adjustments processed outside the normal course of business* – non standard journal entries may not be subject to the same level of internal control as those journal entries used on a recurring basis to record transactions such as monthly sales, purchases and cash disbursements.

A44. The auditor uses professional judgment in determining the nature, timing and extent of testing of journal entries and other adjustments. However, because fraudulent journal entries and other adjustments are often made at the end of a reporting period, paragraph 32(a)(ii) requires the auditor to select the journal entries and other adjustments made at that time. Further, because material misstatements in financial statements due to fraud can occur throughout the period and may involve extensive efforts to conceal how the fraud is accomplished, paragraph 32(a)(iii) requires the auditor to consider whether there is also a need to test journal entries and other adjustments throughout the period.

Accounting Estimates (Ref: Para. 32(b))

A45. The preparation of the financial statements requires management to make a number of judgments or assumptions that affect significant accounting estimates and to monitor the reasonableness of such estimates on an ongoing

basis. Fraudulent financial reporting is often accomplished through intentional misstatement of accounting estimates. This may be achieved by, for example, understating or overstating all provisions or reserves in the same fashion so as to be designed either to smooth earnings over two or more accounting periods, or to achieve a designated earnings level in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.

- A46. The purpose of performing a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in the financial statements of the prior year is to determine whether there is an indication of a possible bias on the part of management. It is not intended to call into question the auditor's professional judgments made in the prior year that were based on information available at the time.
- A47. A retrospective review is also required by ISA 540.¹⁸ That review is conducted as a risk assessment procedure to obtain information regarding the effectiveness of management's prior period estimation process, audit evidence about the outcome, or where applicable, the subsequent re-estimation of prior period accounting estimates that is pertinent to making current period accounting estimates, and audit evidence of matters, such as estimation uncertainty, that may be required to be disclosed in the financial statements. As a practical matter, the auditor's review of management judgments and assumptions for biases that could represent a risk of material misstatement due to fraud in accordance with this ISA may be carried out in conjunction with the review required by ISA 540.

Business Rationale for Significant Transactions (Ref: Para. 32(c))

- A48. Indicators that may suggest that significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual, may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets include:
- The form of such transactions appears overly complex (for example, the transaction involves multiple entities within a consolidated group or multiple unrelated third parties).
 - Management has not discussed the nature of and accounting for such transactions with those charged with governance of the entity, and there is inadequate documentation.
 - Management is placing more emphasis on the need for a particular accounting treatment than on the underlying economics of the transaction.

¹⁸ ISA 540, "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures," paragraph 9.

- Transactions that involve non-consolidated related parties, including special purpose entities, have not been properly reviewed or approved by those charged with governance of the entity.
- The transactions involve previously unidentified related parties or parties that do not have the substance or the financial strength to support the transaction without assistance from the entity under audit.

Evaluation of Audit Evidence (Ref: Para. 34-37)

A49. ISA 330 requires the auditor, based on the audit procedures performed and the audit evidence obtained, to evaluate whether the assessments of the risks of material misstatement at the assertion level remain appropriate.¹⁹ This evaluation is primarily a qualitative matter based on the auditor's judgment. Such an evaluation may provide further insight about the risks of material misstatement due to fraud and whether there is a need to perform additional or different audit procedures. Appendix 3 contains examples of circumstances that may indicate the possibility of fraud.

Analytical Procedures Performed Near the End of the Audit in Forming an Overall Conclusion (Ref: Para. 34)

A50. Determining which particular trends and relationships may indicate a risk of material misstatement due to fraud requires professional judgment. Unusual relationships involving year-end revenue and income are particularly relevant. These might include, for example: uncharacteristically large amounts of income being reported in the last few weeks of the reporting period or unusual transactions; or income that is inconsistent with trends in cash flow from operations.

Consideration of Identified Misstatements (Ref: Para. 35-37)

- A51. Since fraud involves incentive or pressure to commit fraud, a perceived opportunity to do so or some rationalization of the act, an instance of fraud is unlikely to be an isolated occurrence. Accordingly, misstatements, such as numerous misstatements at a specific location even though the cumulative effect is not material, may be indicative of a risk of material misstatement due to fraud.
- A52. The implications of identified fraud depend on the circumstances. For example, an otherwise insignificant fraud may be significant if it involves senior management. In such circumstances, the reliability of evidence previously obtained may be called into question, since there may be doubts about the completeness and truthfulness of representations made and about the genuineness of accounting records and documentation. There may also be a possibility of collusion involving employees, management or third parties.

¹⁹ ISA 330, paragraph 25.

- A53. ISA 450²⁰ and ISA 700²¹ establish requirements and provide guidance on the evaluation and disposition of misstatements and the effect on the auditor's opinion in the auditor's report.

Auditor Unable to Continue the Engagement (Ref: Para. 38)

- A54. Examples of exceptional circumstances that may arise and that may bring into question the auditor's ability to continue performing the audit include:

- The entity does not take the appropriate action regarding fraud that the auditor considers necessary in the circumstances, even where the fraud is not material to the financial statements;
- The auditor's consideration of the risks of material misstatement due to fraud and the results of audit tests indicate a significant risk of material and pervasive fraud; or
- The auditor has significant concern about the competence or integrity of management or those charged with governance.

- A55. Because of the variety of the circumstances that may arise, it is not possible to describe definitively when withdrawal from an engagement is appropriate. Factors that affect the auditor's conclusion include the implications of the involvement of a member of management or of those charged with governance (which may affect the reliability of management representations) and the effects on the auditor of a continuing association with the entity.

- A56. The auditor has professional and legal responsibilities in such circumstances and these responsibilities may vary by country. In some countries, for example, the auditor may be entitled to, or required to, make a statement or report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities. Given the exceptional nature of the circumstances and the need to consider the legal requirements, the auditor may consider it appropriate to seek legal advice when deciding whether to withdraw from an engagement and in determining an appropriate course of action, including the possibility of reporting to shareholders, regulators or others.²²

Considerations Specific to Public Sector Entities

- A57. In many cases in the public sector, the option of withdrawing from the engagement may not be available to the auditor due to the nature of the mandate or public interest considerations.

²⁰ ISA 450, "Evaluation of Misstatements Identified during the Audit."

²¹ ISA 700, "Forming an Opinion and Reporting on Financial Statements."

²² The IFAC *Code of Ethics for Professional Accountants* provides guidance on communications with an auditor replacing the existing auditor.

Written Representations (Ref: Para. 39)

- A58. ISA 580²³ establishes requirements and provides guidance on obtaining appropriate representations from management and, where appropriate, those charged with governance in the audit. In addition to acknowledging that they have fulfilled their responsibility for the preparation of the financial statements, it is important that, irrespective of the size of the entity, management and, where appropriate, those charged with governance acknowledge their responsibility for internal control designed, implemented and maintained to prevent and detect fraud.
- A59. Because of the nature of fraud and the difficulties encountered by auditors in detecting material misstatements in the financial statements resulting from fraud, it is important that the auditor obtain a written representation from management and, where appropriate, those charged with governance confirming that they have disclosed to the auditor:
- (a) The results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; and
 - (b) Their knowledge of actual, suspected or alleged fraud affecting the entity.

Communications to Management and with Those Charged with Governance

Communication to Management (Ref: Para. 40)

- A60. When the auditor has obtained evidence that fraud exists or may exist, it is important that the matter be brought to the attention of the appropriate level of management as soon as practicable. This is so even if the matter might be considered inconsequential (for example, a minor defalcation by an employee at a low level in the entity's organization). The determination of which level of management is the appropriate one is a matter of professional judgment and is affected by such factors as the likelihood of collusion and the nature and magnitude of the suspected fraud. Ordinarily, the appropriate level of management is at least one level above the persons who appear to be involved with the suspected fraud.

Communication with Those Charged with Governance (Ref: Para. 41)

- A61. The auditor's communication with those charged with governance may be made orally or in writing. ISA 260 identifies factors the auditor considers in determining whether to communicate orally or in writing.²⁴ Due to the nature and sensitivity of fraud involving senior management, or fraud that results in a material misstatement in the financial statements, the auditor reports such

²³ ISA 580, "Written Representations."

²⁴ ISA 260, paragraph A38.

matters on a timely basis and may consider it necessary to also report such matters in writing.

- A62. In some cases, the auditor may consider it appropriate to communicate with those charged with governance when the auditor becomes aware of fraud involving employees other than management that does not result in a material misstatement. Similarly, those charged with governance may wish to be informed of such circumstances. The communication process is assisted if the auditor and those charged with governance agree at an early stage in the audit about the nature and extent of the auditor's communications in this regard.
- A63. In the exceptional circumstances where the auditor has doubts about the integrity or honesty of management or those charged with governance, the auditor may consider it appropriate to obtain legal advice to assist in determining the appropriate course of action.

Other Matters Related to Fraud (Ref: Para. 42)

- A64. Other matters related to fraud to be discussed with those charged with governance of the entity may include, for example:
- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
 - A failure by management to appropriately address identified significant deficiencies in internal control, or to appropriately respond to an identified fraud.
 - The auditor's evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
 - Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
 - Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Communications to Regulatory and Enforcement Authorities (Ref: Para. 43)

- A65. The auditor's professional duty to maintain the confidentiality of client information may preclude reporting fraud to a party outside the client entity. However, the auditor's legal responsibilities vary by country and, in certain circumstances, the duty of confidentiality may be overridden by statute, the law or courts of law. In some countries, the auditor of a financial institution has a statutory duty to report the occurrence of fraud to supervisory

authorities. Also, in some countries the auditor has a duty to report misstatements to authorities in those cases where management and those charged with governance fail to take corrective action.

- A66. The auditor may consider it appropriate to obtain legal advice to determine the appropriate course of action in the circumstances, the purpose of which is to ascertain the steps necessary in considering the public interest aspects of identified fraud.

Considerations Specific to Public Sector Entities

- A67. In the public sector, requirements for reporting fraud, whether or not discovered through the audit process, may be subject to specific provisions of the audit mandate or related law, regulation or other authority.

Appendix 1

(Ref: Para. A25)

Examples of Fraud Risk Factors

The fraud risk factors identified in this Appendix are examples of such factors that may be faced by auditors in a broad range of situations. Separately presented are examples relating to the two types of fraud relevant to the auditor's consideration – that is, fraudulent financial reporting and misappropriation of assets. For each of these types of fraud, the risk factors are further classified based on the three conditions generally present when material misstatements due to fraud occur: (a) incentives/pressures, (b) opportunities, and (c) attitudes/rationalizations. Although the risk factors cover a broad range of situations, they are only examples and, accordingly, the auditor may identify additional or different risk factors. Not all of these examples are relevant in all circumstances, and some may be of greater or lesser significance in entities of different size or with different ownership characteristics or circumstances. Also, the order of the examples of risk factors provided is not intended to reflect their relative importance or frequency of occurrence.

Risk Factors Relating to Misstatements Arising from Fraudulent Financial Reporting

The following are examples of risk factors relating to misstatements arising from fraudulent financial reporting.

Incentives/Pressures

Financial stability or profitability is threatened by economic, industry, or entity operating conditions, such as (or as indicated by):

- High degree of competition or market saturation, accompanied by declining margins.
- High vulnerability to rapid changes, such as changes in technology, product obsolescence, or interest rates.
- Significant declines in customer demand and increasing business failures in either the industry or overall economy.
- Operating losses making the threat of bankruptcy, foreclosure, or hostile takeover imminent.
- Recurring negative cash flows from operations or an inability to generate cash flows from operations while reporting earnings and earnings growth.
- Rapid growth or unusual profitability especially compared to that of other companies in the same industry.

- New accounting, statutory, or regulatory requirements.

Excessive pressure exists for management to meet the requirements or expectations of third parties due to the following:

- Profitability or trend level expectations of investment analysts, institutional investors, significant creditors, or other external parties (particularly expectations that are unduly aggressive or unrealistic), including expectations created by management in, for example, overly optimistic press releases or annual report messages.
- Need to obtain additional debt or equity financing to stay competitive – including financing of major research and development or capital expenditures.
- Marginal ability to meet exchange listing requirements or debt repayment or other debt covenant requirements.
- Perceived or real adverse effects of reporting poor financial results on significant pending transactions, such as business combinations or contract awards.

Information available indicates that the personal financial situation of management or those charged with governance is threatened by the entity's financial performance arising from the following:

- Significant financial interests in the entity.
- Significant portions of their compensation (for example, bonuses, stock options, and earn-out arrangements) being contingent upon achieving aggressive targets for stock price, operating results, financial position, or cash flow.²⁵
- Personal guarantees of debts of the entity.

There is excessive pressure on management or operating personnel to meet financial targets established by those charged with governance, including sales or profitability incentive goals.

Opportunities

The nature of the industry or the entity's operations provides opportunities to engage in fraudulent financial reporting that can arise from the following:

- Significant related-party transactions not in the ordinary course of business or with related entities not audited or audited by another firm.
- A strong financial presence or ability to dominate a certain industry sector that allows the entity to dictate terms or conditions to suppliers or customers that may result in inappropriate or non-arm's-length transactions.

²⁵ Management incentive plans may be contingent upon achieving targets relating only to certain accounts or selected activities of the entity, even though the related accounts or activities may not be material to the entity as a whole.

- Assets, liabilities, revenues, or expenses based on significant estimates that involve subjective judgments or uncertainties that are difficult to corroborate.
- Significant, unusual, or highly complex transactions, especially those close to period end that pose difficult “substance over form” questions.
- Significant operations located or conducted across international borders in jurisdictions where differing business environments and cultures exist.
- Use of business intermediaries for which there appears to be no clear business justification.
- Significant bank accounts or subsidiary or branch operations in tax-haven jurisdictions for which there appears to be no clear business justification.

The monitoring of management is not effective as a result of the following:

- Domination of management by a single person or small group (in a non owner-managed business) without compensating controls.
- Oversight by those charged with governance over the financial reporting process and internal control is not effective.

There is a complex or unstable organizational structure, as evidenced by the following:

- Difficulty in determining the organization or individuals that have controlling interest in the entity.
- Overly complex organizational structure involving unusual legal entities or managerial lines of authority.
- High turnover of senior management, legal counsel, or those charged with governance.

Internal control components are deficient as a result of the following:

- Inadequate monitoring of controls, including automated controls and controls over interim financial reporting (where external reporting is required).
- High turnover rates or employment of accounting, internal audit, or information technology staff that are not effective.
- Accounting and information systems that are not effective, including situations involving significant deficiencies in internal control.

Attitudes/Rationalizations

- Communication, implementation, support, or enforcement of the entity’s values or ethical standards by management, or the communication of inappropriate values or ethical standards, that are not effective.
- Nonfinancial management’s excessive participation in or preoccupation with the selection of accounting policies or the determination of significant estimates.

- Known history of violations of securities laws or other laws and regulations, or claims against the entity, its senior management, or those charged with governance alleging fraud or violations of laws and regulations.
- Excessive interest by management in maintaining or increasing the entity's stock price or earnings trend.
- The practice by management of committing to analysts, creditors, and other third parties to achieve aggressive or unrealistic forecasts.
- Management failing to remedy known significant deficiencies in internal control on a timely basis.
- An interest by management in employing inappropriate means to minimize reported earnings for tax-motivated reasons.
- Low morale among senior management.
- The owner-manager makes no distinction between personal and business transactions.
- Dispute between shareholders in a closely held entity.
- Recurring attempts by management to justify marginal or inappropriate accounting on the basis of materiality.
- The relationship between management and the current or predecessor auditor is strained, as exhibited by the following:
 - Frequent disputes with the current or predecessor auditor on accounting, auditing, or reporting matters.
 - Unreasonable demands on the auditor, such as unrealistic time constraints regarding the completion of the audit or the issuance of the auditor's report.
 - Restrictions on the auditor that inappropriately limit access to people or information or the ability to communicate effectively with those charged with governance.
 - Domineering management behavior in dealing with the auditor, especially involving attempts to influence the scope of the auditor's work or the selection or continuance of personnel assigned to or consulted on the audit engagement.

Risk Factors Arising from Misstatements Arising from Misappropriation of Assets

Risk factors that relate to misstatements arising from misappropriation of assets are also classified according to the three conditions generally present when fraud exists: incentives/pressures, opportunities, and attitudes/rationalization. Some of the risk factors

related to misstatements arising from fraudulent financial reporting also may be present when misstatements arising from misappropriation of assets occur. For example, ineffective monitoring of management and other deficiencies in internal control may be present when misstatements due to either fraudulent financial reporting or misappropriation of assets exist. The following are examples of risk factors related to misstatements arising from misappropriation of assets.

Incentives/Pressures

Personal financial obligations may create pressure on management or employees with access to cash or other assets susceptible to theft to misappropriate those assets.

Adverse relationships between the entity and employees with access to cash or other assets susceptible to theft may motivate those employees to misappropriate those assets. For example, adverse relationships may be created by the following:

- Known or anticipated future employee layoffs.
- Recent or anticipated changes to employee compensation or benefit plans.
- Promotions, compensation, or other rewards inconsistent with expectations.

Opportunities

Certain characteristics or circumstances may increase the susceptibility of assets to misappropriation. For example, opportunities to misappropriate assets increase when there are the following:

- Large amounts of cash on hand or processed.
- Inventory items that are small in size, of high value, or in high demand.
- Easily convertible assets, such as bearer bonds, diamonds, or computer chips.
- Fixed assets which are small in size, marketable, or lacking observable identification of ownership.

Inadequate internal control over assets may increase the susceptibility of misappropriation of those assets. For example, misappropriation of assets may occur because there is the following:

- Inadequate segregation of duties or independent checks.
- Inadequate oversight of senior management expenditures, such as travel and other re-imbursements.
- Inadequate management oversight of employees responsible for assets, for example, inadequate supervision or monitoring of remote locations.
- Inadequate job applicant screening of employees with access to assets.
- Inadequate record keeping with respect to assets.

- Inadequate system of authorization and approval of transactions (for example, in purchasing).
- Inadequate physical safeguards over cash, investments, inventory, or fixed assets.
- Lack of complete and timely reconciliations of assets.
- Lack of timely and appropriate documentation of transactions, for example, credits for merchandise returns.
- Lack of mandatory vacations for employees performing key control functions.
- Inadequate management understanding of information technology, which enables information technology employees to perpetrate a misappropriation.
- Inadequate access controls over automated records, including controls over and review of computer systems event logs.

Attitudes/Rationalizations

- Disregard for the need for monitoring or reducing risks related to misappropriations of assets.
- Disregard for internal control over misappropriation of assets by overriding existing controls or by failing to take appropriate remedial action on known deficiencies in internal control.
- Behavior indicating displeasure or dissatisfaction with the entity or its treatment of the employee.
- Changes in behavior or lifestyle that may indicate assets have been misappropriated.
- Tolerance of petty theft.

Appendix 2

(Ref: Para. A40)

Examples of Possible Audit Procedures to Address the Assessed Risks of Material Misstatement Due to Fraud

The following are examples of possible audit procedures to address the assessed risks of material misstatement due to fraud resulting from both fraudulent financial reporting and misappropriation of assets. Although these procedures cover a broad range of situations, they are only examples and, accordingly they may not be the most appropriate nor necessary in each circumstance. Also the order of the procedures provided is not intended to reflect their relative importance.

Consideration at the Assertion Level

Specific responses to the auditor's assessment of the risks of material misstatement due to fraud will vary depending upon the types or combinations of fraud risk factors or conditions identified, and the classes of transactions, account balances, disclosures and assertions they may affect.

The following are specific examples of responses:

- Visiting locations or performing certain tests on a surprise or unannounced basis. For example, observing inventory at locations where auditor attendance has not been previously announced or counting cash at a particular date on a surprise basis.
- Requesting that inventories be counted at the end of the reporting period or on a date closer to period end to minimize the risk of manipulation of balances in the period between the date of completion of the count and the end of the reporting period.
- Altering the audit approach in the current year. For example, contacting major customers and suppliers orally in addition to sending written confirmation, sending confirmation requests to a specific party within an organization, or seeking more or different information.
- Performing a detailed review of the entity's quarter-end or year-end adjusting entries and investigating any that appear unusual as to nature or amount.
- For significant and unusual transactions, particularly those occurring at or near year-end, investigating the possibility of related parties and the sources of financial resources supporting the transactions.
- Performing substantive analytical procedures using disaggregated data. For example, comparing sales and cost of sales by location, line of business or month to expectations developed by the auditor.

- Conducting interviews of personnel involved in areas where a risk of material misstatement due to fraud has been identified, to obtain their insights about the risk and whether, or how, controls address the risk.
- When other independent auditors are auditing the financial statements of one or more subsidiaries, divisions or branches, discussing with them the extent of work necessary to be performed to address the assessed risk of material misstatement due to fraud resulting from transactions and activities among these components.
- If the work of an expert becomes particularly significant with respect to a financial statement item for which the assessed risk of misstatement due to fraud is high, performing additional procedures relating to some or all of the expert's assumptions, methods or findings to determine that the findings are not unreasonable, or engaging another expert for that purpose.
- Performing audit procedures to analyze selected opening balance sheet accounts of previously audited financial statements to assess how certain issues involving accounting estimates and judgments, for example, an allowance for sales returns, were resolved with the benefit of hindsight.
- Performing procedures on account or other reconciliations prepared by the entity, including considering reconciliations performed at interim periods.
- Performing computer-assisted techniques, such as data mining to test for anomalies in a population.
- Testing the integrity of computer-produced records and transactions.
- Seeking additional audit evidence from sources outside of the entity being audited.

Specific Responses—Misstatement Resulting from Fraudulent Financial Reporting

Examples of responses to the auditor's assessment of the risks of material misstatement due to fraudulent financial reporting are as follows:

Revenue Recognition

- Performing substantive analytical procedures relating to revenue using disaggregated data, for example, comparing revenue reported by month and by product line or business segment during the current reporting period with comparable prior periods. Computer-assisted audit techniques may be useful in identifying unusual or unexpected revenue relationships or transactions.
- Confirming with customers certain relevant contract terms and the absence of side agreements, because the appropriate accounting often is influenced by such terms or agreements and basis for rebates or the period to which they relate are often poorly documented. For example, acceptance criteria, delivery and payment terms, the absence of future or continuing vendor obligations, the right to return the

product, guaranteed resale amounts, and cancellation or refund provisions often are relevant in such circumstances.

- Inquiring of the entity's sales and marketing personnel or in-house legal counsel regarding sales or shipments near the end of the period and their knowledge of any unusual terms or conditions associated with these transactions.
- Being physically present at one or more locations at period end to observe goods being shipped or being readied for shipment (or returns awaiting processing) and performing other appropriate sales and inventory cutoff procedures.
- For those situations for which revenue transactions are electronically initiated, processed, and recorded, testing controls to determine whether they provide assurance that recorded revenue transactions occurred and are properly recorded.

Inventory Quantities

- Examining the entity's inventory records to identify locations or items that require specific attention during or after the physical inventory count.
- Observing inventory counts at certain locations on an unannounced basis or conducting inventory counts at all locations on the same date.
- Conducting inventory counts at or near the end of the reporting period to minimize the risk of inappropriate manipulation during the period between the count and the end of the reporting period.
- Performing additional procedures during the observation of the count, for example, more rigorously examining the contents of boxed items, the manner in which the goods are stacked (for example, hollow squares) or labeled, and the quality (that is, purity, grade, or concentration) of liquid substances such as perfumes or specialty chemicals. Using the work of an expert may be helpful in this regard.
- Comparing the quantities for the current period with prior periods by class or category of inventory, location or other criteria, or comparison of quantities counted with perpetual records.
- Using computer-assisted audit techniques to further test the compilation of the physical inventory counts – for example, sorting by tag number to test tag controls or by item serial number to test the possibility of item omission or duplication.

Management Estimates

- Using an expert to develop an independent estimate for comparison to management's estimate.
- Extending inquiries to individuals outside of management and the accounting department to corroborate management's ability and intent to carry out plans that are relevant to developing the estimate.

Specific Responses—Misstatements Due to Misappropriation of Assets

Differing circumstances would necessarily dictate different responses. Ordinarily, the audit response to an assessed risk of material misstatement due to fraud relating to misappropriation of assets will be directed toward certain account balances and classes of transactions. Although some of the audit responses noted in the two categories above may apply in such circumstances, the scope of the work is to be linked to the specific information about the misappropriation risk that has been identified.

Examples of responses to the auditor's assessment of the risk of material misstatements due to misappropriation of assets are as follows:

- Counting cash or securities at or near year-end.
- Confirming directly with customers the account activity (including credit memo and sales return activity as well as dates payments were made) for the period under audit.
- Analyzing recoveries of written-off accounts.
- Analyzing inventory shortages by location or product type.
- Comparing key inventory ratios to industry norm.
- Reviewing supporting documentation for reductions to the perpetual inventory records.
- Performing a computerized match of the vendor list with a list of employees to identify matches of addresses or phone numbers.
- Performing a computerized search of payroll records to identify duplicate addresses, employee identification or taxing authority numbers or bank accounts
- Reviewing personnel files for those that contain little or no evidence of activity, for example, lack of performance evaluations.
- Analyzing sales discounts and returns for unusual patterns or trends.
- Confirming specific terms of contracts with third parties.
- Obtaining evidence that contracts are being carried out in accordance with their terms.
- Reviewing the propriety of large and unusual expenses.
- Reviewing the authorization and carrying value of senior management and related party loans.
- Reviewing the level and propriety of expense reports submitted by senior management.

Appendix 3

(Ref: Para. A49)

Examples of Circumstances that Indicate the Possibility of Fraud

The following are examples of circumstances that may indicate the possibility that the financial statements may contain a material misstatement resulting from fraud.

Discrepancies in the accounting records, including:

- Transactions that are not recorded in a complete or timely manner or are improperly recorded as to amount, accounting period, classification, or entity policy.
- Unsupported or unauthorized balances or transactions.
- Last-minute adjustments that significantly affect financial results.
- Evidence of employees' access to systems and records inconsistent with that necessary to perform their authorized duties.
- Tips or complaints to the auditor about alleged fraud.

Conflicting or missing evidence, including:

- Missing documents.
- Documents that appear to have been altered.
- Unavailability of other than photocopied or electronically transmitted documents when documents in original form are expected to exist.
- Significant unexplained items on reconciliations.
- Unusual balance sheet changes, or changes in trends or important financial statement ratios or relationships – for example, receivables growing faster than revenues.
- Inconsistent, vague, or implausible responses from management or employees arising from inquiries or analytical procedures.
- Unusual discrepancies between the entity's records and confirmation replies.
- Large numbers of credit entries and other adjustments made to accounts receivable records.
- Unexplained or inadequately explained differences between the accounts receivable sub-ledger and the control account, or between the customer statements and the accounts receivable sub-ledger.
- Missing or non-existent cancelled checks in circumstances where cancelled checks are ordinarily returned to the entity with the bank statement.

ISSAI 1250

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INTOSAI



Directriz de auditoría financiera

Consideración de la normativa en la auditoría de estados financieros

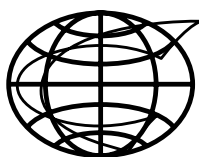
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 250, “Consideración de la normativa en la auditoría de estados financieros”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1250

NOTA DE PRÁCTICA PARA LA NIA 250

Párrafo

Fundamentos

Introducción a la NIA

Contenido de la Nota de Práctica P1

Aplicabilidad de la NIA en la auditoría del sector público P2

Orientaciones adicionales sobre cuestiones ligadas al sector público P3

Consideraciones generales P4–P7

Toma en consideración por el auditor del cumplimiento de leyes y reglamentos P8

Notificación de casos de incumplimiento presunto o detectado P9–P10

NORMA INTERNACIONAL DE AUDITORÍA 250

Introducción

Alcance de la NIA 1

Efecto de leyes y reglamentos 2

Obligaciones relativas al cumplimiento de leyes y reglamentos 3–8

Fecha de entrada en vigor 9

Objetivos 10

Definición 11

Exigencias

Análisis por el auditor del cumplimiento de leyes y reglamentos 12–17

Procedimientos de auditoría cuando existe incumplimiento presunto o detectado 18–21

Notificación de casos de incumplimiento presunto o detectado 22–28

Documentación 29

Disposiciones de aplicación y otras disposiciones explicativas

Obligaciones relativas al cumplimiento de leyes y reglamentos A1–A6

Análisis por el auditor del cumplimiento de leyes y reglamentos A7–A12

Procedimientos de auditoría cuando no existe incumplimiento presunto o detectado A13–A18

Notificación de casos de incumplimiento presunto o detectado A19–A20

Documentación A21

Consideración de la normativa en la auditoría de estados financieros

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 250, “Consideración de la normativa en la auditoría de estados financieros” y debe leerse conjuntamente con ella. La NIA 250 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 250 establece la obligación del auditor de tomar en consideración leyes y reglamentos en una auditoría de estados financieros, pero no se aplica a otros encargos de auditoría en los que el auditor se ha comprometido expresamente a analizar el cumplimiento de leyes y reglamentos e informar separadamente de ellos.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Toma en consideración por el auditor del cumplimiento de leyes y reglamentos.
 - c) Notificación de casos de incumplimiento presunto o detectado.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 250 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 250 contiene disposiciones de aplicación y otras disposiciones explicativas con consideraciones específicas a las entidades del sector público en los párrafos A6 y A20.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las Directrices de auditoría financiera de la INTOSAI.”

Consideraciones generales

- P4. En una auditoría financiera en el sector público los objetivos van más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA), como se señala en el párrafo A6 de la NIA. El mandato de auditoría, o las obligaciones de las entidades del sector público, derivados de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo pueden contener objetivos adicionales, entre ellos obligaciones de auditoría o de información, cuando por ejemplo los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden esperar de los auditores del sector público que notifiquen de cualquier caso de falta de conformidad con las normas que hayan detectado. Los auditores del sector público han de tener presente estas expectativas y estar alerta para detectar casos de incumplimiento.
- P5. La auditoría de cumplimiento de leyes y reglamentos suele tener en el sector público un alcance más amplio del fijado en la NIA y que puede abarcar obligaciones suplementarias como la de emitir una opinión separada sobre el cumplimiento por la entidad de leyes y reglamentos. Estas obligaciones suplementarias, y los objetivos conexos en materia de auditoría y elaboración de informes, se recogen en las Directrices para la auditoría de cumplimiento de la INTOSAI (ISSAI 4000² y 4200³), a las que deberán remitirse los auditores del sector público cuando tengan estas obligaciones suplementarias.
- P6. Según se señala en el párrafo 2 de la NIA, la incidencia que pueden tener leyes y reglamentos en los estados financieros varía considerablemente. En el sector público puede haber, por ejemplo, leyes y reglamentos específicos sobre la concesión de subvenciones y ayudas por un órgano público con una incidencia directa sobre sus estados financieros. El marco de información financiera puede incluir por ejemplo informes presupuestarios o de gestión, en cuyo caso los auditores del sector público necesitarán posiblemente atender a leyes y reglamentos específicos que incidan directa o indirectamente en ese tipo de información.
- P7. Cuando reciban un mandato más amplio como el descrito en el párrafo A6 de la NIA y el párrafo P4 citado más arriba, los auditores del sector público se asegurarán de que los hechos observados en el ámbito de sus obligaciones suplementarias han de inscribirse en el marco de la NIA con el fin de estimar su posible impacto en los estados financieros y en el informe de auditoría correspondiente.

2 ISSAI 4000, "Introducción general a las Directrices para la auditoría de cumplimiento."

3 ISSAI 4200, "Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros."

Análisis por el auditor del cumplimiento de leyes y reglamentos

- P8. Al remitirse a las exigencias contenidas en el párrafo 15 de la NIA, los auditores del sector público pueden incluir también en su análisis las constataciones relativas al incumplimiento de leyes y reglamentos procedentes de otras auditorías, por ejemplo de rendimiento, llevadas a cabo por órganos de fiscalización del sector público.

Notificación de casos de incumplimiento presunto o detectado

- P9. Además de la exigencia de informar a los encargados de la gobernanza que se establece en el párrafo 22 de la NIA, algunos auditores del sector público notifican todos los casos de incumplimiento de leyes y reglamentos, incluso si su importancia es claramente insignificante. Algunos órganos de fiscalización del sector público, en virtud de su mandato, pueden ordenar a la entidad que corrija todo incumplimiento cometido. En tales casos, sobre todo cuando exista un elemento de subjetividad al interpretar leyes y reglamentos, los auditores del sector público determinarán si puede verse menoscabada su independencia y, en ese supuesto, adoptar las medidas necesarias para evitarlo.
- P10. Al remitirse a la exigencia contenida en el párrafo 28 de la NIA, los auditores del sector público analizarán también si entre sus obligaciones se incluye la de informar separadamente al poder legislativo y a otras autoridades competentes como el ministerio fiscal, la policía y (si así lo establece la legislación) terceros afectados.

International Standard on Auditing

Consideration of Laws and Regulations in an Audit of Financial Statements



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
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INTERNATIONAL STANDARD ON AUDITING 250

CONSIDERATION OF LAWS AND REGULATIONS IN AN AUDIT OF FINANCIAL STATEMENTS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Effect of Laws and Regulations	2
Responsibility for Compliance with Laws and Regulations	3-8
Effective Date	9
Objectives	10
Definition	11
Requirements	
The Auditor's Consideration of Compliance with Laws and Regulations	12-17
Audit Procedures When Non-Compliance Is Identified or Suspected	18-21
Reporting of Identified or Suspected Non-Compliance	22-28
Documentation	29
Application and Other Explanatory Material	
Responsibility for Compliance with Laws and Regulations	A1-A6
The Auditor's Consideration of Compliance with Laws and Regulations	A7-A12
Audit Procedures When Non-Compliance Is Identified or Suspected	A13-A18
Reporting of Identified or Suspected Non-Compliance	A19-A20
Documentation	A21

International Standard on Auditing (ISA) 250, “Consideration of Laws and Regulations in an Audit of Financial Statements” should be read in conjunction with ISA 200 “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to consider laws and regulations in an audit of financial statements. This ISA does not apply to other assurance engagements in which the auditor is specifically engaged to test and report separately on compliance with specific laws or regulations.

Effect of Laws and Regulations

2. The effect on financial statements of laws and regulations varies considerably. Those laws and regulations to which an entity is subject constitute the legal and regulatory framework. The provisions of some laws or regulations have a direct effect on the financial statements in that they determine the reported amounts and disclosures in an entity's financial statements. Other laws or regulations are to be complied with by management or set the provisions under which the entity is allowed to conduct its business but do not have a direct effect on an entity's financial statements. Some entities operate in heavily regulated industries (such as banks and chemical companies). Others are subject only to the many laws and regulations that relate generally to the operating aspects of the business (such as those related to occupational safety and health, and equal employment opportunity). Non-compliance with laws and regulations may result in fines, litigation or other consequences for the entity that may have a material effect on the financial statements.

Responsibility for Compliance with Laws and Regulations (Ref: Para. A1-A6)

3. It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements.

Responsibility of the Auditor

4. The requirements in this ISA are designed to assist the auditor in identifying material misstatement of the financial statements due to non-compliance with laws and regulations. However, the auditor is not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.
5. The auditor is responsible for obtaining reasonable assurance that the financial statements, taken as a whole, are free from material misstatement,

whether caused by fraud or error.¹ In conducting an audit of financial statements, the auditor takes into account the applicable legal and regulatory framework. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs.² In the context of laws and regulations, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for such reasons as the following:

- There are many laws and regulations, relating principally to the operating aspects of an entity, that typically do not affect the financial statements and are not captured by the entity's information systems relevant to financial reporting.
- Non-compliance may involve conduct designed to conceal it, such as collusion, forgery, deliberate failure to record transactions, management override of controls or intentional misrepresentations being made to the auditor.
- Whether an act constitutes non-compliance is ultimately a matter for legal determination by a court of law.

Ordinarily, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognize the non-compliance.

6. This ISA distinguishes the auditor's responsibilities in relation to compliance with two different categories of laws and regulations as follows:
 - (a) The provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as tax and pension laws and regulations (see paragraph 13); and
 - (b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operating aspects of the business, to an entity's ability to continue its business, or to avoid material penalties (for example, compliance with the terms of an operating license, compliance with regulatory solvency requirements, or compliance with environmental regulations); non-compliance with such laws and regulations may therefore have a material effect on the financial statements (see paragraph 14).

¹ ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph 5.

² ISA 200, paragraph A51.

7. In this ISA, differing requirements are specified for each of the above categories of laws and regulations. For the category referred to in paragraph 6(a), the auditor's responsibility is to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations. For the category referred to in paragraph 6(b), the auditor's responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.
8. The auditor is required by this ISA to remain alert to the possibility that other audit procedures applied for the purpose of forming an opinion on financial statements may bring instances of identified or suspected non-compliance to the auditor's attention. Maintaining professional skepticism throughout the audit, as required by ISA 200,³ is important in this context, given the extent of laws and regulations that affect the entity.

Effective Date

9. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objectives

10. The objectives of the auditor are:
 - (a) To obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements;
 - (b) To perform specified audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements; and
 - (c) To respond appropriately to non-compliance or suspected non-compliance with laws and regulations identified during the audit.

Definition

11. For the purposes of this ISA, the following term has the meaning attributed below:

Non-compliance – Acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations. Such acts include transactions entered into by, or in the name of, the entity, or on its behalf, by those charged with governance, management or employees. Non-compliance does not include personal misconduct (unrelated

³ ISA 200, paragraph 15.

to the business activities of the entity) by those charged with governance, management or employees of the entity.

Requirements

The Auditor's Consideration of Compliance with Laws and Regulations

12. As part of obtaining an understanding of the entity and its environment in accordance with ISA 315,⁴ the auditor shall obtain a general understanding of:
 - (a) The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates; and
 - (b) How the entity is complying with that framework. (Ref: Para. A7)
13. The auditor shall obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements. (Ref: Para. A8)
14. The auditor shall perform the following audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements: (Ref: Para. A9-A10)
 - (a) Inquiring of management and, where appropriate, those charged with governance, as to whether the entity is in compliance with such laws and regulations; and
 - (b) Inspecting correspondence, if any, with the relevant licensing or regulatory authorities.
15. During the audit, the auditor shall remain alert to the possibility that other audit procedures applied may bring instances of non-compliance or suspected non-compliance with laws and regulations to the auditor's attention. (Ref: Para. A11)
16. The auditor shall request management and, where appropriate, those charged with governance to provide written representations that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed to the auditor. (Ref: Para. A12)
17. In the absence of identified or suspected non-compliance, the auditor is not required to perform audit procedures regarding the entity's compliance with laws and regulations, other than those set out in paragraphs 12-16.

⁴ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment," paragraph 11.

Audit Procedures When Non-Compliance Is Identified or Suspected

18. If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain: (Ref: Para. A13)
 - (a) An understanding of the nature of the act and the circumstances in which it has occurred; and
 - (b) Further information to evaluate the possible effect on the financial statements. (Ref: Para. A14)
19. If the auditor suspects there may be non-compliance, the auditor shall discuss the matter with management and, where appropriate, those charged with governance. If management or, as appropriate, those charged with governance do not provide sufficient information that supports that the entity is in compliance with laws and regulations and, in the auditor's judgment, the effect of the suspected non-compliance may be material to the financial statements, the auditor shall consider the need to obtain legal advice. (Ref: Para. A15-A16)
20. If sufficient information about suspected non-compliance cannot be obtained, the auditor shall evaluate the effect of the lack of sufficient appropriate audit evidence on the auditor's opinion.
21. The auditor shall evaluate the implications of non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action. (Ref: Para. A17-A18)

Reporting of Identified or Suspected Non-Compliance

Reporting Non-Compliance to Those Charged with Governance

22. Unless all of those charged with governance are involved in management of the entity, and therefore are aware of matters involving identified or suspected non-compliance already communicated by the auditor,⁵ the auditor shall communicate with those charged with governance matters involving non-compliance with laws and regulations that come to the auditor's attention during the course of the audit, other than when the matters are clearly inconsequential.
23. If, in the auditor's judgment, the non-compliance referred to in paragraph 22 is believed to be intentional and material, the auditor shall communicate the matter to those charged with governance as soon as practicable.

⁵ ISA 260, "Communication with Those Charged with Governance," paragraph 13.

24. If the auditor suspects that management or those charged with governance are involved in non-compliance, the auditor shall communicate the matter to the next higher level of authority at the entity, if it exists, such as an audit committee or supervisory board. Where no higher authority exists, or if the auditor believes that the communication may not be acted upon or is unsure as to the person to whom to report, the auditor shall consider the need to obtain legal advice.

Reporting Non-Compliance in the Auditor's Report on the Financial Statements

25. If the auditor concludes that the non-compliance has a material effect on the financial statements, and has not been adequately reflected in the financial statements, the auditor shall, in accordance with ISA 705, express a qualified opinion or an adverse opinion on the financial statements.⁶
26. If the auditor is precluded by management or those charged with governance from obtaining sufficient appropriate audit evidence to evaluate whether non-compliance that may be material to the financial statements has, or is likely to have, occurred, the auditor shall express a qualified opinion or disclaim an opinion on the financial statements on the basis of a limitation on the scope of the audit in accordance with ISA 705.
27. If the auditor is unable to determine whether non-compliance has occurred because of limitations imposed by the circumstances rather than by management or those charged with governance, the auditor shall evaluate the effect on the auditor's opinion in accordance with ISA 705.

Reporting Non-Compliance to Regulatory and Enforcement Authorities

28. If the auditor has identified or suspects non-compliance with laws and regulations, the auditor shall determine whether the auditor has a responsibility to report the identified or suspected non-compliance to parties outside the entity. (Ref: Para. A19-A20)

Documentation

29. The auditor shall include in the audit documentation identified or suspected non-compliance with laws and regulations and the results of discussion with management and, where applicable, those charged with governance and other parties outside the entity.⁷ (Ref: Para. A21)

⁶ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report," paragraphs 7-8.

⁷ ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

Application and Other Explanatory Material

Responsibility for Compliance with Laws and Regulations (Ref: Para. 3-8)

- A1. It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with laws and regulations. Laws and regulations may affect an entity's financial statements in different ways: for example, most directly, they may affect specific disclosures required of the entity in the financial statements or they may prescribe the applicable financial reporting framework. They may also establish certain legal rights and obligations of the entity, some of which will be recognized in the entity's financial statements. In addition, laws and regulations may impose penalties in cases of non-compliance.
- A2. The following are examples of the types of policies and procedures an entity may implement to assist in the prevention and detection of non-compliance with laws and regulations:
- Monitoring legal requirements and ensuring that operating procedures are designed to meet these requirements.
 - Instituting and operating appropriate systems of internal control.
 - Developing, publicizing and following a code of conduct.
 - Ensuring employees are properly trained and understand the code of conduct.
 - Monitoring compliance with the code of conduct and acting appropriately to discipline employees who fail to comply with it.
 - Engaging legal advisors to assist in monitoring legal requirements.
 - Maintaining a register of significant laws and regulations with which the entity has to comply within its particular industry and a record of complaints.

In larger entities, these policies and procedures may be supplemented by assigning appropriate responsibilities to the following:

- An internal audit function.
- An audit committee.
- A compliance function.

Responsibility of the Auditor

- A3. Non-compliance by the entity with laws and regulations may result in a material misstatement of the financial statements. Detection of non-compliance, regardless of materiality, may affect other aspects of the audit

including, for example, the auditor's consideration of the integrity of management or employees.

- A4. Whether an act constitutes non-compliance with laws and regulations is a matter for legal determination, which is ordinarily beyond the auditor's professional competence to determine. Nevertheless, the auditor's training, experience and understanding of the entity and its industry or sector may provide a basis to recognize that some acts, coming to the auditor's attention, may constitute non-compliance with laws and regulations.
- A5. In accordance with specific statutory requirements, the auditor may be specifically required to report, as part of the audit of the financial statements, on whether the entity complies with certain provisions of laws or regulations. In these circumstances, ISA 700⁸ or ISA 800⁹ deal with how these audit responsibilities are addressed in the auditor's report. Furthermore, where there are specific statutory reporting requirements, it may be necessary for the audit plan to include appropriate tests for compliance with these provisions of the laws and regulations.

Considerations Specific to Public Sector Entities

- A6. In the public sector, there may be additional audit responsibilities with respect to the consideration of laws and regulations which may relate to the audit of financial statements or may extend to other aspects of the entity's operations.

The Auditor's Consideration of Compliance with Laws and Regulations

Obtaining an Understanding of the Legal and Regulatory Framework (Ref: Para. 12)

- A7. To obtain a general understanding of the legal and regulatory framework, and how the entity complies with that framework, the auditor may, for example:
- Use the auditor's existing understanding of the entity's industry, regulatory and other external factors;
 - Update the understanding of those laws and regulations that directly determine the reported amounts and disclosures in the financial statements;
 - Inquire of management as to other laws or regulations that may be expected to have a fundamental effect on the operations of the entity;
 - Inquire of management concerning the entity's policies and procedures regarding compliance with laws and regulations; and

⁸ ISA 700, "Forming an Opinion and Reporting on Financial Statements," paragraph 38.

⁹ ISA 800 "Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks," paragraph 11.

- Inquire of management regarding the policies or procedures adopted for identifying, evaluating and accounting for litigation claims.

Laws and Regulations Generally Recognized to Have a Direct Effect on the Determination of Material Amounts and Disclosures in the Financial Statements
(Ref: Para. 13)

A8. Certain laws and regulations are well-established, known to the entity and within the entity's industry or sector, and relevant to the entity's financial statements (as described in paragraph 6(a)). They could include those that relate to, for example:

- The form and content of financial statements;
- Industry-specific financial reporting issues;
- Accounting for transactions under government contracts; or
- The accrual or recognition of expenses for income tax or pension costs.

Some provisions in those laws and regulations may be directly relevant to specific assertions in the financial statements (for example, the completeness of income tax provisions), while others may be directly relevant to the financial statements as a whole (for example, the required statements constituting a complete set of financial statements). The aim of the requirement in paragraph 13 is for the auditor to obtain sufficient appropriate audit evidence regarding the determination of amounts and disclosures in the financial statements in compliance with the relevant provisions of those laws and regulations.

Non-compliance with other provisions of such laws and regulations and other laws and regulations may result in fines, litigation or other consequences for the entity, the costs of which may need to be provided for in the financial statements, but are not considered to have a direct effect on the financial statements as described in paragraph 6(a).

Procedures to Identify Instances of Non-Compliance—Other Laws and Regulations
(Ref: Para. 14)

A9. Certain other laws and regulations may need particular attention by the auditor because they have a fundamental effect on the operations of the entity (as described in paragraph 6(b)). Non-compliance with laws and regulations that have a fundamental effect on the operations of the entity may cause the entity to cease operations, or call into question the entity's continuance as a going concern. For example, non-compliance with the requirements of the entity's license or other entitlement to perform its operations could have such an impact (for example, for a bank, non-compliance with capital or investment requirements). There are also many laws and regulations relating principally to the operating aspects of the

entity that typically do not affect the financial statements and are not captured by the entity's information systems relevant to financial reporting.

- A10. As the financial reporting consequences of other laws and regulations can vary depending on the entity's operations, the audit procedures required by paragraph 14 are directed to bringing to the auditor's attention instances of non-compliance with laws and regulations that may have a material effect on the financial statements.

Non-Compliance Brought to the Auditor's Attention by Other Audit Procedures (Ref: Para. 15)

- A11. Audit procedures applied to form an opinion on the financial statements may bring instances of non-compliance or suspected non-compliance with laws and regulations to the auditor's attention. For example, such audit procedures may include:

- Reading minutes;
- Inquiring of the entity's management and in-house legal counsel or external legal counsel concerning litigation, claims and assessments; and
- Performing substantive tests of details of classes of transactions, account balances or disclosures.

Written Representations (Ref: Para. 16)

- A12. Because the effect on financial statements of laws and regulations can vary considerably, written representations provide necessary audit evidence about management's knowledge of identified or suspected non-compliance with laws and regulations, whose effects may have a material effect on the financial statements. However, written representations do not provide sufficient appropriate audit evidence on their own and, accordingly, do not affect the nature and extent of other audit evidence that is to be obtained by the auditor.¹⁰

Audit Procedures When Non-Compliance Is Identified or Suspected

Indications of Non-Compliance with Laws and Regulations (Ref: Para. 18)

- A13. If the auditor becomes aware of the existence of, or information about, the following matters, it may be an indication of non-compliance with laws and regulations:
- Investigations by regulatory organizations and government departments or payment of fines or penalties.

¹⁰ ISA 580, "Written Representations," paragraph 4.

- Payments for unspecified services or loans to consultants, related parties, employees or government employees.
- Sales commissions or agent's fees that appear excessive in relation to those ordinarily paid by the entity or in its industry or to the services actually received.
- Purchasing at prices significantly above or below market price.
- Unusual payments in cash, purchases in the form of cashiers' cheques payable to bearer or transfers to numbered bank accounts.
- Unusual transactions with companies registered in tax havens.
- Payments for goods or services made other than to the country from which the goods or services originated.
- Payments without proper exchange control documentation.
- Existence of an information system which fails, whether by design or by accident, to provide an adequate audit trail or sufficient evidence.
- Unauthorized transactions or improperly recorded transactions.
- Adverse media comment.

Matters Relevant to the Auditor's Evaluation (Ref: Para. 18(b))

A14. Matters relevant to the auditor's evaluation of the possible effect on the financial statements include:

- The potential financial consequences of non-compliance with laws and regulations on the financial statements including, for example, the imposition of fines, penalties, damages, threat of expropriation of assets, enforced discontinuation of operations, and litigation.
- Whether the potential financial consequences require disclosure.
- Whether the potential financial consequences are so serious as to call into question the fair presentation of the financial statements, or otherwise make the financial statements misleading.

Audit Procedures (Ref: Para. 19)

A15. The auditor may discuss the findings with those charged with governance where they may be able to provide additional audit evidence. For example, the auditor may confirm that those charged with governance have the same understanding of the facts and circumstances relevant to transactions or events that have led to the possibility of non-compliance with laws and regulations.

- A16. If management or, as appropriate, those charged with governance do not provide sufficient information to the auditor that the entity is in fact in compliance with laws and regulations, the auditor may consider it appropriate to consult with the entity's in-house legal counsel or external legal counsel about the application of the laws and regulations to the circumstances, including the possibility of fraud, and the possible effects on the financial statements. If it is not considered appropriate to consult with the entity's legal counsel or if the auditor is not satisfied with the legal counsel's opinion, the auditor may consider it appropriate to consult the auditor's own legal counsel as to whether a contravention of a law or regulation is involved, the possible legal consequences, including the possibility of fraud, and what further action, if any, the auditor would take.

Evaluating the Implications of Non-Compliance (Ref: Para. 21)

- A17. As required by paragraph 21, the auditor evaluates the implications of non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations. The implications of particular instances of non-compliance identified by the auditor will depend on the relationship of the perpetration and concealment, if any, of the act to specific control activities and the level of management or employees involved, especially implications arising from the involvement of the highest authority within the entity.
- A18. In exceptional cases, the auditor may consider whether withdrawal from the engagement, where withdrawal is possible under applicable law or regulation, is necessary when management or those charged with governance do not take the remedial action that the auditor considers appropriate in the circumstances, even when the non-compliance is not material to the financial statements. When deciding whether withdrawal from the engagement is necessary, the auditor may consider seeking legal advice. If withdrawal from the engagement is not possible, the auditor may consider alternative actions, including describing the non-compliance in an Other Matter(s) paragraph in the auditor's report.¹¹

Reporting of Identified or Suspected Non-Compliance

Reporting Non-Compliance to Regulatory and Enforcement Authorities (Ref: Para. 28)

- A19. The auditor's professional duty to maintain the confidentiality of client information may preclude reporting identified or suspected non-compliance with laws and regulations to a party outside the entity. However, the auditor's legal responsibilities vary by jurisdiction and, in certain circumstances, the duty of confidentiality may be overridden by statute, the

¹¹ ISA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report," paragraph 8.

law or courts of law. In some jurisdictions, the auditor of a financial institution has a statutory duty to report the occurrence, or suspected occurrence, of non-compliance with laws and regulations to supervisory authorities. Also, in some jurisdictions, the auditor has a duty to report misstatements to authorities in those cases where management and, where applicable, those charged with governance fail to take corrective action. The auditor may consider it appropriate to obtain legal advice to determine the appropriate course of action.

Considerations Specific to Public Sector Entities

- A20. A public sector auditor may be obliged to report on instances of non-compliance to the legislature or other governing body or to report them in the auditor's report.

Documentation (Ref: Para. 29)

- A21. The auditor's documentation of findings regarding identified or suspected non-compliance with laws and regulations may include, for example:

- Copies of records or documents.
- Minutes of discussions held with management, those charged with governance or parties outside the entity.

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Comunicación con los encargados de la gobernanza

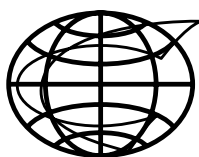
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 260 “Comunicación con los encargados de la gobernanza” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1260

NOTA DE PRÁCTICA PARA LA NIA 260	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	
Consideraciones generales	P3
Personas encargadas de la gobernanza	P4–P5
Asuntos que han de comunicarse	P6–P9
El proceso de comunicación	P10
NORMA INTERNACIONAL DE AUDITORÍA 260	
Introducción	
Alcance de la NIA	1–3
La función de la comunicación	4–7
Fecha de entrada en vigor	8
Objetivos	9
Definiciones	10
Exigencias	
Personas encargadas de la gobernanza	11–13
Asuntos que han de comunicarse	14–17
El proceso de comunicación	18–22
Documentación	23
Disposiciones de aplicación y otras disposiciones explicativas	
Personas encargadas de la gobernanza	A1–A8
Asuntos que han de comunicarse	A9–A27
El proceso de comunicación	A28–A44
Documentación	A45
Apéndice 1: Exigencias específicas en la NICC 1 y otras NIA referidas a la comunicación con los encargados de la gobernanza	
Apéndice 2: Aspectos cualitativos de las prácticas contables	

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 260

Comunicación con los encargados de la gobernanza

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 260, “Comunicación con los encargados de la gobernanza”, y debe leerse conjuntamente con ella. La NIA 260 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 260 establece la obligación del auditor de comunicarse con los encargados de la gobernanza en una auditoría de estados financieros. Aunque la NIA es aplicable con independencia de la gobernanza, estructura o tamaño de la entidad, hay que tener en cuenta consideraciones particulares cuando todos los encargados de la gobernanza participan en la gestión de una entidad, así como en el caso de entidades cotizadas en los mercados. La NIA no establece exigencias de comunicación del auditor con la dirección de la entidad o con los propietarios de ésta a menos que también desempeñen una función de gobernanza.

Reconociendo la importancia de una intercomunicación efectiva en una auditoría de estados financieros, esta NIA proporciona un marco global para la comunicación del auditor con los encargados de la gobernanza e identifica algunos aspectos específicos que ha de transmitir a éstos. Los asuntos adicionales que se han de comunicar, que complementan las exigencias de la NIA 260, se señalan en otras NIA (véase el apéndice 1 de la NIA). Por otra parte, la NIA 265² establece requisitos específicos en relación con la comunicación a los encargados de la gobernanza de deficiencias significativas de control interno detectadas durante la auditoría. También puede ser necesario comunicar otras cuestiones, no exigidas en esta o en otras NIA, por imperativo legal o reglamentario, por un acuerdo con la entidad, o por exigencias complementarias aplicables al trabajo de auditoría, por ejemplo, las normas de un organismo contable profesional nacional. Ninguna disposición de la NIA 260 impide al auditor comunicar cualquier otro asunto a los encargados de la gobernanza.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 Introducción general a las directrices de auditoría financiera de la INTOSAI.

² NIA 265, Comunicación de deficiencias de control interno a los encargados de la gobernanza y a la dirección.¹

Contenido de la Nota de Práctica

- P1. La Nota de Práctica sigue los epígrafes de la NIA y proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Personas encargadas de la gobernanza.
 - c) Asuntos que deben comunicarse.
 - d) El proceso de comunicación.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 260 es aplicable a los auditores de las entidades públicas en el desempeño de su función de auditores de los estados financieros.

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales

- P3. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría derivado de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo puede contener objetivos adicionales, entre ellos obligaciones de auditoría o de información, cuando por ejemplo los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. El párrafo 3 de la NIA 260 reconoce que puede ser preciso comunicar otros asuntos a los encargados de la gobernanza si así lo imponen la legislación o la reglamentación, o bien un acuerdo con la entidad, o si existen exigencias adicionales aplicables al trabajo de auditoría.

Personas encargadas de la gobernanza

- P4. El párrafo 11 de la NIA, establece que el auditor ha de determinar la persona o personas apropiadas dentro de la estructura de gobernanza de la entidad con las que se habrá de comunicar. En el sector público pueden existir competencias de gobernanza en distintos niveles de organización, así como en distintas funciones (es decir, verticales o transversales). Por consiguiente, pueden existir casos en que se identifiquen varios grupos diferentes como encargados de la gobernanza. Por otra parte, una auditoría en el sector público puede tener objetivos tanto relativos a los estados financieros como al cumplimiento, lo que en algunos casos puede implicar unos órganos de gobernanza diferenciados.

- P5. En situaciones en que se comunican asuntos de auditoría a subgrupos de personas encargadas de la gobernanza, como se plantea en el párrafo 12 de la NIA, los auditores del sector público pueden necesitar transmitir la información, completa o resumida, a todo el órgano de dirección. Esto reviste una particular pertinencia en el sector público, donde no es inusual que los encargados de la gobernanza participen en la dirección de la entidad. Los auditores del sector público han de actuar con una particular sensibilidad para satisfacer las necesidades y expectativas del poder legislativo o de los órganos reguladores con respecto a los asuntos comunicados a otros niveles de gobernanza, en particular cuando dichos asuntos puedan revestir un gran interés público o ser objeto de especulaciones.

Asuntos que han de comunicarse

- P6. El párrafo 15 de la NIA establece que el auditor transmita a los encargados de la gobernanza una visión general del alcance y calendario previstos de la auditoría. En el sector público esta exigencia puede conseguirse a través de diversos medios. Por ejemplo, el alcance y el calendario de la auditoría pueden estar definidos en la legislación pertinente o en el mandato de auditoría, o también los auditores pueden exponerlos en la carta de encargo.
- P7. El subpárrafo A 11 b) de la NIA señala que la comunicación relativa al alcance y calendario previstos puede ayudar al auditor a comprender mejor la entidad y su entorno. Puede resultar útil a los auditores del sector público notificar qué componentes de la información financiera deben incluirse, a su juicio, en los estados financieros de la entidad y utilizar la respuesta de ésta para verificar su interpretación. Por ejemplo, puede resultar difícil determinar si deben incluirse en los estados financieros consolidados de una entidad auditada las empresas mixtas (*“joint ventures”*, tanto entidades del sector privado como público) y en qué medida.
- P8. El párrafo 16 de la NIA enumera las distintas constataciones de la auditoría que el auditor debe comunicar a los encargados de la gobernanza. Los auditores del sector público son a menudo quienes reciben el mandato para la totalidad, o parte, del gobierno y su administración. En estas circunstancias, pueden acceder a información de otras entidades y de sus auditorías, que pueden ser pertinentes para los encargados de la gobernanza, como por ejemplo, errores materiales en operaciones con la entidad auditada que también pueden afectar a otras entidades, o diseños de controles que han aumentado la eficiencia de otras entidades. La comunicación de este tipo de información a los encargados de la gobernanza puede añadir valor a la auditoría cuando las circunstancias lo permitan, es decir, mientras no existan leyes, reglamentos o exigencias de tipo ético que prohíban tal comunicación.
- P9. La independencia y la objetividad de los auditores del sector público son cruciales para su capacidad: a) de mantener la obligación para los gobiernos de rendir cuentas a los poderes legislativos y a la ciudadanía; b) de contribuir a identificar amenazas para la buena gestión de los fondos públicos, como la corrupción. El párrafo 17 de la NIA menciona la exigencia, con respecto a las entidades cotizadas en los mercados, de comunicar el respeto de las obligaciones éticas relativas a la independencia, lo que puede aplicarse también a los auditores del sector público cuando ello sea de interés público. Además de los aspectos señalados en el Código de ética para contadores profesionales de la IFAC, también pueden revestir una importancia particular en el contexto del sector público los aspectos señalados en el Código de Ética de la INTOSAI, como por ejemplo, el principio de neutralidad política.

El proceso de comunicación

- P10. El párrafo 22 de la NIA establece que el auditor ha de evaluar si la intercomunicación existente con los encargados de la gobernanza ha sido adecuada a los efectos de la auditoría. En caso negativo, según la NIA, el auditor debe tomar las medidas oportunas que, en el sector público, pueden incluir la comunicación con el poder legislativo, los órganos reguladores competentes, o los organismos de financiación.

International Standard on Auditing

Communication with Those Charged with Governance



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
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INTERNATIONAL STANDARD ON AUDITING 260

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1-3
The Role of Communication	4-7
Effective Date	8
Objectives	9
Definitions	10
Requirements	
Those Charged with Governance	11-13
Matters to Be Communicated	14-17
The Communication Process	18-22
Documentation	23
Application and Other Explanatory Material	
Those Charged with Governance	A1-A8
Matters to Be Communicated	A9-A27
The Communication Process	A28-A44
Documentation	A45
Appendix 1: Specific Requirements in ISQC 1 and Other ISAs that Refer to Communications with Those Charged with Governance	
Appendix 2: Qualitative Aspects of Accounting Practices	

International Standard on Auditing (ISA) 260, “Communication with Those Charged with Governance” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. Although this ISA applies irrespective of an entity's governance structure or size, particular considerations apply where all of those charged with governance are involved in managing an entity, and for listed entities. This ISA does not establish requirements regarding the auditor's communication with an entity's management or owners unless they are also charged with a governance role.
2. This ISA is written in the context of an audit of financial statements, but may also be applicable, adapted as necessary in the circumstances, to audits of other historical financial information when those charged with governance have a responsibility to oversee the preparation of the other historical financial information.
3. Recognizing the importance of effective two-way communication in an audit of financial statements, this ISA provides an overarching framework for the auditor's communication with those charged with governance, and identifies some specific matters to be communicated with them. Additional matters to be communicated, which complement the requirements of this ISA, are identified in other ISAs (see Appendix 1). In addition, ISA 265¹ establishes specific requirements regarding the communication of significant deficiencies in internal control the auditor has identified during the audit to those charged with governance. Further matters, not required by this or other ISAs, may be required to be communicated by law or regulation, by agreement with the entity, or by additional requirements applicable to the engagement, for example, the standards of a national professional accountancy body. Nothing in this ISA precludes the auditor from communicating any other matters to those charged with governance. (Ref: Para. A24-A27)

The Role of Communication

4. This ISA focuses primarily on communications from the auditor to those charged with governance. Nevertheless, effective two-way communication is important in assisting:
 - (a) The auditor and those charged with governance in understanding matters related to the audit in context, and in developing a constructive working relationship. This relationship is developed while maintaining the auditor's independence and objectivity;

¹ ISA 265, "Communicating Deficiencies in Internal Control to Those Charged with Governance and Management."

- (b) The auditor in obtaining from those charged with governance information relevant to the audit. For example, those charged with governance may assist the auditor in understanding the entity and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events; and
 - (c) Those charged with governance in fulfilling their responsibility to oversee the financial reporting process, thereby reducing the risks of material misstatement of the financial statements.
- 5. Although the auditor is responsible for communicating matters required by this ISA, management also has a responsibility to communicate matters of governance interest to those charged with governance. Communication by the auditor does not relieve management of this responsibility. Similarly, communication by management with those charged with governance of matters that the auditor is required to communicate does not relieve the auditor of the responsibility to also communicate them. Communication of these matters by management may, however, affect the form or timing of the auditor's communication with those charged with governance.
- 6. Clear communication of specific matters required to be communicated by ISAs is an integral part of every audit. ISAs do not, however, require the auditor to perform procedures specifically to identify any other matters to communicate with those charged with governance.
- 7. Law or regulation may restrict the auditor's communication of certain matters with those charged with governance. For example, laws or regulations may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts between the auditor's obligations of confidentiality and obligations to communicate may be complex. In such cases, the auditor may consider obtaining legal advice.

Effective Date

- 8. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objectives

- 9. The objectives of the auditor are:
 - (a) To communicate clearly with those charged with governance the responsibilities of the auditor in relation to the financial statement audit, and an overview of the planned scope and timing of the audit;
 - (b) To obtain from those charged with governance information relevant to the audit;

- (c) To provide those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process; and
- (d) To promote effective two-way communication between the auditor and those charged with governance.

Definitions

10. For purposes of the ISAs, the following terms have the meanings attributed below:
- (a) Those charged with governance – The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager. For discussion of the diversity of governance structures, see paragraphs A1-A8.
 - (b) Management – The person(s) with executive responsibility for the conduct of the entity's operations. For some entities in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager.

Requirements

Those Charged with Governance

11. The auditor shall determine the appropriate person(s) within the entity's governance structure with whom to communicate. (Ref: Para. A1-A4)

Communication with a Subgroup of Those Charged with Governance

12. If the auditor communicates with a subgroup of those charged with governance, for example, an audit committee, or an individual, the auditor shall determine whether the auditor also needs to communicate with the governing body. (Ref: Para. A5-A7)

When All of Those Charged with Governance Are Involved in Managing the Entity

13. In some cases, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters required by this ISA are communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, the

matters need not be communicated again with those same person(s) in their governance role. These matters are noted in paragraph 16(c). The auditor shall nonetheless be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the auditor would otherwise communicate in their governance capacity. (Ref: Para. A8)

Matters to Be Communicated

The Auditor's Responsibilities in Relation to the Financial Statement Audit

14. The auditor shall communicate with those charged with governance the responsibilities of the auditor in relation to the financial statement audit, including that:
 - (a) The auditor is responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance; and
 - (b) The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. (Ref: Para. A9-A10)

Planned Scope and Timing of the Audit

15. The auditor shall communicate with those charged with governance an overview of the planned scope and timing of the audit. (Ref: Para. A11-A15)

Significant Findings from the Audit

16. The auditor shall communicate with those charged with governance: (Ref: Para. A16)
 - (a) The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. When applicable, the auditor shall explain to those charged with governance why the auditor considers a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to the particular circumstances of the entity; (Ref: Para. A17)
 - (b) Significant difficulties, if any, encountered during the audit; (Ref: Para. A18)
 - (c) Unless all of those charged with governance are involved in managing the entity:
 - (i) Significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management; and (Ref: Para. A19)
 - (ii) Written representations the auditor is requesting; and

- (d) Other matters, if any, arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process. (Ref: Para. A20)

Auditor Independence

- 17. In the case of listed entities, the auditor shall communicate with those charged with governance:
 - (a) A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence; and
 - (b)
 - (i) All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and
 - (ii) The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level. (Ref: Para. A21-A23)

The Communication Process

Establishing the Communication Process

- 18. The auditor shall communicate with those charged with governance the form, timing and expected general content of communications. (Ref: Para. A28-A36)

Forms of Communication

- 19. The auditor shall communicate in writing with those charged with governance regarding significant findings from the audit if, in the auditor's professional judgment, oral communication would not be adequate. Written communications need not include all matters that arose during the course of the audit. (Ref: Para. A37-A39)
- 20. The auditor shall communicate in writing with those charged with governance regarding auditor independence when required by paragraph 17.

Timing of Communications

- 21. The auditor shall communicate with those charged with governance on a timely basis. (Ref: Para. A40-A41)

Adequacy of the Communication Process

22. The auditor shall evaluate whether the two-way communication between the auditor and those charged with governance has been adequate for the purpose of the audit. If it has not, the auditor shall evaluate the effect, if any, on the auditor's assessment of the risks of material misstatement and ability to obtain sufficient appropriate audit evidence, and shall take appropriate action. (Ref: Para. A42-A44)

Documentation

23. Where matters required by this ISA to be communicated are communicated orally, the auditor shall include them in the audit documentation, and when and to whom they were communicated. Where matters have been communicated in writing, the auditor shall retain a copy of the communication as part of the audit documentation.² (Ref: Para. A45)

Application and Other Explanatory Material**Those Charged with Governance** (Ref: Para. 11)

- A1. Governance structures vary by jurisdiction and by entity, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics. For example:
- In some jurisdictions a supervisory (wholly or mainly non-executive) board exists that is legally separate from an executive (management) board (a “two-tier board” structure). In other jurisdictions, both the supervisory and executive functions are the legal responsibility of a single, or unitary, board (a “one-tier board” structure).
 - In some entities, those charged with governance hold positions that are an integral part of the entity's legal structure, for example, company directors. In others, for example, some government entities, a body that is not part of the entity is charged with governance.
 - In some cases, some or all of those charged with governance are involved in managing the entity. In others, those charged with governance and management comprise different persons.
 - In some cases, those charged with governance are responsible for approving³ the entity's financial statements (in other cases management has this responsibility).

² ISA 230, “Audit Documentation,” paragraphs 8-11, and paragraph A6.

³ As described at paragraph A40 of ISA 700, “Forming an Opinion and Reporting on Financial Statements,” having responsibility for approving in this context means having the authority to conclude

- A2. In most entities, governance is the collective responsibility of a governing body, such as a board of directors, a supervisory board, partners, proprietors, a committee of management, a council of governors, trustees, or equivalent persons. In some smaller entities, however, one person may be charged with governance, for example, the owner-manager where there are no other owners, or a sole trustee. When governance is a collective responsibility, a subgroup such as an audit committee or even an individual, may be charged with specific tasks to assist the governing body in meeting its responsibilities. Alternatively, a subgroup or individual may have specific, legally identified responsibilities that differ from those of the governing body.
- A3. Such diversity means that it is not possible for this ISA to specify for all audits the person(s) with whom the auditor is to communicate particular matters. Also, in some cases the appropriate person(s) with whom to communicate may not be clearly identifiable from the applicable legal framework or other engagement circumstances, for example, entities where the governance structure is not formally defined, such as some family-owned entities, some not-for-profit organizations, and some government entities. In such cases, the auditor may need to discuss and agree with the engaging party the relevant person(s) with whom to communicate. In deciding with whom to communicate, the auditor's understanding of an entity's governance structure and processes obtained in accordance with ISA 315⁴ is relevant. The appropriate person(s) with whom to communicate may vary depending on the matter to be communicated.
- A4. ISA 600 includes specific matters to be communicated by group auditors with those charged with governance.⁵ When the entity is a component of a group, the appropriate person(s) with whom the component auditor communicates depends on the engagement circumstances and the matter to be communicated. In some cases, a number of components may be conducting the same businesses within the same system of internal control and using the same accounting practices. Where those charged with governance of those components are the same (for example, common board of directors), duplication may be avoided by dealing with these components concurrently for the purpose of communication.

that all the statements that comprise the financial statements, including the related notes, have been prepared.

⁴ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

⁵ ISA 600, "Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)," paragraphs 46-49.

Communication with a Subgroup of Those Charged with Governance (Ref: Para. 12)

- A5. When considering communicating with a subgroup of those charged with governance, the auditor may take into account such matters as:
- The respective responsibilities of the subgroup and the governing body.
 - The nature of the matter to be communicated.
 - Relevant legal or regulatory requirements.
 - Whether the subgroup has the authority to take action in relation to the information communicated, and can provide further information and explanations the auditor may need.
- A6. When deciding whether there is also a need to communicate information, in full or in summary form, with the governing body, the auditor may be influenced by the auditor's assessment of how effectively and appropriately the subgroup communicates relevant information with the governing body. The auditor may make explicit in agreeing the terms of engagement that, unless prohibited by law or regulation, the auditor retains the right to communicate directly with the governing body.
- A7. Audit committees (or similar subgroups with different names) exist in many jurisdictions. Although their specific authority and functions may differ, communication with the audit committee, where one exists, has become a key element in the auditor's communication with those charged with governance. Good governance principles suggest that:
- The auditor will be invited to regularly attend meetings of the audit committee.
 - The chair of the audit committee and, when relevant, the other members of the audit committee, will liaise with the auditor periodically.
 - The audit committee will meet the auditor without management present at least annually.

When All of Those Charged with Governance Are Involved in Managing the Entity (Ref: Para.13)

- A8. In some cases, all of those charged with governance are involved in managing the entity, and the application of communication requirements is modified to recognize this position. In such cases, communication with person(s) with management responsibilities may not adequately inform all of those with whom the auditor would otherwise communicate in their governance capacity. For example, in a company where all directors are involved in managing the entity, some of those directors (for example, one responsible for marketing) may be unaware of significant matters discussed with another director (for example, one responsible for the preparation of the financial statements).

Matters to Be Communicated

The Auditor's Responsibilities in Relation to the Financial Statement Audit (Ref: Para. 14)

- A9. The auditor's responsibilities in relation to the financial statement audit are often included in the engagement letter or other suitable form of written agreement that records the agreed terms of the engagement. Providing those charged with governance with a copy of that engagement letter or other suitable form of written agreement may be an appropriate way to communicate with them regarding such matters as:
- The auditor's responsibility for performing the audit in accordance with ISAs, which is directed towards the expression of an opinion on the financial statements. The matters that ISAs require to be communicated, therefore, include significant matters arising from the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process.
 - The fact that ISAs do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.
 - When applicable, the auditor's responsibility for communicating particular matters required by law or regulation, by agreement with the entity or by additional requirements applicable to the engagement, for example, the standards of a national professional accountancy body.
- A10. Law or regulation, an agreement with the entity or additional requirements applicable to the engagement may provide for broader communication with those charged with governance. For example, (a) an agreement with the entity may provide for particular matters to be communicated when they arise from services provided by a firm or network firm other than the financial statement audit; or (b) the mandate of a public sector auditor may provide for matters to be communicated that come to the auditor's attention as a result of other work, such as performance audits.

Planned Scope and Timing of the Audit (Ref: Para. 15)

- A11. Communication regarding the planned scope and timing of the audit may:
- (a) Assist those charged with governance to understand better the consequences of the auditor's work, to discuss issues of risk and the concept of materiality with the auditor, and to identify any areas in which they may request the auditor to undertake additional procedures; and
 - (b) Assist the auditor to understand better the entity and its environment.
- A12. Care is required when communicating with those charged with governance about the planned scope and timing of the audit so as not to compromise the

effectiveness of the audit, particularly where some or all of those charged with governance are involved in managing the entity. For example, communicating the nature and timing of detailed audit procedures may reduce the effectiveness of those procedures by making them too predictable.

A13. Matters communicated may include:

- How the auditor proposes to address the significant risks of material misstatement, whether due to fraud or error.
- The auditor's approach to internal control relevant to the audit.
- The application of the concept of materiality in the context of an audit.⁶

A14. Other planning matters that it may be appropriate to discuss with those charged with governance include:

- Where the entity has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together in a constructive and complementary manner.
- The views of those charged with governance of:
 - The appropriate person(s) in the entity's governance structure with whom to communicate.
 - The allocation of responsibilities between those charged with governance and management.
 - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
 - Matters those charged with governance consider warrant particular attention during the audit, and any areas where they request additional procedures to be undertaken.
 - Significant communications with regulators.
 - Other matters those charged with governance consider may influence the audit of the financial statements.
- The attitudes, awareness, and actions of those charged with governance concerning (a) the entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control, and (b) the detection or possibility of fraud.

⁶ ISA 320, "Materiality in Planning and Performing an Audit."

- The actions of those charged with governance in response to developments in accounting standards, corporate governance practices, exchange listing rules, and related matters.
- The responses of those charged with governance to previous communications with the auditor.

A15. While communication with those charged with governance may assist the auditor to plan the scope and timing of the audit, it does not change the auditor's sole responsibility to establish the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

Significant Findings from the Audit (Ref: Para. 16)

A16. The communication of findings from the audit may include requesting further information from those charged with governance in order to complete the audit evidence obtained. For example, the auditor may confirm that those charged with governance have the same understanding of the facts and circumstances relevant to specific transactions or events.

Significant Qualitative Aspects of Accounting Practices (Ref: Para. 16(a))

A17. Financial reporting frameworks ordinarily allow for the entity to make accounting estimates, and judgments about accounting policies and financial statement disclosures. Open and constructive communication about significant qualitative aspects of the entity's accounting practices may include comment on the acceptability of significant accounting practices. Appendix 2 identifies matters that may be included in this communication.

Significant Difficulties Encountered during the Audit (Ref: Para. 16(b))

- A18. Significant difficulties encountered during the audit may include such matters as:
- Significant delays in management providing required information.
 - An unnecessarily brief time within which to complete the audit.
 - Extensive unexpected effort required to obtain sufficient appropriate audit evidence.
 - The unavailability of expected information.
 - Restrictions imposed on the auditor by management.
 - Management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested.

In some circumstances, such difficulties may constitute a scope limitation that leads to a modification of the auditor's opinion.⁷

Significant Matters Discussed, or Subject to Correspondence with Management (Ref: Para. 16(c)(i))

A19. Significant matters discussed, or subject to correspondence with management may include such matters as:

- Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement.
- Concerns about management's consultations with other accountants on accounting or auditing matters.
- Discussions or correspondence in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services.

Other Significant Matters Relevant to the Financial Reporting Process (Ref: Para. 16(d))

A20. Other significant matters arising from the audit that are directly relevant to those charged with governance in overseeing the financial reporting process may include such matters as material misstatements of fact or material inconsistencies in information accompanying the audited financial statements that have been corrected.

Auditor Independence (Ref: Para. 17)

A21. The auditor is required to comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements.⁸

A22. The relationships and other matters, and safeguards to be communicated, vary with the circumstances of the engagement, but generally address:

- (a) Threats to independence, which may be categorized as: self-interest threats, self-review threats, advocacy threats, familiarity threats, and intimidation threats; and
- (b) Safeguards created by the profession, legislation or regulation, safeguards within the entity, and safeguards within the firm's own systems and procedures.

⁷ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

⁸ ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph 14.

The communication required by paragraph 17(a) may include an inadvertent violation of relevant ethical requirements as they relate to auditor independence, and any remedial action taken or proposed.

- A23. The communication requirements relating to auditor independence that apply in the case of listed entities may also be relevant in the case of some other entities, particularly those that may be of significant public interest because, as a result of their business, their size or their corporate status, they have a wide range of stakeholders. Examples of entities that are not listed entities, but where communication of auditor independence may be appropriate, include public sector entities, credit institutions, insurance companies, and retirement benefit funds. On the other hand, there may be situations where communications regarding independence may not be relevant, for example, where all of those charged with governance have been informed of relevant facts through their management activities. This is particularly likely where the entity is owner-managed, and the auditor's firm and network firms have little involvement with the entity beyond a financial statement audit.

Supplementary Matters (Ref: Para. 3)

- A24. The oversight of management by those charged with governance includes ensuring that the entity designs, implements and maintains appropriate internal control with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.
- A25. The auditor may become aware of supplementary matters that do not necessarily relate to the oversight of the financial reporting process but which are, nevertheless, likely to be significant to the responsibilities of those charged with governance in overseeing the strategic direction of the entity or the entity's obligations related to accountability. Such matters may include, for example, significant issues regarding governance structures or processes, and significant decisions or actions by senior management that lack appropriate authorization.
- A26. In determining whether to communicate supplementary matters with those charged with governance, the auditor may discuss matters of this kind of which the auditor has become aware with the appropriate level of management, unless it is inappropriate to do so in the circumstances.
- A27. If a supplementary matter is communicated, it may be appropriate for the auditor to make those charged with governance aware that:
- (a) Identification and communication of such matters is incidental to the purpose of the audit, which is to form an opinion on the financial statements;
 - (b) No procedures were carried out with respect to the matter other than any that were necessary to form an opinion on the financial statements; and

- (c) No procedures were carried out to determine whether other such matters exist.

The Communication Process

Establishing the Communication Process (Ref: Para. 18)

- A28. Clear communication of the auditor's responsibilities, the planned scope and timing of the audit, and the expected general content of communications helps establish the basis for effective two-way communication.
- A29. Matters that may also contribute to effective two-way communication include discussion of:
- The purpose of communications. When the purpose is clear, the auditor and those charged with governance are better placed to have a mutual understanding of relevant issues and the expected actions arising from the communication process.
 - The form in which communications will be made.
 - The person(s) in the audit team and amongst those charged with governance who will communicate regarding particular matters.
 - The auditor's expectation that communication will be two-way, and that those charged with governance will communicate with the auditor matters they consider relevant to the audit, for example, strategic decisions that may significantly affect the nature, timing and extent of audit procedures, the suspicion or the detection of fraud, and concerns with the integrity or competence of senior management.
 - The process for taking action and reporting back on matters communicated by the auditor.
 - The process for taking action and reporting back on matters communicated by those charged with governance.
- A30. The communication process will vary with the circumstances, including the size and governance structure of the entity, how those charged with governance operate, and the auditor's view of the significance of matters to be communicated. Difficulty in establishing effective two-way communication may indicate that the communication between the auditor and those charged with governance is not adequate for the purpose of the audit (see paragraph A44).

Considerations Specific to Smaller Entities

- A31. In the case of audits of smaller entities, the auditor may communicate in a less structured manner with those charged with governance than in the case of listed or larger entities.

Communication with Management

- A32. Many matters may be discussed with management in the ordinary course of an audit, including matters required by this ISA to be communicated with those charged with governance. Such discussions recognize management's executive responsibility for the conduct of the entity's operations and, in particular, management's responsibility for the preparation of the financial statements.
- A33. Before communicating matters with those charged with governance, the auditor may discuss them with management, unless that is inappropriate. For example, it may not be appropriate to discuss questions of management's competence or integrity with management. In addition to recognizing management's executive responsibility, these initial discussions may clarify facts and issues, and give management an opportunity to provide further information and explanations. Similarly, when the entity has an internal audit function, the auditor may discuss matters with the internal auditor before communicating with those charged with governance.

Communication with Third Parties

- A34. Those charged with governance may wish to provide third parties, for example, bankers or certain regulatory authorities, with copies of a written communication from the auditor. In some cases, disclosure to third parties may be illegal or otherwise inappropriate. When a written communication prepared for those charged with governance is provided to third parties, it may be important in the circumstances that the third parties be informed that the communication was not prepared with them in mind, for example, by stating in written communications with those charged with governance:
- (a) That the communication has been prepared for the sole use of those charged with governance and, where applicable, the group management and the group auditor, and should not be relied upon by third parties;
 - (b) That no responsibility is assumed by the auditor to third parties; and
 - (c) Any restrictions on disclosure or distribution to third parties.
- A35. In some jurisdictions the auditor may be required by law or regulation to, for example:
- Notify a regulatory or enforcement body of certain matters communicated with those charged with governance. For example, in some countries the auditor has a duty to report misstatements to authorities where management and those charged with governance fail to take corrective action;
 - Submit copies of certain reports prepared for those charged with governance to relevant regulatory or funding bodies, or other bodies such as a central authority in the case of some public sector entities; or

- Make reports prepared for those charged with governance publicly available.
- A36. Unless required by law or regulation to provide a third party with a copy of the auditor's written communications with those charged with governance, the auditor may need the prior consent of those charged with governance before doing so.

Forms of Communication (Ref: Para. 19-20)

- A37. Effective communication may involve structured presentations and written reports as well as less structured communications, including discussions. The auditor may communicate matters other than those identified in paragraphs 19 and 20 either orally or in writing. Written communications may include an engagement letter that is provided to those charged with governance.
- A38. In addition to the significance of a particular matter, the form of communication (for example, whether to communicate orally or in writing, the extent of detail or summarization in the communication, and whether to communicate in a structured or unstructured manner) may be affected by such factors as:
- Whether the matter has been satisfactorily resolved.
 - Whether management has previously communicated the matter.
 - The size, operating structure, control environment, and legal structure of the entity.
 - In the case of an audit of special purpose financial statements, whether the auditor also audits the entity's general purpose financial statements.
 - Legal requirements. In some jurisdictions, a written communication with those charged with governance is required in a prescribed form by local law.
 - The expectations of those charged with governance, including arrangements made for periodic meetings or communications with the auditor.
 - The amount of ongoing contact and dialogue the auditor has with those charged with governance.
 - Whether there have been significant changes in the membership of a governing body.
- A39. When a significant matter is discussed with an individual member of those charged with governance, for example, the chair of an audit committee, it may be appropriate for the auditor to summarize the matter in later communications so that all of those charged with governance have full and balanced information.

Timing of Communications (Ref: Para. 21)

A40. The appropriate timing for communications will vary with the circumstances of the engagement. Relevant circumstances include the significance and nature of the matter, and the action expected to be taken by those charged with governance. For example:

- Communications regarding planning matters may often be made early in the audit engagement and, for an initial engagement, may be made as part of agreeing the terms of the engagement.
- It may be appropriate to communicate a significant difficulty encountered during the audit as soon as practicable if those charged with governance are able to assist the auditor to overcome the difficulty, or if it is likely to lead to a modified opinion. Similarly, the auditor may communicate orally to those charged with governance as soon as practicable significant deficiencies in internal control that the auditor has identified, prior to communicating these in writing as required by ISA 265.⁹ Communications regarding independence may be appropriate whenever significant judgments are made about threats to independence and related safeguards, for example, when accepting an engagement to provide non-audit services, and at a concluding discussion. A concluding discussion may also be an appropriate time to communicate findings from the audit, including the auditor's views about the qualitative aspects of the entity's accounting practices.
- When auditing both general purpose and special purpose financial statements, it may be appropriate to coordinate the timing of communications.

A41. Other factors that may be relevant to the timing of communications include:

- The size, operating structure, control environment, and legal structure of the entity being audited.
- Any legal obligation to communicate certain matters within a specified timeframe.
- The expectations of those charged with governance, including arrangements made for periodic meetings or communications with the auditor.
- The time at which the auditor identifies certain matters, for example, the auditor may not identify a particular matter (for example, noncompliance with a law) in time for preventive action to be taken, but communication of the matter may enable remedial action to be taken.

⁹ ISA 265, paragraphs 9 and A14.

Adequacy of the Communication Process (Ref: Para. 22)

A42. The auditor need not design specific procedures to support the evaluation of the two-way communication between the auditor and those charged with governance; rather, that evaluation may be based on observations resulting from audit procedures performed for other purposes. Such observations may include:

- The appropriateness and timeliness of actions taken by those charged with governance in response to matters raised by the auditor. Where significant matters raised in previous communications have not been dealt with effectively, it may be appropriate for the auditor to inquire as to why appropriate action has not been taken, and to consider raising the point again. This avoids the risk of giving an impression that the auditor is satisfied that the matter has been adequately addressed or is no longer significant.
- The apparent openness of those charged with governance in their communications with the auditor.
- The willingness and capacity of those charged with governance to meet with the auditor without management present.
- The apparent ability of those charged with governance to fully comprehend matters raised by the auditor, for example, the extent to which those charged with governance probe issues, and question recommendations made to them.
- Difficulty in establishing with those charged with governance a mutual understanding of the form, timing and expected general content of communications.
- Where all or some of those charged with governance are involved in managing the entity, their apparent awareness of how matters discussed with the auditor affect their broader governance responsibilities, as well as their management responsibilities.
- Whether the two-way communication between the auditor and those charged with governance meets applicable legal and regulatory requirements.

A43. As noted in paragraph 4, effective two-way communication assists both the auditor and those charged with governance. Further, ISA 315 identifies participation by those charged with governance, including their interaction with internal audit, if any, and external auditors, as an element of the entity's control environment.¹⁰ Inadequate two-way communication may indicate an unsatisfactory control environment and influence the auditor's assessment of the

¹⁰ ISA 315, paragraph A70.

risks of material misstatements. There is also a risk that the auditor may not have obtained sufficient appropriate audit evidence to form an opinion on the financial statements.

A44. If the two-way communication between the auditor and those charged with governance is not adequate and the situation cannot be resolved, the auditor may take such actions as:

- Modifying the auditor's opinion on the basis of a scope limitation.
- Obtaining legal advice about the consequences of different courses of action.
- Communicating with third parties (for example, a regulator), or a higher authority in the governance structure that is outside the entity, such as the owners of a business (for example, shareholders in a general meeting), or the responsible government minister or parliament in the public sector.
- Withdrawing from the engagement, where withdrawal is possible under applicable law or regulation.

Documentation (Ref: Para. 23)

A45. Documentation of oral communication may include a copy of minutes prepared by the entity retained as part of the audit documentation where those minutes are an appropriate record of the communication.

Appendix 1

(Ref: Para. 3)

Specific Requirements in ISQC 1 and Other ISAs that Refer to Communications with Those Charged With Governance

This appendix identifies paragraphs in ISQC 1¹¹ and other ISAs in effect for audits of financial statements for periods beginning on or after December 15, 2009 that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISQC 1, “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” – paragraph 30(a)
- ISA 240, “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements” – paragraphs 21, 38(c)(i) and 40-42
- ISA 250, “Consideration of Laws and Regulations in an Audit of Financial Statements” – paragraphs 14, 19 and 22-24
- ISA 265, “Communicating Deficiencies in Internal Control to Those Charged with Governance and Management” – paragraph 9
- ISA 450, “Evaluation of Misstatements Identified during the Audit” – paragraphs 12-13
- ISA 505, “External Confirmations” – paragraph 9
- ISA 510, “Initial Audit Engagements – Opening Balances” – paragraph 7
- ISA 550, “Related Parties” – paragraph 27
- ISA 560, “Subsequent Events” – paragraphs 7(b)-(c), 10(a), 13(b), 14(a) and 17
- ISA 570, “Going Concern” – paragraph 23
- ISA 600, “Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)” – paragraph 49
- ISA 705, “Modifications to the Opinion in the Independent Auditor’s Report” – paragraphs 12, 14, 19(a) and 28
- ISA 706, “Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report” – paragraph 9

¹¹ ISQC 1, “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.”

- ISA 710, “Comparative Information—Corresponding Figures and Comparative Financial Statements” – paragraph 18
- ISA 720, “The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements” – paragraphs 10, 13 and 16

Appendix 2

(Ref: Para. 16(a), A17)

Qualitative Aspects of Accounting Practices

The communication required by paragraph 16(a), and discussed in paragraph A17, may include such matters as:

Accounting Policies

- The appropriateness of the accounting policies to the particular circumstances of the entity, having regard to the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements. Where acceptable alternative accounting policies exist, the communication may include identification of the financial statement items that are affected by the choice of significant accounting policies as well as information on accounting policies used by similar entities.
- The initial selection of, and changes in significant accounting policies, including the application of new accounting pronouncements. The communication may include: the effect of the timing and method of adoption of a change in accounting policy on the current and future earnings of the entity; and the timing of a change in accounting policies in relation to expected new accounting pronouncements.
- The effect of significant accounting policies in controversial or emerging areas (or those unique to an industry, particularly when there is a lack of authoritative guidance or consensus).
- The effect of the timing of transactions in relation to the period in which they are recorded.

Accounting Estimates

- For items for which estimates are significant, issues discussed in ISA 540,¹² including, for example:
 - Management's identification of accounting estimates.
 - Management's process for making accounting estimates.
 - Risks of material misstatement.
 - Indicators of possible management bias.

¹² ISA 540, "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures."

- Disclosure of estimation uncertainty in the financial statements.

Financial Statement Disclosures

- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures (for example, disclosures related to revenue recognition, remuneration, going concern, subsequent events, and contingency issues).
- The overall neutrality, consistency and clarity of the disclosures in the financial statements.

Related Matters

- The potential effect on the financial statements of significant risks, exposures and uncertainties, such as pending litigation, that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions, including non-recurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The factors affecting asset and liability carrying values, including the entity's bases for determining useful lives assigned to tangible and intangible assets. The communication may explain how factors affecting carrying values were selected and how alternative selections would have affected the financial statements.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

ISSAI 1265

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INTOSAI



Directriz de auditoría financiera

Comunicación de deficiencias de control interno a los encargados de la gobernanza y a la dirección

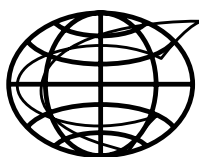
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 265 “Comunicación de deficiencias de control interno a los encargados de la gobernanza y a la dirección” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1265

NOTA DE PRÁCTICA PARA LA NIA 265	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	P3
Exigencias	P4
Identificación de los encargados de la gobernanza en el sector público	P5
Identificación de deficiencias en el control interno	P6
NORMA INTERNACIONAL DE AUDITORÍA 265	
Introducción	
Alcance de la NIA	1–3
Fecha de entrada en vigor	4
Objetivo	5
Definiciones	6
Exigencias	7–11
Disposiciones de aplicación y otras disposiciones explicativas	
Identificación de deficiencias en el control interno	A1–A4
Deficiencias significativas en el control interno	A5–A11
Comunicación de deficiencias en el control interno	A12–A30

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 265

Comunicación de deficiencias de control interno a los encargados de la gobernanza y a la dirección

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 265 “Comunicación de deficiencias de control interno a los encargados de la gobernanza y a la dirección” y debe leerse conjuntamente con ella. La NIA 265 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 265 establece la obligación del auditor de comunicar de manera adecuada a los encargados de la gobernanza y a la dirección las deficiencias en el control interno que el auditor haya identificado en una auditoría de los estados financieros. La NIA 260 no impone al auditor unas obligaciones adicionales de adquirir conocimientos del control interno y concebir y aplicar pruebas de controles además de las exigencias fijadas en las NIA 315² y 330³. La NIA 260⁴ establece otros requisitos y proporciona orientaciones con respecto a la obligación del auditor de comunicarse con los encargados de la gobernanza en relación con la auditoría.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Exigencias.
 - b) Identificación de los encargados de la gobernanza en el sector público.
 - c) Identificación de deficiencias en el control interno.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI.”
² NIA 315, “Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno.” apartados 4 y 12.
³ NIA 330, “Respuesta del auditor ante los riesgos evaluados.”
⁴ NIA 260, “Comunicación con los encargados de la gobernanza.”

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 265 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 265 contiene material de aplicación y explicativo con consideraciones específicas a las entidades del sector público en el párrafo A27.

Exigencias

- P4. Como se indica en el párrafo A27 de la NIA, los auditores del sector público pueden tener obligaciones adicionales relativas a la comunicación de deficiencias del control interno. Entre dichas obligaciones se pueden encontrar la de informar a otras instancias, como el poder judicial, así como la notificación de cuestiones adicionales a las exigencias expuestas en los párrafos 9 y 10 de la NIA.

Identificación de los encargados de la gobernanza en el sector público

- P5. Al estudiar los requisitos del párrafo 9 de la NIA, los auditores del sector público consideran que, en el sector público, identificar a los encargados de la gobernanza puede resultar más complejo que en el sector privado. La ISSAI 1260 facilita orientaciones para los auditores del sector público sobre la identificación de los encargados de la gobernanza en este tipo de entidades.

Identificación de deficiencias en el control interno

- P6. Al determinar si se han identificado o no deficiencias en el control interno, los auditores del sector público pueden necesitar identificar cualquier legislación aplicable al control interno y los requisitos de dicha legislación que resulten pertinentes para la entidad del sector público.

International Standard on Auditing

**Communicating Deficiencies
in Internal Control to Those
Charged with Governance
and Management**



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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INTERNATIONAL STANDARD ON AUDITING 265

COMMUNICATING DEFICIENCIES IN INTERNAL CONTROL TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1-3
Effective Date	4
Objective	5
Definitions	6
Requirements	7-11
Application and Other Explanatory Material	
Determination of Whether Deficiencies in Internal Control Have Been Identified	A1-A4
Significant Deficiencies in Internal Control	A5-A11
Communication of Deficiencies in Internal Control	A12-A30

International Standard on Auditing (ISA) 265, “Communicating Deficiencies in Internal Control to Those Charged with Governance and Management” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to communicate appropriately to those charged with governance and management deficiencies in internal control¹ that the auditor has identified in an audit of financial statements. This ISA does not impose additional responsibilities on the auditor regarding obtaining an understanding of internal control and designing and performing tests of controls over and above the requirements of ISA 315 and ISA 330.² ISA 260³ establishes further requirements and provides guidance regarding the auditor's responsibility to communicate with those charged with governance in relation to the audit.
2. The auditor is required to obtain an understanding of internal control relevant to the audit when identifying and assessing the risks of material misstatement.⁴ In making those risk assessments, the auditor considers internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The auditor may identify deficiencies in internal control not only during this risk assessment process but also at any other stage of the audit. This ISA specifies which identified deficiencies the auditor is required to communicate to those charged with governance and management.
3. Nothing in this ISA precludes the auditor from communicating to those charged with governance and management other internal control matters that the auditor has identified during the audit.

Effective Date

4. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

5. The objective of the auditor is to communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified during the audit and that, in the auditor's professional judgment, are of sufficient importance to merit their respective attentions.

¹ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment," paragraphs 4 and 12.

² ISA 330, "The Auditor's Responses to Assessed Risks."

³ ISA 260, "Communication with Those Charged with Governance."

⁴ ISA 315, paragraph 12. Paragraphs A60-A65 provide guidance on controls relevant to the audit.

Definitions

6. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Deficiency in internal control – This exists when:
 - (i) A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis; or
 - (ii) A control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.
 - (b) Significant deficiency in internal control – A deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance. (Ref: Para. A5)

Requirements

7. The auditor shall determine whether, on the basis of the audit work performed, the auditor has identified one or more deficiencies in internal control. (Ref: Para. A1-A4)
8. If the auditor has identified one or more deficiencies in internal control, the auditor shall determine, on the basis of the audit work performed, whether, individually or in combination, they constitute significant deficiencies. (Ref: Para. A5-A11)
9. The auditor shall communicate in writing significant deficiencies in internal control identified during the audit to those charged with governance on a timely basis. (Ref: Para. A12-A18, A27)
10. The auditor shall also communicate to management at an appropriate level of responsibility on a timely basis: (Ref: Para. A19, A27)
 - (a) In writing, significant deficiencies in internal control that the auditor has communicated or intends to communicate to those charged with governance, unless it would be inappropriate to communicate directly to management in the circumstances; and (Ref: Para. A14, A20-A21)
 - (b) Other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in the auditor's professional judgment, are of sufficient importance to merit management's attention. (Ref: Para. A22-A26)

11. The auditor shall include in the written communication of significant deficiencies in internal control:
- (a) A description of the deficiencies and an explanation of their potential effects; and (Ref: Para. A28)
 - (b) Sufficient information to enable those charged with governance and management to understand the context of the communication. In particular, the auditor shall explain that: (Ref: Para. A29-A30)
 - (i) The purpose of the audit was for the auditor to express an opinion on the financial statements;
 - (ii) The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control; and
 - (iii) The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance.

Application and Other Explanatory Material

Determination of Whether Deficiencies in Internal Control Have Been Identified (Ref: Para. 7)

- A1. In determining whether the auditor has identified one or more deficiencies in internal control, the auditor may discuss the relevant facts and circumstances of the auditor's findings with the appropriate level of management. This discussion provides an opportunity for the auditor to alert management on a timely basis to the existence of deficiencies of which management may not have been previously aware. The level of management with whom it is appropriate to discuss the findings is one that is familiar with the internal control area concerned and that has the authority to take remedial action on any identified deficiencies in internal control. In some circumstances, it may not be appropriate for the auditor to discuss the auditor's findings directly with management, for example, if the findings appear to call management's integrity or competence into question (see paragraph A20).
- A2. In discussing the facts and circumstances of the auditor's findings with management, the auditor may obtain other relevant information for further consideration, such as:

- Management's understanding of the actual or suspected causes of the deficiencies.
- Exceptions arising from the deficiencies that management may have noted, for example, misstatements that were not prevented by the relevant information technology (IT) controls.
- A preliminary indication from management of its response to the findings.

Considerations Specific to Smaller Entities

- A3. While the concepts underlying control activities in smaller entities are likely to be similar to those in larger entities, the formality with which they operate will vary. Further, smaller entities may find that certain types of control activities are not necessary because of controls applied by management. For example, management's sole authority for granting credit to customers and approving significant purchases can provide effective control over important account balances and transactions, lessening or removing the need for more detailed control activities.
- A4. Also, smaller entities often have fewer employees which may limit the extent to which segregation of duties is practicable. However, in a small owner-managed entity, the owner-manager may be able to exercise more effective oversight than in a larger entity. This higher level of management oversight needs to be balanced against the greater potential for management override of controls.

Significant Deficiencies in Internal Control (Ref: Para. 6(b), 8)

- A5. The significance of a deficiency or a combination of deficiencies in internal control depends not only on whether a misstatement has actually occurred, but also on the likelihood that a misstatement could occur and the potential magnitude of the misstatement. Significant deficiencies may therefore exist even though the auditor has not identified misstatements during the audit.
- A6. Examples of matters that the auditor may consider in determining whether a deficiency or combination of deficiencies in internal control constitutes a significant deficiency include:
- The likelihood of the deficiencies leading to material misstatements in the financial statements in the future.
 - The susceptibility to loss or fraud of the related asset or liability.
 - The subjectivity and complexity of determining estimated amounts, such as fair value accounting estimates.
 - The financial statement amounts exposed to the deficiencies.

- The volume of activity that has occurred or could occur in the account balance or class of transactions exposed to the deficiency or deficiencies.
- The importance of the controls to the financial reporting process; for example:
 - General monitoring controls (such as oversight of management).
 - Controls over the prevention and detection of fraud.
 - Controls over the selection and application of significant accounting policies.
 - Controls over significant transactions with related parties.
 - Controls over significant transactions outside the entity's normal course of business.
 - Controls over the period-end financial reporting process (such as controls over non-recurring journal entries).
- The cause and frequency of the exceptions detected as a result of the deficiencies in the controls.
- The interaction of the deficiency with other deficiencies in internal control.

A7. Indicators of significant deficiencies in internal control include, for example:

- Evidence of ineffective aspects of the control environment, such as:
 - Indications that significant transactions in which management is financially interested are not being appropriately scrutinized by those charged with governance.
 - Identification of management fraud, whether or not material, that was not prevented by the entity's internal control.
 - Management's failure to implement appropriate remedial action on significant deficiencies previously communicated.
- Absence of a risk assessment process within the entity where such a process would ordinarily be expected to have been established.
- Evidence of an ineffective entity risk assessment process, such as management's failure to identify a risk of material misstatement that the auditor would expect the entity's risk assessment process to have identified.
- Evidence of an ineffective response to identified significant risks (for example, absence of controls over such a risk).

- Misstatements detected by the auditor's procedures that were not prevented, or detected and corrected, by the entity's internal control.
 - Restatement of previously issued financial statements to reflect the correction of a material misstatement due to error or fraud.
 - Evidence of management's inability to oversee the preparation of the financial statements.
- A8. Controls may be designed to operate individually or in combination to effectively prevent, or detect and correct, misstatements.⁵ For example, controls over accounts receivable may consist of both automated and manual controls designed to operate together to prevent, or detect and correct, misstatements in the account balance. A deficiency in internal control on its own may not be sufficiently important to constitute a significant deficiency. However, a combination of deficiencies affecting the same account balance or disclosure, relevant assertion, or component of internal control may increase the risks of misstatement to such an extent as to give rise to a significant deficiency.
- A9. Law or regulation in some jurisdictions may establish a requirement (particularly for audits of listed entities) for the auditor to communicate to those charged with governance or to other relevant parties (such as regulators) one or more specific types of deficiency in internal control that the auditor has identified during the audit. Where law or regulation has established specific terms and definitions for these types of deficiency and requires the auditor to use these terms and definitions for the purpose of the communication, the auditor uses such terms and definitions when communicating in accordance with the legal or regulatory requirement.
- A10. Where the jurisdiction has established specific terms for the types of deficiency in internal control to be communicated but has not defined such terms, it may be necessary for the auditor to use judgment to determine the matters to be communicated further to the legal or regulatory requirement. In doing so, the auditor may consider it appropriate to have regard to the requirements and guidance in this ISA. For example, if the purpose of the legal or regulatory requirement is to bring to the attention of those charged with governance certain internal control matters of which they should be aware, it may be appropriate to regard such matters as being generally equivalent to the significant deficiencies required by this ISA to be communicated to those charged with governance.
- A11. The requirements of this ISA remain applicable notwithstanding that law or regulation may require the auditor to use specific terms or definitions.

⁵ ISA 315, paragraph A66.

Communication of Deficiencies in Internal Control

Communication of Significant Deficiencies in Internal Control to Those Charged with Governance (Ref: Para. 9)

- A12. Communicating significant deficiencies in writing to those charged with governance reflects the importance of these matters, and assists those charged with governance in fulfilling their oversight responsibilities. ISA 260 establishes relevant considerations regarding communication with those charged with governance when all of them are involved in managing the entity.⁶
- A13. In determining when to issue the written communication, the auditor may consider whether receipt of such communication would be an important factor in enabling those charged with governance to discharge their oversight responsibilities. In addition, for listed entities in certain jurisdictions, those charged with governance may need to receive the auditor's written communication before the date of approval of the financial statements in order to discharge specific responsibilities in relation to internal control for regulatory or other purposes. For other entities, the auditor may issue the written communication at a later date. Nevertheless, in the latter case, as the auditor's written communication of significant deficiencies forms part of the final audit file, the written communication is subject to the overriding requirement⁷ for the auditor to complete the assembly of the final audit file on a timely basis. ISA 230 states that an appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.⁸
- A14. Regardless of the timing of the written communication of significant deficiencies, the auditor may communicate these orally in the first instance to management and, when appropriate, to those charged with governance to assist them in taking timely remedial action to minimize the risks of material misstatement. Doing so, however, does not relieve the auditor of the responsibility to communicate the significant deficiencies in writing, as this ISA requires.
- A15. The level of detail at which to communicate significant deficiencies is a matter of the auditor's professional judgment in the circumstances. Factors that the auditor may consider in determining an appropriate level of detail for the communication include, for example:

⁶ ISA 260, paragraph 13.

⁷ ISA 230, "Audit Documentation," paragraph 14.

⁸ ISA 230, paragraph A21.

- The nature of the entity. For instance, the communication required for a public interest entity may be different from that for a non-public interest entity.
 - The size and complexity of the entity. For instance, the communication required for a complex entity may be different from that for an entity operating a simple business.
 - The nature of significant deficiencies that the auditor has identified.
 - The entity's governance composition. For instance, more detail may be needed if those charged with governance include members who do not have significant experience in the entity's industry or in the affected areas.
 - Legal or regulatory requirements regarding the communication of specific types of deficiency in internal control.
- A16. Management and those charged with governance may already be aware of significant deficiencies that the auditor has identified during the audit and may have chosen not to remedy them because of cost or other considerations. The responsibility for evaluating the costs and benefits of implementing remedial action rests with management and those charged with governance. Accordingly, the requirement in paragraph 9 applies regardless of cost or other considerations that management and those charged with governance may consider relevant in determining whether to remedy such deficiencies.
- A17. The fact that the auditor communicated a significant deficiency to those charged with governance and management in a previous audit does not eliminate the need for the auditor to repeat the communication if remedial action has not yet been taken. If a previously communicated significant deficiency remains, the current year's communication may repeat the description from the previous communication, or simply reference the previous communication. The auditor may ask management or, where appropriate, those charged with governance, why the significant deficiency has not yet been remedied. A failure to act, in the absence of a rational explanation, may in itself represent a significant deficiency.

Considerations Specific to Smaller Entities

- A18. In the case of audits of smaller entities, the auditor may communicate in a less structured manner with those charged with governance than in the case of larger entities.

Communication of Deficiencies in Internal Control to Management (Ref: Para. 10)

- A19. Ordinarily, the appropriate level of management is the one that has responsibility and authority to evaluate the deficiencies in internal control and to take the necessary remedial action. For significant deficiencies, the

appropriate level is likely to be the chief executive officer or chief financial officer (or equivalent) as these matters are also required to be communicated to those charged with governance. For other deficiencies in internal control, the appropriate level may be operational management with more direct involvement in the control areas affected and with the authority to take appropriate remedial action.

Communication of Significant Deficiencies in Internal Control to Management (Ref: Para. 10(a))

- A20. Certain identified significant deficiencies in internal control may call into question the integrity or competence of management. For example, there may be evidence of fraud or intentional non-compliance with laws and regulations by management, or management may exhibit an inability to oversee the preparation of adequate financial statements that may raise doubt about management's competence. Accordingly, it may not be appropriate to communicate such deficiencies directly to management.
- A21. ISA 250 establishes requirements and provides guidance on the reporting of identified or suspected non-compliance with laws and regulations, including when those charged with governance are themselves involved in such non-compliance.⁹ ISA 240 establishes requirements and provides guidance regarding communication to those charged with governance when the auditor has identified fraud or suspected fraud involving management.¹⁰

Communication of Other Deficiencies in Internal Control to Management (Ref: Para. 10(b))

- A22. During the audit, the auditor may identify other deficiencies in internal control that are not significant deficiencies but that may be of sufficient importance to merit management's attention. The determination as to which other deficiencies in internal control merit management's attention is a matter of professional judgment in the circumstances, taking into account the likelihood and potential magnitude of misstatements that may arise in the financial statements as a result of those deficiencies.
- A23. The communication of other deficiencies in internal control that merit management's attention need not be in writing but may be oral. Where the auditor has discussed the facts and circumstances of the auditor's findings with management, the auditor may consider an oral communication of the other deficiencies to have been made to management at the time of these discussions. Accordingly, a formal communication need not be made subsequently.

⁹ ISA 250, "Consideration of Laws and Regulations in an Audit of Financial Statements," paragraphs 22-28.

¹⁰ ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements," paragraph 41.

- A24. If the auditor has communicated deficiencies in internal control other than significant deficiencies to management in a prior period and management has chosen not to remedy them for cost or other reasons, the auditor need not repeat the communication in the current period. The auditor is also not required to repeat information about such deficiencies if it has been previously communicated to management by other parties, such as internal auditors or regulators. It may, however, be appropriate for the auditor to re-communicate these other deficiencies if there has been a change of management, or if new information has come to the auditor's attention that alters the prior understanding of the auditor and management regarding the deficiencies. Nevertheless, the failure of management to remedy other deficiencies in internal control that were previously communicated may become a significant deficiency requiring communication with those charged with governance. Whether this is the case depends on the auditor's judgment in the circumstances.
- A25. In some circumstances, those charged with governance may wish to be made aware of the details of other deficiencies in internal control the auditor has communicated to management, or be briefly informed of the nature of the other deficiencies. Alternatively, the auditor may consider it appropriate to inform those charged with governance of the communication of the other deficiencies to management. In either case, the auditor may report orally or in writing to those charged with governance as appropriate.
- A26. ISA 260 establishes relevant considerations regarding communication with those charged with governance when all of them are involved in managing the entity.¹¹

Considerations Specific to Public Sector Entities (Ref: Para. 9-10)

- A27. Public sector auditors may have additional responsibilities to communicate deficiencies in internal control that the auditor has identified during the audit, in ways, at a level of detail and to parties not envisaged in this ISA. For example, significant deficiencies may have to be communicated to the legislature or other governing body. Law, regulation or other authority may also mandate that public sector auditors report deficiencies in internal control, irrespective of the significance of the potential effects of those deficiencies. Further, legislation may require public sector auditors to report on broader internal control-related matters than the deficiencies in internal control required to be communicated by this ISA, for example, controls related to compliance with legislative authorities, regulations, or provisions of contracts or grant agreements.

¹¹ ISA 260, paragraph 13.

Content of Written Communication of Significant Deficiencies in Internal Control
(Ref: Para. 11)

- A28. In explaining the potential effects of the significant deficiencies, the auditor need not quantify those effects. The significant deficiencies may be grouped together for reporting purposes where it is appropriate to do so. The auditor may also include in the written communication suggestions for remedial action on the deficiencies, management's actual or proposed responses, and a statement as to whether or not the auditor has undertaken any steps to verify whether management's responses have been implemented.
- A29. The auditor may consider it appropriate to include the following information as additional context for the communication:
- An indication that if the auditor had performed more extensive procedures on internal control, the auditor might have identified more deficiencies to be reported, or concluded that some of the reported deficiencies need not, in fact, have been reported.
 - An indication that such communication has been provided for the purposes of those charged with governance, and that it may not be suitable for other purposes.
- A30. Law or regulation may require the auditor or management to furnish a copy of the auditor's written communication on significant deficiencies to appropriate regulatory authorities. Where this is the case, the auditor's written communication may identify such regulatory authorities.

ISSAI 1300

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INTOSAI



Directriz de auditoría financiera

Planificación de una auditoría de estados financieros

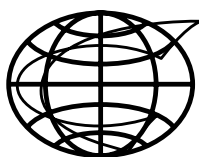
COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 300 "Planificación de una auditoría de estados financieros" formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1300

Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Consideraciones generales	P3
Función y calendario de la planificación	P4–P5
Actividades preliminares	P6
Actividades de planificación	P7
Consideraciones específicas para entidades de pequeño tamaño	P8
Documentación	P9
Consideraciones adicionales un primer encargo de auditoría	P10
Consideraciones específicas para auditores del sector público con poderes jurisdiccionales	P11–P12
Alcance de la NIA	1
Función y calendario de la planificación	2
Fecha de entrada en vigor	3
Involvement of Key Engagement Team Members	5
Preliminary Engagement Activities	6
Planning Activities	7–11
Documentation	12
Additional Considerations in Initial Audit Engagements	13
Participación de los miembros clave del equipo auditor	5
Actividades preliminares	6
Actividades de planificación	7–11
Documentación	12
Consideraciones adicionales un primer encargo de auditoría	13

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 300

Planificación de una auditoría de estados financieros

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 300 “Planificación de una auditoría de estados financieros”, y debe leerse conjuntamente con ella. La NIA 300 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 300 establece la obligación del auditor de planificar una auditoría de estados financieros, y está redactada en el contexto de las auditorías recurrentes. Las consideraciones adicionales para un primer encargo de auditoría se tratan por separado.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Función y calendario de la planificación.
 - c) Actividades preliminares.
 - d) Actividades de planificación.
 - e) Consideraciones específicas para entidades de pequeño tamaño.
 - f) Documentación.
 - g) Consideraciones adicionales un primer encargo de auditoría.
 - h) Consideraciones específicas para auditores del sector público con función jurisdiccional.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 300 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI.”

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales

- P3. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría derivado de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo puede contener objetivos adicionales, entre ellos obligaciones de auditoría o de información, cuando los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden esperar de los auditores del sector público que notifiquen cualquier caso de falta de conformidad con las normas que hayan detectado durante la auditoría o informen sobre la eficacia del control interno. Así pues, los auditores del sector público han de tomar en consideración estas expectativas y mantenerse alerta ante los riesgos que puedan dar lugar a incumplimiento o riesgos relativos a la eficacia del control interno al planificar y ejecutar la auditoría.

Función y calendario de la planificación

- P4. El párrafo 2 de la NIA expone las ventajas de una buena planificación. El material de aplicación y explicativo de los párrafos A1 a A3 proporciona orientaciones sobre la función y el calendario de la planificación. En el sector público, pueden darse, entre otras, las siguientes consideraciones adicionales relativas a la planificación:
- Adquirir conocimiento del marco legal y reglamentario aplicable a la entidad debido a los objetivos más amplios de la auditoría.
 - Implicaciones que puede tener para la auditoría de los estados financieros el conocimiento obtenido de auditorías de rendimiento u otras actividades de auditoría pertinentes para la entidad, incluidas las implicaciones de recomendaciones previas.
 - Implicaciones que puede tener para la auditoría de los estados financieros el conocimiento obtenido de actividades de planificación en relación con el departamento y el ministerio correspondientes.
 - Las expectativas del poder legislativo y otros destinatarios del informe del auditor.
- P5. El apartado A3 de las NIA señala que el auditor puede decidir debatir elementos de planificación con la dirección de la entidad para facilitar el desarrollo y la gestión del trabajo de auditoría. La legislación, la reglamentación o el mandato de auditoría pueden limitar lo que el auditor pueda discutir sobre la estrategia y el plan de la auditoría. Los auditores del sector público se deberán familiarizar con estas leyes, reglamentos o mandatos de auditoría.

Actividades preliminares

- P6. El párrafo 6 de la NIA expone las actividades que se han de emprender al inicio de un trabajo de auditoría en curso, y consisten en la aplicación de los procedimientos exigidos por la NIA 220,

con respecto a la continuación de las relaciones con clientes y de trabajos específicos de auditoría, la evaluación del cumplimiento de las obligaciones éticas, incluida la independencia, de conformidad con la NIA 220, y el establecimiento de un acuerdo sobre los términos del trabajo, con arreglo a la NIA 210. El proceso de continuación del encargo para los auditores del sector público se ve afectado por el hecho de que éstos pueden no tener la opción de rescindir un trabajo. Si los auditores del sector público acceden a información que normalmente daría lugar a rechazar o interrumpir un trabajo, tendrán en cuenta dicha información al proceder a actividades adicionales de planificación y evaluación de riesgos. Asimismo, los auditores del sector público también pueden tener la obligación normativa de informar de estas cuestiones, para lo cual pueden necesitar de asesoramiento jurídico.

Actividades de planificación

- P7. El párrafo 8 de la NIA recomienda procedimientos a aplicar al establecer la estrategia global de auditoría. Al identificar las características del trabajo que definen su alcance (subpárrafo 8 a) de la NIA), los auditores del sector público han de tener en cuenta características suplementarias, como por ejemplo:
- Obligaciones adicionales para la entidad en materia de elaboración de informes establecidas por el poder legislativo, que pueden influir en el alcance y en el calendario de la auditoría, así como en la naturaleza de la comunicación. Como ejemplo de estas obligaciones adicionales puede mencionarse la exigencia, para la entidad, de informar sobre la existencia de financiación pública, incluidas subvenciones.
 - Obligaciones adicionales para los auditores del sector público resultantes del mandato de auditoría u otros requisitos que puedan influir en el alcance y en el calendario de la auditoría, así como en la naturaleza de la comunicación, como por ejemplo, la notificación de casos de incumplimiento de las autoridades, incluidos presupuestos y marcos contables, o informar de la eficacia del control interno.

Consideraciones específicas para las entidades de pequeño tamaño

- P8. Los párrafos A11, A15 y A19 de la NIA contienen orientaciones específicas para las entidades de pequeño tamaño. Las auditorías de pequeñas entidades del sector público no suelen ser dirigidas por un solo profesional. Por otra parte, debido a la estructura de presentación de informes de las entidades públicas, normalmente no existe el concepto de director-propietario. En el sector público las estructuras de control de entidades de pequeño tamaño a menudo forman parte de la estructura de control de un órgano gubernamental mayor. Así pues, el planteamiento de que existen pocas actividades de control pertinentes, descrito en el párrafo A19 de la NIA, a menudo resulta inadecuado en el sector público, y los planes de auditoría de los auditores de este sector pueden incluir aspectos adicionales de control del órgano gubernamental más amplio.

6 ISSAI 4000, "General Introduction to Guidelines on Compliance Audit."

7 ISSAI 4200, "Compliance Audit Guidelines Related to Audit of Financial Statements."

8 ISAE 3000, "Assurance Engagements Others than Audits or Reviews of Historical Financial Information."

9 ISSAI 4100, "Compliance Audit Guidelines for Audits Performed Separately from the Audit of Financial Statements."

10 ISSAI 30, "INTOSAI Code of Ethics."

11 ISSAI 4200, "Compliance Audit Guidelines Related to Audit of Financial Statements."

Documentación

- P9. El párrafo 12 de la NIA exige al auditor documentar la estrategia global de auditoría y el plan de auditoría, así como los cambios significativos que se hayan introducido en estos documentos durante la auditoría y los motivos de dichos cambios. En el sector público, es posible que terceras partes tengan acceso a la documentación de auditoría, por lo que los auditores de este sector se familiarizarán con la legislación pertinente y determinarán las implicaciones para su documentación de auditoría.

Consideraciones adicionales un primer encargo de auditoría

- P10. El párrafo 13 de la NIA, complementado con el material de aplicación y explicativo fijado en el párrafo A20, exige al auditor que realice determinadas actividades antes de comenzar un primer encargo de auditoría. En el sector público, los trabajos normalmente no se inician de la misma manera que en el sector privado y los auditores del sector público pueden ser seleccionados tras un proceso de selección competitivo o pueden ser designados estatutariamente. No obstante, las orientaciones que figuran en los párrafos 13 y A20 de la NIA son aplicables para los auditores del sector público cuando se dan las circunstancias descritas.

Consideraciones específicas para los auditores del sector público con funciones jurisdiccionales

- P11. En algunos entornos del sector público, como en un Tribunal de Cuentas, el informe de los auditores a menudo es examinado y utilizado para determinar consecuencias legales de carácter personal para los responsables de actos financieros, incluidas cuestiones de importancia, deficiencias de control y casos de falta de conformidad con las normas. Los auditores del sector público de tales entornos, por lo tanto, pueden planificar y aplicar procedimientos para cumplir la normativa e identificar a los responsables de los actos financieros.
- P12. Los auditores del sector público de entornos como el contemplado en el párrafo P11 también pueden trabajar estrechamente con el ministerio fiscal y la policía al tratar fraudes financieros y, en su caso, obtener información de ellos.

International Standard on Auditing

Planning an Audit of Financial Statements



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INTERNATIONAL STANDARD ON AUDITING 300

PLANNING AN AUDIT OF FINANCIAL STATEMENTS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
The Role and Timing of Planning	2
Effective Date	3
Objective	4
Requirements	
Involvement of Key Engagement Team Members	5
Preliminary Engagement Activities	6
Planning Activities	7-11
Documentation	12
Additional Considerations in Initial Audit Engagements	13
Application and Other Explanatory Material	
The Role and Timing of Planning	A1-A3
Involvement of Key Engagement Team Members	A4
Preliminary Engagement Activities	A5-A7
Planning Activities	A8-A15
Documentation	A16-A19
Additional Considerations in Initial Audit Engagements	A20
Appendix: Considerations in Establishing the Overall Audit Strategy	

International Standard on Auditing (ISA) 300, “Planning an Audit of Financial Statements” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to plan an audit of financial statements. This ISA is written in the context of recurring audits. Additional considerations in an initial audit engagement are separately identified.

The Role and Timing of Planning

2. Planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan. Adequate planning benefits the audit of financial statements in several ways, including the following: (Ref: Para. A1-A3)
 - Helping the auditor to devote appropriate attention to important areas of the audit.
 - Helping the auditor identify and resolve potential problems on a timely basis.
 - Helping the auditor properly organize and manage the audit engagement so that it is performed in an effective and efficient manner.
 - Assisting in the selection of engagement team members with appropriate levels of capabilities and competence to respond to anticipated risks, and the proper assignment of work to them.
 - Facilitating the direction and supervision of engagement team members and the review of their work.
 - Assisting, where applicable, in coordination of work done by auditors of components and experts.

Effective Date

3. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

4. The objective of the auditor is to plan the audit so that it will be performed in an effective manner.

Requirements

Involvement of Key Engagement Team Members

5. The engagement partner and other key members of the engagement team shall be involved in planning the audit, including planning and participating in the discussion among engagement team members. (Ref: Para. A4)

Preliminary Engagement Activities

6. The auditor shall undertake the following activities at the beginning of the current audit engagement:
 - (a) Performing procedures required by ISA 220 regarding the continuance of the client relationship and the specific audit engagement;¹
 - (b) Evaluating compliance with relevant ethical requirements, including independence, in accordance with ISA 220;² and
 - (c) Establishing an understanding of the terms of the engagement, as required by ISA 210.³ (Ref: Para. A5-A7)

Planning Activities

7. The auditor shall establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.
8. In establishing the overall audit strategy, the auditor shall:
 - (a) Identify the characteristics of the engagement that define its scope;
 - (b) Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required;
 - (c) Consider the factors that, in the auditor's professional judgment, are significant in directing the engagement team's efforts;
 - (d) Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant; and
 - (e) Ascertain the nature, timing and extent of resources necessary to perform the engagement. (Ref: Para. A8-A11)
9. The auditor shall develop an audit plan that shall include a description of:
 - (a) The nature, timing and extent of planned risk assessment procedures, as determined under ISA 315.⁴
 - (b) The nature, timing and extent of planned further audit procedures at the assertion level, as determined under ISA 330.⁵

¹ ISA 220, "Quality Control for an Audit of Financial Statements," paragraphs 12-13.

² ISA 220, paragraphs 9-11.

³ ISA 210, "Agreeing the Terms of Audit Engagements," paragraphs 9-13.

⁴ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

⁵ ISA 330, "The Auditor's Responses to Assessed Risks."

- (c) Other planned audit procedures that are required to be carried out so that the engagement complies with ISAs. (Ref: Para. A12)
- 10. The auditor shall update and change the overall audit strategy and the audit plan as necessary during the course of the audit. (Ref: Para. A13)
- 11. The auditor shall plan the nature, timing and extent of direction and supervision of engagement team members and the review of their work. (Ref: Para. A14-A15)

Documentation

- 12. The auditor shall include in the audit documentation:⁶
 - (a) The overall audit strategy;
 - (b) The audit plan; and
 - (c) Any significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes. (Ref: Para. A16-A19)

Additional Considerations in Initial Audit Engagements

- 13. The auditor shall undertake the following activities prior to starting an initial audit:
 - (a) Performing procedures required by ISA 220 regarding the acceptance of the client relationship and the specific audit engagement;⁷ and
 - (b) Communicating with the predecessor auditor, where there has been a change of auditors, in compliance with relevant ethical requirements. (Ref: Para. A20)

Application and Other Explanatory Material

The Role and Timing of Planning (Ref: Para. 2)

- A1. The nature and extent of planning activities will vary according to the size and complexity of the entity, the key engagement team members' previous experience with the entity, and changes in circumstances that occur during the audit engagement.
- A2. Planning is not a discrete phase of an audit, but rather a continual and iterative process that often begins shortly after (or in connection with) the completion of

⁶ ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

⁷ ISA 220, paragraphs 12-13.

the previous audit and continues until the completion of the current audit engagement. Planning, however, includes consideration of the timing of certain activities and audit procedures that need to be completed prior to the performance of further audit procedures. For example, planning includes the need to consider, prior to the auditor's identification and assessment of the risks of material misstatement, such matters as:

- The analytical procedures to be applied as risk assessment procedures.
- Obtaining a general understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework.
- The determination of materiality.
- The involvement of experts.
- The performance of other risk assessment procedures.

A3. The auditor may decide to discuss elements of planning with the entity's management to facilitate the conduct and management of the audit engagement (for example, to coordinate some of the planned audit procedures with the work of the entity's personnel). Although these discussions often occur, the overall audit strategy and the audit plan remain the auditor's responsibility. When discussing matters included in the overall audit strategy or audit plan, care is required in order not to compromise the effectiveness of the audit. For example, discussing the nature and timing of detailed audit procedures with management may compromise the effectiveness of the audit by making the audit procedures too predictable.

Involvement of Key Engagement Team Members (Ref: Para. 5)

A4. The involvement of the engagement partner and other key members of the engagement team in planning the audit draws on their experience and insight, thereby enhancing the effectiveness and efficiency of the planning process.⁸

Preliminary Engagement Activities (Ref: Para. 6)

A5. Performing the preliminary engagement activities specified in paragraph 6 at the beginning of the current audit engagement assists the auditor in identifying and evaluating events or circumstances that may adversely affect the auditor's ability to plan and perform the audit engagement.

⁸ ISA 315, paragraph 10, establishes requirements and provides guidance on the engagement team's discussion of the susceptibility of the entity to material misstatements of the financial statements. ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements," paragraph 15, provides guidance on the emphasis given during this discussion to the susceptibility of the entity's financial statements to material misstatement due to fraud.

- A6. Performing these preliminary engagement activities enables the auditor to plan an audit engagement for which, for example:
- The auditor maintains the necessary independence and ability to perform the engagement.
 - There are no issues with management integrity that may affect the auditor's willingness to continue the engagement.
 - There is no misunderstanding with the client as to the terms of the engagement.
- A7. The auditor's consideration of client continuance and relevant ethical requirements, including independence, occurs throughout the audit engagement as conditions and changes in circumstances occur. Performing initial procedures on both client continuance and evaluation of relevant ethical requirements (including independence) at the beginning of the current audit engagement means that they are completed prior to the performance of other significant activities for the current audit engagement. For continuing audit engagements, such initial procedures often occur shortly after (or in connection with) the completion of the previous audit.

Planning Activities

The Overall Audit Strategy (Ref: Para. 7-8)

- A8. The process of establishing the overall audit strategy assists the auditor to determine, subject to the completion of the auditor's risk assessment procedures, such matters as:
- The resources to deploy for specific audit areas, such as the use of appropriately experienced team members for high risk areas or the involvement of experts on complex matters;
 - The amount of resources to allocate to specific audit areas, such as the number of team members assigned to observe the inventory count at material locations, the extent of review of other auditors' work in the case of group audits, or the audit budget in hours to allocate to high risk areas;
 - When these resources are to be deployed, such as whether at an interim audit stage or at key cut-off dates; and
 - How such resources are managed, directed and supervised, such as when team briefing and debriefing meetings are expected to be held, how engagement partner and manager reviews are expected to take place (for example, on-site or off-site), and whether to complete engagement quality control reviews.

- A9. The Appendix lists examples of considerations in establishing the overall audit strategy.
- A10. Once the overall audit strategy has been established, an audit plan can be developed to address the various matters identified in the overall audit strategy, taking into account the need to achieve the audit objectives through the efficient use of the auditor's resources. The establishment of the overall audit strategy and the detailed audit plan are not necessarily discrete or sequential processes, but are closely inter-related since changes in one may result in consequential changes to the other.

Considerations Specific to Smaller Entities

- A11. In audits of small entities, the entire audit may be conducted by a very small audit team. Many audits of small entities involve the engagement partner (who may be a sole practitioner) working with one engagement team member (or without any engagement team members). With a smaller team, co-ordination of, and communication between, team members are easier. Establishing the overall audit strategy for the audit of a small entity need not be a complex or time-consuming exercise; it varies according to the size of the entity, the complexity of the audit, and the size of the engagement team. For example, a brief memorandum prepared at the completion of the previous audit, based on a review of the working papers and highlighting issues identified in the audit just completed, updated in the current period based on discussions with the owner-manager, can serve as the documented audit strategy for the current audit engagement if it covers the matters noted in paragraph 8.

The Audit Plan (Ref: Para. 9)

- A12. The audit plan is more detailed than the overall audit strategy in that it includes the nature, timing and extent of audit procedures to be performed by engagement team members. Planning for these audit procedures takes place over the course of the audit as the audit plan for the engagement develops. For example, planning of the auditor's risk assessment procedures occurs early in the audit process. However, planning the nature, timing and extent of specific further audit procedures depends on the outcome of those risk assessment procedures. In addition, the auditor may begin the execution of further audit procedures for some classes of transactions, account balances and disclosures before planning all remaining further audit procedures.

Changes to Planning Decisions during the Course of the Audit (Ref: Para. 10)

- A13. As a result of unexpected events, changes in conditions, or the audit evidence obtained from the results of audit procedures, the auditor may need to modify the overall audit strategy and audit plan and thereby the resulting planned nature, timing and extent of further audit procedures, based on the revised consideration of assessed risks. This may be the case when information comes

to the auditor's attention that differs significantly from the information available when the auditor planned the audit procedures. For example, audit evidence obtained through the performance of substantive procedures may contradict the audit evidence obtained through tests of controls.

Direction, Supervision and Review (Ref: Para. 11)

A14. The nature, timing and extent of the direction and supervision of engagement team members and review of their work vary depending on many factors, including:

- The size and complexity of the entity.
- The area of the audit.
- The assessed risks of material misstatement (for example, an increase in the assessed risk of material misstatement for a given area of the audit ordinarily requires a corresponding increase in the extent and timeliness of direction and supervision of engagement team members, and a more detailed review of their work).
- The capabilities and competence of the individual team members performing the audit work.

ISA 220 contains further guidance on the direction, supervision and review of audit work.⁹

Considerations Specific to Smaller Entities

A15. If an audit is carried out entirely by the engagement partner, questions of direction and supervision of engagement team members and review of their work do not arise. In such cases, the engagement partner, having personally conducted all aspects of the work, will be aware of all material issues. Forming an objective view on the appropriateness of the judgments made in the course of the audit can present practical problems when the same individual also performs the entire audit. If particularly complex or unusual issues are involved, and the audit is performed by a sole practitioner, it may be desirable to consult with other suitably-experienced auditors or the auditor's professional body.

Documentation (Ref: Para. 12)

A16. The documentation of the overall audit strategy is a record of the key decisions considered necessary to properly plan the audit and to communicate significant matters to the engagement team. For example, the auditor may summarize the overall audit strategy in the form of a memorandum that contains key decisions regarding the overall scope, timing and conduct of the audit.

⁹ ISA 220, paragraphs 15-17.

- A17. The documentation of the audit plan is a record of the planned nature, timing and extent of risk assessment procedures and further audit procedures at the assertion level in response to the assessed risks. It also serves as a record of the proper planning of the audit procedures that can be reviewed and approved prior to their performance. The auditor may use standard audit programs or audit completion checklists, tailored as needed to reflect the particular engagement circumstances.
- A18. A record of the significant changes to the overall audit strategy and the audit plan, and resulting changes to the planned nature, timing and extent of audit procedures, explains why the significant changes were made, and the overall strategy and audit plan finally adopted for the audit. It also reflects the appropriate response to the significant changes occurring during the audit.

Considerations Specific to Smaller Entities

- A19. As discussed in paragraph A11, a suitable, brief memorandum may serve as the documented strategy for the audit of a smaller entity. For the audit plan, standard audit programs or checklists (see paragraph A17) drawn up on the assumption of few relevant control activities, as is likely to be the case in a smaller entity, may be used provided that they are tailored to the circumstances of the engagement, including the auditor's risk assessments.

Additional Considerations in Initial Audit Engagements (Ref: Para. 13)

- A20. The purpose and objective of planning the audit are the same whether the audit is an initial or recurring engagement. However, for an initial audit, the auditor may need to expand the planning activities because the auditor does not ordinarily have the previous experience with the entity that is considered when planning recurring engagements. For an initial audit engagement, additional matters the auditor may consider in establishing the overall audit strategy and audit plan include the following:
- Unless prohibited by law or regulation, arrangements to be made with the predecessor auditor, for example, to review the predecessor auditor's working papers.
 - Any major issues (including the application of accounting principles or of auditing and reporting standards) discussed with management in connection with the initial selection as auditor, the communication of these matters to those charged with governance and how these matters affect the overall audit strategy and audit plan.
 - The audit procedures necessary to obtain sufficient appropriate audit evidence regarding opening balances.¹⁰

¹⁰ ISA 510, "Initial Audit Engagements—Opening Balances."

- Other procedures required by the firm's system of quality control for initial audit engagements (for example, the firm's system of quality control may require the involvement of another partner or senior individual to review the overall audit strategy prior to commencing significant audit procedures or to review reports prior to their issuance).

Appendix

(Ref: Para. 7-8, A8-A11)

Considerations in Establishing the Overall Audit Strategy

This appendix provides examples of matters the auditor may consider in establishing the overall audit strategy. Many of these matters will also influence the auditor's detailed audit plan. The examples provided cover a broad range of matters applicable to many engagements. While some of the matters referred to below may be required by other ISAs, not all matters are relevant to every audit engagement and the list is not necessarily complete.

Characteristics of the Engagement

- The financial reporting framework on which the financial information to be audited has been prepared, including any need for reconciliations to another financial reporting framework.
- Industry-specific reporting requirements such as reports mandated by industry regulators.
- The expected audit coverage, including the number and locations of components to be included.
- The nature of the control relationships between a parent and its components that determine how the group is to be consolidated.
- The extent to which components are audited by other auditors.
- The nature of the business segments to be audited, including the need for specialized knowledge.
- The reporting currency to be used, including any need for currency translation for the financial information audited.
- The need for a statutory audit of standalone financial statements in addition to an audit for consolidation purposes.
- The availability of the work of internal auditors and the extent of the auditor's potential reliance on such work.
- The entity's use of service organizations and how the auditor may obtain evidence concerning the design or operation of controls performed by them.
- The expected use of audit evidence obtained in previous audits, for example, audit evidence related to risk assessment procedures and tests of controls.
- The effect of information technology on the audit procedures, including the availability of data and the expected use of computer-assisted audit techniques.

- The coordination of the expected coverage and timing of the audit work with any reviews of interim financial information and the effect on the audit of the information obtained during such reviews.
- The availability of client personnel and data.

Reporting Objectives, Timing of the Audit, and Nature of Communications

- The entity's timetable for reporting, such as at interim and final stages.
- The organization of meetings with management and those charged with governance to discuss the nature, timing and extent of the audit work.
- The discussion with management and those charged with governance regarding the expected type and timing of reports to be issued and other communications, both written and oral, including the auditor's report, management letters and communications to those charged with governance.
- The discussion with management regarding the expected communications on the status of audit work throughout the engagement.
- Communication with auditors of components regarding the expected types and timing of reports to be issued and other communications in connection with the audit of components.
- The expected nature and timing of communications among engagement team members, including the nature and timing of team meetings and timing of the review of work performed.
- Whether there are any other expected communications with third parties, including any statutory or contractual reporting responsibilities arising from the audit.

Significant Factors, Preliminary Engagement Activities, and Knowledge Gained on Other Engagements

- The determination of materiality in accordance with ISA 320¹¹ and, where applicable:
 - The determination of materiality for components and communication thereof to component auditors in accordance with ISA 600.¹²
 - The preliminary identification of significant components and material classes of transactions, account balances and disclosures.
- Preliminary identification of areas where there may be a higher risk of material misstatement.

¹¹ ISA 320, "Materiality in Planning and Performing an Audit."

¹² ISA 600, "Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors), paragraphs 21-23 and 40(c).

- The impact of the assessed risk of material misstatement at the overall financial statement level on direction, supervision and review.
- The manner in which the auditor emphasizes to engagement team members the need to maintain a questioning mind and to exercise professional skepticism in gathering and evaluating audit evidence.
- Results of previous audits that involved evaluating the operating effectiveness of internal control, including the nature of identified deficiencies and action taken to address them.
- The discussion of matters that may affect the audit with firm personnel responsible for performing other services to the entity.
- Evidence of management's commitment to the design, implementation and maintenance of sound internal control, including evidence of appropriate documentation of such internal control.
- Volume of transactions, which may determine whether it is more efficient for the auditor to rely on internal control.
- Importance attached to internal control throughout the entity to the successful operation of the business.
- Significant business developments affecting the entity, including changes in information technology and business processes, changes in key management, and acquisitions, mergers and divestments.
- Significant industry developments such as changes in industry regulations and new reporting requirements.
- Significant changes in the financial reporting framework, such as changes in accounting standards.
- Other significant relevant developments, such as changes in the legal environment affecting the entity.

Nature, Timing and Extent of Resources

- The selection of the engagement team (including, where necessary, the engagement quality control reviewer) and the assignment of audit work to the team members, including the assignment of appropriately experienced team members to areas where there may be higher risks of material misstatement.
- Engagement budgeting, including considering the appropriate amount of time to set aside for areas where there may be higher risks of material misstatement.

ISSAI 1315

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INTOSAI



Directriz de auditoría financiera

Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno

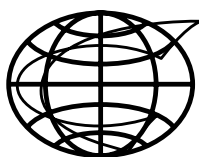
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 315 “Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1315

NOTA DE PRÁCTICA PARA LA NIA 315	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	P3
Consideraciones generales	P4
Procedimientos de evaluación de riesgos y actividades conexas	P5–P11
Exigencia de conocer la entidad y su entorno, incluido el control interno	P12–P16
Identificación y evaluación de los riesgos de incorrecciones materiales	P17–18
Apéndice: Otros ejemplos de condiciones y hechos que pueden ser indicativos de incorrecciones materiales	
NORMA INTERNACIONAL DE AUDITORÍA 315	
Introducción	
Alcance de la NIA	1
Fecha de entrada en vigor	2
Objetivo	3
Definiciones	4
Exigencias	
Procedimientos de evaluación de riesgos y actividades conexas	5–10
Exigencia de conocer la entidad y su entorno, incluido el control interno	11–24
Identificación y evaluación de los riesgos de incorrecciones materiales	25–31
Documentación	32
Disposiciones de aplicación y otras disposiciones explicativas	
Procedimientos de evaluación de riesgos y actividades conexas	A1–A16
Exigencia de conocer la entidad y su entorno, incluido el control interno	A17–A104
Identificación y evaluación de los riesgos de incorrecciones materiales	A105–A130
Documentación	A131–A134
Apéndice 1: Componentes del control interno	
Apéndice 2: Condiciones y hechos que pueden ser indicativos de incorrecciones materiales	

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 315

Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales a los auditores del sector público sobre la NIA 315 “Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno”, y debe leerse conjuntamente con ella. La NIA 315 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 315 establece la obligación del auditor de identificar y evaluar los riesgos de que se produzcan incorrecciones materiales en los estados financieros mediante el conocimiento de la entidad y su entorno, incluido el control interno.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Procedimientos de evaluación de riesgos y actividades conexas.
 - c) Exigencia de conocer la entidad y su entorno, incluido el control interno.
 - d) Identificación y evaluación de los riesgos de incorrecciones materiales.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 315 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 iIntroducción general a las directrices de auditoría financiera de la INTOSAI.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 315 contiene material de aplicación y explicativo con consideraciones específicas sobre las entidades del sector público en los párrafos A21, A35, A65 y A113.

Consideraciones generales

- P4. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría derivado de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo puede contener objetivos adicionales, entre ellos obligaciones de auditoría o de información, cuando los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. Estos objetivos adicionales pueden llevar a los auditores del sector público a evaluar otros riesgos de que se produzcan incorrecciones materiales. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden esperar de los auditores del sector público que notifiquen cualquier caso de falta de conformidad con las normas que hayan detectado durante la auditoría o informen sobre la eficacia del control interno. Así pues, los auditores del sector público han de tomar en consideración estas expectativas y mantenerse atentos a los riesgos que puedan dar lugar a disconformidades o riesgos relativos a la eficacia del control interno al planificar y ejecutar la auditoría.

Procedimientos de evaluación de riesgos y actividades conexas

- P5. Al aplicar los procedimientos de evaluación de riesgos y llevar a cabo las actividades conexas indicadas en los párrafos 5 a 10 de la NIA, los auditores del sector público tomarán en consideración los objetivos más amplios de su mandato de auditoría, descritos en el párrafo P4.
- P6. Al solicitar información de la dirección y de otras personas de la entidad como parte del procedimiento de evaluación de riesgos descrito en los párrafos 6 a) y A6 de la NIA, los auditores del sector público pueden obtener información de fuentes adicionales, como:
- Auditores que participen en auditorías de rendimiento o de otro tipo relativas a la entidad.
 - Funcionarios públicos.
 - Informes legislativos o actas.
- P7. Al aplicar procedimientos analíticos como parte del procedimiento de evaluación de riesgos descrito en el subpárrafo 6 b) y en los párrafos A7 a A10 de la NIA, los auditores del sector público pueden también tener en cuenta relaciones como:
- Gastos con respecto a créditos.
 - Pagos de prestaciones, como ayuda por niños y pensiones, con respecto a la información demográfica.
 - Intereses expresados en porcentaje de la deuda nacional con respecto al tipo de interés de la deuda pública.

- P8. Al proceder a observaciones e inspecciones como parte del procedimiento de evaluación de riesgos descrito en el subpárrafo 6 c) y en el párrafo A11 de la NIA, los auditores del sector público también pueden observar e inspeccionar los siguientes elementos:
- Documentos adicionales preparados por la dirección para el poder legislativo, como informes de rendimiento o solicitudes de financiación.
 - Testimonios de funcionarios.
 - Órdenes ministeriales o de otro tipo.
 - Registros oficiales de procedimientos del poder legislativo.
- P9. El proceso de aceptación y continuidad mencionado en el párrafo 7 de la NIA puede no ser siempre aplicable en el contexto del sector público, por lo que es posible que los auditores de este sector no tengan la opción de rescindir o interrumpir un trabajo. No obstante, considerarán la información que pueden obtener de estos procesos u otros procesos similares al identificar y evaluar los riesgos de incorrecciones materiales.
- P10. Al utilizar la información obtenida de experiencias previas con la entidad y de auditorías anteriores descritas en el párrafo 9 de la NIA, los auditores del sector público también podrán utilizar informes de anteriores auditorías de rendimiento y otras actividades de auditoría pertinentes para la entidad.
- P11. El párrafo 10 de la NIA propone que el socio y otros miembros clave del equipo auditor debatan el grado en que los estados financieros de la entidad pueden contener incorrecciones materiales, y la aplicación del marco de información financiera vigente a los hechos y circunstancias de la entidad. En el sector público, el debate también puede versar sobre los objetivos adicionales y el riesgo conexo de incorrecciones materiales, como se expone en el párrafo P4. Los auditores del sector público pueden incluir en el debate a auditores que participen en auditorías de rendimiento y otras actividades de auditoría.

Exigencia de conocer la entidad y su entorno, incluido el control interno

- P12. Al adquirir el conocimiento de la entidad y su entorno exigido en el párrafo 11 de la NIA, los auditores del sector público tendrán en cuenta lo siguiente:
- a) Pueden adoptarse decisiones fuera de la entidad derivadas de procesos políticos, que influyen en las actividades de la dirección. Por ejemplo:
 - Nuevos emplazamientos geográficos o cierres de emplazamientos existentes.
 - Reorganizaciones, incluida la transferencia de actividades a otras entidades.
 - Nuevos ámbitos de programas.
 - Limitaciones o recortes presupuestarios.
 - b) Entre los factores reglamentarios pertinentes se encuentran leyes y reglamentos específicos a los que está sujeta la entidad y el impacto potencial de incumplirlos.
 - c) Otros factores externos, incluido el marco de información financiera aplicable, pueden influir en los objetivos específicos de información.
 - d) El conocimiento de las operaciones de la entidad puede incluir el conocimiento de las actividades públicas realizadas, incluidos los programas pertinentes.
 - e) Los objetivos y estrategias de los programas pueden contener elementos de política pública y por lo tanto pueden incidir en la evaluación de riesgos;

- f) La propiedad de las entidades del sector público puede no tener la misma importancia que en el sector privado. En el sector público, la atención se centra en los encargados de la gobernanza en su función de representantes de los ciudadanos.
 - g) Las estructuras de gobernanza están afectadas por la estructura jurídica de la entidad, por ejemplo, si se trata de un ministerio, un servicio, una agencia u otro tipo de entidad.
 - h) Las cuestiones relativas al principio de empresa en funcionamiento de la dirección pueden no ser pertinentes.
- P13. El subpárrafo 11 e) de la NIA se refiere a la valoración y al examen de los resultados financieros. Los auditores del sector público pueden incluir información no financiera, como por ejemplo la consecución de realizaciones (por ejemplo, número de personas beneficiadas por el programa) en su valoración o en su examen. Asimismo, en el sector público existen terceras partes externas, como el poder legislativo, otras entidades del sector público o los medios de comunicación social, que pueden medir y examinar los resultados.
- P14. Al adquirir el conocimiento de la entidad y su entorno exigido en el párrafo 12 de la NIA, los auditores del sector público tendrán en cuenta los siguientes elementos:
- a) Cualquier obligación adicional de información relativa a los controles internos.
 - b) Controles relativos a la conformidad con las normas.
 - c) Controles relativos a la supervisión de los resultados con respecto al presupuesto.
 - d) Controles relativos a la transferencia de fondos presupuestarios a otras entidades.
 - e) Controles de datos clasificados relativos a la seguridad nacional, datos personales delicados, como información sobre impuestos y salud.
 - f) La supervisión y otros tipos de controles pueden ser ejercidos por terceras partes ajenas a la entidad y pueden referirse a ámbitos como:
 - Cumplimiento de la reglamentación relativa a la contratación pública.
 - Ejecución presupuestaria.
 - Otros ámbitos definidos por la legislación o el mandato de auditoría.
 - Obligación de rendir cuentas para la dirección.
- P15. Al adquirir el conocimiento del proceso de evaluación de riesgos de la entidad exigido en el párrafo 15 de la NIA, los auditores del sector público tendrán en cuenta que tal proceso puede estar establecido en la legislación, incluidas directivas, o ser dirigido por otras entidades del sector público.
- P16. En algunos entornos de auditoría, como por ejemplo, un Tribunal de Cuentas, los auditores del sector público pueden trabajar estrechamente con el ministerio fiscal y la policía al tratar el fraude financiero y por lo tanto pueden haber obtenido información de ellos que sea pertinente para la comprensión de la entidad y su entorno, así como para la evaluación de riesgos.

Identificación y evaluación de los riesgos de incorrecciones materiales

- P17. Cuando los auditores del sector público identifican y evalúan los riesgos de incorrecciones materiales con arreglo a los párrafos 25 y 26 de la NIA, pueden tener en cuenta cuestiones adicionales, como por ejemplo:
- El hecho de que la identificación y evaluación de los riesgos en los estados financieros y en las afirmaciones pueden incluir cuestiones relativas al clima político, al interés público y a la sensibilidad de los programas.
 - El hecho de que las afirmaciones con respecto a las clases de operaciones, a los saldos de cuentas y a la información revelada pueden extenderse para incluir a su vez afirmaciones de que las operaciones y hechos se han llevado a cabo de conformidad con la legislación o con las normas, como se indica en el párrafo A113 de la NIA.
- P18. Al ejercer el juicio profesional para determinar qué riesgos son significativos, tal como establece el párrafo 28 de la NIA, los auditores del sector público también tendrán en cuenta lo siguiente:
- a) La complejidad e incoherencias en reglamentos y directivas.
 - b) La falta de conformidad con las normas.
 - c) El procedimiento presupuestario y la ejecución del presupuesto.

El presupuesto en el sector público es un instrumento autorizado establecido por el poder legislativo. Por lo tanto, los auditores del sector público normalmente incluirán el procedimiento presupuestario como parte esencial de su conocimiento de la entidad y de su entorno, así como de la evaluación de riesgos, y no sólo como un procedimiento de gestión.

Apéndice: Otros ejemplos de condiciones y hechos que pueden ser indicativos de incorrecciones materiales

A continuación figura una serie de ejemplos de condiciones adicionales y hechos que pueden ser indicativos de incorrecciones materiales en las entidades del sector público:

- Excesivo gasto presupuestario debido a unos controles presupuestarios insuficientes.
- Privatizaciones.
- Nuevos programas.
- Cambios fundamentales en programas existentes.
- Nuevas fuentes de financiación.
- Nueva legislación y reglamentos o directivas.
- Decisiones políticas, como “deslocalización de las actividades”.
- Programas sin recursos ni financiación suficientes asignados.
- Aumento de las expectativas del público.
- Adjudicación de contratos públicos de bienes y servicios en determinados sectores, como la defensa.
- Externalización de actividades gubernamentales.
- Operaciones sujetas a investigaciones especiales.
- Cambios en la dirección política.
- Indicios de abuso o despilfarro.
- Expectativas de respetar el presupuesto superiores a lo normal.
- Asociaciones público-privadas.

International Standard on Auditing

**Identifying and Assessing the
Risks of Material
Misstatement through
Understanding the Entity and
Its Environment**



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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INTERNATIONAL STANDARD ON AUDITING 315

IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT THROUGH UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Effective Date	2
Objective	3
Definitions	4
Requirements	
Risk Assessment Procedures and Related Activities	5-10
The Required Understanding of the Entity and Its Environment, Including the Entity's Internal Control	11-24
Identifying and Assessing the Risks of Material Misstatement	25-31
Documentation	32
Application and Other Explanatory Material	
Risk Assessment Procedures and Related Activities	A1-A16
The Required Understanding of the Entity and Its Environment, Including the Entity's Internal Control	A17-A104
Identifying and Assessing the Risks of Material Misstatement	A105-A130
Documentation	A131-A134
Appendix 1: Internal Control Components	
Appendix 2: Conditions and Events That May Indicate Risks of Material Misstatement	

International Standard on Auditing (ISA) 315, “Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements, through understanding the entity and its environment, including the entity's internal control.

Effective Date

2. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

3. The objective of the auditor is to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels, through understanding the entity and its environment, including the entity's internal control, thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement.

Definitions

4. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Assertions – Representations by management, explicit or otherwise, that are embodied in the financial statements, as used by the auditor to consider the different types of potential misstatements that may occur.
 - (b) Business risk – A risk resulting from significant conditions, events, circumstances, actions or inactions that could adversely affect an entity's ability to achieve its objectives and execute its strategies, or from the setting of inappropriate objectives and strategies.
 - (c) Internal control – The process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term "controls" refers to any aspects of one or more of the components of internal control.
 - (d) Risk assessment procedures – The audit procedures performed to obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels.

- (e) Significant risk – An identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration.

Requirements

Risk Assessment Procedures and Related Activities

5. The auditor shall perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels. Risk assessment procedures by themselves, however, do not provide sufficient appropriate audit evidence on which to base the audit opinion. (Ref: Para. A1-A5)
6. The risk assessment procedures shall include the following:
 - (a) Inquiries of management, and of others within the entity who in the auditor’s judgment may have information that is likely to assist in identifying risks of material misstatement due to fraud or error. (Ref: Para. A6)
 - (b) Analytical procedures. (Ref: Para. A7-A10)
 - (c) Observation and inspection. (Ref: Para. A11)
7. The auditor shall consider whether information obtained from the auditor’s client acceptance or continuance process is relevant to identifying risks of material misstatement.
8. If the engagement partner has performed other engagements for the entity, the engagement partner shall consider whether information obtained is relevant to identifying risks of material misstatement.
9. Where the auditor intends to use information obtained from the auditor’s previous experience with the entity and from audit procedures performed in previous audits, the auditor shall determine whether changes have occurred since the previous audit that may affect its relevance to the current audit. (Ref: Para. A12-A13)
10. The engagement partner and other key engagement team members shall discuss the susceptibility of the entity’s financial statements to material misstatement, and the application of the applicable financial reporting framework to the entity’s facts and circumstances. The engagement partner shall determine which matters are to be communicated to engagement team members not involved in the discussion. (Ref: Para. A14-A16)

The Required Understanding of the Entity and Its Environment, Including the Entity's Internal Control

The Entity and Its Environment

11. The auditor shall obtain an understanding of the following:
 - (a) Relevant industry, regulatory, and other external factors including the applicable financial reporting framework. (Ref: Para. A17-A22)
 - (b) The nature of the entity, including:
 - (i) its operations;
 - (ii) its ownership and governance structures;
 - (iii) the types of investments that the entity is making and plans to make, including investments in special-purpose entities; and
 - (iv) the way that the entity is structured and how it is financed to enable the auditor to understand the classes of transactions, account balances, and disclosures to be expected in the financial statements. (Ref: Para. A23-A27)
 - (c) The entity's selection and application of accounting policies, including the reasons for changes thereto. The auditor shall evaluate whether the entity's accounting policies are appropriate for its business and consistent with the applicable financial reporting framework and accounting policies used in the relevant industry. (Ref: Para. A28)
 - (d) The entity's objectives and strategies, and those related business risks that may result in risks of material misstatement. (Ref: Para. A29-A35)
 - (e) The measurement and review of the entity's financial performance. (Ref: Para. A36-A41)

The Entity's Internal Control

12. The auditor shall obtain an understanding of internal control relevant to the audit. Although most controls relevant to the audit are likely to relate to financial reporting, not all controls that relate to financial reporting are relevant to the audit. It is a matter of the auditor's professional judgment whether a control, individually or in combination with others, is relevant to the audit. (Ref: Para. A42-A65)

Nature and Extent of the Understanding of Relevant Controls

13. When obtaining an understanding of controls that are relevant to the audit, the auditor shall evaluate the design of those controls and determine whether they have been implemented, by performing procedures in addition to inquiry of the entity's personnel. (Ref: Para. A66-A68)

Components of Internal Control

Control environment

14. The auditor shall obtain an understanding of the control environment. As part of obtaining this understanding, the auditor shall evaluate whether:
 - (a) Management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behavior; and
 - (b) The strengths in the control environment elements collectively provide an appropriate foundation for the other components of internal control, and whether those other components are not undermined by deficiencies in the control environment. (Ref: Para. A69-A78)

The entity's risk assessment process

15. The auditor shall obtain an understanding of whether the entity has a process for:
 - (a) Identifying business risks relevant to financial reporting objectives;
 - (b) Estimating the significance of the risks;
 - (c) Assessing the likelihood of their occurrence; and
 - (d) Deciding about actions to address those risks. (Ref: Para. A79)
16. If the entity has established such a process (referred to hereafter as the "entity's risk assessment process"), the auditor shall obtain an understanding of it, and the results thereof. If the auditor identifies risks of material misstatement that management failed to identify, the auditor shall evaluate whether there was an underlying risk of a kind that the auditor expects would have been identified by the entity's risk assessment process. If there is such a risk, the auditor shall obtain an understanding of why that process failed to identify it, and evaluate whether the process is appropriate to its circumstances or determine if there is a significant deficiency in internal control with regard to the entity's risk assessment process.
17. If the entity has not established such a process or has an ad hoc process, the auditor shall discuss with management whether business risks relevant to financial reporting objectives have been identified and how they have been addressed. The auditor shall evaluate whether the absence of a documented risk assessment process is appropriate in the circumstances, or determine whether it represents a significant deficiency in internal control. (Ref: Para. A80)

The information system, including the related business processes, relevant to financial reporting, and communication

18. The auditor shall obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including the following areas:
 - (a) The classes of transactions in the entity's operations that are significant to the financial statements;
 - (b) The procedures, within both information technology (IT) and manual systems, by which those transactions are initiated, recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements;
 - (c) The related accounting records, supporting information and specific accounts in the financial statements that are used to initiate, record, process and report transactions; this includes the correction of incorrect information and how information is transferred to the general ledger. The records may be in either manual or electronic form;
 - (d) How the information system captures events and conditions, other than transactions, that are significant to the financial statements;
 - (e) The financial reporting process used to prepare the entity's financial statements, including significant accounting estimates and disclosures; and
 - (f) Controls surrounding journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments. (Ref: Para. A81-A85)
19. The auditor shall obtain an understanding of how the entity communicates financial reporting roles and responsibilities and significant matters relating to financial reporting, including: (Ref: Para. A86-A87)
 - (a) Communications between management and those charged with governance; and
 - (b) External communications, such as those with regulatory authorities.

Control activities relevant to the audit

20. The auditor shall obtain an understanding of control activities relevant to the audit, being those the auditor judges it necessary to understand in order to assess the risks of material misstatement at the assertion level and design further audit procedures responsive to assessed risks. An audit does not require an understanding of all the control activities related to each significant class of transactions, account balance, and disclosure in the financial statements or to every assertion relevant to them. (Ref: Para. A88-A94)

21. In understanding the entity's control activities, the auditor shall obtain an understanding of how the entity has responded to risks arising from IT. (Ref: Para. A95-A97)

Monitoring of controls

22. The auditor shall obtain an understanding of the major activities that the entity uses to monitor internal control over financial reporting, including those related to those control activities relevant to the audit, and how the entity initiates remedial actions to deficiencies in its controls. (Ref: Para. A98-A100)
23. If the entity has an internal audit function,¹ the auditor shall obtain an understanding of the following in order to determine whether the internal audit function is likely to be relevant to the audit:
- (a) The nature of the internal audit function's responsibilities and how the internal audit function fits in the entity's organizational structure; and
 - (b) The activities performed, or to be performed, by the internal audit function. (Ref: Para. A101-A103)
24. The auditor shall obtain an understanding of the sources of the information used in the entity's monitoring activities, and the basis upon which management considers the information to be sufficiently reliable for the purpose. (Ref: Para. A104)

Identifying and Assessing the Risks of Material Misstatement

25. The auditor shall identify and assess the risks of material misstatement at:
- (a) the financial statement level; and (Ref: Para. A105-A108)
 - (b) the assertion level for classes of transactions, account balances, and disclosures (Ref: Para. A109-A113)
- to provide a basis for designing and performing further audit procedures.
26. For this purpose, the auditor shall:
- (a) Identify risks throughout the process of obtaining an understanding of the entity and its environment, including relevant controls that relate to the risks, and by considering the classes of transactions, account balances, and disclosures in the financial statements; (Ref: Para. A114-A115)

¹ The term "internal audit function" is defined in ISA 610, "Using the Work of Internal Auditors," paragraph 7(a), as: "An appraisal activity established or provided as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control."

- (b) Assess the identified risks, and evaluate whether they relate more pervasively to the financial statements as a whole and potentially affect many assertions;
- (c) Relate the identified risks to what can go wrong at the assertion level, taking account of relevant controls that the auditor intends to test; and (Ref: Para. A116-A118)
- (d) Consider the likelihood of misstatement, including the possibility of multiple misstatements, and whether the potential misstatement is of a magnitude that could result in a material misstatement.

Risks That Require Special Audit Consideration

- 27. As part of the risk assessment as described in paragraph 25, the auditor shall determine whether any of the risks identified are, in the auditor's judgment, a significant risk. In exercising this judgment, the auditor shall exclude the effects of identified controls related to the risk.
- 28. In exercising judgment as to which risks are significant risks, the auditor shall consider at least the following:
 - (a) Whether the risk is a risk of fraud;
 - (b) Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention;
 - (c) The complexity of transactions;
 - (d) Whether the risk involves significant transactions with related parties;
 - (e) The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty; and
 - (f) Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual. (Ref: Para. A119-A123)
- 29. If the auditor has determined that a significant risk exists, the auditor shall obtain an understanding of the entity's controls, including control activities, relevant to that risk. (Ref: Para. A124-A126)

Risks for Which Substantive Procedures Alone Do Not Provide Sufficient Appropriate Audit Evidence

- 30. In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with

little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them. (Ref: Para. A127-A129)

Revision of Risk Assessment

31. The auditor's assessment of the risks of material misstatement at the assertion level may change during the course of the audit as additional audit evidence is obtained. In circumstances where the auditor obtains audit evidence from performing further audit procedures, or if new information is obtained, either of which is inconsistent with the audit evidence on which the auditor originally based the assessment, the auditor shall revise the assessment and modify the further planned audit procedures accordingly. (Ref: Para. A130)

Documentation

32. The auditor shall include in the audit documentation:²
- (a) The discussion among the engagement team where required by paragraph 10, and the significant decisions reached;
 - (b) Key elements of the understanding obtained regarding each of the aspects of the entity and its environment specified in paragraph 11 and of each of the internal control components specified in paragraphs 14-24; the sources of information from which the understanding was obtained; and the risk assessment procedures performed;
 - (c) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level as required by paragraph 25; and
 - (d) The risks identified, and related controls about which the auditor has obtained an understanding, as a result of the requirements in paragraphs 27-30. (Ref: Para. A131-A134)

Application and Other Explanatory Material

Risk Assessment Procedures and Related Activities (Ref: Para. 5)

- A1. Obtaining an understanding of the entity and its environment, including the entity's internal control (referred to hereafter as an "understanding of the entity"), is a continuous, dynamic process of gathering, updating and analyzing information throughout the audit. The understanding establishes a frame of

² ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

reference within which the auditor plans the audit and exercises professional judgment throughout the audit, for example, when:

- Assessing risks of material misstatement of the financial statements;
- Determining materiality in accordance with ISA 320;³
- Considering the appropriateness of the selection and application of accounting policies, and the adequacy of financial statement disclosures;
- Identifying areas where special audit consideration may be necessary, for example, related party transactions, the appropriateness of management's use of the going concern assumption, or considering the business purpose of transactions;
- Developing expectations for use when performing analytical procedures;
- Responding to the assessed risks of material misstatement, including designing and performing further audit procedures to obtain sufficient appropriate audit evidence; and
- Evaluating the sufficiency and appropriateness of audit evidence obtained, such as the appropriateness of assumptions and of management's oral and written representations.

- A2. Information obtained by performing risk assessment procedures and related activities may be used by the auditor as audit evidence to support assessments of the risks of material misstatement. In addition, the auditor may obtain audit evidence about classes of transactions, account balances, or disclosures and related assertions and about the operating effectiveness of controls, even though such procedures were not specifically planned as substantive procedures or as tests of controls. The auditor also may choose to perform substantive procedures or tests of controls concurrently with risk assessment procedures because it is efficient to do so.
- A3. The auditor uses professional judgment to determine the extent of the understanding required. The auditor's primary consideration is whether the understanding that has been obtained is sufficient to meet the objective stated in this ISA. The depth of the overall understanding that is required by the auditor is less than that possessed by management in managing the entity.
- A4. The risks to be assessed include both those due to error and those due to fraud, and both are covered by this ISA. However, the significance of fraud is such that further requirements and guidance are included in ISA 240 in relation to

³ ISA 320, "Materiality in Planning and Performing an Audit."

risk assessment procedures and related activities to obtain information that is used to identify the risks of material misstatement due to fraud.⁴

A5. Although the auditor is required to perform all the risk assessment procedures described in paragraph 6 in the course of obtaining the required understanding of the entity (see paragraphs 11-24), the auditor is not required to perform all of them for each aspect of that understanding. Other procedures may be performed where the information to be obtained therefrom may be helpful in identifying risks of material misstatement. Examples of such procedures include:

- Reviewing information obtained from external sources such as trade and economic journals; reports by analysts, banks, or rating agencies; or regulatory or financial publications.
- Making inquiries of the entity's external legal counsel or of valuation experts that the entity has used.

Inquiries of Management and Others within the Entity (Ref: Para. 6(a))

A6. Much of the information obtained by the auditor's inquiries is obtained from management and those responsible for financial reporting. However, the auditor may also obtain information, or a different perspective in identifying risks of material misstatement, through inquiries of others within the entity and other employees with different levels of authority. For example:

- Inquiries directed towards those charged with governance may help the auditor understand the environment in which the financial statements are prepared.
- Inquiries directed toward internal audit personnel may provide information about internal audit procedures performed during the year relating to the design and effectiveness of the entity's internal control and whether management has satisfactorily responded to findings from those procedures.
- Inquiries of employees involved in initiating, processing or recording complex or unusual transactions may help the auditor to evaluate the appropriateness of the selection and application of certain accounting policies.
- Inquiries directed toward in-house legal counsel may provide information about such matters as litigation, compliance with laws and regulations, knowledge of fraud or suspected fraud affecting the entity, warranties, post-sales obligations, arrangements (such as joint ventures) with business partners and the meaning of contract terms.

⁴ ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements," paragraphs 12-24.

- Inquiries directed towards marketing or sales personnel may provide information about changes in the entity's marketing strategies, sales trends, or contractual arrangements with its customers.

Analytical Procedures (Ref: Para. 6(b))

- A7. Analytical procedures performed as risk assessment procedures may identify aspects of the entity of which the auditor was unaware and may assist in assessing the risks of material misstatement in order to provide a basis for designing and implementing responses to the assessed risks. Analytical procedures performed as risk assessment procedures may include both financial and non-financial information, for example, the relationship between sales and square footage of selling space or volume of goods sold.
- A8. Analytical procedures may help identify the existence of unusual transactions or events, and amounts, ratios, and trends that might indicate matters that have audit implications. Unusual or unexpected relationships that are identified may assist the auditor in identifying risks of material misstatement, especially risks of material misstatement due to fraud.
- A9. However, when such analytical procedures use data aggregated at a high level (which may be the situation with analytical procedures performed as risk assessment procedures), the results of those analytical procedures only provide a broad initial indication about whether a material misstatement may exist. Accordingly, in such cases, consideration of other information that has been gathered when identifying the risks of material misstatement together with the results of such analytical procedures may assist the auditor in understanding and evaluating the results of the analytical procedures.

Considerations Specific to Smaller Entities

- A10. Some smaller entities may not have interim or monthly financial information that can be used for purposes of analytical procedures. In these circumstances, although the auditor may be able to perform limited analytical procedures for purposes of planning the audit or obtain some information through inquiry, the auditor may need to plan to perform analytical procedures to identify and assess the risks of material misstatement when an early draft of the entity's financial statements is available.

Observation and Inspection (Ref: Para. 6(c))

- A11. Observation and inspection may support inquiries of management and others, and may also provide information about the entity and its environment. Examples of such audit procedures include observation or inspection of the following:
- The entity's operations.

- Documents (such as business plans and strategies), records, and internal control manuals.
- Reports prepared by management (such as quarterly management reports and interim financial statements) and those charged with governance (such as minutes of board of directors' meetings).
- The entity's premises and plant facilities.

Information Obtained in Prior Periods (Ref: Para. 9)

A12. The auditor's previous experience with the entity and audit procedures performed in previous audits may provide the auditor with information about such matters as:

- Past misstatements and whether they were corrected on a timely basis.
- The nature of the entity and its environment, and the entity's internal control (including deficiencies in internal control).
- Significant changes that the entity or its operations may have undergone since the prior financial period, which may assist the auditor in gaining a sufficient understanding of the entity to identify and assess risks of material misstatement.

A13. The auditor is required to determine whether information obtained in prior periods remains relevant, if the auditor intends to use that information for the purposes of the current audit. This is because changes in the control environment, for example, may affect the relevance of information obtained in the prior year. To determine whether changes have occurred that may affect the relevance of such information, the auditor may make inquiries and perform other appropriate audit procedures, such as walk-throughs of relevant systems.

Discussion among the Engagement Team (Ref: Para. 10)

A14. The discussion among the engagement team about the susceptibility of the entity's financial statements to material misstatement:

- Provides an opportunity for more experienced engagement team members, including the engagement partner, to share their insights based on their knowledge of the entity.
- Allows the engagement team members to exchange information about the business risks to which the entity is subject and about how and where the financial statements might be susceptible to material misstatement due to fraud or error.
- Assists the engagement team members to gain a better understanding of the potential for material misstatement of the financial statements in the specific areas assigned to them, and to understand how the results of the

audit procedures that they perform may affect other aspects of the audit including the decisions about the nature, timing, and extent of further audit procedures.

- Provides a basis upon which engagement team members communicate and share new information obtained throughout the audit that may affect the assessment of risks of material misstatement or the audit procedures performed to address these risks.

ISA 240 provides further requirements and guidance in relation to the discussion among the engagement team about the risks of fraud.⁵

- A15. It is not always necessary or practical for the discussion to include all members in a single discussion (as, for example, in a multi-location audit), nor is it necessary for all of the members of the engagement team to be informed of all of the decisions reached in the discussion. The engagement partner may discuss matters with key members of the engagement team including, if considered appropriate, specialists and those responsible for the audits of components, while delegating discussion with others, taking account of the extent of communication considered necessary throughout the engagement team. A communications plan, agreed by the engagement partner, may be useful.

Considerations Specific to Smaller Entities

- A16. Many small audits are carried out entirely by the engagement partner (who may be a sole practitioner). In such situations, it is the engagement partner who, having personally conducted the planning of the audit, would be responsible for considering the susceptibility of the entity's financial statements to material misstatement due to fraud or error.

The Required Understanding of the Entity and Its Environment, Including the Entity's Internal Control

The Entity and Its Environment

Industry, Regulatory and Other External Factors (Ref: Para. 11(a))

Industry Factors

- A17. Relevant industry factors include industry conditions such as the competitive environment, supplier and customer relationships, and technological developments. Examples of matters the auditor may consider include:
- The market and competition, including demand, capacity, and price competition.
 - Cyclical or seasonal activity.

⁵ ISA 240, paragraph 15.

- Product technology relating to the entity's products.
- Energy supply and cost.

A18. The industry in which the entity operates may give rise to specific risks of material misstatement arising from the nature of the business or the degree of regulation. For example, long-term contracts may involve significant estimates of revenues and expenses that give rise to risks of material misstatement. In such cases, it is important that the engagement team include members with sufficient relevant knowledge and experience.⁶

Regulatory Factors

A19. Relevant regulatory factors include the regulatory environment. The regulatory environment encompasses, among other matters, the applicable financial reporting framework and the legal and political environment. Examples of matters the auditor may consider include:

- Accounting principles and industry specific practices.
- Regulatory framework for a regulated industry.
- Legislation and regulation that significantly affect the entity's operations, including direct supervisory activities.
- Taxation (corporate and other).
- Government policies currently affecting the conduct of the entity's business, such as monetary, including foreign exchange controls, fiscal, financial incentives (for example, government aid programs), and tariffs or trade restrictions policies.
- Environmental requirements affecting the industry and the entity's business.

A20. ISA 250 includes some specific requirements related to the legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates.⁷

Considerations specific to public sector entities

A21. For the audits of public sector entities, law, regulation or other authority may affect the entity's operations. Such elements are essential to consider when obtaining an understanding of the entity and its environment.

⁶ ISA 220, "Quality Control for an Audit of Financial Statements," paragraph 14.

⁷ ISA 250, "Consideration of Laws and Regulations in an Audit of Financial Statements," paragraph 12.

Other External Factors

- A22. Examples of other external factors affecting the entity that the auditor may consider include the general economic conditions, interest rates and availability of financing, and inflation or currency revaluation.

Nature of the Entity (Ref: Para. 11(b))

- A23. An understanding of the nature of an entity enables the auditor to understand such matters as:

- Whether the entity has a complex structure, for example with subsidiaries or other components in multiple locations. Complex structures often introduce issues that may give rise to risks of material misstatement. Such issues may include whether goodwill, joint ventures, investments, or special-purpose entities are accounted for appropriately.
- The ownership, and relations between owners and other people or entities. This understanding assists in determining whether related party transactions have been identified and accounted for appropriately. ISA 550⁸ establishes requirements and provides guidance on the auditor's considerations relevant to related parties.

- A24. Examples of matters that the auditor may consider when obtaining an understanding of the nature of the entity include:

- Business operations such as:
 - Nature of revenue sources, products or services, and markets, including involvement in electronic commerce such as Internet sales and marketing activities.
 - Conduct of operations (for example, stages and methods of production, or activities exposed to environmental risks).
 - Alliances, joint ventures, and outsourcing activities.
 - Geographic dispersion and industry segmentation.
 - Location of production facilities, warehouses, and offices, and location and quantities of inventories.
 - Key customers and important suppliers of goods and services, employment arrangements (including the existence of union contracts, pension and other post employment benefits, stock option or incentive bonus arrangements, and government regulation related to employment matters).

⁸ ISA 550, "Related Parties."

- Research and development activities and expenditures.
- Transactions with related parties.
- Investments and investment activities such as:
 - Planned or recently executed acquisitions or divestitures.
 - Investments and dispositions of securities and loans.
 - Capital investment activities.
 - Investments in non-consolidated entities, including partnerships, joint ventures and special-purpose entities.
- Financing and financing activities such as:
 - Major subsidiaries and associated entities, including consolidated and non-consolidated structures.
 - Debt structure and related terms, including off-balance-sheet financing arrangements and leasing arrangements.
 - Beneficial owners (local, foreign, business reputation and experience) and related parties.
 - Use of derivative financial instruments.
- Financial reporting such as:
 - Accounting principles and industry specific practices, including industry-specific significant categories (for example, loans and investments for banks, or research and development for pharmaceuticals).
 - Revenue recognition practices.
 - Accounting for fair values.
 - Foreign currency assets, liabilities and transactions.
 - Accounting for unusual or complex transactions including those in controversial or emerging areas (for example, accounting for stock-based compensation).

A25. Significant changes in the entity from prior periods may give rise to, or change, risks of material misstatement.

Nature of Special-Purpose Entities

A26. A special-purpose entity (sometimes referred to as a special-purpose vehicle) is an entity that is generally established for a narrow and well-defined purpose, such as to effect a lease or a securitization of financial assets, or to carry out research and development activities. It may take the form of a corporation, trust, partnership or unincorporated entity. The entity on behalf of which the special-

purpose entity has been created may often transfer assets to the latter (for example, as part of a derecognition transaction involving financial assets), obtain the right to use the latter's assets, or perform services for the latter, while other parties may provide the funding to the latter. As ISA 550 indicates, in some circumstances, a special-purpose entity may be a related party of the entity.⁹

- A27. Financial reporting frameworks often specify detailed conditions that are deemed to amount to control, or circumstances under which the special-purpose entity should be considered for consolidation. The interpretation of the requirements of such frameworks often demands a detailed knowledge of the relevant agreements involving the special-purpose entity.

The Entity's Selection and Application of Accounting Policies (Ref: Para. 11(c))

- A28. An understanding of the entity's selection and application of accounting policies may encompass such matters as:
- The methods the entity uses to account for significant and unusual transactions.
 - The effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
 - Changes in the entity's accounting policies.
 - Financial reporting standards and laws and regulations that are new to the entity and when and how the entity will adopt such requirements.

Objectives and Strategies and Related Business Risks (Ref. Para. 11(d))

- A29. The entity conducts its business in the context of industry, regulatory and other internal and external factors. To respond to these factors, the entity's management or those charged with governance define objectives, which are the overall plans for the entity. Strategies are the approaches by which management intends to achieve its objectives. The entity's objectives and strategies may change over time.
- A30. Business risk is broader than the risk of material misstatement of the financial statements, though it includes the latter. Business risk may arise from change or complexity. A failure to recognize the need for change may also give rise to business risk. Business risk may arise, for example, from:
- The development of new products or services that may fail;
 - A market which, even if successfully developed, is inadequate to support a product or service; or

⁹ ISA 550, paragraph A7.

- Flaws in a product or service that may result in liabilities and reputational risk.
- A31. An understanding of the business risks facing the entity increases the likelihood of identifying risks of material misstatement, since most business risks will eventually have financial consequences and, therefore, an effect on the financial statements. However, the auditor does not have a responsibility to identify or assess all business risks because not all business risks give rise to risks of material misstatement.
- A32. Examples of matters that the auditor may consider when obtaining an understanding of the entity's objectives, strategies and related business risks that may result in a risk of material misstatement of the financial statements include:
- Industry developments (a potential related business risk might be, for example, that the entity does not have the personnel or expertise to deal with the changes in the industry).
 - New products and services (a potential related business risk might be, for example, that there is increased product liability).
 - Expansion of the business (a potential related business risk might be, for example, that the demand has not been accurately estimated).
 - New accounting requirements (a potential related business risk might be, for example, incomplete or improper implementation, or increased costs).
 - Regulatory requirements (a potential related business risk might be, for example, that there is increased legal exposure).
 - Current and prospective financing requirements (a potential related business risk might be, for example, the loss of financing due to the entity's inability to meet requirements).
 - Use of IT (a potential related business risk might be, for example, that systems and processes are incompatible).
 - The effects of implementing a strategy, particularly any effects that will lead to new accounting requirements (a potential related business risk might be, for example, incomplete or improper implementation).
- A33. A business risk may have an immediate consequence for the risk of material misstatement for classes of transactions, account balances, and disclosures at the assertion level or the financial statement level. For example, the business risk arising from a contracting customer base may increase the risk of material misstatement associated with the valuation of receivables. However, the same risk, particularly in combination with a contracting economy, may also have a longer-term consequence, which the auditor considers when assessing the

appropriateness of the going concern assumption. Whether a business risk may result in a risk of material misstatement is, therefore, considered in light of the entity's circumstances. Examples of conditions and events that may indicate risks of material misstatement are indicated in Appendix 2.

- A34. Usually, management identifies business risks and develops approaches to address them. Such a risk assessment process is part of internal control and is discussed in paragraph 15 and paragraphs A79-A80.

Considerations Specific to Public Sector Entities

- A35. For the audits of public sector entities, "management objectives" may be influenced by concerns regarding public accountability and may include objectives which have their source in law, regulation or other authority.

Measurement and Review of the Entity's Financial Performance (Ref: Para.11(e))

- A36. Management and others will measure and review those things they regard as important. Performance measures, whether external or internal, create pressures on the entity. These pressures, in turn, may motivate management to take action to improve the business performance or to misstate the financial statements. Accordingly, an understanding of the entity's performance measures assists the auditor in considering whether pressures to achieve performance targets may result in management actions that increase the risks of material misstatement, including those due to fraud. See ISA 240 for requirements and guidance in relation to the risks of fraud.
- A37. The measurement and review of financial performance is not the same as the monitoring of controls (discussed as a component of internal control in paragraphs A98-A104), though their purposes may overlap:
- The measurement and review of performance is directed at whether business performance is meeting the objectives set by management (or third parties).
 - Monitoring of controls is specifically concerned with the effective operation of internal control.

In some cases, however, performance indicators also provide information that enables management to identify deficiencies in internal control.

- A38. Examples of internally-generated information used by management for measuring and reviewing financial performance, and which the auditor may consider, include:
- Key performance indicators (financial and non-financial) and key ratios, trends and operating statistics.
 - Period-on-period financial performance analyses.

- Budgets, forecasts, variance analyses, segment information and divisional, departmental or other level performance reports.
 - Employee performance measures and incentive compensation policies.
 - Comparisons of an entity's performance with that of competitors.
- A39. External parties may also measure and review the entity's financial performance. For example, external information such as analysts' reports and credit rating agency reports may represent useful information for the auditor. Such reports can often be obtained from the entity being audited.
- A40. Internal measures may highlight unexpected results or trends requiring management to determine their cause and take corrective action (including, in some cases, the detection and correction of misstatements on a timely basis). Performance measures may also indicate to the auditor that risks of misstatement of related financial statement information do exist. For example, performance measures may indicate that the entity has unusually rapid growth or profitability when compared to that of other entities in the same industry. Such information, particularly if combined with other factors such as performance-based bonus or incentive remuneration, may indicate the potential risk of management bias in the preparation of the financial statements.

Considerations Specific to Smaller Entities

- A41. Smaller entities often do not have processes to measure and review financial performance. Inquiry of management may reveal that it relies on certain key indicators for evaluating financial performance and taking appropriate action. If such inquiry indicates an absence of performance measurement or review, there may be an increased risk of misstatements not being detected and corrected.

The Entity's Internal Control (Ref: Para. 12)

- A42. An understanding of internal control assists the auditor in identifying types of potential misstatements and factors that affect the risks of material misstatement, and in designing the nature, timing, and extent of further audit procedures.
- A43. The following application material on internal control is presented in four sections, as follows:
- General Nature and Characteristics of Internal Control.
 - Controls Relevant to the Audit.
 - Nature and Extent of the Understanding of Relevant Controls.
 - Components of Internal Control.

General Nature and Characteristics of Internal Control

Purpose of Internal Control

A44. Internal control is designed, implemented and maintained to address identified business risks that threaten the achievement of any of the entity's objectives that concern:

- The reliability of the entity's financial reporting;
- The effectiveness and efficiency of its operations; and
- Its compliance with applicable laws and regulations.

The way in which internal control is designed, implemented and maintained varies with an entity's size and complexity.

Considerations specific to smaller entities

A45. Smaller entities may use less structured means and simpler processes and procedures to achieve their objectives.

Limitations of Internal Control

A46. Internal control, no matter how effective, can provide an entity with only reasonable assurance about achieving the entity's financial reporting objectives. The likelihood of their achievement is affected by the inherent limitations of internal control. These include the realities that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human error. For example, there may be an error in the design of, or in the change to, a control. Equally, the operation of a control may not be effective, such as where information produced for the purposes of internal control (for example, an exception report) is not effectively used because the individual responsible for reviewing the information does not understand its purpose or fails to take appropriate action.

A47. Additionally, controls can be circumvented by the collusion of two or more people or inappropriate management override of internal control. For example, management may enter into side agreements with customers that alter the terms and conditions of the entity's standard sales contracts, which may result in improper revenue recognition. Also, edit checks in a software program that are designed to identify and report transactions that exceed specified credit limits may be overridden or disabled.

A48. Further, in designing and implementing controls, management may make judgments on the nature and extent of the controls it chooses to implement, and the nature and extent of the risks it chooses to assume.

Considerations specific to smaller entities

- A49. Smaller entities often have fewer employees which may limit the extent to which segregation of duties is practicable. However, in a small owner-managed entity, the owner-manager may be able to exercise more effective oversight than in a larger entity. This oversight may compensate for the generally more limited opportunities for segregation of duties.
- A50. On the other hand, the owner-manager may be more able to override controls because the system of internal control is less structured. This is taken into account by the auditor when identifying the risks of material misstatement due to fraud.

Division of Internal Control into Components

- A51. The division of internal control into the following five components, for purposes of the ISAs, provides a useful framework for auditors to consider how different aspects of an entity's internal control may affect the audit:
- (a) The control environment;
 - (b) The entity's risk assessment process;
 - (c) The information system, including the related business processes, relevant to financial reporting, and communication;
 - (d) Control activities; and
 - (e) Monitoring of controls.

The division does not necessarily reflect how an entity designs, implements and maintains internal control, or how it may classify any particular component. Auditors may use different terminology or frameworks to describe the various aspects of internal control, and their effect on the audit than those used in this ISA, provided all the components described in this ISA are addressed.

- A52. Application material relating to the five components of internal control as they relate to a financial statement audit is set out in paragraphs A69-A104 below. Appendix 1 provides further explanation of these components of internal control.

Characteristics of Manual and Automated Elements of Internal Control Relevant to the Auditor's Risk Assessment

- A53. An entity's system of internal control contains manual elements and often contains automated elements. The characteristics of manual or automated elements are relevant to the auditor's risk assessment and further audit procedures based thereon.

A54. The use of manual or automated elements in internal control also affects the manner in which transactions are initiated, recorded, processed, and reported:

- Controls in a manual system may include such procedures as approvals and reviews of transactions, and reconciliations and follow-up of reconciling items. Alternatively, an entity may use automated procedures to initiate, record, process, and report transactions, in which case records in electronic format replace paper documents.
- Controls in IT systems consist of a combination of automated controls (for example, controls embedded in computer programs) and manual controls. Further, manual controls may be independent of IT, may use information produced by IT, or may be limited to monitoring the effective functioning of IT and of automated controls, and to handling exceptions. When IT is used to initiate, record, process or report transactions, or other financial data for inclusion in financial statements, the systems and programs may include controls related to the corresponding assertions for material accounts or may be critical to the effective functioning of manual controls that depend on IT.

An entity's mix of manual and automated elements in internal control varies with the nature and complexity of the entity's use of IT.

A55. Generally, IT benefits an entity's internal control by enabling an entity to:

- Consistently apply predefined business rules and perform complex calculations in processing large volumes of transactions or data;
- Enhance the timeliness, availability, and accuracy of information;
- Facilitate the additional analysis of information;
- Enhance the ability to monitor the performance of the entity's activities and its policies and procedures;
- Reduce the risk that controls will be circumvented; and
- Enhance the ability to achieve effective segregation of duties by implementing security controls in applications, databases, and operating systems.

A56. IT also poses specific risks to an entity's internal control, including, for example:

- Reliance on systems or programs that are inaccurately processing data, processing inaccurate data, or both.
- Unauthorized access to data that may result in destruction of data or improper changes to data, including the recording of unauthorized or non-existent transactions, or inaccurate recording of transactions.

Particular risks may arise where multiple users access a common database.

- The possibility of IT personnel gaining access privileges beyond those necessary to perform their assigned duties thereby breaking down segregation of duties.
- Unauthorized changes to data in master files.
- Unauthorized changes to systems or programs.
- Failure to make necessary changes to systems or programs.
- Inappropriate manual intervention.
- Potential loss of data or inability to access data as required.

A57. Manual elements in internal control may be more suitable where judgment and discretion are required such as for the following circumstances:

- Large, unusual or non-recurring transactions.
- Circumstances where errors are difficult to define, anticipate or predict.
- In changing circumstances that require a control response outside the scope of an existing automated control.
- In monitoring the effectiveness of automated controls.

A58. Manual elements in internal control may be less reliable than automated elements because they can be more easily bypassed, ignored, or overridden and they are also more prone to simple errors and mistakes. Consistency of application of a manual control element cannot therefore be assumed. Manual control elements may be less suitable for the following circumstances:

- High volume or recurring transactions, or in situations where errors that can be anticipated or predicted can be prevented, or detected and corrected, by control parameters that are automated.
- Control activities where the specific ways to perform the control can be adequately designed and automated.

A59. The extent and nature of the risks to internal control vary depending on the nature and characteristics of the entity's information system. The entity responds to the risks arising from the use of IT or from use of manual elements in internal control by establishing effective controls in light of the characteristics of the entity's information system.

Controls Relevant to the Audit

A60. There is a direct relationship between an entity's objectives and the controls it implements to provide reasonable assurance about their achievement. The

entity's objectives, and therefore controls, relate to financial reporting, operations and compliance; however, not all of these objectives and controls are relevant to the auditor's risk assessment.

A61. Factors relevant to the auditor's judgment about whether a control, individually or in combination with others, is relevant to the audit may include such matters as the following:

- Materiality.
- The significance of the related risk.
- The size of the entity.
- The nature of the entity's business, including its organization and ownership characteristics.
- The diversity and complexity of the entity's operations.
- Applicable legal and regulatory requirements.
- The circumstances and the applicable component of internal control.
- The nature and complexity of the systems that are part of the entity's internal control, including the use of service organizations.
- Whether, and how, a specific control, individually or in combination with others, prevents, or detects and corrects, material misstatement.

A62. Controls over the completeness and accuracy of information produced by the entity may be relevant to the audit if the auditor intends to make use of the information in designing and performing further procedures. Controls relating to operations and compliance objectives may also be relevant to an audit if they relate to data the auditor evaluates or uses in applying audit procedures.

A63. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include controls relating to both financial reporting and operations objectives. The auditor's consideration of such controls is generally limited to those relevant to the reliability of financial reporting.

A64. An entity generally has controls relating to objectives that are not relevant to an audit and therefore need not be considered. For example, an entity may rely on a sophisticated system of automated controls to provide efficient and effective operations (such as an airline's system of automated controls to maintain flight schedules), but these controls ordinarily would not be relevant to the audit. Further, although internal control applies to the entire entity or to any of its operating units or business processes, an understanding of internal control relating to each of the entity's operating units and business processes may not be relevant to the audit.

Considerations Specific to Public Sector Entities

A65. Public sector auditors often have additional responsibilities with respect to internal control, for example to report on compliance with an established code of practice. Public sector auditors can also have responsibilities to report on compliance with law, regulation or other authority. As a result, their review of internal control may be broader and more detailed.

Nature and Extent of the Understanding of Relevant Controls (Ref: Para. 13)

A66. Evaluating the design of a control involves considering whether the control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting, material misstatements. Implementation of a control means that the control exists and that the entity is using it. There is little point in assessing the implementation of a control that is not effective, and so the design of a control is considered first. An improperly designed control may represent a significant deficiency in internal control.

A67. Risk assessment procedures to obtain audit evidence about the design and implementation of relevant controls may include:

- Inquiring of entity personnel.
- Observing the application of specific controls.
- Inspecting documents and reports.
- Tracing transactions through the information system relevant to financial reporting.

Inquiry alone, however, is not sufficient for such purposes.

A68. Obtaining an understanding of an entity's controls is not sufficient to test their operating effectiveness, unless there is some automation that provides for the consistent operation of the controls. For example, obtaining audit evidence about the implementation of a manual control at a point in time does not provide audit evidence about the operating effectiveness of the control at other times during the period under audit. However, because of the inherent consistency of IT processing (see paragraph A55), performing audit procedures to determine whether an automated control has been implemented may serve as a test of that control's operating effectiveness, depending on the auditor's assessment and testing of controls such as those over program changes. Tests of the operating effectiveness of controls are further described in ISA 330.¹⁰

¹⁰ ISA 330, "The Auditor's Responses to Assessed Risks."

Components of Internal Control—Control Environment (Ref: Para. 14)

- A69. The control environment includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment sets the tone of an organization, influencing the control consciousness of its people.
- A70. Elements of the control environment that may be relevant when obtaining an understanding of the control environment include the following:
- (a) *Communication and enforcement of integrity and ethical values* – These are essential elements that influence the effectiveness of the design, administration and monitoring of controls.
 - (b) *Commitment to competence* – Matters such as management's consideration of the competence levels for particular jobs and how those levels translate into requisite skills and knowledge.
 - (c) *Participation by those charged with governance* – Attributes of those charged with governance such as:
 - Their independence from management.
 - Their experience and stature.
 - The extent of their involvement and the information they receive, and the scrutiny of activities.
 - The appropriateness of their actions, including the degree to which difficult questions are raised and pursued with management, and their interaction with internal and external auditors.
 - (d) *Management's philosophy and operating style* – Characteristics such as management's:
 - Approach to taking and managing business risks.
 - Attitudes and actions toward financial reporting.
 - Attitudes toward information processing and accounting functions and personnel.
 - (e) *Organizational structure* – The framework within which an entity's activities for achieving its objectives are planned, executed, controlled, and reviewed.
 - (f) *Assignment of authority and responsibility* – Matters such as how authority and responsibility for operating activities are assigned and how reporting relationships and authorization hierarchies are established.

- (g) *Human resource policies and practices* – Policies and practices that relate to, for example, recruitment, orientation, training, evaluation, counselling, promotion, compensation, and remedial actions.

Audit Evidence for Elements of the Control Environment

- A71. Relevant audit evidence may be obtained through a combination of inquiries and other risk assessment procedures such as corroborating inquiries through observation or inspection of documents. For example, through inquiries of management and employees, the auditor may obtain an understanding of how management communicates to employees its views on business practices and ethical behavior. The auditor may then determine whether relevant controls have been implemented by considering, for example, whether management has a written code of conduct and whether it acts in a manner that supports the code.

Effect of the Control Environment on the Assessment of the Risks of Material Misstatement

- A72. Some elements of an entity's control environment have a pervasive effect on assessing the risks of material misstatement. For example, an entity's control consciousness is influenced significantly by those charged with governance, because one of their roles is to counterbalance pressures on management in relation to financial reporting that may arise from market demands or remuneration schemes. The effectiveness of the design of the control environment in relation to participation by those charged with governance is therefore influenced by such matters as:
- Their independence from management and their ability to evaluate the actions of management.
 - Whether they understand the entity's business transactions.
 - The extent to which they evaluate whether the financial statements are prepared in accordance with the applicable financial reporting framework.
- A73. An active and independent board of directors may influence the philosophy and operating style of senior management. However, other elements may be more limited in their effect. For example, although human resource policies and practices directed toward hiring competent financial, accounting, and IT personnel may reduce the risk of errors in processing financial information, they may not mitigate a strong bias by top management to overstate earnings.
- A74. The existence of a satisfactory control environment can be a positive factor when the auditor assesses the risks of material misstatement. However, although it may help reduce the risk of fraud, a satisfactory control environment is not an absolute deterrent to fraud. Conversely, deficiencies in

the control environment may undermine the effectiveness of controls, in particular in relation to fraud. For example, management's failure to commit sufficient resources to address IT security risks may adversely affect internal control by allowing improper changes to be made to computer programs or to data, or unauthorized transactions to be processed. As explained in ISA 330, the control environment also influences the nature, timing, and extent of the auditor's further procedures.¹¹

- A75. The control environment in itself does not prevent, or detect and correct, a material misstatement. It may, however, influence the auditor's evaluation of the effectiveness of other controls (for example, the monitoring of controls and the operation of specific control activities) and thereby, the auditor's assessment of the risks of material misstatement.

Considerations Specific to Smaller Entities

- A76. The control environment within small entities is likely to differ from larger entities. For example, those charged with governance in small entities may not include an independent or outside member, and the role of governance may be undertaken directly by the owner-manager where there are no other owners. The nature of the control environment may also influence the significance of other controls, or their absence. For example, the active involvement of an owner-manager may mitigate certain of the risks arising from a lack of segregation of duties in a small business; it may, however, increase other risks, for example, the risk of override of controls.
- A77. In addition, audit evidence for elements of the control environment in smaller entities may not be available in documentary form, in particular where communication between management and other personnel may be informal, yet effective. For example, small entities might not have a written code of conduct but, instead, develop a culture that emphasizes the importance of integrity and ethical behavior through oral communication and by management example.
- A78. Consequently, the attitudes, awareness and actions of management or the owner-manager are of particular importance to the auditor's understanding of a smaller entity's control environment.

Components of Internal Control—The Entity's Risk Assessment Process (Ref: Para. 15)

- A79. The entity's risk assessment process forms the basis for how management determines the risks to be managed. If that process is appropriate to the circumstances, including the nature, size and complexity of the entity, it assists the auditor in identifying risks of material misstatement. Whether the entity's risk assessment process is appropriate to the circumstances is a matter of judgment.

¹¹ ISA 330, paragraphs A2-A3.

Considerations Specific to Smaller Entities (Ref: Para. 17)

- A80. There is unlikely to be an established risk assessment process in a small entity. In such cases, it is likely that management will identify risks through direct personal involvement in the business. Irrespective of the circumstances, however, inquiry about identified risks and how they are addressed by management is still necessary.

Components of Internal Control—The Information System, Including the Related Business Processes, Relevant to Financial Reporting, and Communication

The Information System, Including Related Business Processes, Relevant to Financial Reporting (Ref: Para. 18)

- A81. The information system relevant to financial reporting objectives, which includes the accounting system, consists of the procedures and records designed and established to:
- Initiate, record, process, and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities, and equity;
 - Resolve incorrect processing of transactions, for example, automated suspense files and procedures followed to clear suspense items out on a timely basis;
 - Process and account for system overrides or bypasses to controls;
 - Transfer information from transaction processing systems to the general ledger;
 - Capture information relevant to financial reporting for events and conditions other than transactions, such as the depreciation and amortization of assets and changes in the recoverability of accounts receivables; and
 - Ensure information required to be disclosed by the applicable financial reporting framework is accumulated, recorded, processed, summarized and appropriately reported in the financial statements.

Journal entries

- A82. An entity's information system typically includes the use of standard journal entries that are required on a recurring basis to record transactions. Examples might be journal entries to record sales, purchases, and cash disbursements in the general ledger, or to record accounting estimates that are periodically made by management, such as changes in the estimate of uncollectible accounts receivable.

A83. An entity's financial reporting process also includes the use of non-standard journal entries to record non-recurring, unusual transactions or adjustments. Examples of such entries include consolidating adjustments and entries for a business combination or disposal or non-recurring estimates such as the impairment of an asset. In manual general ledger systems, non-standard journal entries may be identified through inspection of ledgers, journals, and supporting documentation. When automated procedures are used to maintain the general ledger and prepare financial statements, such entries may exist only in electronic form and may therefore be more easily identified through the use of computer-assisted audit techniques.

Related business processes

A84. An entity's business processes are the activities designed to:

- Develop, purchase, produce, sell and distribute an entity's products and services;
- Ensure compliance with laws and regulations; and
- Record information, including accounting and financial reporting information.

Business processes result in the transactions that are recorded, processed and reported by the information system. Obtaining an understanding of the entity's business processes, which include how transactions are originated, assists the auditor obtain an understanding of the entity's information system relevant to financial reporting in a manner that is appropriate to the entity's circumstances.

Considerations specific to smaller entities

A85. Information systems and related business processes relevant to financial reporting in small entities are likely to be less sophisticated than in larger entities, but their role is just as significant. Small entities with active management involvement may not need extensive descriptions of accounting procedures, sophisticated accounting records, or written policies. Understanding the entity's systems and processes may therefore be easier in an audit of smaller entities, and may be more dependent on inquiry than on review of documentation. The need to obtain an understanding, however, remains important.

Communication (Ref: Para. 19)

A86. Communication by the entity of the financial reporting roles and responsibilities and of significant matters relating to financial reporting involves providing an understanding of individual roles and responsibilities pertaining to internal control over financial reporting. It includes such matters as the extent to which personnel understand how their activities in the financial reporting information system relate to the work of others and the means of

reporting exceptions to an appropriate higher level within the entity. Communication may take such forms as policy manuals and financial reporting manuals. Open communication channels help ensure that exceptions are reported and acted on.

Considerations specific to smaller entities

- A87. Communication may be less structured and easier to achieve in a small entity than in a larger entity due to fewer levels of responsibility and management's greater visibility and availability.

Components of Internal Control—Control Activities (Ref: Para. 20)

- A88. Control activities are the policies and procedures that help ensure that management directives are carried out. Control activities, whether within IT or manual systems, have various objectives and are applied at various organizational and functional levels. Examples of specific control activities include those relating to the following:

- Authorization.
- Performance reviews.
- Information processing.
- Physical controls.
- Segregation of duties.

- A89. Control activities that are relevant to the audit are:

- Those that are required to be treated as such, being control activities that relate to significant risks and those that relate to risks for which substantive procedures alone do not provide sufficient appropriate audit evidence, as required by paragraphs 29 and 30, respectively; or
- Those that are considered to be relevant in the judgment of the auditor.

- A90. The auditor's judgment about whether a control activity is relevant to the audit is influenced by the risk that the auditor has identified that may give rise to a material misstatement and whether the auditor thinks it is likely to be appropriate to test the operating effectiveness of the control in determining the extent of substantive testing.

- A91. The auditor's emphasis may be on identifying and obtaining an understanding of control activities that address the areas where the auditor considers that risks of material misstatement are likely to be higher. When multiple control activities each achieve the same objective, it is unnecessary to obtain an understanding of each of the control activities related to such objective.

- A92. The auditor's knowledge about the presence or absence of control activities obtained from the understanding of the other components of internal control assists the auditor in determining whether it is necessary to devote additional attention to obtaining an understanding of control activities.

Considerations Specific to Smaller Entities

- A93. The concepts underlying control activities in small entities are likely to be similar to those in larger entities, but the formality with which they operate may vary. Further, small entities may find that certain types of control activities are not relevant because of controls applied by management. For example, management's sole authority for granting credit to customers and approving significant purchases can provide strong control over important account balances and transactions, lessening or removing the need for more detailed control activities.
- A94. Control activities relevant to the audit of a smaller entity are likely to relate to the main transaction cycles such as revenues, purchases and employment expenses.

Risks Arising from IT (Ref: Para. 21)

- A95. The use of IT affects the way that control activities are implemented. From the auditor's perspective, controls over IT systems are effective when they maintain the integrity of information and the security of the data such systems process, and include effective general IT-controls and application controls.
- A96. General IT-controls are policies and procedures that relate to many applications and support the effective functioning of application controls. They apply to mainframe, miniframe, and end-user environments. General IT-controls that maintain the integrity of information and security of data commonly include controls over the following:
- Data center and network operations.
 - System software acquisition, change and maintenance.
 - Program change.
 - Access security.
 - Application system acquisition, development, and maintenance.

They are generally implemented to deal with the risks referred to in paragraph A56 above.

- A97. Application controls are manual or automated procedures that typically operate at a business process level and apply to the processing of transactions by individual applications. Application controls can be preventive or detective in nature and are designed to ensure the integrity of the accounting records.

Accordingly, application controls relate to procedures used to initiate, record, process and report transactions or other financial data. These controls help ensure that transactions occurred, are authorized, and are completely and accurately recorded and processed. Examples include edit checks of input data, and numerical sequence checks with manual follow-up of exception reports or correction at the point of data entry.

Components of Internal Control—Monitoring of Controls (Ref: Para. 22)

- A98. Monitoring of controls is a process to assess the effectiveness of internal control performance over time. It involves assessing the effectiveness of controls on a timely basis and taking necessary remedial actions. Management accomplishes monitoring of controls through ongoing activities, separate evaluations, or a combination of the two. Ongoing monitoring activities are often built into the normal recurring activities of an entity and include regular management and supervisory activities.
- A99. Management's monitoring activities may include using information from communications from external parties such as customer complaints and regulator comments that may indicate problems or highlight areas in need of improvement.

Considerations Specific to Smaller Entities

- A100. Management's monitoring of control is often accomplished by management's or the owner-manager's close involvement in operations. This involvement often will identify significant variances from expectations and inaccuracies in financial data leading to remedial action to the control.

Internal Audit Functions (Ref: Para. 23)

- A101. The entity's internal audit function is likely to be relevant to the audit if the nature of the internal audit function's responsibilities and activities are related to the entity's financial reporting, and the auditor expects to use the work of the internal auditors to modify the nature or timing, or reduce the extent, of audit procedures to be performed. If the auditor determines that the internal audit function is likely to be relevant to the audit, ISA 610 applies.
- A102. The objectives of an internal audit function, and therefore the nature of its responsibilities and its status within the organization, vary widely and depend on the size and structure of the entity and the requirements of management and, where applicable, those charged with governance. The responsibilities of an internal audit function may include, for example, monitoring of internal control, risk management, and review of compliance with laws and regulations. On the other hand, the responsibilities of the internal audit function may be limited to the review of the economy, efficiency and

effectiveness of operations, for example, and accordingly, may not relate to the entity's financial reporting.

A103. If the nature of the internal audit function's responsibilities are related to the entity's financial reporting, the external auditor's consideration of the activities performed, or to be performed by, the internal audit function may include review of the internal audit function's audit plan for the period, if any, and discussion of that plan with the internal auditors.

Sources of Information (Ref: Para. 24)

A104. Much of the information used in monitoring may be produced by the entity's information system. If management assumes that data used for monitoring are accurate without having a basis for that assumption, errors that may exist in the information could potentially lead management to incorrect conclusions from its monitoring activities. Accordingly, an understanding of:

- the sources of the information related to the entity's monitoring activities; and
- the basis upon which management considers the information to be sufficiently reliable for the purpose

is required as part of the auditor's understanding of the entity's monitoring activities as a component of internal control.

Identifying and Assessing the Risks of Material Misstatement

Assessment of Risks of Material Misstatement at the Financial Statement Level (Ref: Para. 25(a))

A105. Risks of material misstatement at the financial statement level refer to risks that relate pervasively to the financial statements as a whole and potentially affect many assertions. Risks of this nature are not necessarily risks identifiable with specific assertions at the class of transactions, account balance, or disclosure level. Rather, they represent circumstances that may increase the risks of material misstatement at the assertion level, for example, through management override of internal control. Financial statement level risks may be especially relevant to the auditor's consideration of the risks of material misstatement arising from fraud.

A106. Risks at the financial statement level may derive in particular from a deficient control environment (although these risks may also relate to other factors, such as declining economic conditions). For example, deficiencies such as management's lack of competence may have a more pervasive effect on the financial statements and may require an overall response by the auditor.

A107. The auditor's understanding of internal control may raise doubts about the auditability of an entity's financial statements. For example:

- Concerns about the integrity of the entity's management may be so serious as to cause the auditor to conclude that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted.
- Concerns about the condition and reliability of an entity's records may cause the auditor to conclude that it is unlikely that sufficient appropriate audit evidence will be available to support an unmodified opinion on the financial statements.

A108. ISA 705¹² establishes requirements and provides guidance in determining whether there is a need for the auditor to express a qualified opinion or disclaim an opinion or, as may be required in some cases, to withdraw from the engagement where withdrawal is possible under applicable law or regulation.

Assessment of Risks of Material Misstatement at the Assertion Level (Ref: Para. 25(b))

A109. Risks of material misstatement at the assertion level for classes of transactions, account balances, and disclosures need to be considered because such consideration directly assists in determining the nature, timing, and extent of further audit procedures at the assertion level necessary to obtain sufficient appropriate audit evidence. In identifying and assessing risks of material misstatement at the assertion level, the auditor may conclude that the identified risks relate more pervasively to the financial statements as a whole and potentially affect many assertions.

The Use of Assertions

A110. In representing that the financial statements are in accordance with the applicable financial reporting framework, management implicitly or explicitly makes assertions regarding the recognition, measurement, presentation and disclosure of the various elements of financial statements and related disclosures.

A111. Assertions used by the auditor to consider the different types of potential misstatements that may occur fall into the following three categories and may take the following forms:

- (a) Assertions about classes of transactions and events for the period under audit:
 - (i) Occurrence—transactions and events that have been recorded have occurred and pertain to the entity.
 - (ii) Completeness—all transactions and events that should have been recorded have been recorded.

¹² ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

- (iii) Accuracy—amounts and other data relating to recorded transactions and events have been recorded appropriately.
 - (iv) Cutoff—transactions and events have been recorded in the correct accounting period.
 - (v) Classification—transactions and events have been recorded in the proper accounts.
- (b) Assertions about account balances at the period end:
 - (i) Existence—assets, liabilities, and equity interests exist.
 - (ii) Rights and obligations—the entity holds or controls the rights to assets, and liabilities are the obligations of the entity.
 - (iii) Completeness—all assets, liabilities and equity interests that should have been recorded have been recorded.
 - (iv) Valuation and allocation—assets, liabilities, and equity interests are included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.
- (c) Assertions about presentation and disclosure:
 - (i) Occurrence and rights and obligations—disclosed events, transactions, and other matters have occurred and pertain to the entity.
 - (ii) Completeness—all disclosures that should have been included in the financial statements have been included.
 - (iii) Classification and understandability—financial information is appropriately presented and described, and disclosures are clearly expressed.
 - (iv) Accuracy and valuation—financial and other information are disclosed fairly and at appropriate amounts.

A112. The auditor may use the assertions as described above or may express them differently provided all aspects described above have been covered. For example, the auditor may choose to combine the assertions about transactions and events with the assertions about account balances.

Considerations specific to public sector entities

A113. When making assertions about the financial statements of public sector entities, in addition to those assertions set out in paragraph A111, management may often assert that transactions and events have been carried out in

accordance with law, regulation or other authority. Such assertions may fall within the scope of the financial statement audit.

Process of Identifying Risks of Material Misstatement (Ref: Para. 26(a))

- A114. Information gathered by performing risk assessment procedures, including the audit evidence obtained in evaluating the design of controls and determining whether they have been implemented, is used as audit evidence to support the risk assessment. The risk assessment determines the nature, timing, and extent of further audit procedures to be performed.
- A115. Appendix 2 provides examples of conditions and events that may indicate the existence of risks of material misstatement.

Relating Controls to Assertions (Ref: Para. 26(c))

- A116. In making risk assessments, the auditor may identify the controls that are likely to prevent, or detect and correct, material misstatement in specific assertions. Generally, it is useful to obtain an understanding of controls and relate them to assertions in the context of processes and systems in which they exist because individual control activities often do not in themselves address a risk. Often, only multiple control activities, together with other components of internal control, will be sufficient to address a risk.
- A117. Conversely, some control activities may have a specific effect on an individual assertion embodied in a particular class of transactions or account balance. For example, the control activities that an entity established to ensure that its personnel are properly counting and recording the annual physical inventory relate directly to the existence and completeness assertions for the inventory account balance.
- A118. Controls can be either directly or indirectly related to an assertion. The more indirect the relationship, the less effective that control may be in preventing, or detecting and correcting, misstatements in that assertion. For example, a sales manager's review of a summary of sales activity for specific stores by region ordinarily is only indirectly related to the completeness assertion for sales revenue. Accordingly, it may be less effective in reducing risk for that assertion than controls more directly related to that assertion, such as matching shipping documents with billing documents.

Significant Risks

Identifying Significant Risks (Ref: Para. 28)

- A119. Significant risks often relate to significant non-routine transactions or judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant

measurement uncertainty. Routine, non-complex transactions that are subject to systematic processing are less likely to give rise to significant risks.

A120. Risks of material misstatement may be greater for significant non-routine transactions arising from matters such as the following:

- Greater management intervention to specify the accounting treatment.
- Greater manual intervention for data collection and processing.
- Complex calculations or accounting principles.
- The nature of non-routine transactions, which may make it difficult for the entity to implement effective controls over the risks.

A121. Risks of material misstatement may be greater for significant judgmental matters that require the development of accounting estimates, arising from matters such as the following:

- Accounting principles for accounting estimates or revenue recognition may be subject to differing interpretation.
- Required judgment may be subjective or complex, or require assumptions about the effects of future events, for example, judgment about fair value.

A122. ISA 330 describes the consequences for further audit procedures of identifying a risk as significant.¹³

Significant risks relating to the risks of material misstatement due to fraud

A123. ISA 240 provides further requirements and guidance in relation to the identification and assessment of the risks of material misstatement due to fraud.¹⁴

Understanding Controls Related to Significant Risks (Ref: Para. 29)

A124. Although risks relating to significant non-routine or judgmental matters are often less likely to be subject to routine controls, management may have other responses intended to deal with such risks. Accordingly, the auditor's understanding of whether the entity has designed and implemented controls for significant risks arising from non-routine or judgmental matters includes whether and how management responds to the risks. Such responses might include:

- Control activities such as a review of assumptions by senior management or experts.
- Documented processes for estimations.

¹³ ISA 330, paragraphs 15 and 21.

¹⁴ ISA 240, paragraphs 25-27.

- Approval by those charged with governance.

A125. For example, where there are one-off events such as the receipt of notice of a significant lawsuit, consideration of the entity's response may include such matters as whether it has been referred to appropriate experts (such as internal or external legal counsel), whether an assessment has been made of the potential effect, and how it is proposed that the circumstances are to be disclosed in the financial statements.

A126. In some cases, management may not have appropriately responded to significant risks of material misstatement by implementing controls over these significant risks. Failure by management to implement such controls is an indicator of a significant deficiency in internal control.¹⁵

Risks for Which Substantive Procedures Alone Do Not Provide Sufficient Appropriate Audit Evidence (Ref: Para. 30)

A127. Risks of material misstatement may relate directly to the recording of routine classes of transactions or account balances, and the preparation of reliable financial statements. Such risks may include risks of inaccurate or incomplete processing for routine and significant classes of transactions such as an entity's revenue, purchases, and cash receipts or cash payments.

A128. Where such routine business transactions are subject to highly automated processing with little or no manual intervention, it may not be possible to perform only substantive procedures in relation to the risk. For example, the auditor may consider this to be the case in circumstances where a significant amount of an entity's information is initiated, recorded, processed, or reported only in electronic form such as in an integrated system. In such cases:

- Audit evidence may be available only in electronic form, and its sufficiency and appropriateness usually depend on the effectiveness of controls over its accuracy and completeness.
- The potential for improper initiation or alteration of information to occur and not be detected may be greater if appropriate controls are not operating effectively.

A129. The consequences for further audit procedures of identifying such risks are described in ISA 330.¹⁶

Revision of Risk Assessment (Ref: Para. 31)

A130. During the audit, information may come to the auditor's attention that differs significantly from the information on which the risk assessment was based. For

¹⁵ ISA 265, "Communicating Deficiencies in Internal Control to Those Charged with Governance and Management," paragraph A7.

¹⁶ ISA 330, paragraph 8.

example, the risk assessment may be based on an expectation that certain controls are operating effectively. In performing tests of those controls, the auditor may obtain audit evidence that they were not operating effectively at relevant times during the audit. Similarly, in performing substantive procedures the auditor may detect misstatements in amounts or frequency greater than is consistent with the auditor's risk assessments. In such circumstances, the risk assessment may not appropriately reflect the true circumstances of the entity and the further planned audit procedures may not be effective in detecting material misstatements. See ISA 330 for further guidance.

Documentation (Ref: Para. 32)

- A131. The manner in which the requirements of paragraph 32 are documented is for the auditor to determine using professional judgment. For example, in audits of small entities the documentation may be incorporated in the auditor's documentation of the overall strategy and audit plan.¹⁷ Similarly, for example, the results of the risk assessment may be documented separately, or may be documented as part of the auditor's documentation of further procedures.¹⁸ The form and extent of the documentation is influenced by the nature, size and complexity of the entity and its internal control, availability of information from the entity and the audit methodology and technology used in the course of the audit.
- A132. For entities that have uncomplicated businesses and processes relevant to financial reporting, the documentation may be simple in form and relatively brief. It is not necessary to document the entirety of the auditor's understanding of the entity and matters related to it. Key elements of understanding documented by the auditor include those on which the auditor based the assessment of the risks of material misstatement.
- A133. The extent of documentation may also reflect the experience and capabilities of the members of the audit engagement team. Provided the requirements of ISA 230 are always met, an audit undertaken by an engagement team comprising less experienced individuals may require more detailed documentation to assist them to obtain an appropriate understanding of the entity than one that includes experienced individuals.
- A134. For recurring audits, certain documentation may be carried forward, updated as necessary to reflect changes in the entity's business or processes.

¹⁷ ISA 300, "Planning an Audit of Financial Statements," paragraphs 7 and 9.

¹⁸ ISA 330, paragraph 28.

Appendix 1

(Ref: Paras. 4(c), 14-24, A69-A104)

Internal Control Components

1. This appendix further explains the components of internal control, as set out in paragraphs 4(c), 14-24 and A69-A104, as they relate to a financial statement audit.

Control Environment

2. The control environment encompasses the following elements:
 - (a) *Communication and enforcement of integrity and ethical values.* The effectiveness of controls cannot rise above the integrity and ethical values of the people who create, administer, and monitor them. Integrity and ethical behavior are the product of the entity's ethical and behavioral standards, how they are communicated, and how they are reinforced in practice. The enforcement of integrity and ethical values includes, for example, management actions to eliminate or mitigate incentives or temptations that might prompt personnel to engage in dishonest, illegal, or unethical acts. The communication of entity policies on integrity and ethical values may include the communication of behavioral standards to personnel through policy statements and codes of conduct and by example.
 - (b) *Commitment to competence.* Competence is the knowledge and skills necessary to accomplish tasks that define the individual's job.
 - (c) *Participation by those charged with governance.* An entity's control consciousness is influenced significantly by those charged with governance. The importance of the responsibilities of those charged with governance is recognized in codes of practice and other laws and regulations or guidance produced for the benefit of those charged with governance. Other responsibilities of those charged with governance include oversight of the design and effective operation of whistle blower procedures and the process for reviewing the effectiveness of the entity's internal control.
 - (d) *Management's philosophy and operating style.* Management's philosophy and operating style encompass a broad range of characteristics. For example, management's attitudes and actions toward financial reporting may manifest themselves through conservative or aggressive selection from available alternative accounting principles, or conscientiousness and conservatism with which accounting estimates are developed.

- (e) *Organizational structure.* Establishing a relevant organizational structure includes considering key areas of authority and responsibility and appropriate lines of reporting. The appropriateness of an entity's organizational structure depends, in part, on its size and the nature of its activities.
- (f) *Assignment of authority and responsibility.* The assignment of authority and responsibility may include policies relating to appropriate business practices, knowledge and experience of key personnel, and resources provided for carrying out duties. In addition, it may include policies and communications directed at ensuring that all personnel understand the entity's objectives, know how their individual actions interrelate and contribute to those objectives, and recognize how and for what they will be held accountable.
- (g) *Human resource policies and practices.* Human resource policies and practices often demonstrate important matters in relation to the control consciousness of an entity. For example, standards for recruiting the most qualified individuals – with emphasis on educational background, prior work experience, past accomplishments, and evidence of integrity and ethical behavior – demonstrate an entity's commitment to competent and trustworthy people. Training policies that communicate prospective roles and responsibilities and include practices such as training schools and seminars illustrate expected levels of performance and behavior. Promotions driven by periodic performance appraisals demonstrate the entity's commitment to the advancement of qualified personnel to higher levels of responsibility.

Entity's Risk Assessment Process

- 3. For financial reporting purposes, the entity's risk assessment process includes how management identifies business risks relevant to the preparation of financial statements in accordance with the entity's applicable financial reporting framework, estimates their significance, assesses the likelihood of their occurrence, and decides upon actions to respond to and manage them and the results thereof. For example, the entity's risk assessment process may address how the entity considers the possibility of unrecorded transactions or identifies and analyzes significant estimates recorded in the financial statements.
- 4. Risks relevant to reliable financial reporting include external and internal events, transactions or circumstances that may occur and adversely affect an entity's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Management may initiate plans, programs, or actions to address specific risks or it may

decide to accept a risk because of cost or other considerations. Risks can arise or change due to circumstances such as the following:

- *Changes in operating environment.* Changes in the regulatory or operating environment can result in changes in competitive pressures and significantly different risks.
- *New personnel.* New personnel may have a different focus on or understanding of internal control.
- *New or revamped information systems.* Significant and rapid changes in information systems can change the risk relating to internal control.
- *Rapid growth.* Significant and rapid expansion of operations can strain controls and increase the risk of a breakdown in controls.
- *New technology.* Incorporating new technologies into production processes or information systems may change the risk associated with internal control.
- *New business models, products, or activities.* Entering into business areas or transactions with which an entity has little experience may introduce new risks associated with internal control.
- *Corporate restructurings.* Restructurings may be accompanied by staff reductions and changes in supervision and segregation of duties that may change the risk associated with internal control.
- *Expanded foreign operations.* The expansion or acquisition of foreign operations carries new and often unique risks that may affect internal control, for example, additional or changed risks from foreign currency transactions.
- *New accounting pronouncements.* Adoption of new accounting principles or changing accounting principles may affect risks in preparing financial statements.

Information System, Including the Related Business Processes, Relevant to Financial Reporting, and Communication

5. An information system consists of infrastructure (physical and hardware components), software, people, procedures, and data. Many information systems make extensive use of information technology (IT).
6. The information system relevant to financial reporting objectives, which includes the financial reporting system, encompasses methods and records that:
 - Identify and record all valid transactions.
 - Describe on a timely basis the transactions in sufficient detail to permit proper classification of transactions for financial reporting.

- Measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements.
 - Determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period.
 - Present properly the transactions and related disclosures in the financial statements.
7. The quality of system-generated information affects management's ability to make appropriate decisions in managing and controlling the entity's activities and to prepare reliable financial reports.
 8. Communication, which involves providing an understanding of individual roles and responsibilities pertaining to internal control over financial reporting, may take such forms as policy manuals, accounting and financial reporting manuals, and memoranda. Communication also can be made electronically, orally, and through the actions of management.

Control Activities

9. Generally, control activities that may be relevant to an audit may be categorized as policies and procedures that pertain to the following:
 - *Performance reviews.* These control activities include reviews and analyses of actual performance versus budgets, forecasts, and prior period performance; relating different sets of data – operating or financial – to one another, together with analyses of the relationships and investigative and corrective actions; comparing internal data with external sources of information; and review of functional or activity performance.
 - *Information processing.* The two broad groupings of information systems control activities are application controls, which apply to the processing of individual applications, and general IT-controls, which are policies and procedures that relate to many applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. Examples of application controls include checking the arithmetical accuracy of records, maintaining and reviewing accounts and trial balances, automated controls such as edit checks of input data and numerical sequence checks, and manual follow-up of exception reports. Examples of general IT-controls are program change controls, controls that restrict access to programs or data, controls over the implementation of new releases of packaged software applications, and controls over system software that restrict access to or monitor the use of system utilities that could change financial data or records without leaving an audit trail.

- *Physical controls.* Controls that encompass:
 - The physical security of assets, including adequate safeguards such as secured facilities over access to assets and records.
 - The authorization for access to computer programs and data files.
 - The periodic counting and comparison with amounts shown on control records (for example, comparing the results of cash, security and inventory counts with accounting records).

The extent to which physical controls intended to prevent theft of assets are relevant to the reliability of financial statement preparation, and therefore the audit, depends on circumstances such as when assets are highly susceptible to misappropriation.

- *Segregation of duties.* Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets. Segregation of duties is intended to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of the person's duties.
10. Certain control activities may depend on the existence of appropriate higher level policies established by management or those charged with governance. For example, authorization controls may be delegated under established guidelines, such as investment criteria set by those charged with governance; alternatively, non-routine transactions such as major acquisitions or divestments may require specific high level approval, including in some cases that of shareholders.

Monitoring of Controls

11. An important management responsibility is to establish and maintain internal control on an ongoing basis. Management's monitoring of controls includes considering whether they are operating as intended and that they are modified as appropriate for changes in conditions. Monitoring of controls may include activities such as management's review of whether bank reconciliations are being prepared on a timely basis, internal auditors' evaluation of sales personnel's compliance with the entity's policies on terms of sales contracts, and a legal department's oversight of compliance with the entity's ethical or business practice policies. Monitoring is done also to ensure that controls continue to operate effectively over time. For example, if the timeliness and accuracy of bank reconciliations are not monitored, personnel are likely to stop preparing them.
12. Internal auditors or personnel performing similar functions may contribute to the monitoring of an entity's controls through separate evaluations. Ordinarily, they regularly provide information about the functioning of internal control,

focusing considerable attention on evaluating the effectiveness of internal control, and communicate information about strengths and deficiencies in internal control and recommendations for improving internal control.

13. Monitoring activities may include using information from communications from external parties that may indicate problems or highlight areas in need of improvement. Customers implicitly corroborate billing data by paying their invoices or complaining about their charges. In addition, regulators may communicate with the entity concerning matters that affect the functioning of internal control, for example, communications concerning examinations by bank regulatory agencies. Also, management may consider communications relating to internal control from external auditors in performing monitoring activities.

Appendix 2

(Ref: Para. A33, A115)

Conditions and Events That May Indicate Risks of Material Misstatement

The following are examples of conditions and events that may indicate the existence of risks of material misstatement. The examples provided cover a broad range of conditions and events; however, not all conditions and events are relevant to every audit engagement and the list of examples is not necessarily complete.

- Operations in regions that are economically unstable, for example, countries with significant currency devaluation or highly inflationary economies.
- Operations exposed to volatile markets, for example, futures trading.
- Operations that are subject to a high degree of complex regulation.
- Going concern and liquidity issues including loss of significant customers.
- Constraints on the availability of capital and credit.
- Changes in the industry in which the entity operates.
- Changes in the supply chain.
- Developing or offering new products or services, or moving into new lines of business.
- Expanding into new locations.
- Changes in the entity such as large acquisitions or reorganizations or other unusual events.
- Entities or business segments likely to be sold.
- The existence of complex alliances and joint ventures.
- Use of off-balance-sheet finance, special-purpose entities, and other complex financing arrangements.
- Significant transactions with related parties.
- Lack of personnel with appropriate accounting and financial reporting skills.
- Changes in key personnel including departure of key executives.
- Deficiencies in internal control, especially those not addressed by management.
- Inconsistencies between the entity's IT strategy and its business strategies.
- Changes in the IT environment.

- Installation of significant new IT systems related to financial reporting.
- Inquiries into the entity's operations or financial results by regulatory or government bodies.
- Past misstatements, history of errors or a significant amount of adjustments at period end.
- Significant amount of non-routine or non-systematic transactions including intercompany transactions and large revenue transactions at period end.
- Transactions that are recorded based on management's intent, for example, debt refinancing, assets to be sold and classification of marketable securities.
- Application of new accounting pronouncements.
- Accounting measurements that involve complex processes.
- Events or transactions that involve significant measurement uncertainty, including accounting estimates.
- Pending litigation and contingent liabilities, for example, sales warranties, financial guarantees and environmental remediation.

ISSAI 1320

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Directriz de auditoría financiera

La materialidad al planificar y ejecutar una auditoría

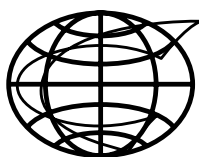
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 320 “La materialidad al planificar y ejecutar una auditoría” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1320

NOTA DE PRÁCTICA PARA LA NIA 320	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	P3
Consideraciones generales	P4
La materialidad en el contexto de una auditoría	P5–P7
Determinación de la materialidad en la ejecución del trabajo al planificar la auditoría	P8–P11
Revisión en el curso de la auditoría	P12
NORMA INTERNACIONAL DE AUDITORÍA 320	
Introducción	
Alcance de la NIA	1
La materialidad en el contexto de una auditoría	2–6
Fecha de entrada en vigor	7
Objetivo	8
Definición	9
Exigencias	
Determinación de la materialidad en la ejecución del trabajo al planificar la auditoría	10–11
Revisión en el curso de la auditoría	12–13
Documentación	14
Disposiciones de aplicación y otras disposiciones explicativas	
La materialidad y riesgo de auditoría	A1
Determinación de la materialidad en la ejecución del trabajo al planificar la auditoría	A2–A12
Revisión en el curso de la auditoría	A13

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 320

La materialidad en la planificación y en la ejecución de una auditoría

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales a los auditores del sector público sobre la NIA 320, “La materialidad al planificar y ejecutar una auditoría”, y debe leerse conjuntamente con ella. La NIA 320 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 320 establece la obligación para el auditor de aplicar el concepto de materialidad o importancia relativa en la planificación y en la ejecución de una auditoría de los estados financieros. La NIA 450² explica el modo en que se aplica este concepto al evaluar el efecto de las incorrecciones detectadas en la auditoría y de las no corregidas, en su caso, en los estados financieros.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) La materialidad en el contexto de una auditoría.
 - c) Determinación de la materialidad en la ejecución del trabajo al planificar la auditoría.
 - d) Revisión en el curso de la auditoría.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 320 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI.”

² NIA 450, “Valoración de las incorrecciones detectadas durante la auditoría.”

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 320 contiene material de aplicación y explicativo con consideraciones específicas sobre las entidades del sector público en los párrafos A2 y A9.

Consideraciones generales

- P4. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría puede contener objetivos adicionales que se consideren relativos a la auditoría de los estados financieros, entre ellos obligaciones de auditoría o de información, cuando los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden esperar de los auditores del sector público que notifiquen cualquier caso de falta de conformidad con las normas que hayan detectado durante la auditoría o informen sobre la eficacia del control interno. Así pues, los auditores del sector público han de tomar en consideración estas expectativas al determinar la importancia relativa. En las Directrices para la auditoría de cumplimiento (ISSAI 4000³ y 4200⁴) se tratan obligaciones adicionales relativas a la conformidad con las normas, y los auditores del sector público a quienes se hayan atribuido estas obligaciones adicionales pueden consultar las ISSAI 4000 y 4200.

La materialidad en el contexto de una auditoría

- P5. Al determinar la materialidad a efectos de planificación en el sector público, revisten una particular importancia los aspectos tanto cuantitativos como cualitativos, así como la naturaleza de los elementos. Asimismo, puede ser significativo el contexto en que se sitúa el asunto. Por otra parte, la naturaleza o características inherentes de los elementos, o grupos de elementos, pueden conferirles una importancia relativa.
- P6. El párrafo A2 de la NIA 320 señala que los legisladores y los órganos reguladores son a menudo los principales usuarios de los estados financieros de las entidades del sector público, y que dichos estados financieros pueden utilizarse para adoptar otras decisiones aparte de las económicas. Los legisladores representan a los ciudadanos y proporcionan financiación para distintos programas, actividades y funciones de carácter público. A menudo, los legisladores o los órganos reguladores evalúan o adoptan decisiones acerca de las actividades de una entidad. Otros usuarios son, por ejemplo, la dirección de la entidad, los accionistas o los medios de comunicación. Unos estados financieros que satisfacen las necesidades de los legisladores y órganos reguladores también satisfarán la mayor parte de las necesidades de los demás usuarios.

3 ISSAI 4000, "Directrices para la auditoría de cumplimiento - Introducción general."

4 ISSAI 4200, "Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros."

- P7. Los estados financieros también pueden representar un elemento clave de la rendición de cuentas de una entidad del sector público a la ciudadanía. El marco de rendición de cuentas puede incorporar otros factores que influyan en la determinación de la materialidad a distintos niveles. En consecuencia, ésta puede ser el resultado de factores tanto cuantitativos como cualitativos, y por lo tanto, su umbral para tipos particulares de operaciones, saldos de cuentas o información revelada pueden establecerse a menudo en un nivel bajo.

Determinación de la materialidad en la ejecución del trabajo al planificar la auditoría.

- P8. Como ya se ha señalado, la materialidad en el sector público incluye aspectos tanto cuantitativos como cualitativos (mencionados en las NIA como aspectos relativos a la magnitud y a la inaturalidad de las incorrecciones). La determinación de su umbral se describe en los párrafos 10 y 11 de la NIA. En el sector público, los umbrales para tipos de operaciones, saldos de cuentas o información revelada pueden establecerse a un nivel más bajo del que se obtendría con arreglo a las exigencias de la NIA. Esto puede deberse a una serie de razones, como el contexto del asunto, o la naturaleza y características de los sistemas y entidades afectados, como se explica en los párrafos P5 a P7. Por otra parte, el mandato de auditoría o la legislación pueden exigir la aplicación de ciertos procedimientos, como por ejemplo, verificación de salarios ministeriales fijados por disposiciones legales, o de pagos que tengan un carácter sensible, como los efectuados en concepto de viajes y de representación del personal directivo. En las raras ocasiones en que los auditores del sector público desean detectar incorrecciones de este tipo, verifican todas las operaciones correspondientes.
- P9. Cuando los auditores del sector público emiten, además, opiniones sobre la eficacia de los controles o sobre la conformidad con normas y reglamentos, estudian la necesidad de determinar la materialidad para estos objetivos además de la correspondiente a los estados financieros. Por ejemplo, al informar de la eficacia de los controles, el auditor puede utilizar un criterio de referencia basado en el porcentaje de operaciones o importes monetarios seleccionados para la muestra a fin de determinar el umbral de materialidad y evaluar las desviaciones del control.

- P10. El párrafo A2 de la NIA describe consideraciones específicas para determinar los niveles de importancia relativa en el sector público. Al determinar si un tipo particular de operaciones, saldo de cuentas, información presentada u otra afirmación que forme parte del marco de información financiera resulta significativo en virtud de su naturaleza, los auditores del sector público tendrán en cuenta aspectos cualitativos como los siguientes:
- El contexto en el que aparece el asunto, por ejemplo si también está sujeto al cumplimiento de normas, leyes o reglamentos, o si alguna ley o reglamento prohíbe el gasto excesivo de fondos públicos con independencia de los importes en cuestión.
 - Las necesidades de las distintas partes interesadas y su utilización de los estados financieros.
 - La naturaleza de las operaciones que se consideren sensibles para los usuarios de los estados financieros.
 - Las expectativas y el interés del público en general, incluida la especial atención prestada a una cuestión particular por las comisiones parlamentarias competentes, como la de cuentas públicas, incluso la necesidad de revelar determinada información.
 - La necesidad de control y regulación legislativos y reglamentación en un ámbito particular;
 - La necesidad de apertura y transparencia, por ejemplo si existen exigencias particulares de revelación de información en caso de fraudes u otras pérdidas.
- P11. El párrafo A9 de la NIA plantea la identificación de puntos de referencia adecuados para determinar la materialidad de los estados financieros. En el caso de entidades del sector público de las que se espera que recuperen costes o el equilibrio financiero, los gastos o ingresos brutos pueden constituir una referencia más adecuada que los costes netos. Para las entidades del sector público depositarias de importantes activos, el activo o el pasivo total, el activo o el pasivo neto, o determinadas clases de activos pueden constituir una referencia idónea si están registrados en los estados financieros. En algunos casos, teniendo especialmente en cuenta la importancia relativa cualitativa, también pueden ser útiles otro tipo de referencias, como por ejemplo:
- El número de usuarios o entidades afectados expresado en porcentaje del total de usuarios o entidades que participan en el programa particular.
 - Los importes previamente considerados significativos por una comisión parlamentaria competente, como la de cuentas públicas.
 - Pagos de prestaciones comparados con indicadores del coste de la vida, por ejemplo, la importancia para el beneficiario de pagos mensuales de prestaciones, como pensión o discapacidad, efectuados conforme a los programas del sector público.

Revisión en el curso de la auditoría

- P12. Los párrafos 12, 13 y A13 de la NIA abordan la necesidad de revisar los umbrales de materialidad en caso de tener conocimiento de nueva información en el curso de la auditoría. Debido a las estructuras de gobernanza y a la interrelación de las entidades dentro del sector público, no es inusual que los auditores del sector público reciban nueva información en el curso de la auditoría.

International Standard on Auditing

Materiality in Planning and Performing an Audit



**International Federation
of Accountants**

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This International Standard on Auditing (ISA) 320, “Materiality in Planning and Performing an Audit” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 320

MATERIALITY IN PLANNING AND PERFORMING AN AUDIT

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Materiality in the Context of an Audit	2–6
Effective Date	7
Objective	8
Definition	9
Requirements	
Determining Materiality and Performance Materiality When Planning the Audit	10–11
Revision as the Audit Progresses	12–13
Documentation	14
Application and Other Explanatory Material	
Materiality and Audit Risk	A1
Determining Materiality and Performance Materiality When Planning the Audit	A2–A12
Revision as the Audit Progresses	A13

International Standard on Auditing (ISA) 320, “Materiality in Planning and Performing an Audit” should be read in the context of ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to apply the concept of materiality in planning and performing an audit of financial statements. ISA 450¹ explains how materiality is applied in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.

Materiality in the Context of an Audit

2. Financial reporting frameworks often discuss the concept of materiality in the context of the preparation and presentation of financial statements. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that:
 - Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;
 - Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and
 - Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group.² The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.
3. Such a discussion, if present in the applicable financial reporting framework, provides a frame of reference to the auditor in determining materiality for the audit. If the applicable financial reporting framework does not include a discussion of the concept of materiality, the characteristics referred to in paragraph 2 provide the auditor with such a frame of reference.
4. The auditor's determination of materiality is a matter of professional judgment, and is affected by the auditor's perception of the financial information needs of

¹ ISA 450, "Evaluation of Misstatements Identified during the Audit."

² For example, the "Framework for the Preparation and Presentation of Financial Statements," adopted by the International Accounting Standards Board in April 2001, indicates that, for a profit-oriented entity, as investors are providers of risk capital to the enterprise, the provision of financial statements that meet their needs will also meet most of the needs of other users that financial statements can satisfy.

users of the financial statements. In this context, it is reasonable for the auditor to assume that users:

- (a) Have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
 - (b) Understand that financial statements are prepared, presented and audited to levels of materiality;
 - (c) Recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment and the consideration of future events; and
 - (d) Make reasonable economic decisions on the basis of the information in the financial statements.
5. The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. (Ref: Para. A1)
6. In planning the audit, the auditor makes judgments about the size of misstatements that will be considered material. These judgments provide a basis for:
- (a) Determining the nature, timing and extent of risk assessment procedures;
 - (b) Identifying and assessing the risks of material misstatement; and
 - (c) Determining the nature, timing and extent of further audit procedures.

The materiality determined when planning the audit does not necessarily establish an amount below which uncorrected misstatements, individually or in the aggregate, will always be evaluated as immaterial. The circumstances related to some misstatements may cause the auditor to evaluate them as material even if they are below materiality. Although it is not practicable to design audit procedures to detect misstatements that could be material solely because of their nature, the auditor considers not only the size but also the nature of uncorrected misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements.³

³ ISA 450, paragraph A16.

Effective Date

7. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

8. The objective of the auditor is to apply the concept of materiality appropriately in planning and performing the audit.

Definition

9. For purposes of the ISAs, performance materiality means the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

Requirements

Determining Materiality and Performance Materiality When Planning the Audit

10. When establishing the overall audit strategy, the auditor shall determine materiality for the financial statements as a whole. If, in the specific circumstances of the entity, there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements, the auditor shall also determine the materiality level or levels to be applied to those particular classes of transactions, account balances or disclosures. (Ref: Para. A2-A11)
11. The auditor shall determine performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. (Ref: Para. A12)

Revision as the Audit Progresses

12. The auditor shall revise materiality for the financial statements as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) in the event of becoming aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially. (Ref: Para. A13)
13. If the auditor concludes that a lower materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of

transactions, account balances or disclosures) than that initially determined is appropriate, the auditor shall determine whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate.

Documentation

14. The auditor shall include in the audit documentation the following amounts and the factors considered in their determination:⁴
 - (a) Materiality for the financial statements as a whole (see paragraph 10);
 - (b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures (see paragraph 10);
 - (c) Performance materiality (see paragraph 11); and
 - (d) Any revision of (a)-(c) as the audit progressed (see paragraphs 12-13).

Application and Other Explanatory Material

Materiality and Audit Risk (Ref: Para. 5)

- A1. In conducting an audit of financial statements, the overall objectives of the auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and to report on the financial statements, and communicate as required by the ISAs, in accordance with the auditor's findings.⁵ The auditor obtains reasonable assurance by obtaining sufficient appropriate audit evidence to reduce audit risk to an acceptably low level.⁶ Audit risk is the risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated. Audit risk is a function of the risks of material misstatement and detection risk.⁷ Materiality and audit risk are considered throughout the audit, in particular, when:

⁴ ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

⁵ ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph 11.

⁶ ISA 200, paragraph 17.

⁷ ISA 200, paragraph 13(c).

- (a) Identifying and assessing the risks of material misstatement;⁸
- (b) Determining the nature, timing and extent of further audit procedures;⁹ and
- (c) Evaluating the effect of uncorrected misstatements, if any, on the financial statements¹⁰ and in forming the opinion in the auditor's report.¹¹

Determining Materiality and Performance Materiality When Planning the Audit

Considerations Specific to Public Sector Entities (Ref: Para. 10)

A2. In the case of a public sector entity, legislators and regulators are often the primary users of its financial statements. Furthermore, the financial statements may be used to make decisions other than economic decisions. The determination of materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) in an audit of the financial statements of a public sector entity is therefore influenced by law, regulation or other authority, and by the financial information needs of legislators and the public in relation to public sector programs.

Use of Benchmarks in Determining Materiality for the Financial Statements as a Whole (Ref: Para. 10)

A3. Determining materiality involves the exercise of professional judgment. A percentage is often applied to a chosen benchmark as a starting point in determining materiality for the financial statements as a whole. Factors that may affect the identification of an appropriate benchmark include the following:

- The elements of the financial statements (for example, assets, liabilities, equity, revenue, expenses);
- Whether there are items on which the attention of the users of the particular entity's financial statements tends to be focused (for example, for the purpose of evaluating financial performance users may tend to focus on profit, revenue or net assets);

⁸ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

⁹ ISA 330, "The Auditor's Responses to Assessed Risks."

¹⁰ ISA 450.

¹¹ ISA 700, "Forming an Opinion and Reporting on Financial Statements."

- The nature of the entity, where the entity is in its life cycle, and the industry and economic environment in which the entity operates;
 - The entity's ownership structure and the way it is financed (for example, if an entity is financed solely by debt rather than equity, users may put more emphasis on assets, and claims on them, than on the entity's earnings); and
 - The relative volatility of the benchmark.
- A4. Examples of benchmarks that may be appropriate, depending on the circumstances of the entity, include categories of reported income such as profit before tax, total revenue, gross profit and total expenses, total equity or net asset value. Profit before tax from continuing operations is often used for profit-oriented entities. When profit before tax from continuing operations is volatile, other benchmarks may be more appropriate, such as gross profit or total revenues.
- A5. In relation to the chosen benchmark, relevant financial data ordinarily includes prior periods' financial results and financial positions, the period-to-date financial results and financial position, and budgets or forecasts for the current period, adjusted for significant changes in the circumstances of the entity (for example, a significant business acquisition) and relevant changes of conditions in the industry or economic environment in which the entity operates. For example, when, as a starting point, materiality for the financial statements as a whole is determined for a particular entity based on a percentage of profit before tax from continuing operations, circumstances that give rise to an exceptional decrease or increase in such profit may lead the auditor to conclude that materiality for the financial statements as a whole is more appropriately determined using a normalized profit before tax from continuing operations figure based on past results.
- A6. Materiality relates to the financial statements on which the auditor is reporting. Where the financial statements are prepared for a financial reporting period of more or less than twelve months, such as may be the case for a new entity or a change in the financial reporting period, materiality relates to the financial statements prepared for that financial reporting period.
- A7. Determining a percentage to be applied to a chosen benchmark involves the exercise of professional judgment. There is a relationship between the percentage and the chosen benchmark, such that a percentage applied to profit before tax from continuing operations will normally be higher than a percentage applied to total revenue. For example, the auditor may consider five percent of profit before tax from continuing operations to be appropriate for a profit-oriented entity in a manufacturing industry, while the auditor may consider one percent of total revenue or total expenses to be appropriate for a

not-for-profit entity. Higher or lower percentages, however, may be deemed appropriate in the circumstances.

Considerations Specific to Small Entities

- A8. When an entity's profit before tax from continuing operations is consistently nominal, as might be the case for an owner-managed business where the owner takes much of the profit before tax in the form of remuneration, a benchmark such as profit before remuneration and tax may be more relevant.

Considerations Specific to Public Sector Entities

- A9. In an audit of a public sector entity, total cost or net cost (expenses less revenues or expenditure less receipts) may be appropriate benchmarks for program activities. Where a public sector entity has custody of public assets, assets may be an appropriate benchmark.

Materiality Level or Levels for Particular Classes of Transactions, Account Balances or Disclosures (Ref: Para. 10)

- A10. Factors that may indicate the existence of one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements include the following:
- Whether law, regulation or the applicable financial reporting framework affect users' expectations regarding the measurement or disclosure of certain items (for example, related party transactions, and the remuneration of management and those charged with governance).
 - The key disclosures in relation to the industry in which the entity operates (for example, research and development costs for a pharmaceutical company).
 - Whether attention is focused on a particular aspect of the entity's business that is separately disclosed in the financial statements (for example, a newly acquired business).
- A11. In considering whether, in the specific circumstances of the entity, such classes of transactions, account balances or disclosures exist, the auditor may find it useful to obtain an understanding of the views and expectations of those charged with governance and management.

Performance Materiality (Ref: Para. 11)

- A12. Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated, and leaves no

margin for possible undetected misstatements. Performance materiality (which, as defined, is one or more amounts) is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Similarly, performance materiality relating to a materiality level determined for a particular class of transactions, account balance or disclosure is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in that particular class of transactions, account balance or disclosure exceeds the materiality level for that particular class of transactions, account balance or disclosure. The determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgment. It is affected by the auditor's understanding of the entity, updated during the performance of the risk assessment procedures; and the nature and extent of misstatements identified in previous audits and thereby the auditor's expectations in relation to misstatements in the current period.

Revision as the Audit Progresses (Ref: Para. 12)

- A13. Materiality for the financial statements as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) may need to be revised as a result of a change in circumstances that occurred during the audit (for example, a decision to dispose of a major part of the entity's business), new information, or a change in the auditor's understanding of the entity and its operations as a result of performing further audit procedures. For example, if during the audit it appears as though actual financial results are likely to be substantially different from the anticipated period end financial results that were used initially to determine materiality for the financial statements as a whole, the auditor revises that materiality.

ISSAI 1330

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INTOSAI



Directriz de auditoría financiera

Respuesta del auditor ante los riesgos evaluados

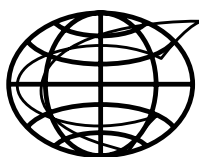
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 330 “Respuesta del auditor ante los riesgos evaluados” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC

Índice de la ISSAI 1330

NOTA DE PRÁCTICA PARA LA NIA 330

Párrafo

Fundamentos

Introducción a la NIA

Contenido de la Nota de Práctica P1

Aplicabilidad de la NIA en la auditoría del sector público P2

Orientaciones adicionales sobre cuestiones ligadas al sector público P3

Consideraciones generales P4

Procedimientos de auditoría en respuesta a los riesgos evaluados
de incorrecciones materiales en las afirmaciones P5–P9

Evaluación de la suficiencia e idoneidad de la evidencia de auditoría P10

Consideraciones específicas para los auditores del sector público
con funciones jurisdiccionales P11

NORMA INTERNACIONAL DE AUDITORÍA 330

Introducción

Alcance de la NIA 1

Fecha de entrada en vigor 2

Objetivo 3

Definiciones 4

Exigencias

Respuestas globales 5

Procedimientos de auditoría en respuesta a los riesgos evaluados
de incorrecciones materiales en las afirmaciones 6–23

Idoneidad de la presentación de la información 24

Evaluación de la suficiencia e idoneidad de la evidencia de auditoría 25–27

Documentación 28–30

Disposiciones de aplicación y otras disposiciones explicativas

Respuestas globales A1–A3

Procedimientos de auditoría en respuesta a los riesgos evaluados
de incorrecciones materiales en las afirmaciones A4–A58

Idoneidad de la presentación de la información A59

Evaluación de la suficiencia e idoneidad de la evidencia de auditoría A60–A62

Documentación A63

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 330

Respuesta del auditor ante los riesgos evaluados

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 330 “Respuesta del auditor ante los riesgos evaluados”, y debe leerse conjuntamente con ella. La NIA 330 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 330 establece la obligación del auditor de plantear y aplicar respuestas a los riesgos de incorrecciones materiales que haya identificado y evaluado en una auditoría de los estados financieros, de conformidad con la NIA 315².

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Procedimientos de auditoría en respuesta a los riesgos evaluados de incorrecciones materiales en las afirmaciones.
 - c) Evaluación de la suficiencia e idoneidad de la evidencia de auditoría.
 - d) Consideraciones específicas para los auditores del sector público con funciones jurisdiccionales.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 330 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI.”

² NIA 315, “Identificación y evaluación del riesgo de incorrecciones materiales a través de la comprensión de la entidad y de su entorno.”

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 330 contiene material de aplicación y explicativo con consideraciones específicas sobre las entidades del sector público en el párrafo A17.

Consideraciones generales

- P4. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría, o las obligaciones para las entidades del sector público derivadas de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo puede contener objetivos adicionales, entre ellos obligaciones de auditoría o de información, cuando los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. Estos objetivos adicionales pueden conducir a los auditores del sector público a identificar y evaluar otros riesgos de incorrecciones materiales y a plantear y aplicar respuestas globales para hacer frente a los riesgos evaluados en los estados financieros, así como procedimientos de auditoría complementarios para responder a los riesgos evaluados en las afirmaciones. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden esperar de los auditores del sector público que notifiquen cualquier caso de falta de conformidad con las normas que hayan detectado durante la auditoría o informen sobre la eficacia del control interno. Así pues, los auditores del sector público han de tomar en consideración estas expectativas, y estar atentos a la necesidad de responder a los riesgos evaluados de incumplimiento o a los riesgos relativos a la eficacia del control interno.

Procedimientos de auditoría en respuesta a los riesgos evaluados de incorrecciones materiales en las afirmaciones

- P5. Al planificar el calendario para aplicar procedimientos adicionales de auditoría, como se describe en el párrafo 6 de la NIA, los auditores del sector público también tendrán en cuenta que la verificación de la conformidad con leyes y reglamentos puede realizarse en el curso del ejercicio mientras que el control de la ejecución presupuestaria normalmente ha de completarse al final del mismo.
- P6. El párrafo A17 de la NIA señala que el mandato u otras exigencias especiales de auditoría pueden afectar a la consideración, por parte del auditor, de la naturaleza, calendario y alcance de los procedimientos de auditoría adicionales. Como ejemplos de las citadas exigencias especiales cabe mencionar la verificación y notificación de la falta de conformidad con determinados reglamentos, como los relativos a la ejecución presupuestaria o al ámbito de la contratación pública.

- P7. El párrafo 8 de la NIA describe las circunstancias en las que el auditor debe proceder a pruebas de los controles para obtener evidencia de auditoría suficiente y apropiada del funcionamiento eficaz de los controles pertinentes. Como resultado de los objetivos adicionales descritos en el párrafo P4, las pruebas de los controles de una entidad del sector público pueden ser más amplias y detalladas que las aplicadas a una entidad del sector privado. Asimismo, pueden efectuarse con independencia de las circunstancias descritas en el párrafo 8 de la NIA. Por ejemplo, los auditores del sector público pueden proceder a pruebas de controles en gastos de viajes o pagos de carácter sensible, o en controles concebidos para prevenir o detectar el fraude en la entidad.
- P8. Al plantear y ejecutar pruebas de controles de conformidad con el apartado 10 de la NIA, los auditores del sector público determinarán si la entidad está integrada en un entorno de control público más amplio y, por consiguiente, puedan existir controles externos a la entidad. El auditor determinará si ha de obtener evidencia de auditoría suficiente y apropiada en relación con dichos controles, y de qué manera la obtendrá.
- P9. Al utilizar la evidencia de auditoría relativa al funcionamiento eficaz de los controles obtenida en auditorías anteriores, de conformidad con el párrafo 13 de la NIA, los auditores del sector público podrán utilizar evidencia obtenida en auditorías de rendimiento u otras actividades de auditoría pertinentes para la entidad. Al basarse en evidencia obtenida en auditorías de rendimiento anteriores, los auditores del sector público evaluarán si las afirmaciones utilizadas y las pruebas realizadas pueden aplicarse a la auditoría de los estados financieros.

Evaluación de la suficiencia e idoneidad de la evidencia de auditoría

- P10. Con arreglo al párrafo 27 de la NIA, el auditor ha de expresar una opinión con reservas o una abstención de opinión si no ha podido obtener evidencia de auditoría suficiente y apropiada. El párrafo A62 de la NIA cita factores que pueden influir en el juicio del auditor sobre lo que constituye evidencia de auditoría suficiente y apropiada. Al proceder a esta valoración, los auditores del sector público también tendrán en cuenta la necesidad de obtener evidencia suficiente y apropiada para alcanzar cualquier objetivo adicional, como se describe en el párrafo P4.

Consideraciones específicas para los auditores del sector público con funciones jurisdiccionales

- P11. En ciertos entornos del sector público, como en un Tribunal de Cuentas, el informe del auditor a menudo es examinado y utilizado para determinar consecuencias legales de carácter personal para los responsables de actos financieros, incluidas cuestiones de importancia, deficiencias de control y casos de falta de conformidad con las normas. Los auditores del sector público de este tipo de entornos, por lo tanto, al evaluar la suficiencia e idoneidad de la evidencia de auditoría aplicarán procedimientos para identificar a los responsables de los actos financieros y del cumplimiento de las exigencias legales.

International Standard on Auditing

The Auditor's Responses to Assessed Risks



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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This International Standard on Auditing (ISA) 330, “The Auditor’s Responses to Assessed Risks” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 330

THE AUDITOR’S RESPONSES TO ASSESSED RISKS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Effective Date	2
Objective	3
Definitions	4
Requirements	
Overall Responses	5
Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	6-23
Adequacy of Presentation and Disclosure	24
Evaluating the Sufficiency and Appropriateness of Audit Evidence	25-27
Documentation	28-30
Application and Other Explanatory Material	
Overall Responses	A1-A3
Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	A4-A58
Adequacy of Presentation and Disclosure	A59
Evaluating the Sufficiency and Appropriateness of Audit Evidence	A60-A62
Documentation	A63

International Standard on Auditing (ISA) 330, “The Auditor’s Responses to Assessed Risks” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to design and implement responses to the risks of material misstatement identified and assessed by the auditor in accordance with ISA 315¹ in an audit of financial statements.

Effective Date

2. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

3. The objective of the auditor is to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement, through designing and implementing appropriate responses to those risks.

Definitions

4. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Substantive procedure – An audit procedure designed to detect material misstatements at the assertion level. Substantive procedures comprise:
 - (i) Tests of details (of classes of transactions, account balances, and disclosures); and
 - (ii) Substantive analytical procedures.
 - (b) Test of controls – An audit procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level.

Requirements

Overall Responses

5. The auditor shall design and implement overall responses to address the assessed risks of material misstatement at the financial statement level. (Ref: Para. A1-A3)

¹ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level

6. The auditor shall design and perform further audit procedures whose nature, timing, and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level. (Ref: Para. A4-A8)
7. In designing the further audit procedures to be performed, the auditor shall:
 - (a) Consider the reasons for the assessment given to the risk of material misstatement at the assertion level for each class of transactions, account balance, and disclosure, including:
 - (i) The likelihood of material misstatement due to the particular characteristics of the relevant class of transactions, account balance, or disclosure (that is, the inherent risk); and
 - (ii) Whether the risk assessment takes account of relevant controls (that is, the control risk), thereby requiring the auditor to obtain audit evidence to determine whether the controls are operating effectively (that is, the auditor intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures); and (Ref: Para. A9-A18)
 - (b) Obtain more persuasive audit evidence the higher the auditor's assessment of risk. (Ref: Para. A19)

Tests of Controls

8. The auditor shall design and perform tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls if:
 - (a) The auditor's assessment of risks of material misstatement at the assertion level includes an expectation that the controls are operating effectively (that is, the auditor intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures); or
 - (b) Substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level. (Ref: Para. A20-A24)
9. In designing and performing tests of controls, the auditor shall obtain more persuasive audit evidence the greater the reliance the auditor places on the effectiveness of a control. (Ref: Para. A25)

Nature and Extent of Tests of Controls

10. In designing and performing tests of controls, the auditor shall:
 - (a) Perform other audit procedures in combination with inquiry to obtain audit evidence about the operating effectiveness of the controls, including:
 - (i) How the controls were applied at relevant times during the period under audit;
 - (ii) The consistency with which they were applied; and
 - (iii) By whom or by what means they were applied. (Ref: Para. A26-A29)
 - (b) Determine whether the controls to be tested depend upon other controls (indirect controls) and, if so, whether it is necessary to obtain audit evidence supporting the effective operation of those indirect controls. (Ref: Para. A30-A31)

Timing of Tests of Controls

11. The auditor shall test controls for the particular time, or throughout the period, for which the auditor intends to rely on those controls, subject to paragraphs 12 and 15 below, in order to provide an appropriate basis for the auditor's intended reliance. (Ref: Para. A32)

Using audit evidence obtained during an interim period

12. If the auditor obtains audit evidence about the operating effectiveness of controls during an interim period, the auditor shall:
 - (a) Obtain audit evidence about significant changes to those controls subsequent to the interim period; and
 - (b) Determine the additional audit evidence to be obtained for the remaining period. (Ref: Para. A33-A34)

Using audit evidence obtained in previous audits

13. In determining whether it is appropriate to use audit evidence about the operating effectiveness of controls obtained in previous audits, and, if so, the length of the time period that may elapse before retesting a control, the auditor shall consider the following:
 - (a) The effectiveness of other elements of internal control, including the control environment, the entity's monitoring of controls, and the entity's risk assessment process;
 - (b) The risks arising from the characteristics of the control, including whether it is manual or automated;

- (c) The effectiveness of general IT-controls;
 - (d) The effectiveness of the control and its application by the entity, including the nature and extent of deviations in the application of the control noted in previous audits, and whether there have been personnel changes that significantly affect the application of the control;
 - (e) Whether the lack of a change in a particular control poses a risk due to changing circumstances; and
 - (f) The risks of material misstatement and the extent of reliance on the control. (Ref: Para. A35)
14. If the auditor plans to use audit evidence from a previous audit about the operating effectiveness of specific controls, the auditor shall establish the continuing relevance of that evidence by obtaining audit evidence about whether significant changes in those controls have occurred subsequent to the previous audit. The auditor shall obtain this evidence by performing inquiry combined with observation or inspection, to confirm the understanding of those specific controls, and:
- (a) If there have been changes that affect the continuing relevance of the audit evidence from the previous audit, the auditor shall test the controls in the current audit. (Ref: Para. A36)
 - (b) If there have not been such changes, the auditor shall test the controls at least once in every third audit, and shall test some controls each audit to avoid the possibility of testing all the controls on which the auditor intends to rely in a single audit period with no testing of controls in the subsequent two audit periods. (Ref: Para. A37-A39)

Controls over significant risks

15. If the auditor plans to rely on controls over a risk the auditor has determined to be a significant risk, the auditor shall test those controls in the current period.

Evaluating the Operating Effectiveness of Controls

16. When evaluating the operating effectiveness of relevant controls, the auditor shall evaluate whether misstatements that have been detected by substantive procedures indicate that controls are not operating effectively. The absence of misstatements detected by substantive procedures, however, does not provide audit evidence that controls related to the assertion being tested are effective. (Ref: Para. A40)
17. If deviations from controls upon which the auditor intends to rely are detected, the auditor shall make specific inquiries to understand these matters and their potential consequences, and shall determine whether: (Ref: Para. A41)

- (a) The tests of controls that have been performed provide an appropriate basis for reliance on the controls;
- (b) Additional tests of controls are necessary; or
- (c) The potential risks of misstatement need to be addressed using substantive procedures.

Substantive Procedures

- 18. Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure. (Ref: Para. A42-A47)
- 19. The auditor shall consider whether external confirmation procedures are to be performed as substantive audit procedures. (Ref: Para. A48-A51)

Substantive Procedures Related to the Financial Statement Closing Process

- 20. The auditor's substantive procedures shall include the following audit procedures related to the financial statement closing process:
 - (a) Agreeing or reconciling the financial statements with the underlying accounting records; and
 - (b) Examining material journal entries and other adjustments made during the course of preparing the financial statements. (Ref: Para. A52)

Substantive Procedures Responsive to Significant Risks

- 21. If the auditor has determined that an assessed risk of material misstatement at the assertion level is a significant risk, the auditor shall perform substantive procedures that are specifically responsive to that risk. When the approach to a significant risk consists only of substantive procedures, those procedures shall include tests of details. (Ref: Para. A53)

Timing of Substantive Procedures

- 22. If substantive procedures are performed at an interim date, the auditor shall cover the remaining period by performing:
 - (a) substantive procedures, combined with tests of controls for the intervening period; or
 - (b) if the auditor determines that it is sufficient, further substantive procedures only,that provide a reasonable basis for extending the audit conclusions from the interim date to the period end. (Ref: Para. A54-A57)
- 23. If misstatements that the auditor did not expect when assessing the risks of material misstatement are detected at an interim date, the auditor shall evaluate

whether the related assessment of risk and the planned nature, timing, or extent of substantive procedures covering the remaining period need to be modified. (Ref: Para. A58)

Adequacy of Presentation and Disclosure

24. The auditor shall perform audit procedures to evaluate whether the overall presentation of the financial statements, including the related disclosures, is in accordance with the applicable financial reporting framework. (Ref: Para. A59)

Evaluating the Sufficiency and Appropriateness of Audit Evidence

25. Based on the audit procedures performed and the audit evidence obtained, the auditor shall evaluate before the conclusion of the audit whether the assessments of the risks of material misstatement at the assertion level remain appropriate. (Ref: Para. A60-A61)
26. The auditor shall conclude whether sufficient appropriate audit evidence has been obtained. In forming an opinion, the auditor shall consider all relevant audit evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial statements. (Ref: Para. A62)
27. If the auditor has not obtained sufficient appropriate audit evidence as to a material financial statement assertion, the auditor shall attempt to obtain further audit evidence. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall express a qualified opinion or disclaim an opinion on the financial statements.

Documentation

28. The auditor shall include in the audit documentation:²
- (a) The overall responses to address the assessed risks of material misstatement at the financial statement level, and the nature, timing, and extent of the further audit procedures performed;
 - (b) The linkage of those procedures with the assessed risks at the assertion level; and
 - (c) The results of the audit procedures, including the conclusions where these are not otherwise clear. (Ref: Para. A63)
29. If the auditor plans to use audit evidence about the operating effectiveness of controls obtained in previous audits, the auditor shall include in the audit documentation the conclusions reached about relying on such controls that were tested in a previous audit.

² ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

30. The auditor's documentation shall demonstrate that the financial statements agree or reconcile with the underlying accounting records.

Application and Other Explanatory Material

Overall Responses (Ref: Para. 5)

- A1. Overall responses to address the assessed risks of material misstatement at the financial statement level may include:
- Emphasizing to the audit team the need to maintain professional skepticism.
 - Assigning more experienced staff or those with special skills or using experts.
 - Providing more supervision.
 - Incorporating additional elements of unpredictability in the selection of further audit procedures to be performed.
 - Making general changes to the nature, timing, or extent of audit procedures, for example: performing substantive procedures at the period end instead of at an interim date; or modifying the nature of audit procedures to obtain more persuasive audit evidence.
- A2. The assessment of the risks of material misstatement at the financial statement level, and thereby the auditor's overall responses, is affected by the auditor's understanding of the control environment. An effective control environment may allow the auditor to have more confidence in internal control and the reliability of audit evidence generated internally within the entity and thus, for example, allow the auditor to conduct some audit procedures at an interim date rather than at the period end. Deficiencies in the control environment, however, have the opposite effect; for example, the auditor may respond to an ineffective control environment by:
- Conducting more audit procedures as of the period end rather than at an interim date.
 - Obtaining more extensive audit evidence from substantive procedures.
 - Increasing the number of locations to be included in the audit scope.
- A3. Such considerations, therefore, have a significant bearing on the auditor's general approach, for example, an emphasis on substantive procedures (substantive approach), or an approach that uses tests of controls as well as substantive procedures (combined approach).

Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level*The Nature, Timing, and Extent of Further Audit Procedures (Ref: Para. 6)*

- A4. The auditor's assessment of the identified risks at the assertion level provides a basis for considering the appropriate audit approach for designing and performing further audit procedures. For example, the auditor may determine that:
- (a) Only by performing tests of controls may the auditor achieve an effective response to the assessed risk of material misstatement for a particular assertion;
 - (b) Performing only substantive procedures is appropriate for particular assertions and, therefore, the auditor excludes the effect of controls from the relevant risk assessment. This may be because the auditor's risk assessment procedures have not identified any effective controls relevant to the assertion, or because testing controls would be inefficient and therefore the auditor does not intend to rely on the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures; or
 - (c) A combined approach using both tests of controls and substantive procedures is an effective approach.

However, as required by paragraph 18, irrespective of the approach selected, the auditor designs and performs substantive procedures for each material class of transactions, account balance, and disclosure.

- A5. The nature of an audit procedure refers to its purpose (that is, test of controls or substantive procedure) and its type (that is, inspection, observation, inquiry, confirmation, recalculation, reperformance, or analytical procedure). The nature of the audit procedures is of most importance in responding to the assessed risks.
- A6. Timing of an audit procedure refers to when it is performed, or the period or date to which the audit evidence applies.
- A7. Extent of an audit procedure refers to the quantity to be performed, for example, a sample size or the number of observations of a control activity.
- A8. Designing and performing further audit procedures whose nature, timing, and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level provides a clear linkage between the auditor's further audit procedures and the risk assessment.

Responding to the Assessed Risks at the Assertion Level (Ref: Para. 7(a))

Nature

- A9. The auditor's assessed risks may affect both the types of audit procedures to be performed and their combination. For example, when an assessed risk is high, the auditor may confirm the completeness of the terms of a contract with the counterparty, in addition to inspecting the document. Further, certain audit procedures may be more appropriate for some assertions than others. For example, in relation to revenue, tests of controls may be most responsive to the assessed risk of misstatement of the completeness assertion, whereas substantive procedures may be most responsive to the assessed risk of misstatement of the occurrence assertion.
- A10. The reasons for the assessment given to a risk are relevant in determining the nature of audit procedures. For example, if an assessed risk is lower because of the particular characteristics of a class of transactions without consideration of the related controls, then the auditor may determine that substantive analytical procedures alone provide sufficient appropriate audit evidence. On the other hand, if the assessed risk is lower because of internal controls, and the auditor intends to base the substantive procedures on that low assessment, then the auditor performs tests of those controls, as required by paragraph 8(a). This may be the case, for example, for a class of transactions of reasonably uniform, non-complex characteristics that are routinely processed and controlled by the entity's information system.

Timing

- A11. The auditor may perform tests of controls or substantive procedures at an interim date or at the period end. The higher the risk of material misstatement, the more likely it is that the auditor may decide it is more effective to perform substantive procedures nearer to, or at, the period end rather than at an earlier date, or to perform audit procedures unannounced or at unpredictable times (for example, performing audit procedures at selected locations on an unannounced basis). This is particularly relevant when considering the response to the risks of fraud. For example, the auditor may conclude that, when the risks of intentional misstatement or manipulation have been identified, audit procedures to extend audit conclusions from interim date to the period end would not be effective.
- A12. On the other hand, performing audit procedures before the period end may assist the auditor in identifying significant matters at an early stage of the audit, and consequently resolving them with the assistance of management or developing an effective audit approach to address such matters.
- A13. In addition, certain audit procedures can be performed only at or after the period end, for example:

- Agreeing the financial statements to the accounting records;
- Examining adjustments made during the course of preparing the financial statements; and
- Procedures to respond to a risk that, at the period end, the entity may have entered into improper sales contracts, or transactions may not have been finalized.

A14. Further relevant factors that influence the auditor's consideration of when to perform audit procedures include the following:

- The control environment.
- When relevant information is available (for example, electronic files may subsequently be overwritten, or procedures to be observed may occur only at certain times).
- The nature of the risk (for example, if there is a risk of inflated revenues to meet earnings expectations by subsequent creation of false sales agreements, the auditor may wish to examine contracts available on the date of the period end).
- The period or date to which the audit evidence relates.

Extent

A15. The extent of an audit procedure judged necessary is determined after considering the materiality, the assessed risk, and the degree of assurance the auditor plans to obtain. When a single purpose is met by a combination of procedures, the extent of each procedure is considered separately. In general, the extent of audit procedures increases as the risk of material misstatement increases. For example, in response to the assessed risk of material misstatement due to fraud, increasing sample sizes or performing substantive analytical procedures at a more detailed level may be appropriate. However, increasing the extent of an audit procedure is effective only if the audit procedure itself is relevant to the specific risk.

A16. The use of computer-assisted audit techniques (CAATs) may enable more extensive testing of electronic transactions and account files, which may be useful when the auditor decides to modify the extent of testing, for example, in responding to the risks of material misstatement due to fraud. Such techniques can be used to select sample transactions from key electronic files, to sort transactions with specific characteristics, or to test an entire population instead of a sample.

Considerations specific to public sector entities

- A17. For the audits of public sector entities, the audit mandate and any other special auditing requirements may affect the auditor's consideration of the nature, timing and extent of further audit procedures.

Considerations specific to smaller entities

- A18. In the case of very small entities, there may not be many control activities that could be identified by the auditor, or the extent to which their existence or operation have been documented by the entity may be limited. In such cases, it may be more efficient for the auditor to perform further audit procedures that are primarily substantive procedures. In some rare cases, however, the absence of control activities or of other components of control may make it impossible to obtain sufficient appropriate audit evidence.

Higher Assessments of Risk (Ref: Para 7(b))

- A19. When obtaining more persuasive audit evidence because of a higher assessment of risk, the auditor may increase the quantity of the evidence, or obtain evidence that is more relevant or reliable, for example, by placing more emphasis on obtaining third party evidence or by obtaining corroborating evidence from a number of independent sources.

Tests of Controls

Designing and Performing Tests of Controls (Ref: Para. 8)

- A20. Tests of controls are performed only on those controls that the auditor has determined are suitably designed to prevent, or detect and correct, a material misstatement in an assertion. If substantially different controls were used at different times during the period under audit, each is considered separately.
- A21. Testing the operating effectiveness of controls is different from obtaining an understanding of and evaluating the design and implementation of controls. However, the same types of audit procedures are used. The auditor may, therefore, decide it is efficient to test the operating effectiveness of controls at the same time as evaluating their design and determining that they have been implemented.
- A22. Further, although some risk assessment procedures may not have been specifically designed as tests of controls, they may nevertheless provide audit evidence about the operating effectiveness of the controls and, consequently, serve as tests of controls. For example, the auditor's risk assessment procedures may have included:
- Inquiring about management's use of budgets.
 - Observing management's comparison of monthly budgeted and actual expenses.

- Inspecting reports pertaining to the investigation of variances between budgeted and actual amounts.

These audit procedures provide knowledge about the design of the entity's budgeting policies and whether they have been implemented, but may also provide audit evidence about the effectiveness of the operation of budgeting policies in preventing or detecting material misstatements in the classification of expenses.

- A23. In addition, the auditor may design a test of controls to be performed concurrently with a test of details on the same transaction. Although the purpose of a test of controls is different from the purpose of a test of details, both may be accomplished concurrently by performing a test of controls and a test of details on the same transaction, also known as a dual-purpose test. For example, the auditor may design, and evaluate the results of, a test to examine an invoice to determine whether it has been approved and to provide substantive audit evidence of a transaction. A dual-purpose test is designed and evaluated by considering each purpose of the test separately.
- A24. In some cases, the auditor may find it impossible to design effective substantive procedures that by themselves provide sufficient appropriate audit evidence at the assertion level.³ This may occur when an entity conducts its business using IT and no documentation of transactions is produced or maintained, other than through the IT system. In such cases, paragraph 8(b) requires the auditor to perform tests of relevant controls.

Audit Evidence and Intended Reliance (Ref: Para. 9)

- A25. A higher level of assurance may be sought about the operating effectiveness of controls when the approach adopted consists primarily of tests of controls, in particular where it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures.

Nature and Extent of Tests of Controls

Other audit procedures in combination with inquiry (Ref: Para. 10(a))

- A26. Inquiry alone is not sufficient to test the operating effectiveness of controls. Accordingly, other audit procedures are performed in combination with inquiry. In this regard, inquiry combined with inspection or reperformance may provide more assurance than inquiry and observation, since an observation is pertinent only at the point in time at which it is made.
- A27. The nature of the particular control influences the type of procedure required to obtain audit evidence about whether the control was operating effectively. For example, if operating effectiveness is evidenced by documentation, the auditor

³ ISA 315, paragraph 30.

may decide to inspect it to obtain audit evidence about operating effectiveness. For other controls, however, documentation may not be available or relevant. For example, documentation of operation may not exist for some factors in the control environment, such as assignment of authority and responsibility, or for some types of control activities, such as control activities performed by a computer. In such circumstances, audit evidence about operating effectiveness may be obtained through inquiry in combination with other audit procedures such as observation or the use of CAATs.

Extent of tests of controls

A28. When more persuasive audit evidence is needed regarding the effectiveness of a control, it may be appropriate to increase the extent of testing of the control. As well as the degree of reliance on controls, matters the auditor may consider in determining the extent of tests of controls include the following:

- The frequency of the performance of the control by the entity during the period.
- The length of time during the audit period that the auditor is relying on the operating effectiveness of the control.
- The expected rate of deviation from a control.
- The relevance and reliability of the audit evidence to be obtained regarding the operating effectiveness of the control at the assertion level.
- The extent to which audit evidence is obtained from tests of other controls related to the assertion.

ISA 530⁴ contains further guidance on the extent of testing.

A29. Because of the inherent consistency of IT processing, it may not be necessary to increase the extent of testing of an automated control. An automated control can be expected to function consistently unless the program (including the tables, files, or other permanent data used by the program) is changed. Once the auditor determines that an automated control is functioning as intended (which could be done at the time the control is initially implemented or at some other date), the auditor may consider performing tests to determine that the control continues to function effectively. Such tests might include determining that:

- Changes to the program are not made without being subject to the appropriate program change controls;
- The authorized version of the program is used for processing transactions; and

⁴ ISA 530, “Audit Sampling.”

- Other relevant general controls are effective.

Such tests also might include determining that changes to the programs have not been made, as may be the case when the entity uses packaged software applications without modifying or maintaining them. For example, the auditor may inspect the record of the administration of IT security to obtain audit evidence that unauthorized access has not occurred during the period.

Testing of indirect controls (Ref: Para. 10(b))

- A30. In some circumstances, it may be necessary to obtain audit evidence supporting the effective operation of indirect controls. For example, when the auditor decides to test the effectiveness of a user review of exception reports detailing sales in excess of authorized credit limits, the user review and related follow up is the control that is directly of relevance to the auditor. Controls over the accuracy of the information in the reports (for example, the general IT-controls) are described as “indirect” controls.
- A31. Because of the inherent consistency of IT processing, audit evidence about the implementation of an automated application control, when considered in combination with audit evidence about the operating effectiveness of the entity’s general controls (in particular, change controls), may also provide substantial audit evidence about its operating effectiveness.

Timing of Tests of Controls

Intended period of reliance (Ref: Para. 11)

- A32. Audit evidence pertaining only to a point in time may be sufficient for the auditor’s purpose, for example, when testing controls over the entity’s physical inventory counting at the period end. If, on the other hand, the auditor intends to rely on a control over a period, tests that are capable of providing audit evidence that the control operated effectively at relevant times during that period are appropriate. Such tests may include tests of the entity’s monitoring of controls.

Using audit evidence obtained during an interim period (Ref: Para. 12(b))

- A33. Relevant factors in determining what additional audit evidence to obtain about controls that were operating during the period remaining after an interim period, include:
- The significance of the assessed risks of material misstatement at the assertion level.
 - The specific controls that were tested during the interim period, and significant changes to them since they were tested, including changes in the information system, processes, and personnel.

- The degree to which audit evidence about the operating effectiveness of those controls was obtained.
- The length of the remaining period.
- The extent to which the auditor intends to reduce further substantive procedures based on the reliance of controls.
- The control environment.

A34. Additional audit evidence may be obtained, for example, by extending tests of controls over the remaining period or testing the entity's monitoring of controls.

Using audit evidence obtained in previous audits (Ref: Para. 13)

A35. In certain circumstances, audit evidence obtained from previous audits may provide audit evidence where the auditor performs audit procedures to establish its continuing relevance. For example, in performing a previous audit, the auditor may have determined that an automated control was functioning as intended. The auditor may obtain audit evidence to determine whether changes to the automated control have been made that affect its continued effective functioning through, for example, inquiries of management and the inspection of logs to indicate what controls have been changed. Consideration of audit evidence about these changes may support either increasing or decreasing the expected audit evidence to be obtained in the current period about the operating effectiveness of the controls.

Controls that have changed from previous audits (Ref: Para. 14(a))

A36. Changes may affect the relevance of the audit evidence obtained in previous audits such that there may no longer be a basis for continued reliance. For example, changes in a system that enable an entity to receive a new report from the system probably do not affect the relevance of audit evidence from a previous audit; however, a change that causes data to be accumulated or calculated differently does affect it.

Controls that have not changed from previous audits (Ref: Para. 14(b))

A37. The auditor's decision on whether to rely on audit evidence obtained in previous audits for controls that:

- (a) have not changed since they were last tested; and
- (b) are not controls that mitigate a significant risk,

is a matter of professional judgment. In addition, the length of time between retesting such controls is also a matter of professional judgment, but is required by paragraph 14 (b) to be at least once in every third year.

A38. In general, the higher the risk of material misstatement, or the greater the reliance on controls, the shorter the time period elapsed, if any, is likely to be. Factors that may decrease the period for retesting a control, or result in not relying on audit evidence obtained in previous audits at all, include the following:

- A deficient control environment.
- Deficient monitoring of controls.
- A significant manual element to the relevant controls.
- Personnel changes that significantly affect the application of the control.
- Changing circumstances that indicate the need for changes in the control.
- Deficient general IT-controls.

A39. When there are a number of controls for which the auditor intends to rely on audit evidence obtained in previous audits, testing some of those controls in each audit provides corroborating information about the continuing effectiveness of the control environment. This contributes to the auditor's decision about whether it is appropriate to rely on audit evidence obtained in previous audits.

Evaluating the Operating Effectiveness of Controls (Ref: Para. 16-17)

A40. A material misstatement detected by the auditor's procedures is a strong indicator of the existence of a significant deficiency in internal control.

A41. The concept of effectiveness of the operation of controls recognizes that some deviations in the way controls are applied by the entity may occur. Deviations from prescribed controls may be caused by such factors as changes in key personnel, significant seasonal fluctuations in volume of transactions and human error. The detected rate of deviation, in particular in comparison with the expected rate, may indicate that the control cannot be relied on to reduce risk at the assertion level to that assessed by the auditor.

Substantive Procedures (Ref: Para. 18)

A42. Paragraph 18 requires the auditor to design and perform substantive procedures for each material class of transactions, account balance, and disclosure, irrespective of the assessed risks of material misstatement. This requirement reflects the facts that: (a) the auditor's assessment of risk is judgmental and so may not identify all risks of material misstatement; and (b) there are inherent limitations to internal control, including management override.

Nature and Extent of Substantive Procedures

A43. Depending on the circumstances, the auditor may determine that:

- Performing only substantive analytical procedures will be sufficient to reduce audit risk to an acceptably low level. For example, where the auditor's assessment of risk is supported by audit evidence from tests of controls.
- Only tests of details are appropriate.
- A combination of substantive analytical procedures and tests of details are most responsive to the assessed risks.

A44. Substantive analytical procedures are generally more applicable to large volumes of transactions that tend to be predictable over time. ISA 520⁵ establishes requirements and provides guidance on the application of analytical procedures during an audit.

A45. The nature of the risk and assertion is relevant to the design of tests of details. For example, tests of details related to the existence or occurrence assertion may involve selecting from items contained in a financial statement amount and obtaining the relevant audit evidence. On the other hand, tests of details related to the completeness assertion may involve selecting from items that are expected to be included in the relevant financial statement amount and investigating whether they are included.

A46. Because the assessment of the risk of material misstatement takes account of internal control, the extent of substantive procedures may need to be increased when the results from tests of controls are unsatisfactory. However, increasing the extent of an audit procedure is appropriate only if the audit procedure itself is relevant to the specific risk.

A47. In designing tests of details, the extent of testing is ordinarily thought of in terms of the sample size. However, other matters are also relevant, including whether it is more effective to use other selective means of testing. See ISA 500.⁶

Considering Whether External Confirmation Procedures Are to Be Performed (Ref: Para. 19)

A48. External confirmation procedures frequently are relevant when addressing assertions associated with account balances and their elements, but need not be restricted to these items. For example, the auditor may request external confirmation of the terms of agreements, contracts, or transactions between an entity and other parties. External confirmation procedures also may be performed

⁵ ISA 520, "Analytical Procedures."

⁶ ISA 500, "Audit Evidence," paragraph 10.

to obtain audit evidence about the absence of certain conditions. For example, a request may specifically seek confirmation that no “side agreement” exists that may be relevant to an entity’s revenue cut-off assertion. Other situations where external confirmation procedures may provide relevant audit evidence in responding to assessed risks of material misstatement include:

- Bank balances and other information relevant to banking relationships.
- Accounts receivable balances and terms.
- Inventories held by third parties at bonded warehouses for processing or on consignment.
- Property title deeds held by lawyers or financiers for safe custody or as security.
- Investments held for safekeeping by third parties, or purchased from stockbrokers but not delivered at the balance sheet date.
- Amounts due to lenders, including relevant terms of repayment and restrictive covenants.
- Accounts payable balances and terms.

A49. Although external confirmations may provide relevant audit evidence relating to certain assertions, there are some assertions for which external confirmations provide less relevant audit evidence. For example, external confirmations provide less relevant audit evidence relating to the recoverability of accounts receivable balances, than they do of their existence.

A50. The auditor may determine that external confirmation procedures performed for one purpose provide an opportunity to obtain audit evidence about other matters. For example, confirmation requests for bank balances often include requests for information relevant to other financial statement assertions. Such considerations may influence the auditor’s decision about whether to perform external confirmation procedures.

A51. Factors that may assist the auditor in determining whether external confirmation procedures are to be performed as substantive audit procedures include:

- The confirming party’s knowledge of the subject matter – responses may be more reliable if provided by a person at the confirming party who has the requisite knowledge about the information being confirmed.
- The ability or willingness of the intended confirming party to respond – for example, the confirming party:
 - May not accept responsibility for responding to a confirmation request;
 - May consider responding too costly or time consuming;

- May have concerns about the potential legal liability resulting from responding;
- May account for transactions in different currencies; or
- May operate in an environment where responding to confirmation requests is not a significant aspect of day-to-day operations.

In such situations, confirming parties may not respond, may respond in a casual manner or may attempt to restrict the reliance placed on the response.

- The objectivity of the intended confirming party – if the confirming party is a related party of the entity, responses to confirmation requests may be less reliable.

Substantive Procedures Related to the Financial Statement Closing Process (Ref: Para. 20(b))

- A52. The nature, and also the extent, of the auditor's examination of journal entries and other adjustments depends on the nature and complexity of the entity's financial reporting process and the related risks of material misstatement.

Substantive Procedures Responsive to Significant Risks (Ref: Para. 21)

- A53. Paragraph 21 of this ISA requires the auditor to perform substantive procedures that are specifically responsive to risks the auditor has determined to be significant risks. Audit evidence in the form of external confirmations received directly by the auditor from appropriate confirming parties may assist the auditor in obtaining audit evidence with the high level of reliability that the auditor requires to respond to significant risks of material misstatement, whether due to fraud or error. For example, if the auditor identifies that management is under pressure to meet earnings expectations, there may be a risk that management is inflating sales by improperly recognizing revenue related to sales agreements with terms that preclude revenue recognition or by invoicing sales before shipment. In these circumstances, the auditor may, for example, design external confirmation procedures not only to confirm outstanding amounts, but also to confirm the details of the sales agreements, including date, any rights of return and delivery terms. In addition, the auditor may find it effective to supplement such external confirmation procedures with inquiries of non-financial personnel in the entity regarding any changes in sales agreements and delivery terms.

Timing of Substantive Procedures (Ref: Para. 22-23)

A54. In most cases, audit evidence from a previous audit's substantive procedures provides little or no audit evidence for the current period. There are, however, exceptions, for example, a legal opinion obtained in a previous audit related to the structure of a securitization to which no changes have occurred, may be relevant in the current period. In such cases, it may be appropriate to use audit evidence from a previous audit's substantive procedures if that evidence and the related subject matter have not fundamentally changed, and audit procedures have been performed during the current period to establish its continuing relevance.

Using audit evidence obtained during an interim period (Ref: Para. 22)

A55. In some circumstances, the auditor may determine that it is effective to perform substantive procedures at an interim date, and to compare and reconcile information concerning the balance at the period end with the comparable information at the interim date to:

- (a) Identify amounts that appear unusual;
- (b) Investigate any such amounts; and
- (c) Perform substantive analytical procedures or tests of details to test the intervening period.

A56. Performing substantive procedures at an interim date without undertaking additional procedures at a later date increases the risk that the auditor will not detect misstatements that may exist at the period end. This risk increases as the remaining period is lengthened. Factors such as the following may influence whether to perform substantive procedures at an interim date:

- The control environment and other relevant controls.
- The availability at a later date of information necessary for the auditor's procedures.
- The purpose of the substantive procedure.
- The assessed risk of material misstatement.
- The nature of the class of transactions or account balance and related assertions.
- The ability of the auditor to perform appropriate substantive procedures or substantive procedures combined with tests of controls to cover the remaining period in order to reduce the risk that misstatements that may exist at the period end will not be detected.

A57. Factors such as the following may influence whether to perform substantive analytical procedures with respect to the period between the interim date and the period end:

- Whether the period end balances of the particular classes of transactions or account balances are reasonably predictable with respect to amount, relative significance, and composition.
- Whether the entity's procedures for analyzing and adjusting such classes of transactions or account balances at interim dates and for establishing proper accounting cutoffs are appropriate.
- Whether the information system relevant to financial reporting will provide information concerning the balances at the period end and the transactions in the remaining period that is sufficient to permit investigation of:
 - (a) Significant unusual transactions or entries (including those at or near the period end);
 - (b) Other causes of significant fluctuations, or expected fluctuations that did not occur; and
 - (c) Changes in the composition of the classes of transactions or account balances.

Misstatements detected at an interim date (Ref: Para. 23)

A58. When the auditor concludes that the planned nature, timing, or extent of substantive procedures covering the remaining period need to be modified as a result of unexpected misstatements detected at an interim date, such modification may include extending or repeating the procedures performed at the interim date at the period end.

Adequacy of Presentation and Disclosure (Ref: Para. 24)

A59. Evaluating the overall presentation of the financial statements, including the related disclosures, relates to whether the individual financial statements are presented in a manner that reflects the appropriate classification and description of financial information, and the form, arrangement, and content of the financial statements and their appended notes. This includes, for example, the terminology used, the amount of detail given, the classification of items in the statements, and the bases of amounts set forth.

Evaluating the Sufficiency and Appropriateness of Audit Evidence (Ref: Para. 25-27)

A60. An audit of financial statements is a cumulative and iterative process. As the auditor performs planned audit procedures, the audit evidence obtained may cause the auditor to modify the nature, timing or extent of other planned audit procedures. Information may come to the auditor's attention that differs significantly from the information on which the risk assessment was based. For example:

- The extent of misstatements that the auditor detects by performing substantive procedures may alter the auditor's judgment about the risk assessments and may indicate a significant deficiency in internal control.
- The auditor may become aware of discrepancies in accounting records, or conflicting or missing evidence.
- Analytical procedures performed at the overall review stage of the audit may indicate a previously unrecognized risk of material misstatement.

In such circumstances, the auditor may need to reevaluate the planned audit procedures, based on the revised consideration of assessed risks for all or some of the classes of transactions, account balances, or disclosures and related assertions. ISA 315 contains further guidance on revising the auditor's risk assessment.⁷

- A61. The auditor cannot assume that an instance of fraud or error is an isolated occurrence. Therefore, the consideration of how the detection of a misstatement affects the assessed risks of material misstatement is important in determining whether the assessment remains appropriate.
- A62. The auditor's judgment as to what constitutes sufficient appropriate audit evidence is influenced by such factors as the following:
- Significance of the potential misstatement in the assertion and the likelihood of its having a material effect, individually or aggregated with other potential misstatements, on the financial statements.
 - Effectiveness of management's responses and controls to address the risks.
 - Experience gained during previous audits with respect to similar potential misstatements.
 - Results of audit procedures performed, including whether such audit procedures identified specific instances of fraud or error.
 - Source and reliability of the available information.
 - Persuasiveness of the audit evidence.
 - Understanding of the entity and its environment, including the entity's internal control.

Documentation (Ref: Para. 28)

- A63. The form and extent of audit documentation is a matter of professional judgment, and is influenced by the nature, size and complexity of the entity and

⁷ ISA 315, paragraph 31.

its internal control, availability of information from the entity and the audit methodology and technology used in the audit.

ISSAI 1402

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INTOSAI



Directriz de auditoría financiera

Consideraciones de auditoría relativas a entidades que utilizan organizaciones de servicios

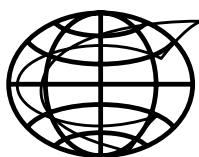
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 402 “Consideraciones de auditoría relativas a entidades que utilizan organizaciones de servicios”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1402

NOTA DE PRÁCTICA PARA LA NIA 402

Párrafo

Fundamentos

Introducción a la NIA	
Contenido de la Nota de Práctica	P1

Aplicabilidad de la NIA en la auditoría del sector público	P2

Orientaciones adicionales sobre cuestiones ligadas al sector público	P3

Consideraciones generales	P4
Alcance de la NIA	P5
Objetivos	P6
Definiciones	P7
Obtención de conocimientos de las prestaciones de una organización de servicios, incluido el control interno	P8–P13
Consideraciones específicas para los auditores del sector público con funciones jurisdiccionales	P14

Apéndice: Organizaciones de servicios en el contexto del sector público

NORMA INTERNACIONAL DE AUDITORIA 402

Introducción

Alcance de la NIA	1–5
Fecha de entrada en vigor	6

Objetivos	7

Definiciones	8

Exigencias

Obtención de conocimientos de las prestaciones de una organización de servicios, incluido el control interno	9–14
Respuesta a los riesgos evaluados de incorrecciones materiales	15–17
Informes de tipo 1 y tipo 2 que excluyen las prestaciones de una subcontrata de la organización de servicios	18
Fraude, falta de conformidad con leyes y reglamentos y errores no corregidos relativos a actividades de la organización de servicios	19
Elaboración de informes por el auditor usuario	20–22

Disposiciones de aplicación y otras disposiciones explicativas	Párrafo
Obtención de conocimientos de las prestaciones de una organización de servicios, incluido el control interno	A1–A23
Respuesta a los riesgos evaluados de incorrecciones materiales	A24–A39
Informes de tipo 1 y tipo 2 que excluyen las prestaciones de una organización de servicios subcontratados	A40
Fraude, falta de conformidad con leyes y reglamentos y errores no corregidos relativos a actividades de la organización de servicios	A41
Elaboración de informes por el auditor usuario	A42–A44

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 402

Consideraciones de auditoría relativas a entidades que utilizan organizaciones de servicios

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 402 “Consideraciones de auditoría relativas a entidades que utilizan organizaciones de servicios”, y debe leerse conjuntamente con ella. La NIA 402 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 402 expone la obligación para el auditor de obtener evidencia suficiente y apropiada cuando una entidad utiliza las prestaciones de una o más organizaciones de servicios. Concretamente, se extiende sobre el modo en que el auditor usuario aplica las NIA 315² y 330³ para obtener un conocimiento de la entidad usuaria, incluido el control interno pertinente para la auditoría, que sea suficiente para identificar y evaluar los riesgos de incorrecciones materiales, así como para concebir y aplicar procedimientos complementarios de auditoría en respuesta a dichos riesgos.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Alcance de la NIA.
 - c) Objetivos.
 - d) Definiciones.
 - e) Obtención de conocimientos de las prestaciones de una organización de servicios, incluido el control interno.
 - f) Consideraciones específicas para los auditores del sector público con funciones jurisdiccionales.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI.”

² NIA 315; “Identificación y evaluación del riesgo de incorrecciones materiales mediante la comprensión de la entidad y su entorno.”

³ NIA 330, “Respuesta del auditor ante los riesgos evaluados.”

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 402 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 402 contiene material de aplicación y explicativo con consideraciones específicas sobre las entidades del sector público en los párrafos A10 y A11.

Consideraciones generales

- P4. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría o las obligaciones para las entidades del sector público derivadas de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo pueden contener objetivos adicionales, entre ellos obligaciones de auditoría o de información, cuando los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden esperar de los auditores del sector público que notifiquen cualquier caso de falta de conformidad con las normas que hayan detectado durante la auditoría o informen sobre la eficacia del control interno. Así pues, cuando una entidad utilice las prestaciones de una organización de servicios, los auditores del sector público han de tomar en consideración estas expectativas y mantenerse atentos a los riesgos de falta de conformidad con las normas o de falta de eficacia del control interno.

Alcance de la NIA

- P5. El párrafo 2 de la NIA se refiere a organizaciones que prestan servicios integrantes de las operaciones de la entidad. En el sector público, las organizaciones de servicios también pueden formar parte de la capacidad de una entidad usuaria de cumplir las normas que la regulan, llevar a cabo los objetivos de sus programas y garantizar la eficacia del control interno. En este contexto, la naturaleza y el alcance del trabajo que han de efectuar los auditores del sector público depende de la naturaleza y la importancia de dichos servicios para la entidad del sector público y su pertinencia para el mandato de auditoría del sector público. El apéndice de la Nota de Práctica contiene ejemplos de actividades efectuadas por organizaciones de servicios en el contexto del sector público.

Objetivos

- P6. Los objetivos para los auditores del sector público pueden ser más amplios que los expuestos en el párrafo 7 de la NIA y contener elementos relativos a las exigencias y expectativas de que los auditores del sector público informen del cumplimiento de las normas, de la consecución de los objetivos de los programas y de la eficacia del control interno.

Definiciones

- P7. Los términos “organización de servicios” y “subcontrata de la organización de servicios” se definen en los subpárrafos 8 e) y g) de la NIA. Además de formar parte del sistema de información de una entidad usuaria a los efectos de información financiera, en el sector público estos términos también pueden extenderse a organizaciones cuyos servicios forman parte de la capacidad de la entidad usuaria de alcanzar los objetivos de sus programas, como la determinación de la admisibilidad o la distribución de los pagos de pensiones a los ciudadanos, o de subvenciones a particulares u organizaciones.

Obtención de conocimientos de las prestaciones de una organización de servicios, incluido el control interno

- P8. El párrafo 9 de la NIA se refiere a la obtención, por parte del auditor usuario, de conocimientos sobre el modo en que una entidad usuaria recurre en sus operaciones a una organización de servicios. Al considerar la importancia de los servicios prestados a la entidad usuaria, la naturaleza e importancia relativa de las transacciones procesadas, así como la naturaleza de la relación entre la entidad usuaria y la organización de servicios, los auditores del sector público también pueden sopesar el papel desempeñado por dicha organización en el cumplimiento de las normas, la consecución de los objetivos de los programas y la eficacia del control interno de la entidad usuaria.
- P9. Por otra parte, al considerar la naturaleza de las transacciones procesadas por una organización de servicios para una entidad usuaria, los auditores del sector público pueden estudiar el grado de rendición de cuentas al que está sujeto el flujo de fondos entre las dos entidades, que puede situarse entre los dos extremos siguientes:
- a) Una situación en la que la entidad usuaria recurre a una organización de servicios para proporcionar financiación incondicional a los receptores admisibles, sin obligación para éstos ni para la organización de servicios de informar a la entidad usuaria sobre la utilización de los fondos.
 - b) Una situación en la que existe una obligación absoluta de rendir cuentas de los fondos, en la que las transacciones llevadas a cabo por la organización de servicios están íntegramente contabilizadas y se garantiza a la entidad usuaria que las transacciones efectuadas por la organización de servicios son conformes con las normas por las que se rigen y que se han logrado los objetivos de los programas correspondientes.
- P10. Además, al considerar la naturaleza de la relación entre la entidad usuaria y la organización de servicios, los auditores del sector público también pueden tener en cuenta las respectivas estructuras de gobernanza, así como la estructura de rendición de cuentas y el grado de influencia que una entidad pueda tener en la otra.

- P11. Las definiciones de “auditor de la organización de servicios” y de “auditor usuario” en los subpárrafos 8 d) y h) de la NIA implican la participación de dos organizaciones de auditoría diferenciadas. No obstante, en el sector público un nivel de la administración puede prestar servicios a otros niveles. En última instancia, estos niveles pueden considerarse pertenecientes a la misma estructura administrativa y por lo tanto pueden ser auditados por la misma organización de auditoría del sector público. El hecho de pertenecer a la misma organización de auditoría del sector público puede afectar al modo en que los auditores encargados respectivamente de la organización de servicios y de la entidad usuaria se comunican e informan mutuamente, de conformidad con lo dispuesto en los párrafos 12 a 18 de la NIA. Por ejemplo, en este tipo de situaciones la comunicación entre el auditor de la organización de servicios y el auditor usuario pueden no estar sujetas, dependiendo de su mandato, a las mismas exigencias de confidencialidad que en el sector privado.
- P12. El párrafo 12 de la NIA, por ejemplo, describe opciones que el auditor usuario puede utilizar para obtener un conocimiento suficiente del control interno de la entidad usuaria que resulte pertinente para la auditoría a fin de servir de base para la identificación y evaluación de los riesgos de incorrecciones materiales. Cuando el auditor usuario y el auditor de la organización de servicios pertenecen a la misma organización de auditoría del sector público, es posible que algunas o todas las opciones descritas en el párrafo 12 de la NIA resulten poco prácticas. En tales casos, no obstante, la información intercambiada entre el auditor usuario y el auditor de la organización de servicios es compartida de manera transparente y puede incluir asuntos similares a los contenidos en un informe de tipo 1 o tipo 2.
- P13. Por otra parte, en este tipo de situaciones puede resultar útil dedicar la suficiente atención a identificar y resolver las necesidades, canales y modalidades de información en la fase de planificación del trabajo.

Consideraciones específicas para los auditores del sector público con funciones jurisdiccionales

- P14. Las orientaciones expuestas son pertinentes para las funciones de auditoría de una entidad fiscalizadora superior. Sin embargo, en el caso del trabajo llevado a cabo por auditores del sector público de ciertos entornos, como un Tribunal de Cuentas, pueden existir otras consideraciones con respecto a sus funciones jurisdiccionales, que los auditores del sector público han de tener en cuenta, como las siguientes:
- Evaluación de los riesgos de incumplimiento o conducta indebida, tanto en la entidad usuaria como en la organización de servicios, que puedan incidir de manera significativa en las finanzas públicas.
 - La aplicación de normas más estrictas en materia probatoria cuando se identifiquen posibles irregularidades o casos de conducta indebida, a fin de cumplir las exigencias correspondientes para dictar un fallo formal.
 - Proporcionar evidencia de tales posibles irregularidades o casos de conducta indebida a la sección de enjuiciamiento de las entidades fiscalizadoras superiores con funciones jurisdiccionales y cooperar, en su caso, con dicha sección. Esta información suele presentarse en forma de un informe separado sobre el trabajo de auditoría realizado y las constataciones correspondientes.

Apéndice: Organizaciones de servicios en el contexto del sector público

La siguiente lista contiene ejemplos de actividades y situaciones relativas a organizaciones de servicios que pueden ser pertinentes en un contexto del sector público. Las listas pretenden ser ilustrativas, pero no exhaustivas.

Ejemplos de actividades realizadas por organizaciones de servicios en el contexto del sector público

- Tratamiento de operaciones y mantenimiento de registros contables por una agencia pública por cuenta de terceros (por ejemplo, tratamiento de nóminas).
- Evaluación y recaudación de ingresos, como impuestos sobre la renta, por un nivel de la administración por cuenta de otro nivel de la administración.
- Inversión de fondos públicos recaudados por la administración con fines particulares, como contribuciones a pensiones o ingresos afectados.
- Cobro de deudas por cuenta de la administración, como préstamos impagados, impuestos vencidos, intereses, multas y recuperación de pagos erróneos.
- Pago de prestaciones o subvenciones a beneficiarios, incluidos la determinación de la admisibilidad y el tratamiento de pagos.
- Gestión de activos por otra organización por cuenta de la administración.

Los auditores del sector público también pueden sopesar determinadas exigencias y expectativas para informar sobre la conformidad con las normas, la consecución de los objetivos de los programas y la eficacia del control interno en relación con estos tipos de actividades.

Ejemplos de situaciones en las que las organizaciones de servicios pueden tener ciertas obligaciones de garantizar el cumplimiento de las normas

- Entidades de inversión a las que la legislación nacional impone restricciones a sus estrategias de inversión, por ejemplo, restricciones en inversiones efectuadas por entidades poco respetuosas con el medio ambiente.
- Instituciones bancarias a las que se exige aplicar medidas de seguridad específicas para su personal de conformidad con la normativa pública en materia de administración de fondos públicos.
- Una organización encargada de la distribución de fondos públicos cuando existen unos límites predeterminados de gastos o unos criterios de admisibilidad que se han de respetar.
- Administración o recaudación de impuestos u otras tasas por una entidad privada o pública por cuenta de otra administración cuya organización encargada de administrar o recaudar estos pagos deba respetar la legislación nacional.

Ejemplos de situaciones en que las organizaciones de servicios pueden tener ciertas obligaciones de conseguir objetivos de programas

- Determinación de admisibilidad y distribución de prestaciones públicas a ciudadanos, como pensiones, o prestaciones por discapacidad, maternidad y desempleo.
- Administración y distribución de fondos por parte de organizaciones no gubernamentales (como las Naciones Unidas) en nombre de una administración nacional con fines de desarrollo internacional o ayuda internacional, por ejemplo.

International Standard on Auditing

**Audit Considerations
Relating to an Entity Using a
Service Organization**



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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INTERNATIONAL STANDARD ON AUDITING 402

AUDIT CONSIDERATIONS RELATING TO AN ENTITY USING A SERVICE ORGANIZATION

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

Introduction	Paragraph
Scope of this ISA	1-5
Effective Date	6
Objectives	7
Definitions	8
Requirements	
Obtaining an Understanding of the Services Provided by a Service Organization, Including Internal Control.....	9-14
Responding to the Assessed Risks of Material Misstatement	15-17
Type 1 and Type 2 Reports that Exclude the Services of a Subservice Organization	18
Fraud, Non-Compliance with Laws and Regulations and Uncorrected Misstatements in Relation to Activities at the Service Organization	19
Reporting by the User Auditor	20-22
Application and Other Explanatory Material	
Obtaining an Understanding of the Services Provided by a Service Organization, Including Internal Control.....	A1-A23
Responding to the Assessed Risks of Material Misstatement	A24-A39
Type 1 and Type 2 Reports that Exclude the Services of a Subservice Organization	A40
Fraud, Non-Compliance with Laws and Regulations and Uncorrected Misstatements in Relation to Activities at the Service Organization	A41
Reporting by the User Auditor	A42-A44

International Standard on Auditing (ISA) 402, “Audit Considerations Relating to an Entity Using a Service Organization” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the user auditor's responsibility to obtain sufficient appropriate audit evidence when a user entity uses the services of one or more service organizations. Specifically, it expands on how the user auditor applies ISA 315¹ and ISA 330² in obtaining an understanding of the user entity, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement and in designing and performing further audit procedures responsive to those risks.
2. Many entities outsource aspects of their business to organizations that provide services ranging from performing a specific task under the direction of an entity to replacing an entity's entire business units or functions, such as the tax compliance function. Many of the services provided by such organizations are integral to the entity's business operations; however, not all those services are relevant to the audit.
3. Services provided by a service organization are relevant to the audit of a user entity's financial statements when those services, and the controls over them, are part of the user entity's information system, including related business processes, relevant to financial reporting. Although most controls at the service organization are likely to relate to financial reporting, there may be other controls that may also be relevant to the audit, such as controls over the safeguarding of assets. A service organization's services are part of a user entity's information system, including related business processes, relevant to financial reporting if these services affect any of the following:
 - (a) The classes of transactions in the user entity's operations that are significant to the user entity's financial statements;
 - (b) The procedures, within both information technology (IT) and manual systems, by which the user entity's transactions are initiated, recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements;
 - (c) The related accounting records, either in electronic or manual form, supporting information and specific accounts in the user entity's financial statements that are used to initiate, record, process and report the user entity's transactions; this includes the correction of incorrect information and how information is transferred to the general ledger;

¹ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

² ISA 330, "The Auditor's Responses to Assessed Risks."

- (d) How the user entity's information system captures events and conditions, other than transactions, that are significant to the financial statements;
 - (e) The financial reporting process used to prepare the user entity's financial statements, including significant accounting estimates and disclosures; and
 - (f) Controls surrounding journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments.
4. The nature and extent of work to be performed by the user auditor regarding the services provided by a service organization depend on the nature and significance of those services to the user entity and the relevance of those services to the audit.
5. This ISA does not apply to services provided by financial institutions that are limited to processing, for an entity's account held at the financial institution, transactions that are specifically authorized by the entity, such as the processing of checking account transactions by a bank or the processing of securities transactions by a broker. In addition, this ISA does not apply to the audit of transactions arising from proprietary financial interests in other entities, such as partnerships, corporations and joint ventures, when proprietary interests are accounted for and reported to interest holders.

Effective Date

6. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objectives

7. The objectives of the user auditor, when the user entity uses the services of a service organization, are:
- (a) To obtain an understanding of the nature and significance of the services provided by the service organization and their effect on the user entity's internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement; and
 - (b) To design and perform audit procedures responsive to those risks.

Definitions

8. For purposes of the ISAs, the following terms have the meanings attributed below:

- (a) Complementary user entity controls – Controls that the service organization assumes, in the design of its service, will be implemented by user entities, and which, if necessary to achieve control objectives, are identified in the description of its system.
- (b) Report on the description and design of controls at a service organization (referred to in this ISA as a type 1 report) – A report that comprises:
 - (i) A description, prepared by management of the service organization, of the service organization’s system, control objectives and related controls that have been designed and implemented as at a specified date; and
 - (ii) A report by the service auditor with the objective of conveying reasonable assurance that includes the service auditor’s opinion on the description of the service organization’s system, control objectives and related controls and the suitability of the design of the controls to achieve the specified control objectives.
- (c) Report on the description, design, and operating effectiveness of controls at a service organization (referred to in this ISA as a type 2 report) – A report that comprises:
 - (i) A description, prepared by management of the service organization, of the service organization’s system, control objectives and related controls, their design and implementation as at a specified date or throughout a specified period and, in some cases, their operating effectiveness throughout a specified period; and
 - (ii) A report by the service auditor with the objective of conveying reasonable assurance that includes:
 - a. The service auditor’s opinion on the description of the service organization’s system, control objectives and related controls, the suitability of the design of the controls to achieve the specified control objectives, and the operating effectiveness of the controls; and
 - b. A description of the service auditor’s tests of the controls and the results thereof.
- (d) Service auditor – An auditor who, at the request of the service organization, provides an assurance report on the controls of a service organization.
- (e) Service organization – A third-party organization (or segment of a third-party organization) that provides services to user entities that are

part of those entities' information systems relevant to financial reporting.

- (f) Service organization's system – The policies and procedures designed, implemented and maintained by the service organization to provide user entities with the services covered by the service auditor's report.
- (g) Subservice organization – A service organization used by another service organization to perform some of the services provided to user entities that are part of those user entities' information systems relevant to financial reporting.
- (h) User auditor – An auditor who audits and reports on the financial statements of a user entity.
- (i) User entity – An entity that uses a service organization and whose financial statements are being audited.

Requirements

Obtaining an Understanding of the Services Provided by a Service Organization, Including Internal Control

9. When obtaining an understanding of the user entity in accordance with ISA 315,³ the user auditor shall obtain an understanding of how a user entity uses the services of a service organization in the user entity's operations, including: (Ref: Para. A1-A2)
 - (a) The nature of the services provided by the service organization and the significance of those services to the user entity, including the effect thereof on the user entity's internal control; (Ref: Para. A3-A5)
 - (b) The nature and materiality of the transactions processed or accounts or financial reporting processes affected by the service organization; (Ref: Para. A6)
 - (c) The degree of interaction between the activities of the service organization and those of the user entity; and (Ref: Para. A7)
 - (d) The nature of the relationship between the user entity and the service organization, including the relevant contractual terms for the activities undertaken by the service organization. (Ref: Para. A8-A11)
10. When obtaining an understanding of internal control relevant to the audit in accordance with ISA 315,⁴ the user auditor shall evaluate the design and implementation of relevant controls at the user entity that relate to the services

³ ISA 315, paragraph 11.

⁴ ISA 315, paragraph 12.

provided by the service organization, including those that are applied to the transactions processed by the service organization. (Ref: Para. A12-A14)

11. The user auditor shall determine whether a sufficient understanding of the nature and significance of the services provided by the service organization and their effect on the user entity's internal control relevant to the audit has been obtained to provide a basis for the identification and assessment of risks of material misstatement.
12. If the user auditor is unable to obtain a sufficient understanding from the user entity, the user auditor shall obtain that understanding from one or more of the following procedures:
 - (a) Obtaining a type 1 or type 2 report, if available;
 - (b) Contacting the service organization, through the user entity, to obtain specific information;
 - (c) Visiting the service organization and performing procedures that will provide the necessary information about the relevant controls at the service organization; or
 - (d) Using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organization. (Ref: Para. A15-A20)

Using a Type 1 or Type 2 Report to Support the User Auditor's Understanding of the Service Organization

13. In determining the sufficiency and appropriateness of the audit evidence provided by a type 1 or type 2 report, the user auditor shall be satisfied as to:
 - (a) The service auditor's professional competence and independence from the service organization; and
 - (b) The adequacy of the standards under which the type 1 or type 2 report was issued. (Ref: Para. A 21)
14. If the user auditor plans to use a type 1 or type 2 report as audit evidence to support the user auditor's understanding about the design and implementation of controls at the service organization, the user auditor shall:
 - (a) Evaluate whether the description and design of controls at the service organization is at a date or for a period that is appropriate for the user auditor's purposes;
 - (b) Evaluate the sufficiency and appropriateness of the evidence provided by the report for the understanding of the user entity's internal control relevant to the audit; and

- (c) Determine whether complementary user entity controls identified by the service organization are relevant to the user entity and, if so, obtain an understanding of whether the user entity has designed and implemented such controls. (Ref: Para. A22-A23)

Responding to the Assessed Risks of Material Misstatement

15. In responding to assessed risks in accordance with ISA 330, the user auditor shall:
 - (a) Determine whether sufficient appropriate audit evidence concerning the relevant financial statement assertions is available from records held at the user entity; and, if not,
 - (b) Perform further audit procedures to obtain sufficient appropriate audit evidence or use another auditor to perform those procedures at the service organization on the user auditor's behalf. (Ref: Para. A24-A28)

Tests of Controls

16. When the user auditor's risk assessment includes an expectation that controls at the service organization are operating effectively, the user auditor shall obtain audit evidence about the operating effectiveness of those controls from one or more of the following procedures:
 - (a) Obtaining a type 2 report, if available;
 - (b) Performing appropriate tests of controls at the service organization; or
 - (c) Using another auditor to perform tests of controls at the service organization on behalf of the user auditor. (Ref: Para. A29-A30)

Using a Type 2 Report as Audit Evidence that Controls at the Service Organization Are Operating Effectively

17. If, in accordance with paragraph 16(a), the user auditor plans to use a type 2 report as audit evidence that controls at the service organization are operating effectively, the user auditor shall determine whether the service auditor's report provides sufficient appropriate audit evidence about the effectiveness of the controls to support the user auditor's risk assessment by:
 - (a) Evaluating whether the description, design and operating effectiveness of controls at the service organization is at a date or for a period that is appropriate for the user auditor's purposes;
 - (b) Determining whether complementary user entity controls identified by the service organization are relevant to the user entity and, if so, obtaining an understanding of whether the user entity has designed and

implemented such controls and, if so, testing their operating effectiveness;

- (c) Evaluating the adequacy of the time period covered by the tests of controls and the time elapsed since the performance of the tests of controls; and
- (d) Evaluating whether the tests of controls performed by the service auditor and the results thereof, as described in the service auditor's report, are relevant to the assertions in the user entity's financial statements and provide sufficient appropriate audit evidence to support the user auditor's risk assessment. (Ref: Para. A31-A39)

Type 1 and Type 2 Reports that Exclude the Services of a Subservice Organization

- 18. If the user auditor plans to use a type 1 or a type 2 report that excludes the services provided by a subservice organization and those services are relevant to the audit of the user entity's financial statements, the user auditor shall apply the requirements of this ISA with respect to the services provided by the subservice organization. (Ref: Para. A40)

Fraud, Non-Compliance with Laws and Regulations and Uncorrected Misstatements in Relation to Activities at the Service Organization

- 19. The user auditor shall inquire of management of the user entity whether the service organization has reported to the user entity, or whether the user entity is otherwise aware of, any fraud, non-compliance with laws and regulations or uncorrected misstatements affecting the financial statements of the user entity. The user auditor shall evaluate how such matters affect the nature, timing and extent of the user auditor's further audit procedures, including the effect on the user auditor's conclusions and user auditor's report. (Ref: Para. A41)

Reporting by the User Auditor

- 20. The user auditor shall modify the opinion in the user auditor's report in accordance with ISA 705⁵ if the user auditor is unable to obtain sufficient appropriate audit evidence regarding the services provided by the service organization relevant to the audit of the user entity's financial statements. (Ref: Para. A42)
- 21. The user auditor shall not refer to the work of a service auditor in the user auditor's report containing an unmodified opinion unless required by law or regulation to do so. If such reference is required by law or regulation, the

⁵ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report," paragraph 6.

user auditor's report shall indicate that the reference does not diminish the user auditor's responsibility for the audit opinion. (Ref: Para. A43)

22. If reference to the work of a service auditor is relevant to an understanding of a modification to the user auditor's opinion, the user auditor's report shall indicate that such reference does not diminish the user auditor's responsibility for that opinion. (Ref: Para. A44)

Application and Other Explanatory Material

Obtaining an Understanding of the Services Provided by a Service Organization, Including Internal Control

Sources of Information (Ref: Para. 9)

- A1. Information on the nature of the services provided by a service organization may be available from a wide variety of sources, such as:
- User manuals.
 - System overviews.
 - Technical manuals.
 - The contract or service level agreement between the user entity and the service organization.
 - Reports by service organizations, internal auditors or regulatory authorities on controls at the service organization.
 - Reports by the service auditor, including management letters, if available.
- A2. Knowledge obtained through the user auditor's experience with the service organization, for example through experience with other audit engagements, may also be helpful in obtaining an understanding of the nature of the services provided by the service organization. This may be particularly helpful if the services and controls at the service organization over those services are highly standardized.

Nature of the Services Provided by the Service Organization (Ref: Para. 9(a))

- A3. A user entity may use a service organization such as one that processes transactions and maintains related accountability, or records transactions and processes related data. Service organizations that provide such services include, for example, bank trust departments that invest and service assets for employee benefit plans or for others; mortgage bankers that service mortgages for others; and application service providers that provide packaged software

applications and a technology environment that enables customers to process financial and operational transactions.

- A4. Examples of service organization services that are relevant to the audit include:
- Maintenance of the user entity's accounting records.
 - Management of assets.
 - Initiating, recording or processing transactions as agent of the user entity.

Considerations Specific to Smaller Entities

- A5. Smaller entities may use external bookkeeping services ranging from the processing of certain transactions (for example, payment of payroll taxes) and maintenance of their accounting records to the preparation of their financial statements. The use of such a service organization for the preparation of its financial statements does not relieve management of the smaller entity and, where appropriate, those charged with governance of their responsibilities for the financial statements.⁶

Nature and Materiality of Transactions Processed by the Service Organization (Ref: Para. 9(b))

- A6. A service organization may establish policies and procedures that affect the user entity's internal control. These policies and procedures are at least in part physically and operationally separate from the user entity. The significance of the controls of the service organization to those of the user entity depends on the nature of the services provided by the service organization, including the nature and materiality of the transactions it processes for the user entity. In certain situations, the transactions processed and the accounts affected by the service organization may not appear to be material to the user entity's financial statements, but the nature of the transactions processed may be significant and the user auditor may determine that an understanding of those controls is necessary in the circumstances.

The Degree of Interaction between the Activities of the Service Organization and the User Entity (Ref: Para. 9(c))

- A7. The significance of the controls of the service organization to those of the user entity also depends on the degree of interaction between its activities and those of the user entity. The degree of interaction refers to the extent to which a user entity is able to and elects to implement effective controls over the

⁶ ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraphs 4 and A2-A3.

processing performed by the service organization. For example, a high degree of interaction exists between the activities of the user entity and those at the service organization when the user entity authorizes transactions and the service organization processes and does the accounting for those transactions. In these circumstances, it may be practicable for the user entity to implement effective controls over those transactions. On the other hand, when the service organization initiates or initially records, processes, and does the accounting for the user entity's transactions, there is a lower degree of interaction between the two organizations. In these circumstances, the user entity may be unable to, or may elect not to, implement effective controls over these transactions at the user entity and may rely on controls at the service organization.

Nature of the Relationship between the User Entity and the Service Organization
(Ref: Para. 9(d))

- A8. The contract or service level agreement between the user entity and the service organization may provide for matters such as:
- The information to be provided to the user entity and responsibilities for initiating transactions relating to the activities undertaken by the service organization;
 - The application of requirements of regulatory bodies concerning the form of records to be maintained, or access to them;
 - The indemnification, if any, to be provided to the user entity in the event of a performance failure;
 - Whether the service organization will provide a report on its controls and, if so, whether such report would be a type 1 or type 2 report;
 - Whether the user auditor has rights of access to the accounting records of the user entity maintained by the service organization and other information necessary for the conduct of the audit; and
 - Whether the agreement allows for direct communication between the user auditor and the service auditor.
- A9. There is a direct relationship between the service organization and the user entity and between the service organization and the service auditor. These relationships do not necessarily create a direct relationship between the user auditor and the service auditor. When there is no direct relationship between the user auditor and the service auditor, communications between the user auditor and the service auditor are usually conducted through the user entity and the service organization. A direct relationship may also be created between a user auditor and a service auditor, taking into account the relevant ethical and confidentiality considerations. A user auditor, for example, may use a service auditor to perform procedures on the user auditor's behalf, such as:

- (a) Tests of controls at the service organization; or
- (b) Substantive procedures on the user entity's financial statement transactions and balances maintained by a service organization.

Considerations Specific to Public Sector Entities

- A10. Public sector auditors generally have broad rights of access established by legislation. However, there may be situations where such rights of access are not available, for example when the service organization is located in a different jurisdiction. In such cases, a public sector auditor may need to obtain an understanding of the legislation applicable in the different jurisdiction to determine whether appropriate access rights can be obtained. A public sector auditor may also obtain or ask the user entity to incorporate rights of access in any contractual arrangements between the user entity and the service organization.
- A11. Public sector auditors may also use another auditor to perform tests of controls or substantive procedures in relation to compliance with law, regulation or other authority.

Understanding the Controls Relating to Services Provided by the Service Organization (Ref: Para. 10)

- A12. The user entity may establish controls over the service organization's services that may be tested by the user auditor and that may enable the user auditor to conclude that the user entity's controls are operating effectively for some or all of the related assertions, regardless of the controls in place at the service organization. If a user entity, for example, uses a service organization to process its payroll transactions, the user entity may establish controls over the submission and receipt of payroll information that could prevent or detect material misstatements. These controls may include:
- Comparing the data submitted to the service organization with reports of information received from the service organization after the data has been processed.
 - Recomputing a sample of the payroll amounts for clerical accuracy and reviewing the total amount of the payroll for reasonableness.
- A13. In this situation, the user auditor may perform tests of the user entity's controls over payroll processing that would provide a basis for the user auditor to conclude that the user entity's controls are operating effectively for the assertions related to payroll transactions.
- A14. As noted in ISA 315,⁷ in respect of some risks, the user auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit

⁷ ISA 315, paragraph 30.

evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions and account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. Such automated processing characteristics may be particularly present when the user entity uses service organizations. In such cases, the user entity's controls over such risks are relevant to the audit and the user auditor is required to obtain an understanding of, and to evaluate, such controls in accordance with paragraphs 9 and 10 of this ISA.

Further Procedures When a Sufficient Understanding Cannot Be Obtained from the User Entity (Ref: Para. 12)

A15. The user auditor's decision as to which procedure, individually or in combination, in paragraph 12 to undertake, in order to obtain the information necessary to provide a basis for the identification and assessment of the risks of material misstatement in relation to the user entity's use of the service organization, may be influenced by such matters as:

- The size of both the user entity and the service organization;
- The complexity of the transactions at the user entity and the complexity of the services provided by the service organization;
- The location of the service organization (for example, the user auditor may decide to use another auditor to perform procedures at the service organization on the user auditor's behalf if the service organization is in a remote location);
- Whether the procedure(s) is expected to effectively provide the user auditor with sufficient appropriate audit evidence; and
- The nature of the relationship between the user entity and the service organization.

A16. A service organization may engage a service auditor to report on the description and design of its controls (type 1 report) or on the description and design of its controls and their operating effectiveness (type 2 report). Type 1 or type 2 reports may be issued under [proposed] International Standard on Assurance Engagements (ISAE) 3402⁸ or under standards established by an authorized or recognized standards setting organization (which may identify them by different names, such as Type A or Type B reports).

A17. The availability of a type 1 or type 2 report will generally depend on whether the contract between a service organization and a user entity includes the provision of such a report by the service organization. A service

⁸ [Proposed] ISAE 3402, "Assurance Reports on Controls at a Third Party Service Organization."

organization may also elect, for practical reasons, to make a type 1 or type 2 report available to the user entities. However, in some cases, a type 1 or type 2 report may not be available to user entities.

- A18. In some circumstances, a user entity may outsource one or more significant business units or functions, such as its entire tax planning and compliance functions, or finance and accounting or the controllership function to one or more service organizations. As a report on controls at the service organization may not be available in these circumstances, visiting the service organization may be the most effective procedure for the user auditor to gain an understanding of controls at the service organization, as there is likely to be direct interaction of management of the user entity with management at the service organization.
- A19. Another auditor may be used to perform procedures that will provide the necessary information about the relevant controls at the service organization. If a type 1 or type 2 report has been issued, the user auditor may use the service auditor to perform these procedures as the service auditor has an existing relationship with the service organization. The user auditor using the work of another auditor may find the guidance in ISA 600⁹ useful as it relates to understanding another auditor (including that auditor's independence and professional competence), involvement in the work of another auditor in planning the nature, extent and timing of such work, and in evaluating the sufficiency and appropriateness of the audit evidence obtained.
- A20. A user entity may use a service organization that in turn uses a subservice organization to provide some of the services provided to a user entity that are part of the user entity's information system relevant to financial reporting. The subservice organization may be a separate entity from the service organization or may be related to the service organization. A user auditor may need to consider controls at the subservice organization. In situations where one or more subservice organizations are used, the interaction between the activities of the user entity and those of the service organization is expanded to include the interaction between the user entity, the service organization and the subservice organizations. The degree of this interaction, as well as the nature and materiality of the transactions processed by the service organization and the subservice organizations are the most important factors for the user auditor to consider in determining the significance of the service organization's and subservice organization's controls to the user entity's controls.

⁹ ISA 600, "Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)," paragraph 2, states: "An auditor may find this ISA, adapted as necessary in the circumstances, useful when that auditor involves other auditors in the audit of financial statements that are not group financial statements ..." See also paragraph 19 of ISA 600.

Using a Type 1 or Type 2 Report to Support the User Auditor's Understanding of the Service Organization (Ref: Para. 13-14)

- A21. The user auditor may make inquiries about the service auditor to the service auditor's professional organization or other practitioners and inquire whether the service auditor is subject to regulatory oversight. The service auditor may be practicing in a jurisdiction where different standards are followed in respect of reports on controls at a service organization, and the user auditor may obtain information about the standards used by the service auditor from the standard setting organization.
- A22. A type 1 or type 2 report, along with information about the user entity, may assist the user auditor in obtaining an understanding of:
- (a) The aspects of controls at the service organization that may affect the processing of the user entity's transactions, including the use of subservice organizations;
 - (b) The flow of significant transactions through the service organization to determine the points in the transaction flow where material misstatements in the user entity's financial statements could occur;
 - (c) The control objectives at the service organization that are relevant to the user entity's financial statement assertions; and
 - (d) Whether controls at the service organization are suitably designed and implemented to prevent or detect processing errors that could result in material misstatements in the user entity's financial statements.

A type 1 or type 2 report may assist the user auditor in obtaining a sufficient understanding to identify and assess the risks of material misstatement. A type 1 report, however, does not provide any evidence of the operating effectiveness of the relevant controls.

- A23. A type 1 or type 2 report that is as of a date or for a period that is outside of the reporting period of a user entity may assist the user auditor in obtaining a preliminary understanding of the controls implemented at the service organization if the report is supplemented by additional current information from other sources. If the service organization's description of controls is as of a date or for a period that precedes the beginning of the period under audit, the user auditor may perform procedures to update the information in a type 1 or type 2 report, such as:
- Discussing the changes at the service organization with user entity personnel who would be in a position to know of such changes;
 - Reviewing current documentation and correspondence issued by the service organization; or

- Discussing the changes with service organization personnel.

Responding to the Assessed Risks of Material Misstatement (Ref: Para. 15)

- A24. Whether the use of a service organization increases a user entity's risk of material misstatement depends on the nature of the services provided and the controls over these services; in some cases, the use of a service organization may decrease a user entity's risk of material misstatement, particularly if the user entity itself does not possess the expertise necessary to undertake particular activities, such as initiating, processing, and recording transactions, or does not have adequate resources (for example, an IT system).
- A25. When the service organization maintains material elements of the accounting records of the user entity, direct access to those records may be necessary in order for the user auditor to obtain sufficient appropriate audit evidence relating to the operations of controls over those records or to substantiate transactions and balances recorded in them, or both. Such access may involve either physical inspection of records at the service organization's premises or interrogation of records maintained electronically from the user entity or another location, or both. Where direct access is achieved electronically, the user auditor may thereby obtain evidence as to the adequacy of controls operated by the service organization over the completeness and integrity of the user entity's data for which the service organization is responsible.
- A26. In determining the nature and extent of audit evidence to be obtained in relation to balances representing assets held or transactions undertaken by a service organization on behalf of the user entity, the following procedures may be considered by the user auditor:
- (a) Inspecting records and documents held by the user entity: the reliability of this source of evidence is determined by the nature and extent of the accounting records and supporting documentation retained by the user entity. In some cases, the user entity may not maintain independent detailed records or documentation of specific transactions undertaken on its behalf.
 - (b) Inspecting records and documents held by the service organization: the user auditor's access to the records of the service organization may be established as part of the contractual arrangements between the user entity and the service organization. The user auditor may also use another auditor, on its behalf, to gain access to the user entity's records maintained by the service organization.
 - (c) Obtaining confirmations of balances and transactions from the service organization: where the user entity maintains independent records of balances and transactions, confirmation from the service

organization corroborating the user entity's records may constitute reliable audit evidence concerning the existence of the transactions and assets concerned. For example, when multiple service organizations are used, such as an investment manager and a custodian, and these service organizations maintain independent records, the user auditor may confirm balances with these organizations in order to compare this information with the independent records of the user entity.

If the user entity does not maintain independent records, information obtained in confirmations from the service organization is merely a statement of what is reflected in the records maintained by the service organization. Therefore, such confirmations do not, taken alone, constitute reliable audit evidence. In these circumstances, the user auditor may consider whether an alternative source of independent evidence can be identified.

- (d) Performing analytical procedures on the records maintained by the user entity or on the reports received from the service organization: the effectiveness of analytical procedures is likely to vary by assertion and will be affected by the extent and detail of information available.

A27. Another auditor may perform procedures that are substantive in nature for the benefit of user auditors. Such an engagement may involve the performance, by another auditor, of procedures agreed upon by the user entity and its user auditor and by the service organization and its service auditor. The findings resulting from the procedures performed by another auditor are reviewed by the user auditor to determine whether they constitute sufficient appropriate audit evidence. In addition, there may be requirements imposed by governmental authorities or through contractual arrangements whereby a service auditor performs designated procedures that are substantive in nature. The results of the application of the required procedures to balances and transactions processed by the service organization may be used by user auditors as part of the evidence necessary to support their audit opinions. In these circumstances, it may be useful for the user auditor and the service auditor to agree, prior to the performance of the procedures, to the audit documentation or access to audit documentation that will be provided to the user auditor.

A28. In certain circumstances, in particular when a user entity outsources some or all of its finance function to a service organization, the user auditor may face a situation where a significant portion of the audit evidence resides at the service organization. Substantive procedures may need to be performed at the service organization by the user auditor or another auditor on its behalf. A service auditor may provide a type 2 report and, in addition, may perform substantive procedures on behalf of the user auditor. The involvement of

another auditor does not alter the user auditor's responsibility to obtain sufficient appropriate audit evidence to afford a reasonable basis to support the user auditor's opinion. Accordingly, the user auditor's consideration of whether sufficient appropriate audit evidence has been obtained and whether the user auditor needs to perform further substantive procedures includes the user auditor's involvement with, or evidence of, the direction, supervision and performance of the substantive procedures performed by another auditor.

Tests of Controls (Ref: Para. 16)

A29. The user auditor is required by ISA 330¹⁰ to design and perform tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls in certain circumstances. In the context of a service organization, this requirement applies when:

- (a) The user auditor's assessment of risks of material misstatement includes an expectation that the controls at the service organization are operating effectively (that is, the user auditor intends to rely on the operating effectiveness of controls at the service organization in determining the nature, timing and extent of substantive procedures); or
- (b) Substantive procedures alone, or in combination with tests of the operating effectiveness of controls at the user entity, cannot provide sufficient appropriate audit evidence at the assertion level.

A30. If a type 2 report is not available, a user auditor may contact the service organization, through the user entity, to request that a service auditor be engaged to provide a type 2 report that includes tests of the operating effectiveness of the relevant controls or the user auditor may use another auditor to perform procedures at the service organization that test the operating effectiveness of those controls. A user auditor may also visit the service organization and perform tests of relevant controls if the service organization agrees to it. The user auditor's risk assessments are based on the combined evidence provided by the work of another auditor and the user auditor's own procedures.

Using a Type 2 Report as Audit Evidence that Controls at the Service Organization Are Operating Effectively (Ref: Para. 17)

A31. A type 2 report may be intended to satisfy the needs of several different user auditors; therefore tests of controls and results described in the service auditor's report may not be relevant to assertions that are significant in the user entity's financial statements. The relevant tests of controls and results are evaluated to determine that the service auditor's report provides sufficient appropriate audit evidence about the effectiveness of the controls

¹⁰ ISA 330, paragraph 8.

to support the user auditor's risk assessment. In doing so, the user auditor may consider the following factors:

- (a) The time period covered by the tests of controls and the time elapsed since the performance of the tests of controls;
- (b) The scope of the service auditor's work and the services and processes covered, the controls tested and tests that were performed, and the way in which tested controls relate to the user entity's controls; and
- (c) The results of those tests of controls and the service auditor's opinion on the operating effectiveness of the controls.

A32. For certain assertions, the shorter the period covered by a specific test and the longer the time elapsed since the performance of the test, the less audit evidence the test may provide. In comparing the period covered by the type 2 report to the user entity's financial reporting period, the user auditor may conclude that the type 2 report offers less audit evidence if there is little overlap between the period covered by the type 2 report and the period for which the user auditor intends to rely on the report. When this is the case, a type 2 report covering a preceding or subsequent period may provide additional audit evidence. In other cases, the user auditor may determine it is necessary to perform, or use another auditor to perform, tests of controls at the service organization in order to obtain sufficient appropriate audit evidence about the operating effectiveness of those controls.

A33. It may also be necessary for the user auditor to obtain additional evidence about significant changes to the relevant controls at the service organization outside of the period covered by the type 2 report or determine additional audit procedures to be performed. Relevant factors in determining what additional audit evidence to obtain about controls at the service organization that were operating outside of the period covered by the service auditor's report may include:

- The significance of the assessed risks of material misstatement at the assertion level;
- The specific controls that were tested during the interim period, and significant changes to them since they were tested, including changes in the information system, processes, and personnel;
- The degree to which audit evidence about the operating effectiveness of those controls was obtained;
- The length of the remaining period;
- The extent to which the user auditor intends to reduce further substantive procedures based on the reliance on controls; and

- The effectiveness of the control environment and monitoring of controls at the user entity.
- A34. Additional audit evidence may be obtained, for example, by extending tests of controls over the remaining period or testing the user entity's monitoring of controls.
- A35. If the service auditor's testing period is completely outside the user entity's financial reporting period, the user auditor will be unable to rely on such tests for the user auditor to conclude that the user entity's controls are operating effectively because they do not provide current audit period evidence of the effectiveness of the controls, unless other procedures are performed.
- A36. In certain circumstances, a service provided by the service organization may be designed with the assumption that certain controls will be implemented by the user entity. For example, the service may be designed with the assumption that the user entity will have controls in place for authorizing transactions before they are sent to the service organization for processing. In such a situation, the service organization's description of controls may include a description of those complementary user entity controls. The user auditor considers whether those complementary user entity controls are relevant to the service provided to the user entity.
- A37. If the user auditor believes that the service auditor's report may not provide sufficient appropriate audit evidence, for example, if a service auditor's report does not contain a description of the service auditor's tests of controls and results thereon, the user auditor may supplement the understanding of the service auditor's procedures and conclusions by contacting the service organization, through the user entity, to request a discussion with the service auditor about the scope and results of the service auditor's work. Also, if the user auditor believes it is necessary, the user auditor may contact the service organization, through the user entity, to request that the service auditor perform procedures at the service organization. Alternatively, the user auditor, or another auditor at the request of the user auditor, may perform such procedures.
- A38. The service auditor's type 2 report identifies results of tests, including exceptions and other information that could affect the user auditor's conclusions. Exceptions noted by the service auditor or a modified opinion in the service auditor's type 2 report do not automatically mean that the service auditor's type 2 report will not be useful for the audit of the user entity's financial statements in assessing the risks of material misstatement. Rather, the exceptions and the matter giving rise to a modified opinion in the service auditor's type 2 report are considered in the user auditor's assessment of the testing of controls performed by the service auditor. In considering the exceptions and matters giving rise to a modified opinion, the user auditor may discuss such matters with the service auditor. Such

communication is dependent upon the user entity contacting the service organization, and obtaining the service organization's approval for the communication to take place.

Communication of deficiencies in internal control identified during the audit

A39. The user auditor is required to communicate in writing significant deficiencies identified during the audit to both management and those charged with governance on a timely basis.¹¹ The user auditor is also required to communicate to management at an appropriate level of responsibility on a timely basis other deficiencies in internal control identified during the audit that, in the user auditor's professional judgment, are of sufficient importance to merit management's attention.¹² Matters that the user auditor may identify during the audit and may communicate to management and those charged with governance of the user entity include:

- Any monitoring of controls that could be implemented by the user entity, including those identified as a result of obtaining a type 1 or type 2 report;
- Instances where complementary user entity controls are noted in the type 1 or type 2 report and are not implemented at the user entity; and
- Controls that may be needed at the service organization that do not appear to have been implemented or that are not specifically covered by a type 2 report.

Type 1 and Type 2 Reports that Exclude the Services of a Subservice Organization

(Ref: Para. 18)

A40. If a service organization uses a subservice organization, the service auditor's report may either include or exclude the subservice organization's relevant control objectives and related controls in the service organization's description of its system and in the scope of the service auditor's engagement. These two methods of reporting are known as the inclusive method and the carve-out method, respectively. If the type 1 or type 2 report excludes the controls at a subservice organization, and the services provided by the subservice organization are relevant to the audit of the user entity's financial statements, the user auditor is required to apply the requirements of this ISA in respect of the subservice organization. The nature and extent of work to be performed by the user auditor regarding the services provided by a subservice organization depend on the nature and significance of those

¹¹ ISA 265, "Communicating Deficiencies in Internal Control to Those Charged with Governance and Management," paragraphs 9-10.

¹² ISA 265, paragraph 10.

services to the user entity and the relevance of those services to the audit. The application of the requirement in paragraph 9 assists the user auditor in determining the effect of the subservice organization and the nature and extent of work to be performed.

Fraud, Non-Compliance with Laws and Regulations and Uncorrected Misstatements in Relation to Activities at the Service Organization

(Ref: Para. 19)

A41. A service organization may be required under the terms of the contract with user entities to disclose to affected user entities any fraud, non-compliance with laws and regulations or uncorrected misstatements attributable to the service organization's management or employees. As required by paragraph 19, the user auditor makes inquiries of the user entity management regarding whether the service organization has reported any such matters and evaluates whether any matters reported by the service organization affect the nature, timing and extent of the user auditor's further audit procedures. In certain circumstances, the user auditor may require additional information to perform this evaluation, and may request the user entity to contact the service organization to obtain the necessary information.

Reporting by the User Auditor (Ref: Para. 20)

A42. When a user auditor is unable to obtain sufficient appropriate audit evidence regarding the services provided by the service organization relevant to the audit of the user entity's financial statements, a limitation on the scope of the audit exists. This may be the case when:

- The user auditor is unable to obtain a sufficient understanding of the services provided by the service organization and does not have a basis for the identification and assessment of the risks of material misstatement;
- A user auditor's risk assessment includes an expectation that controls at the service organization are operating effectively and the user auditor is unable to obtain sufficient appropriate audit evidence about the operating effectiveness of these controls; or
- Sufficient appropriate audit evidence is only available from records held at the service organization, and the user auditor is unable to obtain direct access to these records.

Whether the user auditor expresses a qualified opinion or disclaims an opinion depends on the user auditor's conclusion as to whether the possible effects on the financial statements are material or pervasive.

Reference to the Work of a Service Auditor (Ref: Para. 21-22)

- A43. In some cases, law or regulation may require a reference to the work of a service auditor in the user auditor's report, for example, for the purposes of transparency in the public sector. In such circumstances, the user auditor may need the consent of the service auditor before making such a reference.
- A44. The fact that a user entity uses a service organization does not alter the user auditor's responsibility under ISAs to obtain sufficient appropriate audit evidence to afford a reasonable basis to support the user auditor's opinion. Therefore, the user auditor does not make reference to the service auditor's report as a basis, in part, for the user auditor's opinion on the user entity's financial statements. However, when the user auditor expresses a modified opinion because of a modified opinion in a service auditor's report, the user auditor is not precluded from referring to the service auditor's report if such reference assists in explaining the reason for the user auditor's modified opinion. In such circumstances, the user auditor may need the consent of the service auditor before making such a reference.

ISSAI 1450

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Directriz de auditoría financiera

Valoración de las incorrecciones detectadas durante la auditoría

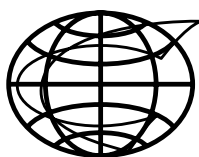
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 450 “Valoración de las incorrecciones detectadas durante la auditoría” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1450

NOTA DE PRÁCTICA PARA LA NIA 450	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	P4
Consideraciones generales	P4
Evaluación del efecto de incorrecciones no rectificadas	P5–P7
Manifestaciones escritas	P8
Consideraciones específicas para auditores del sector público con funciones jurisdiccionales	P9–P10
NORMA INTERNACIONAL DE AUDITORÍA 450	
Introducción	
Alcance de la NIA	1
Fecha de entrada en vigor	2
Objetivo	3
Definiciones	4
Exigencias	
Acumulación de incorrecciones identificadas	5
Consideración de las incorrecciones detectadas durante la auditoría	6–7
Comunicación y rectificación de incorrecciones	8–9
Evaluación del efecto de incorrecciones no rectificadas	10–13
Manifestaciones escritas	14
Documentación	15
Disposiciones de aplicación y otras disposiciones explicativas	
Definición de incorrección	A1
Acumulación de incorrecciones detectadas	A2–A3
Consideración de las incorrecciones detectadas durante de la auditoría	A4–A6
Comunicación y rectificación de incorrecciones	A7–A10
Evaluación del efecto de incorrecciones no rectificadas	A11–A23
Manifestaciones escritas	A24
Documentación	A25

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 450

Valoración de las incorrecciones detectadas durante la auditoría

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 450 “Valoración de las incorrecciones detectadas durante la auditoría”, y debe leerse conjuntamente con ella. La NIA 450 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 450 establece la obligación del auditor de evaluar el efecto de las incorrecciones identificadas en la auditoría y, en su caso, de las incorrecciones no corregidas en los estados financieros. La NIA 700² trata de la obligación del auditor, al formarse una opinión sobre los estados financieros, de decidir si se han obtenido garantías razonables de que los estados financieros están globalmente exentos de incorrecciones materiales. La conclusión del auditor contemplada en la NIA 700 se apoya en su valoración de las incorrecciones no rectificadas, en caso de que las hubiera, en los estados financieros, de conformidad con la NIA 450. La NIA 320³ establece la obligación del auditor de aplicar el concepto de materialidad de manera adecuada al planificar y ejecutar una auditoría de estados financieros.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Evaluación del efecto de las incorrecciones no rectificadas.
 - c) Manifestaciones escritas.
 - d) Consideraciones específicas para auditores del sector público con funciones jurisdiccionales.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 450 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI.”

² NIA 700, “Formación de una opinión y elaboración del informe sobre los estados financieros” párrafos 10 y 11.

³ NIA 320, “Materialidad al planificar y ejecutar una auditoría.”

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 450 contiene material de aplicación y explicativo con consideraciones específicas sobre las entidades del sector público en los párrafos A19 y A20.

Consideraciones generales

- P4. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). Los objetivos pueden incluir obligaciones adicionales de auditoría e información, por ejemplo, si el auditor ha detectado casos falta de conformidad con las normas, incluidas cuestiones presupuestarias o de rendición de cuentas, o sobre la eficacia del control interno. Además de valorar las incorrecciones, los auditores del sector público pueden también evaluar casos de falta de conformidad con las normas e informar de la eficacia del control interno. Cuando los auditores del sector público tienen estas obligaciones adicionales de información, cada obligación se evaluará por separado.

Evaluación del efecto de incorrecciones no rectificadas

- P5. Al aplicar el párrafo 11 de la NIA los auditores del sector público con obligaciones de información adicionales relativas a la falta de conformidad con las normas y a las deficiencias de control evaluarán por separado cada uno de estos objetivos. No obstante, las incorrecciones, los casos de falta de conformidad con las normas y las deficiencias de control pueden estar interrelacionadas, lo que incrementa potencialmente el riesgo para cada objetivo.
- P6. Los párrafos 12 y 13 de la NIA se refieren a la notificación de incorrecciones no rectificadas a los encargados de la gobernanza. Cuando corresponda al mandato de los auditores del sector público, esta notificación puede incluir casos de falta de conformidad con las normas y deficiencias de control. Asimismo, los auditores del sector público pueden verse en la necesidad de notificar incorrecciones, casos de falta de conformidad con las normas y deficiencias de control a otras partes, como funcionarios públicos.
- P7. Al comunicarse con los encargados de la gobernanza o con otras partes, como se describe en el párrafo P6, los auditores del sector público pueden tener que informar de la totalidad de las incorrecciones, incluso las que hayan sido corregidas por la entidad y utilizarán en dicha comunicación medios de información adecuados al contexto. Asimismo, los auditores del sector público pueden ser llamados a testificar ante el poder legislativo sobre los resultados de su auditoría de estados financieros.

Manifestaciones escritas

- P8. El párrafo 14 de la NIA establece que el auditor ha de obtener manifestaciones escritas de lo que la dirección considera como efectos no significativos de incorrecciones no rectificadas en los estados financieros. Cuando los auditores del sector público tengan obligaciones adicionales relativas a la conformidad con las normas y a la eficacia del control interno, las manifestaciones podrán presentarse en un único documento.

Consideraciones específicas para los auditores del sector público con funciones jurisdiccionales

- P9. En algunos entornos del sector público, como un Tribunal de Cuentas, el informe de los auditores a menudo es utilizado para determinar consecuencias legales de carácter personal para los responsables de actos financieros, incluidas cuestiones de importancia, deficiencias de control y casos de falta de conformidad con las normas. Los auditores del sector público de este tipo de entidades, por lo tanto, al evaluar las incorrecciones, los casos de falta de conformidad con las normas y las deficiencias de control detectadas durante la auditoría, también identificarán a los responsables de los actos financieros y del cumplimiento de las exigencias legales.
- P10. El párrafo 8 de la NIA establece que el auditor ha de notificar en tiempo oportuno al nivel de la administración que corresponda todas las incorrecciones acumuladas durante la auditoría. Cuando los auditores del sector público tengan mandatos que incluyan la facultad legal de ordenar a la entidad que rectifique cualquier incorrección, así como los casos de falta de conformidad con las normas, considerarán si el ejercicio de esta facultad puede perjudicar su independencia y, en ese caso, tomarán las medidas oportunas para evitar tal perjuicio.

International Standard on Auditing

Evaluation of Misstatements Identified during the Audit



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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This International Standard on Auditing (ISA) 450, “Evaluation of Misstatements Identified during the Audit” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 450

EVALUATION OF MISSTATEMENTS IDENTIFIED DURING THE AUDIT

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Effective Date	2
Objective	3
Definitions	4
Requirements	
Accumulation of Identified Misstatements	5
Consideration of Identified Misstatements as the Audit Progresses	6–7
Communication and Correction of Misstatements	8–9
Evaluating the Effect of Uncorrected Misstatements	10–13
Written Representation	14
Documentation	15
Application and Other Explanatory Material	
Definition of Misstatement	A1
Accumulation of Identified Misstatements	A2–A3
Consideration of Identified Misstatements as the Audit Progresses	A4–A6
Communication and Correction of Misstatements	A7–A10
Evaluating the Effect of Uncorrected Misstatements	A11–A23
Written Representation	A24
Documentation	A25

International Standard on Auditing (ISA) 450, “Evaluation of Misstatements Identified during the Audit” should be read in the context of ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements. ISA 700 deals with the auditor's responsibility, in forming an opinion on the financial statements, to conclude whether reasonable assurance has been obtained about whether the financial statements as a whole are free from material misstatement. The auditor's conclusion required by ISA 700 takes into account the auditor's evaluation of uncorrected misstatements, if any, on the financial statements, in accordance with this ISA.¹ ISA 320² deals with the auditor's responsibility to apply the concept of materiality appropriately in planning and performing an audit of financial statements.

Effective Date

2. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

3. The objective of the auditor is to evaluate:
 - (a) The effect of identified misstatements on the audit; and
 - (b) The effect of uncorrected misstatements, if any, on the financial statements.

Definitions

4. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Misstatement – A difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud. (Ref: Para. A1)

When the auditor expresses an opinion on whether the financial statements are presented fairly, in all material respects, or give a true and fair view, misstatements also include those adjustments of amounts,

¹ ISA 700, "Forming an Opinion and Reporting on Financial Statements," paragraphs 10-11.

² ISA 320, "Materiality in Planning and Performing an Audit."

classifications, presentation, or disclosures that, in the auditor's judgment, are necessary for the financial statements to be presented fairly, in all material respects, or to give a true and fair view.

- (b) Uncorrected misstatements – Misstatements that the auditor has accumulated during the audit and that have not been corrected.

Requirements

Accumulation of Identified Misstatements

- 5. The auditor shall accumulate misstatements identified during the audit, other than those that are clearly trivial. (Ref: Para. A2-A3)

Consideration of Identified Misstatements as the Audit Progresses

- 6. The auditor shall determine whether the overall audit strategy and audit plan need to be revised if:
 - (a) The nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the audit, could be material; or (Ref: Para. A4)
 - (b) The aggregate of misstatements accumulated during the audit approaches materiality determined in accordance with ISA 320. (Ref: Para. A5)
- 7. If, at the auditor's request, management has examined a class of transactions, account balance or disclosure and corrected misstatements that were detected, the auditor shall perform additional audit procedures to determine whether misstatements remain. (Ref: Para. A6)

Communication and Correction of Misstatements

- 8. The auditor shall communicate on a timely basis all misstatements accumulated during the audit with the appropriate level of management, unless prohibited by law or regulation.³ The auditor shall request management to correct those misstatements. (Ref: Para. A7-A9)
- 9. If management refuses to correct some or all of the misstatements communicated by the auditor, the auditor shall obtain an understanding of management's reasons for not making the corrections and shall take that understanding into account when evaluating whether the financial statements as a whole are free from material misstatement. (Ref: Para. A10)

³ ISA 260, "Communication with Those Charged with Governance," paragraph 7.

Evaluating the Effect of Uncorrected Misstatements

10. Prior to evaluating the effect of uncorrected misstatements, the auditor shall reassess materiality determined in accordance with ISA 320 to confirm whether it remains appropriate in the context of the entity's actual financial results. (Ref: Para. A11-A12)
11. The auditor shall determine whether uncorrected misstatements are material, individually or in aggregate. In making this determination, the auditor shall consider:
 - (a) The size and nature of the misstatements, both in relation to particular classes of transactions, account balances or disclosures and the financial statements as a whole, and the particular circumstances of their occurrence; and (Ref: Para. A13-A17, A19-A20)
 - (b) The effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. (Ref: Para. A18)

Communication with Those Charged with Governance

12. The auditor shall communicate with those charged with governance uncorrected misstatements and the effect that they, individually or in aggregate, may have on the opinion in the auditor's report, unless prohibited by law or regulation.⁴ The auditor's communication shall identify material uncorrected misstatements individually. The auditor shall request that uncorrected misstatements be corrected. (Ref: Para. A21-A23)
13. The auditor shall also communicate with those charged with governance the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

Written Representation

14. The auditor shall request a written representation from management and, where appropriate, those charged with governance whether they believe the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A summary of such items shall be included in or attached to the written representation. (Ref: Para. A24)

⁴ See footnote 3.

Documentation

15. The auditor shall include in the audit documentation:⁵ (Ref: Para. A25)
- (a) The amount below which misstatements would be regarded as clearly trivial (paragraph 5);
 - (b) All misstatements accumulated during the audit and whether they have been corrected (paragraphs 5, 8 and 12); and
 - (c) The auditor's conclusion as to whether uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion (paragraph 11).

Application and Other Explanatory Material

Definition of Misstatement (Ref: Para. 4(a))

- A1. Misstatements may result from:
- (a) An inaccuracy in gathering or processing data from which the financial statements are prepared;
 - (b) An omission of an amount or disclosure;
 - (c) An incorrect accounting estimate arising from overlooking, or clear misinterpretation of, facts; and
 - (d) Judgments of management concerning accounting estimates that the auditor considers unreasonable or the selection and application of accounting policies that the auditor considers inappropriate.

Examples of misstatements arising from fraud are provided in ISA 240.⁶

Accumulation of Identified Misstatements (Ref: Para. 5)

- A2. The auditor may designate an amount below which misstatements would be clearly trivial and would not need to be accumulated because the auditor expects that the accumulation of such amounts clearly would not have a material effect on the financial statements. "Clearly trivial" is not another expression for "not material." Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than materiality determined in

⁵ ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

⁶ ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements," paragraphs A1-A6.

accordance with ISA 320, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.

- A3. To assist the auditor in evaluating the effect of misstatements accumulated during the audit and in communicating misstatements to management and those charged with governance, it may be useful to distinguish between factual misstatements, judgmental misstatements and projected misstatements.
- Factual misstatements are misstatements about which there is no doubt.
 - Judgmental misstatements are differences arising from the judgments of management concerning accounting estimates that the auditor considers unreasonable, or the selection or application of accounting policies that the auditor considers inappropriate.
 - Projected misstatements are the auditor's best estimate of misstatements in populations, involving the projection of misstatements identified in audit samples to the entire populations from which the samples were drawn. Guidance on the determination of projected misstatements and evaluation of the results is set out in ISA 530.⁷

Consideration of Identified Misstatements as the Audit Progresses (Ref: Para. 6-7)

- A4. A misstatement may not be an isolated occurrence. Evidence that other misstatements may exist include, for example, where the auditor identifies that a misstatement arose from a breakdown in internal control or from inappropriate assumptions or valuation methods that have been widely applied by the entity.
- A5. If the aggregate of misstatements accumulated during the audit approaches materiality determined in accordance with ISA 320, there may be a greater than acceptably low level of risk that possible undetected misstatements, when taken with the aggregate of misstatements accumulated during the audit, could exceed materiality. Undetected misstatements could exist because of the presence of sampling risk and non-sampling risk.⁸
- A6. The auditor may request management to examine a class of transactions, account balance or disclosure in order for management to understand the cause of a misstatement identified by the auditor, perform procedures to determine the amount of the actual misstatement in the class of transactions, account balance or disclosure, and to make appropriate adjustments to the financial

⁷ ISA 530, "Audit Sampling," paragraphs 14-15.

⁸ ISA 530, paragraph 5(c)-(d).

statements. Such a request may be made, for example, based on the auditor's projection of misstatements identified in an audit sample to the entire population from which it was drawn.

Communication and Correction of Misstatements (Ref: Para. 8-9)

- A7. Timely communication of misstatements to the appropriate level of management is important as it enables management to evaluate whether the items are misstatements, inform the auditor if it disagrees, and take action as necessary. Ordinarily, the appropriate level of management is the one that has responsibility and authority to evaluate the misstatements and to take the necessary action.
- A8. Law or regulation may restrict the auditor's communication of certain misstatements to management, or others, within the entity. For example, laws or regulations may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts between the auditor's obligations of confidentiality and obligations to communicate may be complex. In such cases, the auditor may consider seeking legal advice.
- A9. The correction by management of all misstatements, including those communicated by the auditor, enables management to maintain accurate accounting books and records and reduces the risks of material misstatement of future financial statements because of the cumulative effect of immaterial uncorrected misstatements related to prior periods.
- A10. ISA 700 requires the auditor to evaluate whether the financial statements are prepared and presented, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation includes consideration of the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments,⁹ which may be affected by the auditor's understanding of management's reasons for not making the corrections.

Evaluating the Effect of Uncorrected Misstatements (Ref: Para. 10-11)

- A11. The auditor's determination of materiality in accordance with ISA 320 is often based on estimates of the entity's financial results, because the actual financial results may not yet be known. Therefore, prior to the auditor's evaluation of the effect of uncorrected misstatements, it may be necessary to revise materiality determined in accordance with ISA 320 based on the actual financial results.

⁹ ISA 700, paragraph 12.

- A12. ISA 320 explains that, as the audit progresses, materiality for the financial statements as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) is revised in the event of the auditor becoming aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially.¹⁰ Thus, any significant revision is likely to have been made before the auditor evaluates the effect of uncorrected misstatements. However, if the auditor's reassessment of materiality determined in accordance with ISA 320 (see paragraph 10 of this ISA) gives rise to a lower amount (or amounts), then performance materiality and the appropriateness of the nature, timing and extent of the further audit procedures are reconsidered so as to obtain sufficient appropriate audit evidence on which to base the audit opinion.
- A13. Each individual misstatement is considered to evaluate its effect on the relevant classes of transactions, account balances or disclosures, including whether the materiality level for that particular class of transactions, account balance or disclosure, if any, has been exceeded.
- A14. If an individual misstatement is judged to be material, it is unlikely that it can be offset by other misstatements. For example, if revenue has been materially overstated, the financial statements as a whole will be materially misstated, even if the effect of the misstatement on earnings is completely offset by an equivalent overstatement of expenses. It may be appropriate to offset misstatements within the same account balance or class of transactions; however, the risk that further undetected misstatements may exist is considered before concluding that offsetting even immaterial misstatements is appropriate.¹¹
- A15. Determining whether a classification misstatement is material involves the evaluation of qualitative considerations, such as the effect of the classification misstatement on debt or other contractual covenants, the effect on individual line items or sub-totals, or the effect on key ratios. There may be circumstances where the auditor concludes that a classification misstatement is not material in the context of the financial statements as a whole, even though it may exceed the materiality level or levels applied in evaluating other misstatements. For example, a misclassification between balance sheet line items may not be considered material in the context of the financial statements as a whole when the amount of the misclassification is small in relation to the size of the related balance sheet line items and the misclassification does not affect the income statement or any key ratios.

¹⁰ ISA 320, paragraph 12.

¹¹ The identification of a number of immaterial misstatements within the same account balance or class of transactions may require the auditor to reassess the risk of material misstatement for that account balance or class of transactions.

A16. The circumstances related to some misstatements may cause the auditor to evaluate them as material, individually or when considered together with other misstatements accumulated during the audit, even if they are lower than materiality for the financial statements as a whole. Circumstances that may affect the evaluation include the extent to which the misstatement:

- Affects compliance with regulatory requirements;
- Affects compliance with debt covenants or other contractual requirements;
- Relates to the incorrect selection or application of an accounting policy that has an immaterial effect on the current period's financial statements but is likely to have a material effect on future periods' financial statements;
- Masks a change in earnings or other trends, especially in the context of general economic and industry conditions;
- Affects ratios used to evaluate the entity's financial position, results of operations or cash flows;
- Affects segment information presented in the financial statements (for example, the significance of the matter to a segment or other portion of the entity's business that has been identified as playing a significant role in the entity's operations or profitability);
- Has the effect of increasing management compensation, for example, by ensuring that the requirements for the award of bonuses or other incentives are satisfied;
- Is significant having regard to the auditor's understanding of known previous communications to users, for example, in relation to forecast earnings;
- Relates to items involving particular parties (for example, whether external parties to the transaction are related to members of the entity's management);
- Is an omission of information not specifically required by the applicable financial reporting framework but which, in the judgment of the auditor, is important to the users' understanding of the financial position, financial performance or cash flows of the entity; or
- Affects other information that will be communicated in documents containing the audited financial statements (for example, information to be included in a "Management Discussion and Analysis" or an "Operating and Financial Review") that may reasonably be expected to

influence the economic decisions of the users of the financial statements. ISA 720¹² deals with the auditor's consideration of other information, on which the auditor has no obligation to report, in documents containing audited financial statements.

These circumstances are only examples; not all are likely to be present in all audits nor is the list necessarily complete. The existence of any circumstances such as these does not necessarily lead to a conclusion that the misstatement is material.

- A17. ISA 240¹³ explains how the implications of a misstatement that is, or may be, the result of fraud ought to be considered in relation to other aspects of the audit, even if the size of the misstatement is not material in relation to the financial statements.
- A18. The cumulative effect of immaterial uncorrected misstatements related to prior periods may have a material effect on the current period's financial statements. There are different acceptable approaches to the auditor's evaluation of such uncorrected misstatements on the current period's financial statements. Using the same evaluation approach provides consistency from period to period.

Considerations Specific to Public Sector Entities

- A19. In the case of an audit of a public sector entity, the evaluation whether a misstatement is material may also be affected by the auditor's responsibilities established by law, regulation or other authority to report specific matters, including, for example, fraud.
- A20. Furthermore, issues such as public interest, accountability, probity and ensuring effective legislative oversight, in particular, may affect the assessment whether an item is material by virtue of its nature. This is particularly so for items that relate to compliance with law, regulation or other authority.

Communication with Those Charged with Governance (Ref: Para. 12)

- A21. If uncorrected misstatements have been communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, they need not be communicated again with those same person(s) in their governance role. The auditor nonetheless has to be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the auditor would otherwise communicate in their governance capacity.¹⁴

¹² ISA 720, "The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements."

¹³ ISA 240, paragraph 35.

¹⁴ ISA 260, paragraph 13.

- A22. Where there is a large number of individual immaterial uncorrected misstatements, the auditor may communicate the number and overall monetary effect of the uncorrected misstatements, rather than the details of each individual uncorrected misstatement.
- A23. ISA 260 requires the auditor to communicate with those charged with governance the written representations the auditor is requesting (see paragraph 14 of this ISA).¹⁵ The auditor may discuss with those charged with governance the reasons for, and the implications of, a failure to correct misstatements, having regard to the size and nature of the misstatement judged in the surrounding circumstances, and possible implications in relation to future financial statements.

Written Representation (Ref: Para. 14)

- A24. Because the preparation of the financial statements requires management and, where appropriate, those charged with governance to adjust the financial statements to correct material misstatements, the auditor is required to request them to provide a written representation about uncorrected misstatements. In some circumstances, management and, where appropriate, those charged with governance may not believe that certain uncorrected misstatements are misstatements. For that reason, they may want to add to their written representation words such as: “We do not agree that items ... and ... constitute misstatements because [description of reasons].” Obtaining this representation does not, however, relieve the auditor of the need to form a conclusion on the effect of uncorrected misstatements.

Documentation (Ref: Para. 15)

- A25. The auditor’s documentation of uncorrected misstatements may take into account:
- (a) The consideration of the aggregate effect of uncorrected misstatements;
 - (b) The evaluation of whether the materiality level or levels for particular classes of transactions, account balances or disclosures, if any, have been exceeded; and
 - (c) The evaluation of the effect of uncorrected misstatements on key ratios or trends, and compliance with legal, regulatory and contractual requirements (for example, debt covenants).

¹⁵ ISA 260, paragraph 16(c)(ii).

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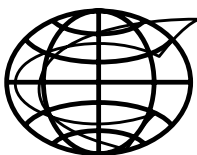
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 500, “Evidencia de auditoría”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1500

NOTA DE PRÁCTICA PARA LA NIA 500	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	
Evidencia de auditoría suficiente y apropiada	P3–P10
Apéndice: Fuentes probatorias sobre la gestión de riesgos en relación con leyes y reglamentos	
NORMA INTERNACIONAL DE AUDITORÍA 500	
Introducción	
Alcance de la NIA	1–2
Fecha de entrada en vigor	3
Objetivo	4
Definiciones	5
Exigencias	
Evidencia de auditoría suficiente y apropiada	6
Información utilizable como evidencia de auditoría	7–9
Selección de elementos para su verificación y la consiguiente obtención de evidencia de auditoría	10
Falta de coherencia o dudas sobre la fiabilidad de la evidencia de auditoría	11
Disposiciones de aplicación y otras disposiciones explicativas	
Evidencia de auditoría suficiente y apropiada	A1–A25
Información utilizable como evidencia de auditoría	A26–A51
Selección de elementos para su verificación y la consiguiente obtención de evidencia de auditoría	A52–A56
Falta de coherencia o dudas sobre la fiabilidad de la evidencia de auditoría	A57

Evidencia de auditoría

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 500, “Evidencia de auditoría”, y debe leerse conjuntamente con ella. La NIA 500 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 500 explica lo que constituye evidencia de auditoría en una auditoría de estados financieros, y establece las obligaciones del auditor de concebir y ejecutar procedimientos de auditoría destinados a obtener una evidencia suficiente y apropiada para obtener conclusiones razonables que sustenten la opinión de auditoría.

La NIA 500 se aplica a toda la evidencia obtenida en el curso de la auditoría, mientras que otras NIA abordan aspectos concretos de la auditoría (por ejemplo, la NIA 315²), la evidencia que ha de obtenerse en relación con un tema concreto (por ejemplo, la NIA 570³), los procedimientos aplicables para ello (por ejemplo, la NIA 520⁴) y, por último, la evaluación de si es suficiente y apropiada la evidencia obtenida (por ejemplo, la NIA 200⁵ y la NIA 330⁶).

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con:
- a) Evidencia de auditoría suficiente y apropiada.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 500 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

1 Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las Directrices de auditoría financiera de la INTOSAI.”

2 NIA 315, “Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno.”

3 NIA 570, “Empresa en funcionamiento.”

4 NIA 520, “Procedimientos analíticos.”

5 NIA 200, “Objetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoría.”

6 NIA 330, “Respuesta del auditor ante los riesgos evaluados.”

Orientaciones adicionales sobre cuestiones ligadas al sector público

Evidencia de auditoría suficiente y apropiada

- P3. Según se señala en el párrafo A7 de la NIA, parte de la evidencia se obtiene mediante la aplicación de procedimientos de auditoría para verificar los registros contables. La evidencia engloba tanto la información que respalda y corrobora las manifestaciones de la dirección como la información que las contradice. En el caso de los estados financieros del sector público la dirección manifiesta frecuentemente que las operaciones y otras actuaciones han sido llevadas a cabo conforme a la legislación u otras normas aplicables. Estas manifestaciones pueden pertenecer al ámbito de una auditoría financiera⁷. Los auditores del sector público pueden basarse en la ISSAI 4200⁸.
- P4. Al remitirse a la información procedente de fuentes independientes de la entidad, según se contemplan en el párrafo A9 de la NIA, los auditores del sector público pueden estimar como independientes fuentes que en última instancia dependan de la misma autoridad, por ejemplo organismos públicos independientes desde el punto de vista funcional pero que deban informar a dicha autoridad. La naturaleza de los datos de referencia en el sector público puede comprender otras fuentes, como la comparación entre programas similares, indicadores de resultados, etc.
- P5. Al remitirse a las fuentes probatorias, según se contemplan en el párrafo A2 de la NIA, los auditores del sector público pueden plantearse asimismo la conveniencia de recurrir a la evidencia obtenida en auditorías de rendimiento, u otras, de la entidad.
- P6. Según se señala en el párrafo A11 de la NIA, la evidencia obtenida en auditorías anteriores puede, en determinadas circunstancias, tener un valor probatorio idóneo cuando el auditor aplique procedimientos de auditoría para determinar que sigue siendo pertinente. Al apoyarse en la evidencia obtenida en auditorías de rendimiento anteriores, los auditores del sector público evaluarán si las manifestaciones recibidas y las pruebas realizadas son adecuadas para una auditoría de estados financieros.
- P7. Cuando el mandato de auditoría incluya objetivos referentes a la regularidad de las operaciones, los auditores del sector público pueden tener que plantearse la naturaleza y el calendario de los procedimientos de auditoría según se explica en el párrafo A12 de la NIA. Por ejemplo, la posibilidad de aplicar determinados procedimientos de auditoría para establecer la regularidad de la operación o la eficacia de los controles puede verse afectada negativamente por el paso del tiempo.

⁷ La auditoría financiera en el contexto de las orientaciones adicionales facilitadas en las Notas de Práctica se refiere a la auditoría de estados financieros y a otras manifestaciones sobre cumplimiento y regularidad cuando se aborden en relación con una auditoría de estados financieros (auditorías financieras y de regularidad). Las NIA abordan las auditorías de estados financieros.

⁸ ISSAI 4200, iDirectrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros.i

- P8. Las entidades del sector público normalmente han implantado controles internos para garantizar la regularidad de las operaciones. Ahora bien, cuando la entidad fiscalizada tiene atribuida la concesión de subvenciones u otro tipo de ayudas financieras a terceros, suele suceder que la regularidad de la operación dependa parcialmente del cumplimiento por dichos terceros de los criterios y las condiciones de acceso a las ayudas. Puede ser entonces necesario recabar evidencia sobre el ejercicio por la entidad de su cometido de verificación de las operaciones realizadas por terceros (según se demuestra en el Apéndice 1 de la Nota de Práctica).
- P9. Al remitirse a las orientaciones proporcionadas en el párrafo A13 de la NIA, los auditores del sector público tendrán presente que las obligaciones de retención de datos impuestas a las entidades del sector público pueden ser diferentes al estar establecidas por la legislación aplicable, por lo que deberán familiarizarse con ella.
- P10. Los auditores del sector público que actúen en determinados entornos, como el de un tribunal de cuentas, pueden estar sujetos a leyes y reglamentos que les requieran conocer y cumplir procedimientos precisos en materia de obtención de evidencia, por lo que se familiarizarán con los procedimientos y las políticas que establezcan obligaciones suplementarias al respecto y que estén concebidos para garantizar el cumplimiento de la normativa aplicable. Los auditores tendrán en cuenta los siguientes factores que pueden incidir en la obtención de evidencia:
- Las exigencias suplementarias impuestas por la legislación en materia de evidencia de auditoría.
 - El alcance de las exigencias suplementarias (según se impongan, por ejemplo respecto de todos los documentos de una auditoría o de documentos concretos referentes a algunos aspectos de la misma).
 - Los trámites o las formalidades adicionales a que esté sujeta la evidencia de auditoría.
 - La finalidad de cada obligación suplementaria en relación con las garantías legales necesarias para las distintas fases de la auditoría.
 - Las restricciones impuestas a la evidencia de auditoría debido a las modalidades concretas de su obtención o presentación.

Apéndice: Fuentes probatorias sobre la gestión de riesgos en relación con leyes y reglamentos

Riesgo	Descripción	Posibles fuentes probatorias
Complejidad de la reglamentación	Cuanto más compleja resulte la reglamentación, mayor será el riesgo de que se produzcan errores en su comprensión, interpretación o aplicación.	• Procedimientos formales y documentados que permitan traducir las disposiciones normativas en instrucciones de funcionamiento. • Planes de control formales y documentados que permitan el seguimiento de las actividades por los responsables del sistema. • Informes de revisión elaborados por la auditoría interna u otro auditor independiente respecto de los planes de control y los manuales operativos del sistema.
Nueva legislación	La nueva legislación puede implicar nuevos procedimientos administrativos y de control, lo que puede dar lugar a errores en la concepción o el funcionamiento de los controles requeridos para garantizar la regularidad.	• Procedimientos formales y documentados que permitan traducir las disposiciones normativas en reglas del sistema. Cuando se creen sistemas en virtud de la nueva legislación, otras fuentes probatorias pueden estar constituidas por planes de control formales y la revisión independiente de instrucciones operativas y planes de control.
Sistemas de ayudas internacionales (financiados por las Naciones Unidas, la UE u otras entidades institucionales)	Cuando este tipo de instituciones desarrolla una reglamentación, existe el riesgo de que se interpreten erróneamente disposiciones u orientaciones o se omitan en las instrucciones internas.	• Las fuentes probatorias identificadas en relación con la complejidad de la reglamentación pueden aplicarse asimismo a los sistemas financiados de esta manera.

Riesgo	Descripción	Posibles fuentes probatorias
Ejecución de programas y prestación de servicios a través de terceros.	Cuando los programas son administrados por agentes externos, los servicios pierden control directo y dependen de estos agentes para garantizar la conformidad con las normas.	• Acuerdos formales entre la entidad y los agentes externos que definan los procedimientos de control de la prestación de servicios. • Procedimientos documentados y resultado del control ejercido por los responsables y del seguimiento de las actividades llevadas a cabo por terceros. • Informes de inspecciones de la auditoría interna a terceros para examinar procedimientos y sistemas, entre ellos los referentes a la regularidad. • Garantías o informes sobre los procedimientos acordados en relación con ingresos y pagos o sobre los controles de dichos ingresos o pagos por los auditores de terceros.
Pagos e ingresos derivados de solicitudes y declaraciones	La capacidad de la entidad para confirmar la conformidad con las normas puede verse restringida cuando, por ejemplo, los criterios de obtención de ayudas no se comprueban de forma directa.	• Los criterios fijados para las solicitudes se exponen claramente en instrucciones de los servicios y en las directrices destinadas a los solicitantes. • Las exigencias habituales en materia de documentación para justificar el derecho de acceso a las ayudas. (Puede tratarse de una condición para el pago de las ayudas o una exigencia para después de que termine la actividad financiada por las ayudas). • Inspección física de registros de solicitantes, etc. para confirmar su derecho de acceso a las ayudas. • Procedimientos documentados para evaluar la solvencia financiera de los solicitantes antes de la concesión de las ayudas y para supervisar que dicha solvencia se mantiene. • Certificación independiente de las solicitudes de ayudas por el auditor externo.

International Standard on Auditing

Audit Evidence



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
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This International Standard on Auditing (ISA) 500, “Audit Evidence” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 500

AUDIT EVIDENCE

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1-2
Effective Date	3
Objective	4
Definitions	5
Requirements	
Sufficient Appropriate Audit Evidence	6
Information to Be Used as Audit Evidence	7-9
Selecting Items for Testing to Obtain Audit Evidence	10
Inconsistency in, or Doubts over Reliability of, Audit Evidence	11
Application and Other Explanatory Material	
Sufficient Appropriate Audit Evidence	A1-A25
Information to Be Used as Audit Evidence	A26-A51
Selecting Items for Testing to Obtain Audit Evidence	A52-A56
Inconsistency in, or Doubts over Reliability of, Audit Evidence	A57

International Standard on Auditing (ISA) 500, “Audit Evidence” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) explains what constitutes audit evidence in an audit of financial statements, and deals with the auditor's responsibility to design and perform audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion.
2. This ISA is applicable to all the audit evidence obtained during the course of the audit. Other ISAs deal with specific aspects of the audit (for example, ISA 315¹), the audit evidence to be obtained in relation to a particular topic (for example, ISA 570²), specific procedures to obtain audit evidence (for example, ISA 520³), and the evaluation of whether sufficient appropriate audit evidence has been obtained (ISA 200⁴ and ISA 330⁵).

Effective Date

3. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

4. The objective of the auditor is to design and perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion.

Definitions

5. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Accounting records – The records of initial accounting entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; the general and subsidiary ledgers, journal entries and other adjustments to the financial statements that are not reflected in journal entries; and records such as work sheets and spreadsheets supporting cost allocations, computations, reconciliations and disclosures.

¹ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

² ISA 570, "Going Concern."

³ ISA 520, "Analytical Procedures."

⁴ ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing."

⁵ ISA 330, "The Auditor's Responses to Assessed Risks."

- (b) Appropriateness (of audit evidence) – The measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor’s opinion is based.
- (c) Audit evidence – Information used by the auditor in arriving at the conclusions on which the auditor’s opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information.
- (d) Management’s expert – An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements.
- (e) Sufficiency (of audit evidence) – The measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor’s assessment of the risks of material misstatement and also by the quality of such audit evidence.

Requirements

Sufficient Appropriate Audit Evidence

- 6. The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence. (Ref: Para. A1-A25)

Information to Be Used as Audit Evidence

- 7. When designing and performing audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence. (Ref: Para. A26-A33)
- 8. If information to be used as audit evidence has been prepared using the work of a management’s expert, the auditor shall, to the extent necessary, having regard to the significance of that expert’s work for the auditor’s purposes: (Ref: Para. A34-A36)
 - (a) Evaluate the competence, capabilities and objectivity of that expert; (Ref: Para. A37-A43)
 - (b) Obtain an understanding of the work of that expert; and (Ref: Para. A44-A47)
 - (c) Evaluate the appropriateness of that expert’s work as audit evidence for the relevant assertion. (Ref: Para. A48)
- 9. When using information produced by the entity, the auditor shall evaluate whether the information is sufficiently reliable for the auditor’s purposes, including as necessary in the circumstances:

- (a) Obtaining audit evidence about the accuracy and completeness of the information; and (Ref: Para. A49-A50)
- (b) Evaluating whether the information is sufficiently precise and detailed for the auditor's purposes. (Ref: Para. A51)

Selecting Items for Testing to Obtain Audit Evidence

10. When designing tests of controls and tests of details, the auditor shall determine means of selecting items for testing that are effective in meeting the purpose of the audit procedure. (Ref: Para. A52-A56)

Inconsistency in, or Doubts over Reliability of, Audit Evidence

11. If:
- (a) audit evidence obtained from one source is inconsistent with that obtained from another; or
 - (b) the auditor has doubts over the reliability of information to be used as audit evidence,

the auditor shall determine what modifications or additions to audit procedures are necessary to resolve the matter, and shall consider the effect of the matter, if any, on other aspects of the audit. (Ref: Para. A57)

Application and Other Explanatory Material

Sufficient Appropriate Audit Evidence (Ref: Para. 6)

- A1. Audit evidence is necessary to support the auditor's opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources such as previous audits (provided the auditor has determined whether changes have occurred since the previous audit that may affect its relevance to the current audit⁶) or a firm's quality control procedures for client acceptance and continuance. In addition to other sources inside and outside the entity, the entity's accounting records are an important source of audit evidence. Also, information that may be used as audit evidence may have been prepared using the work of a management's expert. Audit evidence comprises both information that supports and corroborates management's assertions, and any information that contradicts such assertions. In addition, in some cases the absence of information (for example,

⁶ ISA 315, paragraph 9.

management's refusal to provide a requested representation) is used by the auditor, and therefore, also constitutes audit evidence.

- A2. Most of the auditor's work in forming the auditor's opinion consists of obtaining and evaluating audit evidence. Audit procedures to obtain audit evidence can include inspection, observation, confirmation, recalculation, reperformance and analytical procedures, often in some combination, in addition to inquiry. Although inquiry may provide important audit evidence, and may even produce evidence of a misstatement, inquiry alone ordinarily does not provide sufficient audit evidence of the absence of a material misstatement at the assertion level, nor of the operating effectiveness of controls.
- A3. As explained in ISA 200,⁷ reasonable assurance is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level.
- A4. The sufficiency and appropriateness of audit evidence are interrelated. Sufficiency is the measure of the quantity of audit evidence. The quantity of audit evidence needed is affected by the auditor's assessment of the risks of misstatement (the higher the assessed risks, the more audit evidence is likely to be required) and also by the quality of such audit evidence (the higher the quality, the less may be required). Obtaining more audit evidence, however, may not compensate for its poor quality.
- A5. Appropriateness is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based. The reliability of evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained.
- A6. ISA 330 requires the auditor to conclude whether sufficient appropriate audit evidence has been obtained.⁸ Whether sufficient appropriate audit evidence has been obtained to reduce audit risk to an acceptably low level, and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion, is a matter of professional judgment. ISA 200 contains discussion of such matters as the nature of audit procedures, the timeliness of financial reporting, and the balance between benefit and cost, which are relevant factors when the auditor exercises professional judgment regarding whether sufficient appropriate audit evidence has been obtained.

⁷ ISA 200, paragraph 5.

⁸ ISA 330, paragraph 26.

Sources of Audit Evidence

- A7. Some audit evidence is obtained by performing audit procedures to test the accounting records, for example, through analysis and review, reperforming procedures followed in the financial reporting process, and reconciling related types and applications of the same information. Through the performance of such audit procedures, the auditor may determine that the accounting records are internally consistent and agree to the financial statements.
- A8. More assurance is ordinarily obtained from consistent audit evidence obtained from different sources or of a different nature than from items of audit evidence considered individually. For example, corroborating information obtained from a source independent of the entity may increase the assurance the auditor obtains from audit evidence that is generated internally, such as evidence existing within the accounting records, minutes of meetings, or a management representation.
- A9. Information from sources independent of the entity that the auditor may use as audit evidence may include confirmations from third parties, analysts' reports, and comparable data about competitors (benchmarking data).

Audit Procedures for Obtaining Audit Evidence

- A10. As required by, and explained further in, ISA 315 and ISA 330, audit evidence to draw reasonable conclusions on which to base the auditor's opinion is obtained by performing:
 - (a) Risk assessment procedures; and
 - (b) Further audit procedures, which comprise:
 - (i) Tests of controls, when required by the ISAs or when the auditor has chosen to do so; and
 - (ii) Substantive procedures, including tests of details and substantive analytical procedures.
- A11. The audit procedures described in paragraphs A14-A25 below may be used as risk assessment procedures, tests of controls or substantive procedures, depending on the context in which they are applied by the auditor. As explained in ISA 330, audit evidence obtained from previous audits may, in certain circumstances, provide appropriate audit evidence where the auditor performs audit procedures to establish its continuing relevance.⁹
- A12. The nature and timing of the audit procedures to be used may be affected by the fact that some of the accounting data and other information may be available only in electronic form or only at certain points or periods in time.

⁹ ISA 330, paragraph A35.

For example, source documents, such as purchase orders and invoices, may exist only in electronic form when an entity uses electronic commerce, or may be discarded after scanning when an entity uses image processing systems to facilitate storage and reference.

- A13. Certain electronic information may not be retrievable after a specified period of time, for example, if files are changed and if backup files do not exist. Accordingly, the auditor may find it necessary as a result of an entity's data retention policies to request retention of some information for the auditor's review or to perform audit procedures at a time when the information is available.

Inspection

- A14. Inspection involves examining records or documents, whether internal or external, in paper form, electronic form, or other media, or a physical examination of an asset. Inspection of records and documents provides audit evidence of varying degrees of reliability, depending on their nature and source and, in the case of internal records and documents, on the effectiveness of the controls over their production. An example of inspection used as a test of controls is inspection of records for evidence of authorization.
- A15. Some documents represent direct audit evidence of the existence of an asset, for example, a document constituting a financial instrument such as a stock or bond. Inspection of such documents may not necessarily provide audit evidence about ownership or value. In addition, inspecting an executed contract may provide audit evidence relevant to the entity's application of accounting policies, such as revenue recognition.
- A16. Inspection of tangible assets may provide reliable audit evidence with respect to their existence, but not necessarily about the entity's rights and obligations or the valuation of the assets. Inspection of individual inventory items may accompany the observation of inventory counting.

Observation

- A17. Observation consists of looking at a process or procedure being performed by others, for example, the auditor's observation of inventory counting by the entity's personnel, or of the performance of control activities. Observation provides audit evidence about the performance of a process or procedure, but is limited to the point in time at which the observation takes place, and by the fact that the act of being observed may affect how the process or procedure is performed. See ISA 501 for further guidance on observation of the counting of inventory.¹⁰

¹⁰ ISA 501, "Audit Evidence—Specific Considerations for Selected Items."

External Confirmation

- A18. An external confirmation represents audit evidence obtained by the auditor as a direct written response to the auditor from a third party (the confirming party), in paper form, or by electronic or other medium. External confirmation procedures frequently are relevant when addressing assertions associated with certain account balances and their elements. However, external confirmations need not be restricted to account balances only. For example, the auditor may request confirmation of the terms of agreements or transactions an entity has with third parties; the confirmation request may be designed to ask if any modifications have been made to the agreement and, if so, what the relevant details are. External confirmation procedures also are used to obtain audit evidence about the absence of certain conditions, for example, the absence of a “side agreement” that may influence revenue recognition. See ISA 505 for further guidance.¹¹

Recalculation

- A19. Recalculation consists of checking the mathematical accuracy of documents or records. Recalculation may be performed manually or electronically.

Reperformance

- A20. Repperformance involves the auditor’s independent execution of procedures or controls that were originally performed as part of the entity’s internal control.

Analytical Procedures

- A21. Analytical procedures consist of evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount. See ISA 520 for further guidance.

Inquiry

- A22. Inquiry consists of seeking information of knowledgeable persons, both financial and non-financial, within the entity or outside the entity. Inquiry is used extensively throughout the audit in addition to other audit procedures. Inquiries may range from formal written inquiries to informal oral inquiries. Evaluating responses to inquiries is an integral part of the inquiry process.

¹¹ ISA 505, “External Confirmations.”

- A23. Responses to inquiries may provide the auditor with information not previously possessed or with corroborative audit evidence. Alternatively, responses might provide information that differs significantly from other information that the auditor has obtained, for example, information regarding the possibility of management override of controls. In some cases, responses to inquiries provide a basis for the auditor to modify or perform additional audit procedures.
- A24. Although corroboration of evidence obtained through inquiry is often of particular importance, in the case of inquiries about management intent, the information available to support management's intent may be limited. In these cases, understanding management's past history of carrying out its stated intentions, management's stated reasons for choosing a particular course of action, and management's ability to pursue a specific course of action may provide relevant information to corroborate the evidence obtained through inquiry.
- A25. In respect of some matters, the auditor may consider it necessary to obtain written representations from management and, where appropriate, those charged with governance to confirm responses to oral inquiries. See ISA 580 for further guidance.¹²

Information to Be Used as Audit Evidence

Relevance and Reliability (Ref: Para. 7)

- A26. As noted in paragraph A1, while audit evidence is primarily obtained from audit procedures performed during the course of the audit, it may also include information obtained from other sources such as, for example, previous audits, in certain circumstances, and a firm's quality control procedures for client acceptance and continuance. The quality of all audit evidence is affected by the relevance and reliability of the information upon which it is based.

Relevance

- A27. Relevance deals with the logical connection with, or bearing upon, the purpose of the audit procedure and, where appropriate, the assertion under consideration. The relevance of information to be used as audit evidence may be affected by the direction of testing. For example, if the purpose of an audit procedure is to test for overstatement in the existence or valuation of accounts payable, testing the recorded accounts payable may be a relevant audit procedure. On the other hand, when testing for understatement in the existence or valuation of accounts payable, testing the recorded accounts

¹² ISA 580, "Written Representations."

payable would not be relevant, but testing such information as subsequent disbursements, unpaid invoices, suppliers' statements, and unmatched receiving reports may be relevant.

- A28. A given set of audit procedures may provide audit evidence that is relevant to certain assertions, but not others. For example, inspection of documents related to the collection of receivables after the period end may provide audit evidence regarding existence and valuation, but not necessarily cutoff. Similarly, obtaining audit evidence regarding a particular assertion, for example, the existence of inventory, is not a substitute for obtaining audit evidence regarding another assertion, for example, the valuation of that inventory. On the other hand, audit evidence from different sources or of a different nature may often be relevant to the same assertion.
- A29. Tests of controls are designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level. Designing tests of controls to obtain relevant audit evidence includes identifying conditions (characteristics or attributes) that indicate performance of a control, and deviation conditions which indicate departures from adequate performance. The presence or absence of those conditions can then be tested by the auditor.
- A30. Substantive procedures are designed to detect material misstatements at the assertion level. They comprise tests of details and substantive analytical procedures. Designing substantive procedures includes identifying conditions relevant to the purpose of the test that constitute a misstatement in the relevant assertion.

Reliability

- A31. The reliability of information to be used as audit evidence, and therefore of the audit evidence itself, is influenced by its source and its nature, and the circumstances under which it is obtained, including the controls over its preparation and maintenance where relevant. Therefore, generalizations about the reliability of various kinds of audit evidence are subject to important exceptions. Even when information to be used as audit evidence is obtained from sources external to the entity, circumstances may exist that could affect its reliability. For example, information obtained from an independent external source may not be reliable if the source is not knowledgeable, or a management's expert may lack objectivity. While recognizing that exceptions may exist, the following generalizations about the reliability of audit evidence may be useful:
- The reliability of audit evidence is increased when it is obtained from independent sources outside the entity.

- The reliability of audit evidence that is generated internally is increased when the related controls, including those over its preparation and maintenance, imposed by the entity are effective.
 - Audit evidence obtained directly by the auditor (for example, observation of the application of a control) is more reliable than audit evidence obtained indirectly or by inference (for example, inquiry about the application of a control).
 - Audit evidence in documentary form, whether paper, electronic, or other medium, is more reliable than evidence obtained orally (for example, a contemporaneously written record of a meeting is more reliable than a subsequent oral representation of the matters discussed).
 - Audit evidence provided by original documents is more reliable than audit evidence provided by photocopies or facsimiles, or documents that have been filmed, digitized or otherwise transformed into electronic form, the reliability of which may depend on the controls over their preparation and maintenance.
- A32. ISA 520 provides further guidance regarding the reliability of data used for purposes of designing analytical procedures as substantive procedures.¹³
- A33. ISA 240 deals with circumstances where the auditor has reason to believe that a document may not be authentic, or may have been modified without that modification having been disclosed to the auditor.¹⁴

Reliability of Information Produced by a Management's Expert (Ref: Para. 8)

- A34. The preparation of an entity's financial statements may require expertise in a field other than accounting or auditing, such as actuarial calculations, valuations, or engineering data. The entity may employ or engage experts in these fields to obtain the needed expertise to prepare the financial statements. Failure to do so when such expertise is necessary increases the risks of material misstatement.
- A35. When information to be used as audit evidence has been prepared using the work of a management's expert, the requirement in paragraph 8 of this ISA applies. For example, an individual or organization may possess expertise in the application of models to estimate the fair value of securities for which there is no observable market. If the individual or organization applies that expertise in making an estimate which the entity uses in preparing its

¹³ ISA 520, paragraph 5(a).

¹⁴ ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements," paragraph 13.

financial statements, the individual or organization is a management's expert and paragraph 8 applies. If, on the other hand, that individual or organization merely provides price data regarding private transactions not otherwise available to the entity which the entity uses in its own estimation methods, such information, if used as audit evidence, is subject to paragraph 7 of this ISA, but is not the use of a management's expert by the entity.

A36. The nature, timing and extent of audit procedures in relation to the requirement in paragraph 8 of this ISA, may be affected by such matters as:

- The nature and complexity of the matter to which the management's expert relates.
- The risks of material misstatement in the matter.
- The availability of alternative sources of audit evidence.
- The nature, scope and objectives of the management's expert's work.
- Whether the management's expert is employed by the entity, or is a party engaged by it to provide relevant services.
- The extent to which management can exercise control or influence over the work of the management's expert.
- Whether the management's expert is subject to technical performance standards or other professional or industry requirements.
- The nature and extent of any controls within the entity over the management's expert's work.
- The auditor's knowledge and experience of the management's expert's field of expertise.
- The auditor's previous experience of the work of that expert.

The Competence, Capabilities and Objectivity of a Management's Expert (Ref: Para. 8(a))

A37. Competence relates to the nature and level of expertise of the management's expert. Capability relates the ability of the management's expert to exercise that competence in the circumstances. Factors that influence capability may include, for example, geographic location, and the availability of time and resources. Objectivity relates to the possible effects that bias, conflict of interest or the influence of others may have on the professional or business judgment of the management's expert. The competence, capabilities and objectivity of a management's expert, and any controls within the entity over that expert's work, are important factors in relation to the reliability of any information produced by a management's expert.

- A38. Information regarding the competence, capabilities and objectivity of a management's expert may come from a variety of sources, such as:
- Personal experience with previous work of that expert.
 - Discussions with that expert.
 - Discussions with others who are familiar with that expert's work.
 - Knowledge of that expert's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition.
 - Published papers or books written by that expert.
 - An auditor's expert, if any, who assists the auditor in obtaining sufficient appropriate audit evidence with respect to information produced by the management's expert.
- A39. Matters relevant to evaluating the competence, capabilities and objectivity of a management's expert include whether that expert's work is subject to technical performance standards or other professional or industry requirements, for example, ethical standards and other membership requirements of a professional body or industry association, accreditation standards of a licensing body, or requirements imposed by law or regulation.
- A40. Other matters that may be relevant include:
- The relevance of the management's expert's competence to the matter for which that expert's work will be used, including any areas of specialty within that expert's field. For example, a particular actuary may specialize in property and casualty insurance, but have limited expertise regarding pension calculations.
 - The management's expert's competence with respect to relevant accounting requirements, for example, knowledge of assumptions and methods, including models where applicable, that are consistent with the applicable financial reporting framework.
 - Whether unexpected events, changes in conditions, or the audit evidence obtained from the results of audit procedures indicate that it may be necessary to reconsider the initial evaluation of the competence, capabilities and objectivity of the management's expert as the audit progresses.
- A41. A broad range of circumstances may threaten objectivity, for example, self-interest threats, advocacy threats, familiarity threats, self-review threats and intimidation threats. Safeguards may reduce such threats, and may be created either by external structures (for example, the management's expert's

profession, legislation or regulation), or by the management's expert's work environment (for example, quality control policies and procedures).

- A42. Although safeguards cannot eliminate all threats to a management's expert's objectivity, threats such as intimidation threats may be of less significance to an expert engaged by the entity than to an expert employed by the entity, and the effectiveness of safeguards such as quality control policies and procedures may be greater. Because the threat to objectivity created by being an employee of the entity will always be present, an expert employed by the entity cannot ordinarily be regarded as being more likely to be objective than other employees of the entity.
- A43. When evaluating the objectivity of an expert engaged by the entity, it may be relevant to discuss with management and that expert any interests and relationships that may create threats to the expert's objectivity, and any applicable safeguards, including any professional requirements that apply to the expert; and to evaluate whether the safeguards are adequate. Interests and relationships creating threats may include:
- Financial interests.
 - Business and personal relationships.
 - Provision of other services.

Obtaining an Understanding of the Work of the Management's Expert (Ref: Para. 8(b))

- A44. An understanding of the work of the management's expert includes an understanding of the relevant field of expertise. An understanding of the relevant field of expertise may be obtained in conjunction with the auditor's determination of whether the auditor has the expertise to evaluate the work of the management's expert, or whether the auditor needs an auditor's expert for this purpose.¹⁵
- A45. Aspects of the management's expert's field relevant to the auditor's understanding may include:
- Whether that expert's field has areas of specialty within it that are relevant to the audit.
 - Whether any professional or other standards, and regulatory or legal requirements apply.
 - What assumptions and methods are used by the management's expert, and whether they are generally accepted within that expert's field and appropriate for financial reporting purposes.

¹⁵ ISA 620, "Using the Work of an Auditor's Expert," paragraph 7.

- The nature of internal and external data or information the auditor's expert uses.

A46. In the case of a management's expert engaged by the entity, there will ordinarily be an engagement letter or other written form of agreement between the entity and that expert. Evaluating that agreement when obtaining an understanding of the work of the management's expert may assist the auditor in determining the appropriateness of the following for the auditor's purposes:

- The nature, scope and objectives of that expert's work;
- The respective roles and responsibilities of management and that expert; and
- The nature, timing and extent of communication between management and that expert, including the form of any report to be provided by that expert.

A47. In the case of a management's expert employed by the entity, it is less likely there will be a written agreement of this kind. Inquiry of the expert and other members of management may be the most appropriate way for the auditor to obtain the necessary understanding.

Evaluating the Appropriateness of the Management's Expert's Work (Ref: Para. 8(c))

A48. Considerations when evaluating the appropriateness of the management's expert's work as audit evidence for the relevant assertion may include:

- The relevance and reasonableness of that expert's findings or conclusions, their consistency with other audit evidence, and whether they have been appropriately reflected in the financial statements;
- If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods; and
- If that expert's work involves significant use of source data the relevance, completeness, and accuracy of that source data.

Information Produced by the Entity and Used for the Auditor's Purposes (Ref: Para. 9(a)-(b))

A49. In order for the auditor to obtain reliable audit evidence, information produced by the entity that is used for performing audit procedures needs to be sufficiently complete and accurate. For example, the effectiveness of auditing revenue by applying standard prices to records of sales volume is affected by the accuracy of the price information and the completeness and accuracy of the sales volume data. Similarly, if the auditor intends to test a population (for example, payments) for a certain characteristic (for example,

authorization), the results of the test will be less reliable if the population from which items are selected for testing is not complete.

- A50. Obtaining audit evidence about the accuracy and completeness of such information may be performed concurrently with the actual audit procedure applied to the information when obtaining such audit evidence is an integral part of the audit procedure itself. In other situations, the auditor may have obtained audit evidence of the accuracy and completeness of such information by testing controls over the preparation and maintenance of the information. In some situations, however, the auditor may determine that additional audit procedures are needed.
- A51. In some cases, the auditor may intend to use information produced by the entity for other audit purposes. For example, the auditor may intend to make use of the entity's performance measures for the purpose of analytical procedures, or to make use of the entity's information produced for monitoring activities, such as internal auditor's reports. In such cases, the appropriateness of the audit evidence obtained is affected by whether the information is sufficiently precise or detailed for the auditor's purposes. For example, performance measures used by management may not be precise enough to detect material misstatements.

Selecting Items for Testing to Obtain Audit Evidence (Ref: Para. 10)

- A52. An effective test provides appropriate audit evidence to an extent that, taken with other audit evidence obtained or to be obtained, will be sufficient for the auditor's purposes. In selecting items for testing, the auditor is required by paragraph 7 to determine the relevance and reliability of information to be used as audit evidence; the other aspect of effectiveness (sufficiency) is an important consideration in selecting items to test. The means available to the auditor for selecting items for testing are:
- (a) Selecting all items (100% examination);
 - (b) Selecting specific items; and
 - (c) Audit sampling.

The application of any one or combination of these means may be appropriate depending on the particular circumstances, for example, the risks of material misstatement related to the assertion being tested, and the practicality and efficiency of the different means.

Selecting All Items

- A53. The auditor may decide that it will be most appropriate to examine the entire population of items that make up a class of transactions or account balance (or a stratum within that population). 100% examination is unlikely in the

case of tests of controls; however, it is more common for tests of details. 100% examination may be appropriate when, for example:

- The population constitutes a small number of large value items;
- There is a significant risk and other means do not provide sufficient appropriate audit evidence; or
- The repetitive nature of a calculation or other process performed automatically by an information system makes a 100% examination cost effective.

Selecting Specific Items

A54. The auditor may decide to select specific items from a population. In making this decision, factors that may be relevant include the auditor's understanding of the entity, the assessed risks of material misstatement, and the characteristics of the population being tested. The judgmental selection of specific items is subject to non-sampling risk. Specific items selected may include:

- *High value or key items.* The auditor may decide to select specific items within a population because they are of high value, or exhibit some other characteristic, for example, items that are suspicious, unusual, particularly risk-prone or that have a history of error.
- *All items over a certain amount.* The auditor may decide to examine items whose recorded values exceed a certain amount so as to verify a large proportion of the total amount of a class of transactions or account balance.
- *Items to obtain information.* The auditor may examine items to obtain information about matters such as the nature of the entity or the nature of transactions.

A55. While selective examination of specific items from a class of transactions or account balance will often be an efficient means of obtaining audit evidence, it does not constitute audit sampling. The results of audit procedures applied to items selected in this way cannot be projected to the entire population; accordingly, selective examination of specific items does not provide audit evidence concerning the remainder of the population.

Audit Sampling

A56. Audit sampling is designed to enable conclusions to be drawn about an entire population on the basis of testing a sample drawn from it. Audit sampling is discussed in ISA 530.¹⁶

¹⁶ ISA 530, "Audit Sampling."

Inconsistency in, or Doubts over Reliability of, Audit Evidence (Ref: Para. 11)

- A57. Obtaining audit evidence from different sources or of a different nature may indicate that an individual item of audit evidence is not reliable, such as when audit evidence obtained from one source is inconsistent with that obtained from another. This may be the case when, for example, responses to inquiries of management, internal audit, and others are inconsistent, or when responses to inquiries of those charged with governance made to corroborate the responses to inquiries of management are inconsistent with the response by management. ISA 230 includes a specific documentation requirement if the auditor identified information that is inconsistent with the auditor's final conclusion regarding a significant matter.¹⁷

¹⁷ ISA 230, "Audit Documentation," paragraph 11.

ISSAI 1501

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información, visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

Evidencia de auditoría. Consideraciones adicionales en determinados ámbitos

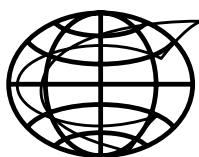
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 501 “Evidencia de Auditoría. Consideraciones adicionales en determinados ámbitos” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/ IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/ IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1501

NOTA DE PRÁCTICA PARA LA NIA 501	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	
Inventario	P3–P6
Litigios y reclamaciones	P7–P11
Información por segmentos	P12
NORMA INTERNACIONAL DE AUDITORÍA 501	
Introducción	
Alcance de la NIA	1
Fecha de entrada en vigor	2
Objetivo	3
Exigencias	
Inventario	4–8
Litigios y reclamaciones	9–12
Información por segmentos	13
Disposiciones de de aplicación y otras disposiciones explicativas	
Inventario	A1–A16
Litigios y reclamaciones	A17–A25
Información por segmentos	A26–A27

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 501

Evidencia de Auditoría. Consideraciones adicionales en determinados ámbitos

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales a los auditores del sector público sobre la NIA 501 “Evidencia de Auditoría. Consideraciones adicionales en determinados ámbitos”, y debe leerse conjuntamente con ella. La NIA 501 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 501 se refiere a las consideraciones específicas que ha de plantearse el auditor al obtener evidencia de auditoría suficiente y adecuada de conformidad con las NIA 330², 500³ y otras NIA pertinentes, con respecto a determinados aspectos relativos al inventario, a litigios y reclamaciones que afecten a la entidad, y a información por segmentos en una auditoría de los estados financieros.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Inventario.
 - b) Litigios y reclamaciones.
 - c) Información por segmentos.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 501 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI.”

² NIA 330, “Respuesta del auditor ante los riesgos evaluados.”

³ NIA 500, “Evidencia de auditoría.”

Orientaciones adicionales sobre cuestiones ligadas al sector público

Inventario

- P3. El inventario en el sector público a menudo difiere del inventario en el sector privado en el sentido, por ejemplo, que suele mantenerse para fines de utilización más que de reventa. Así pues, la naturaleza de los controles internos y el riesgo evaluado de incorrecciones materiales pueden ser distintos. Los auditores del sector público pueden tener otros objetivos y afirmaciones a tener en cuenta además de la existencia efectiva y las condiciones en que se encuentra el inventario, por ejemplo, las expectativas de los ciudadanos de que se efectúe una gestión eficaz del mismo.
- P4. Al aplicar las exigencias del párrafo 4 de la NIA, para decidir si asistir a los recuentos físicos, los auditores del sector público tendrán en cuenta lo expuesto en el párrafo P3.
- P5. Cuando los auditores del sector público estén sujetos a limitaciones, ya sea por la dirección, por la legislación o por reglamentos, y no puedan asistir a un recuento físico, como establece el párrafo 4 de la NIA, solicitar información de terceros, como se exige en el párrafo 8, ni aplicar otros procedimientos de auditoría, tendrán en cuenta el efecto del informe del auditor⁴. La respuesta del auditor del sector público puede ser diferente cuando la limitación sea impuesta por la dirección que cuando la impongan la legislación o los reglamentos.
- P6. En algunos entornos de auditoría del sector público, como un Tribunal de Cuentas, los auditores pueden tener la obligación adicional de identificar al responsable de la existencia efectiva y de las condiciones en las que se encuentra el inventario, incluidas la concepción y aplicación de controles, lo que puede implicar, en su caso, la imposición de sanciones.

Litigios y reclamaciones

- P7. Al plantear y aplicar procedimientos de auditoría, de conformidad con lo establecido en el párrafo 9 y en las orientaciones correspondientes del párrafo A18 de la NIA, los auditores del sector público pueden tener obligaciones suplementarias en relación con litigios y reclamaciones, como la identificación de probables reclamaciones futuras y mayores consecuencias de éstas en el sector público. Debido a la complejidad y a la estructura de las organizaciones del sector público, los auditores de este sector pueden verse en la necesidad de interrogar a otras organizaciones públicas aparte de la dirección de la entidad pública auditada. Por ejemplo, un departamento jurídico central puede gestionar todas las reclamaciones contra la administración; los auditores del sector público tendrían que interrogar a ese departamento además de a la dirección de la entidad auditada.
- P8. Cuando los asesores jurídicos de la administración no cobran honorarios a la entidad del sector público por sus servicios, estas entidades pueden no tener cuentas de gastos jurídicos, como se expone en el subpárrafo 9 c) de la NIA.

4 ISSAI 705, "Modificaciones a la opinión en el informe del auditor independiente."

- P9. Los auditores del sector público pueden verse en la necesidad de tener en cuenta otras fuentes de información al aplicar procedimientos de auditoría para identificar litigios y reclamaciones que afecten a la entidad, como por ejemplo:
- Informes de los medios de comunicación.
 - Reacciones del público general y de las partes interesadas.
 - Otra información obtenida por órganos reguladores, funcionarios, el ministerio fiscal u otros organismos investigadores.
 - Información procedente de receptores oficiales de denuncias e informantes internos.
 - Resultados de auditorías de rendimiento o de otro tipo.
- P10. Al aplicar las exigencias del párrafo 10 de la NIA, los auditores del sector público, con arreglo a su mandato, pueden tener derecho a comunicarse directamente con el asesor jurídico externo de la entidad sin permiso de la dirección y sopesarán la independencia y la objetividad de un asesor jurídico que puede pertenecer a la entidad o a otra organización pública. Cuando se cuestione la independencia o la objetividad de un asesor jurídico, los auditores del sector público pueden estudiar la posibilidad de obtener asesoramiento jurídico por otras fuentes.
- P11. Al tratar de obtener una comunicación directa mediante una carta de investigación general o específica, como señalan los párrafos A22 y A23 de la NIA, los auditores del sector público pueden incluir otras investigaciones específicas si el marco de información financiera aplicable lo permite. Esto puede incluir, por ejemplo, determinar si la entidad está actuando en el marco de su mandato legislativo.

Información por segmentos

- P12. La presentación y revelación de información por segmentos puede no estar exigida por determinados marcos de información financiera o no ser pertinente en el contexto de determinadas entidades del sector público. No obstante, las leyes, reglamentos o el marco de información financiera aplicable pueden exigir otra información similar a la información por segmentos. Por ejemplo, las entidades del sector público pueden tener la obligación de informar de ingresos y gastos por fondos, créditos, programas o categorías y es posible que los auditores del sector público tengan que auditar esta información. En determinadas circunstancias, los auditores del sector público pueden tener que expresar una opinión sobre la información por segmentos o similar bien como parte de la opinión global de auditoría, o bien de forma independiente.

6 ISSAI 4000, "General Introduction to Guidelines on Compliance Audit."

7 ISSAI 4200, "Compliance Audit Guidelines Related to Audit of Financial Statements."

8 ISAE 3000, "Assurance Engagements Others than Audits or Reviews of Historical Financial Information."

9 ISSAI 4100, "Compliance Audit Guidelines for Audits Performed Separately from the Audit of Financial Statements."

10 ISSAI 30, "INTOSAI Code of Ethics."

11 ISSAI 4200, "Compliance Audit Guidelines Related to Audit of Financial Statements."

International Standard on Auditing

Audit Evidence—Specific Considerations for Selected Items



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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This International Standard on Auditing (ISA) 501, “Audit Evidence—Specific Considerations for Selected Items” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 501

AUDIT EVIDENCE—SPECIFIC CONSIDERATIONS FOR SELECTED ITEMS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Effective Date	2
Objective	3
Requirements	
Inventory	4-8
Litigation and Claims	9-12
Segment Information	13
Application and Other Explanatory Material	
Inventory	A1-A16
Litigation and Claims	A17-A25
Segment Information	A26-A27

International Standard on Auditing (ISA) 501, “Audit Evidence—Specific Considerations for Selected Items” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with specific considerations by the auditor in obtaining sufficient appropriate audit evidence in accordance with ISA 330,¹ ISA 500² and other relevant ISAs, with respect to certain aspects of inventory, litigation and claims involving the entity, and segment information in an audit of financial statements.

Effective Date

2. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

3. The objective of the auditor is to obtain sufficient appropriate audit evidence regarding the:
 - (a) Existence and condition of inventory;
 - (b) Completeness of litigation and claims involving the entity; and
 - (c) Presentation and disclosure of segment information in accordance with the applicable financial reporting framework.

Requirements

Inventory

4. If inventory is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by:
 - (a) Attendance at physical inventory counting, unless impracticable, to: (Ref: Para. A1-A3)
 - (i) Evaluate management's instructions and procedures for recording and controlling the results of the entity's physical inventory counting; (Ref: Para. A4)
 - (ii) Observe the performance of management's count procedures; (Ref: Para. A5)
 - (iii) Inspect the inventory; and (Ref: Para. A6)
 - (iv) Perform test counts; and (Ref: Para. A7-A8)

¹ ISA 330, "The Auditor's Responses to Assessed Risks."

² ISA 500, "Audit Evidence."

- (b) Performing audit procedures over the entity's final inventory records to determine whether they accurately reflect actual inventory count results.
- 5. If physical inventory counting is conducted at a date other than the date of the financial statements, the auditor shall, in addition to the procedures required by paragraph 4, perform audit procedures to obtain audit evidence about whether changes in inventory between the count date and the date of the financial statements are properly recorded. (Ref: Para. A9-A11)
 - 6. If the auditor is unable to attend physical inventory counting due to unforeseen circumstances, the auditor shall make or observe some physical counts on an alternative date, and perform audit procedures on intervening transactions.
 - 7. If attendance at physical inventory counting is impracticable, the auditor shall perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory. If it is not possible to do so, the auditor shall modify the opinion in the auditor's report in accordance with ISA 705.³ (Ref: Para. A12-A14)
 - 8. If inventory under the custody and control of a third party is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of that inventory by performing one or both of the following:
 - (a) Request confirmation from the third party as to the quantities and condition of inventory held on behalf of the entity. (Ref: Para. A15)
 - (b) Perform inspection or other audit procedures appropriate in the circumstances. (Ref: Para. A16)

Litigation and Claims

- 9. The auditor shall design and perform audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement, including: (Ref: Para. A17-A19)
 - (a) Inquiry of management and, where applicable, others within the entity, including in-house legal counsel;
 - (b) Reviewing minutes of meetings of those charged with governance and correspondence between the entity and its external legal counsel; and
 - (c) Reviewing legal expense accounts. (Ref: Para. A20)
- 10. If the auditor assesses a risk of material misstatement regarding litigation or claims that have been identified, or when audit procedures performed indicate that other material litigation or claims may exist, the auditor shall, in addition to the procedures required by other ISAs, seek direct communication with the

³ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

entity's external legal counsel. The auditor shall do so through a letter of inquiry, prepared by management and sent by the auditor, requesting the entity's external legal counsel to communicate directly with the auditor. If law, regulation or the respective legal professional body prohibits the entity's external legal counsel from communicating directly with the auditor, the auditor shall perform alternative audit procedures. (Ref: Para. A21-A25)

11. If:
- (a) management refuses to give the auditor permission to communicate or meet with the entity's external legal counsel, or the entity's external legal counsel refuses to respond appropriately to the letter of inquiry, or is prohibited from responding; and
 - (b) the auditor is unable to obtain sufficient appropriate audit evidence by performing alternative audit procedures,
- the auditor shall modify the opinion in the auditor's report in accordance with ISA 705.

Written Representations

12. The auditor shall request management and, where appropriate, those charged with governance to provide written representations that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Segment Information

13. The auditor shall obtain sufficient appropriate audit evidence regarding the presentation and disclosure of segment information in accordance with the applicable financial reporting framework by: (Ref: Para. A26)
- (a) Obtaining an understanding of the methods used by management in determining segment information, and: (Ref: Para. A27)
 - (i) Evaluating whether such methods are likely to result in disclosure in accordance with the applicable financial reporting framework; and
 - (ii) Where appropriate, testing the application of such methods; and
 - (b) Performing analytical procedures or other audit procedures appropriate in the circumstances.

Application and Other Explanatory Material

Inventory

Attendance at Physical Inventory Counting (Ref: Para. 4(a))

- A1. Management ordinarily establishes procedures under which inventory is physically counted at least once a year to serve as a basis for the preparation of the financial statements and, if applicable, to ascertain the reliability of the entity's perpetual inventory system.
- A2. Attendance at physical inventory counting involves:
- Inspecting the inventory to ascertain its existence and evaluate its condition, and performing test counts;
 - Observing compliance with management's instructions and the performance of procedures for recording and controlling the results of the physical inventory count; and
 - Obtaining audit evidence as to the reliability of management's count procedures.

These procedures may serve as test of controls or substantive procedures depending on the auditor's risk assessment, planned approach and the specific procedures carried out.

- A3. Matters relevant in planning attendance at physical inventory counting (or in designing and performing audit procedures pursuant to paragraphs 4-8 of this ISA) include, for example:
- The risks of material misstatement related to inventory.
 - The nature of the internal control related to inventory.
 - Whether adequate procedures are expected to be established and proper instructions issued for physical inventory counting.
 - The timing of physical inventory counting.
 - Whether the entity maintains a perpetual inventory system.
 - The locations at which inventory is held, including the materiality of the inventory and the risks of material misstatement at different locations, in deciding at which locations attendance is appropriate. ISA 600⁴ deals with the involvement of other auditors and accordingly may be relevant if such involvement is with regards to attendance of physical inventory counting at a remote location.

⁴ ISA 600, "Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)."

- Whether the assistance of an auditor's expert is needed. ISA 620⁵ deals with the use of an auditor's expert to assist the auditor to obtain sufficient appropriate audit evidence.

Evaluate Management's Instructions and Procedures (Ref: Para. 4(a)(i))

A4. Matters relevant in evaluating management's instructions and procedures for recording and controlling the physical inventory counting include whether they address, for example:

- The application of appropriate control activities, for example, collection of used physical inventory count records, accounting for unused physical inventory count records, and count and re-count procedures.
- The accurate identification of the stage of completion of work in progress, of slow moving, obsolete or damaged items and of inventory owned by a third party, for example, on consignment.
- The procedures used to estimate physical quantities, where applicable, such as may be needed in estimating the physical quantity of a coal pile.
- Control over the movement of inventory between areas and the shipping and receipt of inventory before and after the cutoff date.

Observe the Performance of Management's Count Procedures (Ref: Para. 4(a)(ii))

A5. Observing the performance of management's count procedures, for example those relating to control over the movement of inventory before, during and after the count, assists the auditor in obtaining audit evidence that management's instructions and count procedures are adequately designed and implemented. In addition, the auditor may obtain copies of cutoff information, such as details of the movement of inventory, to assist the auditor in performing audit procedures over the accounting for such movements at a later date.

Inspect the Inventory (Ref: Para. 4(a)(iii))

A6. Inspecting inventory when attending physical inventory counting assists the auditor in ascertaining the existence of the inventory (though not necessarily its ownership), and in identifying, for example, obsolete, damaged or aging inventory.

Perform Test Counts (Ref: Para. 4(a)(iv))

A7. Performing test counts, for example by tracing items selected from management's count records to the physical inventory and tracing items selected from the physical inventory to management's count records, provides audit evidence about the completeness and the accuracy of those records.

⁵ ISA 620, "Using the Work of an Auditor's Expert."

- A8. In addition to recording the auditor's test counts, obtaining copies of management's completed physical inventory count records assists the auditor in performing subsequent audit procedures to determine whether the entity's final inventory records accurately reflect actual inventory count results.

Physical Inventory Counting Conducted Other than At the Date of the Financial Statements (Ref: Para. 5)

- A9. For practical reasons, the physical inventory counting may be conducted at a date, or dates, other than the date of the financial statements. This may be done irrespective of whether management determines inventory quantities by an annual physical inventory counting or maintains a perpetual inventory system. In either case, the effectiveness of the design, implementation and maintenance of controls over changes in inventory determines whether the conduct of physical inventory counting at a date, or dates, other than the date of the financial statements is appropriate for audit purposes. ISA 330 establishes requirements and provides guidance on substantive procedures performed at an interim date.⁶
- A10. Where a perpetual inventory system is maintained, management may perform physical counts or other tests to ascertain the reliability of inventory quantity information included in the entity's perpetual inventory records. In some cases, management or the auditor may identify differences between the perpetual inventory records and actual physical inventory quantities on hand; this may indicate that the controls over changes in inventory are not operating effectively.
- A11. Relevant matters for consideration when designing audit procedures to obtain audit evidence about whether changes in inventory amounts between the count date, or dates, and the final inventory records are properly recorded include:
- Whether the perpetual inventory records are properly adjusted.
 - Reliability of the entity's perpetual inventory records.
 - Reasons for significant differences between the information obtained during the physical count and the perpetual inventory records.

Attendance at Physical Inventory Counting Is Impracticable (Ref: Para. 7)

- A12. In some cases, attendance at physical inventory counting may be impracticable. This may be due to factors such as the nature and location of the inventory, for example, where inventory is held in a location that may pose threats to the safety of the auditor. The matter of general inconvenience to the auditor, however, is not sufficient to support a decision by the auditor that attendance is impracticable. Further, as explained in ISA 200,⁷ the matter of

⁶ ISA 330, paragraphs 22-23.

⁷ ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph A48.

difficulty, time, or cost involved is not in itself a valid basis for the auditor to omit an audit procedure for which there is no alternative or to be satisfied with audit evidence that is less than persuasive.

A13. In some cases where attendance is impracticable, alternative audit procedures, for example inspection of documentation of the subsequent sale of specific inventory items acquired or purchased prior to the physical inventory counting, may provide sufficient appropriate audit evidence about the existence and condition of inventory.

A14. In other cases, however, it may not be possible to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by performing alternative audit procedures. In such cases, ISA 705 requires the auditor to modify the opinion in the auditor's report as a result of the scope limitation.⁸

Inventory under the Custody and Control of a Third Party

Confirmation (Ref: Para. 8(a))

A15. ISA 505⁹ establishes requirements and provides guidance for performing external confirmation procedures.

Other Audit Procedures (Ref: Para. 8(b))

A16. Depending on the circumstances, for example where information is obtained that raises doubt about the integrity and objectivity of the third party, the auditor may consider it appropriate to perform other audit procedures instead of, or in addition to, confirmation with the third party. Examples of other audit procedures include:

- Attending, or arranging for another auditor to attend, the third party's physical counting of inventory, if practicable.
- Obtaining another auditor's report, or a service auditor's report, on the adequacy of the third party's internal control for ensuring that inventory is properly counted and adequately safeguarded.
- Inspecting documentation regarding inventory held by third parties, for example, warehouse receipts.
- Requesting confirmation from other parties when inventory has been pledged as collateral.

⁸ ISA 705, paragraph 13.

⁹ ISA 505, "External Confirmations."

Litigation and Claims

Completeness of Litigations and Claims (Ref: Para. 9)

- A17. Litigation and claims involving the entity may have a material effect on the financial statements and thus may be required to be disclosed or accounted for in the financial statements.
- A18. In addition to the procedures identified in paragraph 9, other relevant procedures include, for example, using information obtained through risk assessment procedures carried out as part of obtaining an understanding of the entity and its environment to assist the auditor to become aware of litigation and claims involving the entity.
- A19. Audit evidence obtained for purposes of identifying litigation and claims that may give rise to a risk of material misstatement also may provide audit evidence regarding other relevant considerations, such as valuation or measurement, regarding litigation and claims. ISA 540¹⁰ establishes requirements and provides guidance relevant to the auditor's consideration of litigation and claims requiring accounting estimates or related disclosures in the financial statements.

Reviewing Legal Expense Accounts (Ref: Para. 9(c))

- A20. Depending on the circumstances, the auditor may judge it appropriate to examine related source documents, such as invoices for legal expenses, as part of the auditor's review of legal expense accounts.

Communication with the Entity's External Legal Counsel (Ref: Para. 10-11)

- A21. Direct communication with the entity's external legal counsel assists the auditor in obtaining sufficient appropriate audit evidence as to whether potentially material litigation and claims are known and management's estimates of the financial implications, including costs, are reasonable.
- A22. In some cases, the auditor may seek direct communication with the entity's external legal counsel through a letter of general inquiry. For this purpose, a letter of general inquiry requests the entity's external legal counsel to inform the auditor of any litigation and claims that the counsel is aware of, together with an assessment of the outcome of the litigation and claims, and an estimate of the financial implications, including costs involved.
- A23. If it is considered unlikely that the entity's external legal counsel will respond appropriately to a letter of general inquiry, for example if the professional body to which the external legal counsel belongs prohibits response to such a letter, the auditor may seek direct communication through a letter of specific inquiry. For this purpose, a letter of specific inquiry includes:

¹⁰ ISA 540, "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures."

- (a) A list of litigation and claims;
- (b) Where available, management's assessment of the outcome of each of the identified litigation and claims and its estimate of the financial implications, including costs involved; and
- (c) A request that the entity's external legal counsel confirm the reasonableness of management's assessments and provide the auditor with further information if the list is considered by the entity's external legal counsel to be incomplete or incorrect.

A24. In certain circumstances, the auditor also may judge it necessary to meet with the entity's external legal counsel to discuss the likely outcome of the litigation or claims. This may be the case, for example, where:

- The auditor determines that the matter is a significant risk.
- The matter is complex.
- There is disagreement between management and the entity's external legal counsel.

Ordinarily, such meetings require management's permission and are held with a representative of management in attendance.

A25. In accordance with ISA 700,¹¹ the auditor is required to date the auditor's report no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements. Audit evidence about the status of litigation and claims up to the date of the auditor's report may be obtained by inquiry of management, including in-house legal counsel, responsible for dealing with the relevant matters. In some instances, the auditor may need to obtain updated information from the entity's external legal counsel.

Segment Information (Ref: Para. 13)

A26. Depending on the applicable financial reporting framework, the entity may be required or permitted to disclose segment information in the financial statements. The auditor's responsibility regarding the presentation and disclosure of segment information is in relation to the financial statements taken as a whole. Accordingly, the auditor is not required to perform audit procedures that would be necessary to express an opinion on the segment information presented on a stand alone basis.

Understanding of the Methods Used by Management (Ref: Para. 13(a))

A27. Depending on the circumstances, example of matters that may be relevant when obtaining an understanding of the methods used by management in

¹¹ ISA 700, "Forming an Opinion and Reporting on Financial Statements," paragraph 41.

determining segment information and whether such methods are likely to result in disclosure in accordance with the applicable financial reporting framework include:

- Sales, transfers and charges between segments, and elimination of inter-segment amounts.
- Comparisons with budgets and other expected results, for example, operating profits as a percentage of sales.
- The allocation of assets and costs among segments.
- Consistency with prior periods, and the adequacy of the disclosures with respect to inconsistencies.

ISSAI 1505

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Directriz de auditoría financiera

Confirmaciones externas

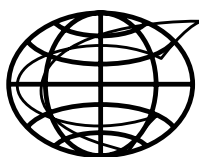
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 505 “Confirmaciones externas” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1505

NOTA DE PRÁCTICA PARA LA NIA 505

Párrafo

Fundamentos

Introducción a la NIA

Contenido de la Nota de Práctica P1

Aplicabilidad de la NIA en la auditoría del sector público P2

Orientaciones adicionales sobre cuestiones ligadas al sector público

Procedimientos de confirmación por terceros a fin de obtener evidencia de auditoría P3–P4

Negativa de la dirección a conceder permiso al auditor para enviar una solicitud
de confirmación P5

NORMA INTERNACIONAL DE AUDITORÍA 505

Introducción

Alcance de la NIA 1

Procedimientos de confirmación por terceros a fin de obtener evidencia de auditoría 2–3

Fecha de entrada en vigor 4

Objetivo 5

Definiciones 6

Exigencias

Procedimientos de confirmación por terceros 7

Negativa de la dirección a conceder permiso al auditor para enviar una solicitud
de confirmación 8–9

Resultados de los procedimientos de confirmación por terceros 10–14

Confirmaciones negativas 15

Evaluación de la evidencia obtenida 16

Disposiciones de aplicación y otras disposiciones explicativas

Procedimientos de confirmación por terceros A1–A7

Negativa de la dirección a conceder permiso al auditor para enviar una solicitud
de confirmación A8–A10

Resultados de los procedimientos de confirmación por terceros A11–A22

Confirmaciones negativas A23

Evaluación de la evidencia obtenida A24–A25

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 505

Confirmaciones externas

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales a los auditores del sector público sobre la NIA 505 “Confirmaciones externas”, y debe leerse conjuntamente con ella. La NIA 505 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 505 se refiere al recurso por parte del auditor a procedimientos de confirmación por terceros a fin de obtener evidencia de auditoría de conformidad con lo establecido en las NIA 330² y 500³. No aborda el aspecto de las indagaciones relativas a litigios y reclamaciones, que se tratan en la NIA 501⁴.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Procedimientos de confirmación por terceros a fin de obtener evidencia de auditoría.
 - b) Negativa de la dirección a conceder permiso al auditor para enviar una solicitud de confirmación.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 505 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI.”
² NIA 330, “Respuesta del auditor ante los riesgos evaluados.”
³ NIA 500, “Evidencia de auditoría.”
⁴ NIA 501, “Evidencia de auditoría. Consideraciones específicas para determinadas áreas.”

Orientaciones adicionales sobre cuestiones ligadas al sector público

Procedimientos de confirmación por terceros a fin de obtener evidencia de auditoría

- P3. El párrafo A1 de la NIA y el párrafo A48 de la NIA 330⁵ indican que se puede recurrir a confirmaciones para obtener evidencia de la presencia o ausencia de determinadas condiciones (por ejemplo, “acuerdos colaterales” no incluidos en los acuerdos oficiales). Además de las afirmaciones relativas a la auditoría de estados financieros, las confirmaciones pueden resultar útiles a los auditores del sector público para obtener evidencia en relación con objetivos de auditoría adicionales establecidos por su mandato de auditoría o derivados de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo. Por ejemplo, pueden utilizarse confirmaciones externas para obtener evidencia de:
- La presencia o ausencia en convenios o acuerdos con terceros de términos y condiciones, legislados o de otro tipo, como garantías de resultados o de financiación.
 - El compromiso de gastos que todavía no hayan sido autorizados por el poder legislativo.
 - La continuidad del derecho de los individuos a recibir pensiones, ayudas suplementarias, anualidades u otros pagos en curso.
 - La presencia de “pactos colaterales” con proveedores para la restitución de mercancías por créditos a fin de utilizar financiación que de otro modo habría expirado en un ejercicio fiscal subsiguiente.
- P4. El párrafo 2 de la NIA señala que la corroboración obtenida de una fuente independiente de la entidad puede aumentar las garantías que el auditor obtenga de la evidencia contenida en los registros contables o de las manifestaciones de la dirección. En este sentido, el subpárrafo 6 a) define una confirmación externa como una respuesta directa por escrito de una parte (la parte confirmante) al auditor, ya sea en formato papel, electrónico o de otro tipo. Dada la magnitud y la complejidad de las administraciones, los auditores del sector público deben estar atentos para asegurarse de que las solicitudes de confirmación externa se dirigen a terceros independientes de la entidad auditada y de que las respuestas son fiables a la luz de la relación entre la entidad y la parte confirmante.

Negativa de la dirección a conceder permiso al auditor para enviar una solicitud de confirmación

- P5. Los auditores del sector público, además de estar sujetos a la obligación de informar a los encargados de la gobernanza, como se indica en el párrafo 9 de la NIA, pueden estar sujetos a la exigencia o a la expectativa de informar al poder legislativo o al órgano de control competente.

5 NIA 330, “Respuesta del auditor ante los riesgos evaluados.”

International Standard on Auditing

External Confirmations



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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This International Standard on Auditing (ISA) 505, “External Confirmations” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 505

EXTERNAL CONFIRMATIONS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
External Confirmation Procedures to Obtain Audit Evidence	2-3
Effective Date	4
Objective	5
Definitions	6
Requirements	
External Confirmation Procedures	7
Management's Refusal to Allow the Auditor to Send a Confirmation Request	8-9
Results of the External Confirmation Procedures	10-14
Negative Confirmations	15
Evaluating the Evidence Obtained	16
Application and Other Explanatory Material	
External Confirmation Procedures	A1-A7
Management's Refusal to Allow the Auditor to Send a Confirmation Request	A8-A10
Results of the External Confirmation Procedures	A11-A22
Negative Confirmations	A23
Evaluating the Evidence Obtained	A24-A25

International Standard on Auditing (ISA) 505, "External Confirmations" should be read in conjunction with ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing."

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's use of external confirmation procedures to obtain audit evidence in accordance with the requirements of ISA 330¹ and ISA 500.² It does not address inquiries regarding litigation and claims, which are dealt with in ISA 501.³

External Confirmation Procedures to Obtain Audit Evidence

2. ISA 500 indicates that the reliability of audit evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained.⁴ That ISA also includes the following generalizations applicable to audit evidence:⁵
 - Audit evidence is more reliable when it is obtained from independent sources outside the entity.
 - Audit evidence obtained directly by the auditor is more reliable than audit evidence obtained indirectly or by inference.
 - Audit evidence is more reliable when it exists in documentary form, whether paper, electronic or other medium.

Accordingly, depending on the circumstances of the audit, audit evidence in the form of external confirmations received directly by the auditor from confirming parties may be more reliable than evidence generated internally by the entity. This ISA is intended to assist the auditor in designing and performing external confirmation procedures to obtain relevant and reliable audit evidence.

3. Other ISAs recognize the importance of external confirmations as audit evidence, for example:
 - ISA 330 discusses the auditor's responsibility to design and implement overall responses to address the assessed risks of material misstatement at the financial statement level, and to design and perform further audit procedures whose nature, timing and extent are based on, and are responsive to, the assessed risks of material misstatement at the assertion level.⁶ In addition, ISA 330 requires that, irrespective of the

¹ ISA 330, "The Auditor's Responses to Assessed Risks."

² ISA 500, "Audit Evidence."

³ ISA 501, "Audit Evidence—Specific Considerations for Selected Items."

⁴ ISA 500, paragraph A5.

⁵ ISA 500, paragraph A31.

⁶ ISA 330, paragraphs 5-6.

assessed risks of material misstatement, the auditor designs and performs substantive procedures for each material class of transactions, account balance, and disclosure. The auditor is also required to consider whether external confirmation procedures are to be performed as substantive audit procedures.⁷

- ISA 330 requires that the auditor obtain more persuasive audit evidence the higher the auditor's assessment of risk.⁸ To do this, the auditor may increase the quantity of the evidence or obtain evidence that is more relevant or reliable, or both. For example, the auditor may place more emphasis on obtaining evidence directly from third parties or obtaining corroborating evidence from a number of independent sources. ISA 330 also indicates that external confirmation procedures may assist the auditor in obtaining audit evidence with the high level of reliability that the auditor requires to respond to significant risks of material misstatement, whether due to fraud or error.⁹
- ISA 240 indicates that the auditor may design confirmation requests to obtain additional corroborative information as a response to address the assessed risks of material misstatement due to fraud at the assertion level.¹⁰
- ISA 500 indicates that corroborating information obtained from a source independent of the entity, such as external confirmations, may increase the assurance the auditor obtains from evidence existing within the accounting records or from representations made by management.¹¹

Effective Date

4. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

5. The objective of the auditor, when using external confirmation procedures, is to design and perform such procedures to obtain relevant and reliable audit evidence.

⁷ ISA 330, paragraphs 18-19.

⁸ ISA 330, paragraph 7(b).

⁹ ISA 330, paragraph A53.

¹⁰ ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements," paragraph A37.

¹¹ ISA 500, paragraphs A8-A9.

Definitions

6. For purposes of the ISAs, the following terms have the meanings attributed below:
- (a) External confirmation – Audit evidence obtained as a direct written response to the auditor from a third party (the confirming party), in paper form, or by electronic or other medium.
 - (b) Positive confirmation request – A request that the confirming party respond directly to the auditor indicating whether the confirming party agrees or disagrees with the information in the request, or providing the requested information.
 - (c) Negative confirmation request – A request that the confirming party respond directly to the auditor only if the confirming party disagrees with the information provided in the request.
 - (d) Non-response – A failure of the confirming party to respond, or fully respond, to a positive confirmation request, or a confirmation request returned undelivered.
 - (e) Exception – A response that indicates a difference between information requested to be confirmed, or contained in the entity's records, and information provided by the confirming party.

Requirements

External Confirmation Procedures

7. When using external confirmation procedures, the auditor shall maintain control over external confirmation requests, including:
- (a) Determining the information to be confirmed or requested; (Ref: Para. A1)
 - (b) Selecting the appropriate confirming party; (Ref: Para. A2)
 - (c) Designing the confirmation requests, including determining that requests are properly addressed and contain return information for responses to be sent directly to the auditor; and (Ref: Para. A3-A6)
 - (d) Sending the requests, including follow-up requests when applicable, to the confirming party. (Ref: Para. A7)

Management's Refusal to Allow the Auditor to Send a Confirmation Request

8. If management refuses to allow the auditor to send a confirmation request, the auditor shall:
- (a) Inquire as to management's reasons for the refusal, and seek audit evidence as to their validity and reasonableness; (Ref: Para. A8)

- (b) Evaluate the implications of management's refusal on the auditor's assessment of the relevant risks of material misstatement, including the risk of fraud, and on the nature, timing and extent of other audit procedures; and (Ref: Para. A9)
 - (c) Perform alternative audit procedures designed to obtain relevant and reliable audit evidence. (Ref: Para. A10)
9. If the auditor concludes that management's refusal to allow the auditor to send a confirmation request is unreasonable, or the auditor is unable to obtain relevant and reliable audit evidence from alternative audit procedures, the auditor shall communicate with those charged with governance in accordance with ISA 260.¹² The auditor also shall determine the implications for the audit and the auditor's opinion in accordance with ISA 705.¹³

Results of the External Confirmation Procedures

Reliability of Responses to Confirmation Requests

- 10. If the auditor identifies factors that give rise to doubts about the reliability of the response to a confirmation request, the auditor shall obtain further audit evidence to resolve those doubts. (Ref: Para. A11-A16)
- 11. If the auditor determines that a response to a confirmation request is not reliable, the auditor shall evaluate the implications on the assessment of the relevant risks of material misstatement, including the risk of fraud, and on the related nature, timing and extent of other audit procedures. (Ref: Para. A17)

Non-Responses

- 12. In the case of each non-response, the auditor shall perform alternative audit procedures to obtain relevant and reliable audit evidence. (Ref: Para A18-A19)

When a Response to a Positive Confirmation Request Is Necessary to Obtain Sufficient Appropriate Audit Evidence

- 13. If the auditor has determined that a response to a positive confirmation request is necessary to obtain sufficient appropriate audit evidence, alternative audit procedures will not provide the audit evidence the auditor requires. If the auditor does not obtain such confirmation, the auditor shall determine the implications for the audit and the auditor's opinion in accordance with ISA 705. (Ref: Para A20)

¹² ISA 260, "Communication with Those Charged with Governance," paragraph 16.

¹³ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

Exceptions

14. The auditor shall investigate exceptions to determine whether or not they are indicative of misstatements. (Ref: Para. A21-A22)

Negative Confirmations

15. Negative confirmations provide less persuasive audit evidence than positive confirmations. Accordingly, the auditor shall not use negative confirmation requests as the sole substantive audit procedure to address an assessed risk of material misstatement at the assertion level unless all of the following are present: (Ref: Para. A23)
 - (a) The auditor has assessed the risk of material misstatement as low and has obtained sufficient appropriate audit evidence regarding the operating effectiveness of controls relevant to the assertion;
 - (b) The population of items subject to negative confirmation procedures comprises a large number of small, homogeneous, account balances, transactions or conditions;
 - (c) A very low exception rate is expected; and
 - (d) The auditor is not aware of circumstances or conditions that would cause recipients of negative confirmation requests to disregard such requests.

Evaluating the Evidence Obtained

16. The auditor shall evaluate whether the results of the external confirmation procedures provide relevant and reliable audit evidence, or whether further audit evidence is necessary. (Ref: Para A24-A25)

Application and Other Explanatory Material

External Confirmation Procedures

Determining the Information to Be Confirmed or Requested (Ref: Para. 7(a))

- A1. External confirmation procedures frequently are performed to confirm or request information regarding account balances and their elements. They may also be used to confirm terms of agreements, contracts, or transactions between an entity and other parties, or to confirm the absence of certain conditions, such as a “side agreement.”

Selecting the Appropriate Confirming Party (Ref: Para. 7(b))

- A2. Responses to confirmation requests provide more relevant and reliable audit evidence when confirmation requests are sent to a confirming party the auditor believes is knowledgeable about the information to be confirmed. For example, a financial institution official who is knowledgeable about the transactions or arrangements for which confirmation is requested may be the most appropriate person at the financial institution from whom to request confirmation.

Designing Confirmation Requests (Ref: Para. 7(c))

- A3. The design of a confirmation request may directly affect the confirmation response rate, and the reliability and the nature of the audit evidence obtained from responses.
- A4. Factors to consider when designing confirmation requests include:
- The assertions being addressed.
 - Specific identified risks of material misstatement, including fraud risks.
 - The layout and presentation of the confirmation request.
 - Prior experience on the audit or similar engagements.
 - The method of communication (for example, in paper form, or by electronic or other medium).
 - Management's authorization or encouragement to the confirming parties to respond to the auditor. Confirming parties may only be willing to respond to a confirmation request containing management's authorization.
 - The ability of the intended confirming party to confirm or provide the requested information (for example, individual invoice amount versus total balance).
- A5. A positive external confirmation request asks the confirming party to reply to the auditor in all cases, either by indicating the confirming party's agreement with the given information, or by asking the confirming party to provide information. A response to a positive confirmation request ordinarily is expected to provide reliable audit evidence. There is a risk, however, that a confirming party may reply to the confirmation request without verifying that the information is correct. The auditor may reduce this risk by using positive confirmation requests that do not state the amount (or other information) on the confirmation request, and ask the confirming party to fill in the amount or furnish other information. On the other hand, use of this type of "blank" confirmation request may result in lower response rates because additional effort is required of the confirming parties.

- A6. Determining that requests are properly addressed includes testing the validity of some or all of the addresses on confirmation requests before they are sent out.

Follow-Up on Confirmation Requests (Ref: Para. 7(d))

- A7. The auditor may send an additional confirmation request when a reply to a previous request has not been received within a reasonable time. For example, the auditor may, having re-verified the accuracy of the original address, send an additional or follow-up request.

Management's Refusal to Allow the Auditor to Send a Confirmation Request

Reasonableness of Management's Refusal (Ref: Para. 8(a))

- A8. A refusal by management to allow the auditor to send a confirmation request is a limitation on the audit evidence the auditor may wish to obtain. The auditor is therefore required to inquire as to the reasons for the limitation. A common reason advanced is the existence of a legal dispute or ongoing negotiation with the intended confirming party, the resolution of which may be affected by an untimely confirmation request. The auditor is required to seek audit evidence as to the validity and reasonableness of the reasons because of the risk that management may be attempting to deny the auditor access to audit evidence that may reveal fraud or error.

Implications for the Assessment of Risks of Material Misstatement (Ref: Para. 8(b))

- A9. The auditor may conclude from the evaluation in paragraph 8(b) that it would be appropriate to revise the assessment of the risks of material misstatement at the assertion level and modify planned audit procedures in accordance with ISA 315.¹⁴ For example, if management's request to not confirm is unreasonable, this may indicate a fraud risk factor that requires evaluation in accordance with ISA 240.¹⁵

Alternative Audit Procedures (Ref: Para. 8(c))

- A10. The alternative audit procedures performed may be similar to those appropriate for a non-response as set out in paragraphs A18-A19 of this ISA. Such procedures also would take account of the results of the auditor's evaluation in paragraph 8(b) of this ISA.

¹⁴ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment," paragraph 31.

¹⁵ ISA 240, paragraph 24.

Results of the External Confirmation Procedures

Reliability of Responses to Confirmation Requests (Ref: Para. 10)

- A11. ISA 500 indicates that even when audit evidence is obtained from sources external to the entity, circumstances may exist that affect its reliability.¹⁶ All responses carry some risk of interception, alteration or fraud. Such risk exists regardless of whether a response is obtained in paper form, or by electronic or other medium. Factors that may indicate doubts about the reliability of a response include that it:
- Was received by the auditor indirectly; or
 - Appeared not to come from the originally intended confirming party.
- A12. Responses received electronically, for example by facsimile or electronic mail, involve risks as to reliability because proof of origin and authority of the respondent may be difficult to establish, and alterations may be difficult to detect. A process used by the auditor and the respondent that creates a secure environment for responses received electronically may mitigate these risks. If the auditor is satisfied that such a process is secure and properly controlled, the reliability of the related responses is enhanced. An electronic confirmation process might incorporate various techniques for validating the identity of a sender of information in electronic form, for example, through the use of encryption, electronic digital signatures, and procedures to verify web site authenticity.
- A13. If a confirming party uses a third party to coordinate and provide responses to confirmation requests, the auditor may perform procedures to address the risks that:
- (a) The response may not be from the proper source;
 - (b) A respondent may not be authorized to respond; and
 - (c) The integrity of the transmission may have been compromised.
- A14. The auditor is required by ISA 500 to determine whether to modify or add procedures to resolve doubts over the reliability of information to be used as audit evidence.¹⁷ The auditor may choose to verify the source and contents of a response to a confirmation request by contacting the confirming party. For example, when a confirming party responds by electronic mail, the auditor may telephone the confirming party to determine whether the confirming party did, in fact, send the response. When a response has been returned to the auditor indirectly (for example, because the confirming party incorrectly

¹⁶ ISA 500, paragraph A31.

¹⁷ ISA 500, paragraph 11.

addressed it to the entity rather than to the auditor), the auditor may request the confirming party to respond in writing directly to the auditor.

A15. On its own, an oral response to a confirmation request does not meet the definition of an external confirmation because it is not a direct written response to the auditor. However, upon obtaining an oral response to a confirmation request, the auditor may, depending on the circumstances, request the confirming party to respond in writing directly to the auditor. If no such response is received, in accordance with paragraph 12, the auditor seeks other audit evidence to support the information in the oral response.

A16. A response to a confirmation request may contain restrictive language regarding its use. Such restrictions do not necessarily invalidate the reliability of the response as audit evidence.

Unreliable Responses (Ref: Para. 11)

A17. When the auditor concludes that a response is unreliable, the auditor may need to revise the assessment of the risks of material misstatement at the assertion level and modify planned audit procedures accordingly, in accordance with ISA 315.¹⁸ For example, an unreliable response may indicate a fraud risk factor that requires evaluation in accordance with ISA 240.¹⁹

Non-Responses (Ref: Para. 12)

A18. Examples of alternative audit procedures the auditor may perform include:

- For accounts receivable balances – examining specific subsequent cash receipts, shipping documentation, and sales near the period-end.
- For accounts payable balances – examining subsequent cash disbursements or correspondence from third parties, and other records, such as goods received notes.

A19. The nature and extent of alternative audit procedures are affected by the account and assertion in question. A non-response to a confirmation request may indicate a previously unidentified risk of material misstatement. In such situations, the auditor may need to revise the assessed risk of material misstatement at the assertion level, and modify planned audit procedures, in accordance with ISA 315.²⁰ For example, fewer responses to confirmation requests than anticipated, or a greater number of responses than anticipated, may indicate a previously unidentified fraud risk factor that requires evaluation in accordance with ISA 240.²¹

¹⁸ ISA 315, paragraph 31.

¹⁹ ISA 240, paragraph 24.

²⁰ ISA 315, paragraph 31.

²¹ ISA 240, paragraph 24.

When a Response to a Positive Confirmation Request Is Necessary to Obtain Sufficient Appropriate Audit Evidence (Ref. Para. 13)

A20. In certain circumstances, the auditor may identify an assessed risk of material misstatement at the assertion level for which a response to a positive confirmation request is necessary to obtain sufficient appropriate audit evidence. Such circumstances may include where:

- The information available to corroborate management's assertion(s) is only available outside the entity.
- Specific fraud risk factors, such as the risk of management override of controls, or the risk of collusion which can involve employee(s) and/or management, prevent the auditor from relying on evidence from the entity.

Exceptions (Ref: Para. 14)

A21. Exceptions noted in responses to confirmation requests may indicate misstatements or potential misstatements in the financial statements. When a misstatement is identified, the auditor is required by ISA 240 to evaluate whether such misstatement is indicative of fraud.²² Exceptions may provide a guide to the quality of responses from similar confirming parties or for similar accounts. Exceptions also may indicate a deficiency, or deficiencies, in the entity's internal control over financial reporting.

A22. Some exceptions do not represent misstatements. For example, the auditor may conclude that differences in responses to confirmation requests are due to timing, measurement, or clerical errors in the external confirmation procedures.

Negative Confirmations (Ref: Para. 15)

A23. The failure to receive a response to a negative confirmation request does not explicitly indicate receipt by the intended confirming party of the confirmation request or verification of the accuracy of the information contained in the request. Accordingly, a failure of a confirming party to respond to a negative confirmation request provides significantly less persuasive audit evidence than does a response to a positive confirmation request. Confirming parties also may be more likely to respond indicating their disagreement with a confirmation request when the information in the request is not in their favor, and less likely to respond otherwise. For example, holders of bank deposit accounts may be more likely to respond if they believe that the balance in their account is understated in the confirmation request, but may be less likely to respond when they believe the balance is overstated. Therefore, sending negative confirmation requests to holders of bank deposit accounts may be a useful procedure in considering

²² ISA 240, paragraph 35.

whether such balances may be understated, but is unlikely to be effective if the auditor is seeking evidence regarding overstatement.

Evaluating the Evidence Obtained (Ref: Para. 16)

A24. When evaluating the results of individual external confirmation requests, the auditor may categorize such results as follows:

- (a) A response by the appropriate confirming party indicating agreement with the information provided in the confirmation request, or providing requested information without exception;
- (b) A response deemed unreliable;
- (c) A non-response; or
- (d) A response indicating an exception.

A25. The auditor's evaluation, when taken into account with other audit procedures the auditor may have performed, may assist the auditor in concluding whether sufficient appropriate audit evidence has been obtained or whether further audit evidence is necessary, as required by ISA 330.²³

²³ ISA 330, paragraphs 26-27.

ISSAI 1510

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Directriz de auditoría financiera

Encargos iniciales de auditoría: saldos de apertura

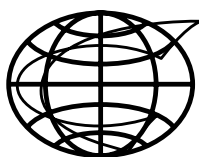
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 510 “Encargos iniciales de auditoría: saldos de apertura”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1510

NOTA DE PRÁCTICA PARA LA NIA 510	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	P3–P4
Procedimientos de auditoría	P5
Conclusiones de auditoría y elaboración de informes	P6
NORMA INTERNACIONAL DE AUDITORÍA 510	
Introducción	
Alcance de la NIA	1
Fecha de entrada en vigor	2
Objetivo.....	3
Definiciones	4
Exigencias	
Audit Procedures.....	5–9
Audit Conclusions and Reporting.....	10–13
Application and Other Explanatory Material	
Procedimientos de auditoría	5–9
Conclusiones de auditoría y elaboración de informes	10–13
Apéndice: Ejemplos de informes de auditoría con opiniones modificadas	

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 510

Encargos iniciales de auditoría: saldos de apertura

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 510 “Encargos iniciales de auditoría: saldos de apertura”, y debe leerse conjuntamente con ella. La NIA 510 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 510 establece las obligaciones del auditor con respecto a los saldos de apertura en una primera auditoría. Además de los importes que figuran en los estados financieros, los saldos de apertura incluyen elementos cuya existencia al inicio del período debe darse a conocer, como contingencias y compromisos. Cuando los estados financieros incluyen información financiera comparativa, también son aplicables las exigencias y orientaciones de la NIA 710². La NIA 300³ contiene exigencias y orientaciones adicionales con respecto a las actividades previas a una primera auditoría.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Procedimientos de auditoría.
 - b) Conclusiones de auditoría y elaboración de informes.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 510 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI.”

² NIA 710, “Información comparativa, cifras correspondientes y estados financieros comparativos.”

³ NIA 300, “Planificación de una auditoría de estados financieros”.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 510 contiene material de aplicación y explicativo con consideraciones específicas a las entidades del sector público en los párrafos A1 y A2.
- P4. Una primera auditoría podría efectuarse cuando una entidad se nacionaliza sin dar lugar a la formación de una nueva entidad o cuando se cambia el mandato del auditor del sector público para incluir una primera auditoría de una entidad ya existente. También podría tener lugar una primera auditoría cuando se crea una entidad del sector público y las leyes, reglamentos y el marco de información financiera exigen la apropiación de la totalidad o partes de los saldos anteriores de una entidad predecesora del sector público, que hayan sido auditados por un auditor anterior.

Procedimientos de auditoría

- P5. Al notificar incorrecciones con arreglo al párrafo 7 de la NIA, los auditores del sector público tendrán en cuenta las orientaciones de la ISSAI 1450⁴, párrafos P12 y P13.

Conclusiones de auditoría y elaboración de informes

- P6. Cuando el informe de un auditor anterior sobre los estados financieros del periodo precedente incluya una modificación que sigue siendo pertinente y significativa para los estados financieros del periodo en curso, como se señala en el párrafo 13 de la NIA, la modificación puede incidir en las demás obligaciones de los auditores del sector público.

4 ISSAI 1450, “Valoración de las incorrecciones detectadas durante la auditoría.”

International Standard on Auditing

Initial Audit Engagements— Opening Balances



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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This International Standard on Auditing (ISA) 510, “Initial Audit Engagements—Opening Balances” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 510

INITIAL AUDIT ENGAGEMENTS—OPENING BALANCES

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Effective Date	2
Objective	3
Definitions	4
Requirements	
Audit Procedures	5-9
Audit Conclusions and Reporting	10-13
Application and Other Explanatory Material	
Audit Procedures	A1-A7
Audit Conclusions and Reporting	A8-A9
Appendix: Illustrations of Auditors' Reports with Modified Opinions	

International Standard on Auditing (ISA) 510, “Initial Audit Engagements—Opening Balances” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to opening balances in an initial audit engagement. In addition to financial statement amounts, opening balances include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments. When the financial statements include comparative financial information, the requirements and guidance in ISA 710¹ also apply. ISA 300² includes additional requirements and guidance regarding activities prior to starting an initial audit.

Effective Date

2. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

3. In conducting an initial audit engagement, the objective of the auditor with respect to opening balances is to obtain sufficient appropriate audit evidence about whether:
 - (a) Opening balances contain misstatements that materially affect the current period's financial statements; and
 - (b) Appropriate accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, or changes thereto are appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.

Definitions

4. For the purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Initial audit engagement – An engagement in which either:
 - (i) The financial statements for the prior period were not audited; or
 - (ii) The financial statements for the prior period were audited by a predecessor auditor.

¹ ISA 710, "Comparative Information—Corresponding Figures and Comparative Financial Statements."

² ISA 300, "Planning an Audit of Financial Statements."

- (b) Opening balances – Those account balances that exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and events of prior periods and accounting policies applied in the prior period. Opening balances also include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.
- (c) Predecessor auditor – The auditor from a different audit firm, who audited the financial statements of an entity in the prior period and who has been replaced by the current auditor.

Requirements

Audit Procedures

Opening Balances

- 5. The auditor shall read the most recent financial statements, if any, and the predecessor auditor's report thereon, if any, for information relevant to opening balances, including disclosures.
- 6. The auditor shall obtain sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period's financial statements by: (Ref: Para. A1–A2)
 - (a) Determining whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, have been restated;
 - (b) Determining whether the opening balances reflect the application of appropriate accounting policies; and
 - (c) Performing one or more of the following: (Ref: Para. A3–A7)
 - (i) Where the prior year financial statements were audited, reviewing the predecessor auditor's working papers to obtain evidence regarding the opening balances;
 - (ii) Evaluating whether audit procedures performed in the current period provide evidence relevant to the opening balances; or
 - (iii) Performing specific audit procedures to obtain evidence regarding the opening balances.
- 7. If the auditor obtains audit evidence that the opening balances contain misstatements that could materially affect the current period's financial statements, the auditor shall perform such additional audit procedures as are appropriate in the circumstances to determine the effect on the current period's financial statements. If the auditor concludes that such misstatements exist in the current period's financial statements, the auditor shall

communicate the misstatements with the appropriate level of management and those charged with governance in accordance with ISA 450.³

Consistency of Accounting Policies

8. The auditor shall obtain sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, and whether changes in the accounting policies have been appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.

Relevant Information in the Predecessor Auditor's Report

9. If the prior period's financial statements were audited by a predecessor auditor and there was a modification to the opinion, the auditor shall evaluate the effect of the matter giving rise to the modification in assessing the risks of material misstatement in the current period's financial statements in accordance with ISA 315.⁴

Audit Conclusions and Reporting

Opening Balances

10. If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor shall express a qualified opinion or disclaim an opinion on the financial statements, as appropriate, in accordance with ISA 705.⁵ (Ref: Para. A8)
11. If the auditor concludes that the opening balances contain a misstatement that materially affects the current period's financial statements, and the effect of the misstatement is not appropriately accounted for or not adequately presented or disclosed, the auditor shall express a qualified opinion or an adverse opinion, as appropriate, in accordance with ISA 705.

Consistency of Accounting Policies

12. If the auditor concludes that:
 - (a) the current period's accounting policies are not consistently applied in relation to opening balances in accordance with the applicable financial reporting framework; or

³ ISA 450, "Evaluation of Misstatements Identified during the Audit," paragraphs 8 and 12.

⁴ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

⁵ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

- (b) a change in accounting policies is not appropriately accounted for or not adequately presented or disclosed in accordance with the applicable financial reporting framework,

the auditor shall express a qualified opinion or an adverse opinion as appropriate in accordance with ISA 705.

Modification to the Opinion in the Predecessor Auditor's Report

- 13. If the predecessor auditor's opinion regarding the prior period's financial statements included a modification to the auditor's opinion that remains relevant and material to the current period's financial statements, the auditor shall modify the auditor's opinion on the current period's financial statements in accordance with ISA 705 and ISA 710. (Ref: Para. A9)

Application and Other Explanatory Material

Audit Procedures

Considerations Specific to Public Sector Entities (Ref: Para. 6)

- A1. In the public sector, there may be legal or regulatory limitations on the information that the current auditor can obtain from a predecessor auditor. For example, if a public sector entity that has previously been audited by a statutorily appointed auditor (for example, an Auditor General, or other suitably qualified person appointed on behalf of the Auditor General) is privatized, the amount of access to working papers or other information that the statutorily appointed auditor can provide a newly-appointed auditor that is in the private sector may be constrained by privacy or secrecy laws or regulations. In situations where such communications are constrained, audit evidence may need to be obtained through other means and, if sufficient appropriate audit evidence cannot be obtained, consideration given to the effect on the auditor's opinion.
- A2. If the statutorily appointed auditor outsources an audit of a public sector entity to a private sector audit firm, and the statutorily appointed auditor appoints an audit firm other than the firm that audited the financial statements of the public sector entity in the prior period, this is not usually regarded as a change in auditors for the statutorily appointed auditor. Depending on the nature of the outsourcing arrangement, however, the audit engagement may be considered an initial audit engagement from the perspective of the private sector auditor in fulfilling their responsibilities, and therefore this ISA applies.

Opening Balances (Ref: Para. 6(c))

- A3. The nature and extent of audit procedures necessary to obtain sufficient appropriate audit evidence regarding opening balances depend on such matters as:
- The accounting policies followed by the entity.
 - The nature of the account balances, classes of transactions and disclosures and the risks of material misstatement in the current period's financial statements.
 - The significance of the opening balances relative to the current period's financial statements.
 - Whether the prior period's financial statements were audited and, if so, whether the predecessor auditor's opinion was modified.
- A4. If the prior period's financial statements were audited by a predecessor auditor, the auditor may be able to obtain sufficient appropriate audit evidence regarding the opening balances by reviewing the predecessor auditor's working papers. Whether such a review provides sufficient appropriate audit evidence is influenced by the professional competence and independence of the predecessor auditor.
- A5. Relevant ethical and professional requirements guide the current auditor's communications with the predecessor auditor.
- A6. For current assets and liabilities, some audit evidence about opening balances may be obtained as part of the current period's audit procedures. For example, the collection (payment) of opening accounts receivable (accounts payable) during the current period will provide some audit evidence of their existence, rights and obligations, completeness and valuation at the beginning of the period. In the case of inventories, however, the current period's audit procedures on the closing inventory balance provide little audit evidence regarding inventory on hand at the beginning of the period. Therefore, additional audit procedures may be necessary, and one or more of the following may provide sufficient appropriate audit evidence:
- Observing a current physical inventory count and reconciling it to the opening inventory quantities.
 - Performing audit procedures on the valuation of the opening inventory items.
 - Performing audit procedures on gross profit and cutoff.
- A7. For non-current assets and liabilities, such as property plant and equipment, investments and long-term debt, some audit evidence may be obtained by examining the accounting records and other information underlying the opening balances. In certain cases, the auditor may be able to obtain some

audit evidence regarding opening balances through confirmation with third parties, for example, for long-term debt and investments. In other cases, the auditor may need to carry out additional audit procedures.

Audit Conclusions and Reporting

Opening Balances (Ref: Para. 10)

A8. ISA 705 establishes requirements and provides guidance on circumstances that may result in a modification to the auditor's opinion on the financial statements, the type of opinion appropriate in the circumstances, and the content of the auditor's report when the auditor's opinion is modified. The inability of the auditor to obtain sufficient appropriate audit evidence regarding opening balances may result in one of the following modifications to the opinion in the auditor's report:

- (a) A qualified opinion or a disclaimer of opinion, as is appropriate in the circumstances; or
- (b) Unless prohibited by law or regulation, an opinion which is qualified or disclaimed, as appropriate, regarding the results of operations, and cash flows, where relevant, and unmodified regarding financial position.

The Appendix includes illustrative auditors' reports.

Modification to the Opinion in the Predecessor Auditor's Report (Ref: Para. 13)

A9. In some situations, a modification to the predecessor auditor's opinion may not be relevant and material to the opinion on the current period's financial statements. This may be the case where, for example, there was a scope limitation in the prior period, but the matter giving rise to the scope limitation has been resolved in the current period.

Appendix

(Ref: Para. A8)

Illustrations of Auditors' Reports with Modified Opinions

Illustration 1:

Circumstances described in paragraph A8(a) include the following:

- **The auditor did not observe the counting of the physical inventory at the beginning of the current period and was unable to obtain sufficient appropriate audit evidence regarding the opening balances of inventory.**
- **The possible effects of the inability to obtain sufficient appropriate audit evidence regarding opening balances of inventory are deemed to be material but not pervasive to the entity's financial performance and cash flows.⁶**
- **The financial position at year end is fairly presented.**
- **In this particular jurisdiction, law and regulation prohibit the auditor from giving an opinion which is qualified regarding the financial performance and cash flows and unmodified regarding financial position.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements⁷

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's⁸ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,⁹

⁶ If the possible effects, in the auditor's judgment, are considered to be material and pervasive to the entity's financial performance and cash flows, the auditor would disclaim an opinion on the financial performance and cash flows.

⁷ The sub-title "Report on the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁸ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁹ Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ..."

and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation¹⁰ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹¹ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

We were appointed as auditors of the company on June 30, 20X1 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at December 31, 20X0. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for

¹⁰ In the case of footnote 9, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

¹¹ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 9, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

the year reported in the income statement and the net cash flows from operating activities reported in the cash flow statement.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of ABC Company for the year ended December 31, 20X0 were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 20X1.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 2:

Circumstances described in paragraph A8(b) include the following:

- **The auditor did not observe the counting of the physical inventory at the beginning of the current period and was unable to obtain sufficient appropriate audit evidence regarding the opening balances of inventory.**
- **The possible effects of the inability to obtain sufficient appropriate audit evidence regarding opening balances of inventory are deemed to be material but not pervasive to the entity's financial performance and cash flows.¹²**
- **The financial position at year end is fairly presented.**
- **An opinion that is qualified regarding the financial performance and cash flows and unmodified regarding financial position is considered appropriate in the circumstances.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements¹³

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's¹⁴ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,¹⁵ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

¹² If the possible effects, in the auditor's judgment, are considered to be material and pervasive to the entity's financial performance and cash flows, the auditor would disclaim the opinion on the financial performance and cash flows.

¹³ The sub-title "Report on the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

¹⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹⁵ Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ..."

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation¹⁶ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹⁷ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the financial position and our qualified audit opinion on the financial performance and cash flows.

Basis for Qualified Opinion on the Financial Performance and Cash Flows

We were appointed as auditors of the company on June 30, 20X1 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at December 31, 20X0. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the income statement and the net cash flows from operating activities reported in the cash flow statement.

¹⁶ In the case of footnote 15, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

¹⁷ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 15, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

Qualified Opinion on the Financial Performance and Cash Flows

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Income Statement and Cash Flow Statement present fairly, in all material respects (or *give a true and fair view of*) the financial performance and cash flows of ABC Company for the year ended December 31, 20X1 in accordance with International Financial Reporting Standards.

Opinion on the financial position

In our opinion, the balance sheet presents fairly, in all material respects (or *gives a true and fair view of*) the financial position of ABC Company as at December 31, 20X1 in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of ABC Company for the year ended December 31, 20X0 were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 20X1.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

ISSAI 1520

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

Procedimientos analíticos

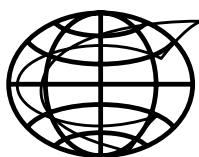
COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 520 “Procedimientos analíticos” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1520

NOTA DE PRÁCTICA PARA LA NIA 520	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	P3
Consideraciones generales	P4–P5
Procedimientos analíticos sustantivos	P6–P10
Investigación de los resultados de los procedimientos analíticos	P11
Definición de procedimientos analíticos	P12
NORMA INTERNACIONAL DE AUDITORÍA 520	
Introducción	
Alcance de la NIA	1
Fecha de entrada en vigor	2
Objetivos	3
Definición	4
Exigencias	
Procedimientos analíticos sustantivos	5
Procedimientos analíticos útiles para formarse una conclusión general	6
Investigación de los resultados de los procedimientos analíticos	7
Disposiciones de aplicación y otras disposiciones explicativas	
Definición de los procedimientos analíticos	A1–A3
Procedimientos analíticos sustantivos	A4–A16
Procedimientos analíticos útiles para formarse una conclusión general	A17–A19
Investigación de los resultados de los procedimientos analíticos	A20–A21

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 520

Procedimientos analíticos

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 520 “Procedimientos analíticos”, y debe leerse conjuntamente con ella. La NIA 520 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 520 se refiere a la utilización por el auditor de procedimientos analíticos como procedimientos sustantivos o de confirmación (“procedimientos analíticos sustantivos”). También establece la obligación del auditor de aplicar este tipo de procedimientos hacia el final de la auditoría como ayuda para formarse una conclusión global sobre los estados financieros. La NIA 315² trata de la aplicación de procedimientos analíticos como procedimientos de evaluación de riesgos, y la NIA 330³ contiene exigencias y orientación con respecto a la naturaleza, el calendario y el alcance de los procedimientos de auditoría en respuesta a los riesgos evaluados, que pueden incluir procedimientos analíticos sustantivos.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Procedimientos analíticos sustantivos.
 - c) Investigación de los resultados de los procedimientos analíticos.
 - d) Naturaleza de procedimientos analíticos.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 520 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI.”

² NIA 315, “Identificación y evaluación de riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno”, subpárrafos P6 b).

³ NIA 330, “Respuesta del auditor ante los riesgos evaluados” párrafos 6 y 18.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 520 contiene material de aplicación y explicativo con consideraciones específicas a las entidades del sector público en el párrafo A11.

Consideraciones generales

- P4. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría, o las obligaciones para las entidades del sector público derivadas de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo puede contener objetivos adicionales, entre ellos la aplicación de procedimientos y la información sobre casos de falta de conformidad con las normas. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden tener expectativas al respecto. Los auditores del sector público pueden plantear y aplicar procedimientos analíticos a la luz de esas obligaciones adicionales, aunque por sí solos, estos procedimientos pueden no ser eficaces para cumplir dichas obligaciones.
- P5. Es probable que los procedimientos analíticos aplicados a los gastos de los programas en el sector público incluyan comparaciones con datos no financieros, dado que normalmente existe menos información financiera comparable a la que aplicar este tipo de procedimientos. Así pues, la evaluación de los controles de la fiabilidad de datos no financieros utilizados en los procedimientos analíticos es importante dentro del sector público.

Procedimientos analíticos sustantivos

- P6. Al concebir y aplicar procedimientos analíticos, bien por separado o en combinación con pruebas de detalles, como se señala en el párrafo 5 de la NIA, los auditores del sector público pueden estimar que los procedimientos analíticos no suelen aportar evidencia sobre determinados objetivos adicionales, como la conformidad con las normas.
- P7. Al plantear procedimientos analíticos, los auditores del sector público tendrán en cuenta la información obtenida y las conclusiones alcanzadas en actividades de auditoría conexas, incluidas auditorías de rendimiento y de otro tipo. Cuando se apoyen en otras actividades de auditoría, los auditores del sector público evaluarán si los objetivos correspondientes, las afirmaciones pertinentes y las pruebas aplicadas son convenientes a los efectos de la auditoría de estados financieros.
- P8. El subpárrafo 5 d) de la NIA establece que el auditor ha de determinar la diferencia que resulte aceptable sin proceder a una investigación entre los importes registrados y los valores esperados. En esta determinación influye la materialidad, en la que a su vez inciden, en el sector público, el mandato público y las expectativas de los ciudadanos. Las ISSAI 1315⁴ y 1320⁵ contienen más orientaciones al respecto.

4 ISSAI 1315, "Identificación y evaluación de riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno."

5 ISSAI 1320, "Materialidad al planificar y ejecutar una auditoría."

- P9. Al evaluar la fiabilidad de los datos conforme al subpárrafo A12 a) de la NIA, los auditores del sector público pueden utilizar información obtenida de otras entidades de la administración, aunque en último término deban informar a la misma autoridad. Por ejemplo, los datos comparativos en el sector público pueden incluir comparaciones entre entidades o programas similares.
- P10. Al considerar las orientaciones del párrafo A13 para aplicar procedimientos analíticos, los auditores del sector público comprenderán el modo en que están concebidos y pueden verse en la necesidad de verificar la eficacia operativa de los controles de la información no financiera de la entidad utilizada en los procedimientos analíticos.

Investigación de los resultados de los procedimientos analíticos

- P11. Los auditores del sector público considerarán que tienen obligaciones adicionales cuando la dirección no pueda explicar las diferencias detectadas al ejecutar los procedimientos analíticos mencionados en el párrafo A21 de la NIA. Por ejemplo, en determinados entornos de auditoría, como un Tribunal de Cuentas, los auditores pueden verse en la necesidad de investigar con mayor profundidad las razones subyacentes a la falta de información e identificar a los responsables.

Definición de procedimientos analíticos

- P12. Al aplicar procedimientos analíticos, ya sea como procedimientos analíticos sustantivos o como instrumento de ayuda para formarse una conclusión global, tal como señala el párrafo A1 de la NIA, los auditores del sector público también pueden tener en cuenta relaciones como las siguientes:
- Gastos con respecto a presupuestos o a créditos.
 - Pagos de prestaciones, como ayuda por niños y pensiones, con respecto a la información demográfica.
 - Ingresos fiscales con respecto a la información demográfica o a las condiciones e indicadores económicos.
 - Intereses expresados en porcentaje de la deuda nacional con respecto al tipo de interés de la deuda pública.
 - Resultados conseguidos en relación con los gastos, cuando la información sobre los resultados sea parte integrante de los estados financieros.
 - Ayudas públicas para el desarrollo económico y social, por ejemplo subvenciones a agricultores con escasos ingresos, o subvenciones para edificios escolares con respecto a los indicadores económicos y demográficos.

Para que el procedimiento sea eficaz, estas pruebas deben efectuarse con el grado de detalle apropiado.

International Standard on Auditing

Analytical Procedures



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
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This International Standard on Auditing (ISA) 520, “Analytical Procedures” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 520

ANALYTICAL PROCEDURES

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Effective Date	2
Objectives	3
Definition	4
Requirements	
Substantive Analytical Procedures.....	5
Analytical Procedures that Assist When Forming an Overall Conclusion	6
Investigating Results of Analytical Procedures	7
Application and Other Explanatory Material	
Definition of Analytical Procedures	A1-A3
Substantive Analytical Procedures.....	A4-A16
Analytical Procedures that Assist When Forming an Overall Conclusion	A17-A19
Investigating Results of Analytical Procedures	A20-A21

International Standard on Auditing (ISA) 520, “Analytical Procedures” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's use of analytical procedures as substantive procedures ("substantive analytical procedures"). It also deals with the auditor's responsibility to perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion on the financial statements. ISA 315¹ deals with the use of analytical procedures as risk assessment procedures. ISA 330 includes requirements and guidance regarding the nature, timing and extent of audit procedures in response to assessed risks; these audit procedures may include substantive analytical procedures.²

Effective Date

2. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objectives

3. The objectives of the auditor are:
 - (a) To obtain relevant and reliable audit evidence when using substantive analytical procedures; and
 - (b) To design and perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.

Definition

4. For the purposes of the ISAs, the term "analytical procedures" means evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount. (Ref: Para. A1-A3)

Requirements

Substantive Analytical Procedures

5. When designing and performing substantive analytical procedures, either alone or in combination with tests of details, as substantive procedures in

¹ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment," paragraph 6(b).

² ISA 330, "The Auditor's Responses to Assessed Risks," paragraphs 6 and 18.

accordance with ISA 330,³ the auditor shall: (Ref: Para. A4-A5)

- (a) Determine the suitability of particular substantive analytical procedures for given assertions, taking account of the assessed risks of material misstatement and tests of details, if any, for these assertions; (Ref: Para. A6-A11)
- (b) Evaluate the reliability of data from which the auditor's expectation of recorded amounts or ratios is developed, taking account of source, comparability, and nature and relevance of information available, and controls over preparation; (Ref: Para. A12-A14)
- (c) Develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to identify a misstatement that, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated; and (Ref: Para. A15)
- (d) Determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation as required by paragraph 7. (Ref: Para. A16)

Analytical Procedures that Assist When Forming an Overall Conclusion

- 6. The auditor shall design and perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity. (Ref: Para. A17-A19)

Investigating Results of Analytical Procedures

- 7. If analytical procedures performed in accordance with this ISA identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, the auditor shall investigate such differences by:
 - (a) Inquiring of management and obtaining appropriate audit evidence relevant to management's responses; and
 - (b) Performing other audit procedures as necessary in the circumstances. (Ref: Para. A20-A21)

³ ISA 330, paragraph 18.

Application and Other Explanatory Material

Definition of Analytical Procedures (Ref: Para. 4)

- A1. Analytical procedures include the consideration of comparisons of the entity's financial information with, for example:
- Comparable information for prior periods.
 - Anticipated results of the entity, such as budgets or forecasts, or expectations of the auditor, such as an estimation of depreciation.
 - Similar industry information, such as a comparison of the entity's ratio of sales to accounts receivable with industry averages or with other entities of comparable size in the same industry.
- A2. Analytical procedures also include consideration of relationships, for example:
- Among elements of financial information that would be expected to conform to a predictable pattern based on the entity's experience, such as gross margin percentages.
 - Between financial information and relevant non-financial information, such as payroll costs to number of employees.
- A3. Various methods may be used to perform analytical procedures. These methods range from performing simple comparisons to performing complex analyses using advanced statistical techniques. Analytical procedures may be applied to consolidated financial statements, components and individual elements of information.

Substantive Analytical Procedures (Ref: Para. 5)

- A4. The auditor's substantive procedures at the assertion level may be tests of details, substantive analytical procedures, or a combination of both. The decision about which audit procedures to perform, including whether to use substantive analytical procedures, is based on the auditor's judgment about the expected effectiveness and efficiency of the available audit procedures to reduce audit risk at the assertion level to an acceptably low level.
- A5. The auditor may inquire of management as to the availability and reliability of information needed to apply substantive analytical procedures, and the results of any such analytical procedures performed by the entity. It may be effective to use analytical data prepared by management, provided the auditor is satisfied that such data is properly prepared.

Suitability of Particular Analytical Procedures for Given Assertions (Ref: Para. 5(a))

- A6. Substantive analytical procedures are generally more applicable to large volumes of transactions that tend to be predictable over time. The application

of planned analytical procedures is based on the expectation that relationships among data exist and continue in the absence of known conditions to the contrary. However, the suitability of a particular analytical procedure will depend upon the auditor's assessment of how effective it will be in detecting a misstatement that, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated.

- A7. In some cases, even an unsophisticated predictive model may be effective as an analytical procedure. For example, where an entity has a known number of employees at fixed rates of pay throughout the period, it may be possible for the auditor to use this data to estimate the total payroll costs for the period with a high degree of accuracy, thereby providing audit evidence for a significant item in the financial statements and reducing the need to perform tests of details on the payroll. The use of widely recognized trade ratios (such as profit margins for different types of retail entities) can often be used effectively in substantive analytical procedures to provide evidence to support the reasonableness of recorded amounts.
- A8. Different types of analytical procedures provide different levels of assurance. Analytical procedures involving, for example, the prediction of total rental income on a building divided into apartments, taking the rental rates, the number of apartments and vacancy rates into consideration, can provide persuasive evidence and may eliminate the need for further verification by means of tests of details, provided the elements are appropriately verified. In contrast, calculation and comparison of gross margin percentages as a means of confirming a revenue figure may provide less persuasive evidence, but may provide useful corroboration if used in combination with other audit procedures.
- A9. The determination of the suitability of particular substantive analytical procedures is influenced by the nature of the assertion and the auditor's assessment of the risk of material misstatement. For example, if controls over sales order processing are deficient, the auditor may place more reliance on tests of details rather than on substantive analytical procedures for assertions related to receivables.
- A10. Particular substantive analytical procedures may also be considered suitable when tests of details are performed on the same assertion. For example, when obtaining audit evidence regarding the valuation assertion for accounts receivable balances, the auditor may apply analytical procedures to an aging of customers' accounts in addition to performing tests of details on subsequent cash receipts to determine the collectability of the receivables.

Considerations Specific to Public Sector Entities

- A11. The relationships between individual financial statement items traditionally considered in the audit of business entities may not always be relevant in the

audit of governments or other non-business public sector entities; for example, in many public sector entities there may be little direct relationship between revenue and expenditure. In addition, because expenditure on the acquisition of assets may not be capitalized, there may be no relationship between expenditures on, for example, inventories and fixed assets and the amount of those assets reported in the financial statements. Also, industry data or statistics for comparative purposes may not be available in the public sector. However, other relationships may be relevant, for example, variations in the cost per kilometer of road construction or the number of vehicles acquired compared with vehicles retired.

The Reliability of the Data (Ref: Para. 5(b))

A12. The reliability of data is influenced by its source and nature and is dependent on the circumstances under which it is obtained. Accordingly, the following are relevant when determining whether data is reliable for purposes of designing substantive analytical procedures:

- (a) Source of the information available. For example, information may be more reliable when it is obtained from independent sources outside the entity;⁴
- (b) Comparability of the information available. For example, broad industry data may need to be supplemented to be comparable to that of an entity that produces and sells specialized products;
- (c) Nature and relevance of the information available. For example, whether budgets have been established as results to be expected rather than as goals to be achieved; and
- (d) Controls over the preparation of the information that are designed to ensure its completeness, accuracy and validity. For example, controls over the preparation, review and maintenance of budgets.

A13. The auditor may consider testing the operating effectiveness of controls, if any, over the entity's preparation of information used by the auditor in performing substantive analytical procedures in response to assessed risks. When such controls are effective, the auditor generally has greater confidence in the reliability of the information and, therefore, in the results of analytical procedures. The operating effectiveness of controls over non-financial information may often be tested in conjunction with other tests of controls. For example, in establishing controls over the processing of sales invoices, an entity may include controls over the recording of unit sales. In these circumstances, the auditor may test the operating effectiveness of controls over the recording of unit sales in conjunction with tests of the operating effectiveness of controls over the processing of sales invoices.

⁴ ISA 500, "Audit Evidence," paragraph A31.

Alternatively, the auditor may consider whether the information was subjected to audit testing. ISA 500 establishes requirements and provides guidance in determining the audit procedures to be performed on the information to be used for substantive analytical procedures.⁵

- A14. The matters discussed in paragraphs A12(a)-A12(d) are relevant irrespective of whether the auditor performs substantive analytical procedures on the entity's period end financial statements, or at an interim date and plans to perform substantive analytical procedures for the remaining period. ISA 330 establishes requirements and provides guidance on substantive procedures performed at an interim date.⁶

Evaluation Whether the Expectation Is Sufficiently Precise (Ref: Para. 5(c))

- A15. Matters relevant to the auditor's evaluation of whether the expectation can be developed sufficiently precisely to identify a misstatement that, when aggregated with other misstatements, may cause the financial statements to be materially misstated, include:

- The accuracy with which the expected results of substantive analytical procedures can be predicted. For example, the auditor may expect greater consistency in comparing gross profit margins from one period to another than in comparing discretionary expenses, such as research or advertising.
- The degree to which information can be disaggregated. For example, substantive analytical procedures may be more effective when applied to financial information on individual sections of an operation or to financial statements of components of a diversified entity, than when applied to the financial statements of the entity as a whole.
- The availability of the information, both financial and non-financial. For example, the auditor may consider whether financial information, such as budgets or forecasts, and non-financial information, such as the number of units produced or sold, is available to design substantive analytical procedures. If the information is available, the auditor may also consider the reliability of the information as discussed in paragraphs A12-A13 above.

Amount of Difference of Recorded Amounts from Expected Values that Is Acceptable (Ref: Para. 5(d))

- A16. The auditor's determination of the amount of difference from the expectation that can be accepted without further investigation is influenced

⁵ ISA 500, paragraph 10.

⁶ ISA 330, paragraphs 22-23.

by materiality⁷ and the consistency with the desired level of assurance, taking account of the possibility that a misstatement, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated. ISA 330 requires the auditor to obtain more persuasive audit evidence the higher the auditor's assessment of risk.⁸ Accordingly, as the assessed risk increases, the amount of difference considered acceptable without investigation decreases in order to achieve the desired level of persuasive evidence.⁹

Analytical Procedures that Assist When Forming an Overall Conclusion (Ref: Para. 6)

- A17. The conclusions drawn from the results of analytical procedures designed and performed in accordance with paragraph 6 are intended to corroborate conclusions formed during the audit of individual components or elements of the financial statements. This assists the auditor to draw reasonable conclusions on which to base the auditor's opinion.
- A18. The results of such analytical procedures may identify a previously unrecognized risk of material misstatement. In such circumstances, ISA 315 requires the auditor to revise the auditor's assessment of the risks of material misstatement and modify the further planned audit procedures accordingly.¹⁰
- A19. The analytical procedures performed in accordance with paragraph 6 may be similar to those that would be used as risk assessment procedures.

Investigating Results of Analytical Procedures (Ref: Para. 7)

- A20. Audit evidence relevant to management's responses may be obtained by evaluating those responses taking into account the auditor's understanding of the entity and its environment, and with other audit evidence obtained during the course of the audit.
- A21. The need to perform other audit procedures may arise when, for example, management is unable to provide an explanation, or the explanation, together with the audit evidence obtained relevant to management's response, is not considered adequate.

⁷ ISA 320, "Materiality in Planning and Performing an Audit," paragraph A13.

⁸ ISA 330, paragraph 7(b).

⁹ ISA 330, paragraph A19.

¹⁰ ISA 315, paragraph 31.

ISSAI 1530

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Directriz de auditoría financiera

Muestreo de auditoría

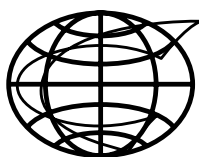
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 530 “Muestreo de auditoría” formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1530

NOTA DE PRÁCTICA PARA LA NIA 530

Párrafo

Fundamentos

Introducción a la NIA	
Contenido de la Nota de Práctica	P1

Aplicabilidad de la NIA en la auditoría del sector público	P2

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales	P3–P4
Concepción de la muestra, tamaño y selección de los elementos a verificar	P5–8
Naturaleza y causa de las desviaciones e incorrecciones	P9
Extrapolación de las incorrecciones	P10
Evaluación de los resultados del muestreo de auditoría	P11–P12

NORMA INTERNACIONAL DE AUDITORÍA 530

Introducción

Alcance de la NIA	1
Fecha de entrada en vigor	2

Objetivo	3

Definiciones	4

Exigencias

Concepción de la muestra, tamaño y selección de los elementos a verificar	6–8
Aplicación de procedimientos de auditoría	9–11
Naturaleza y causa de las desviaciones e incorrecciones	12–13
Extrapolación de las incorrecciones	14
Evaluación de los resultados del muestreo de auditoría	15

Disposiciones de aplicación y otras disposiciones explicativas

Definiciones	A1–A3
Concepción de la muestra, tamaño y selección de los elementos a verificar	A4–A13
Aplicación de procedimientos de auditoría	A14–A16
Naturaleza y causa de las desviaciones e incorrecciones	A17
Extrapolación de las incorrecciones	A18–A20
Evaluación de los resultados del muestreo de auditoría	A21–A23

Apéndice 1: Estratificación y selección ponderada de valor

Apéndice 2: Ejemplos de factores que inciden en el tamaño de la muestra para efectuar pruebas de controles

Apéndice 3: Ejemplos de factores que inciden en el tamaño de la muestra para efectuar pruebas de detalles

Apéndice 4: Métodos de selección de muestras

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 530

Muestreo de auditoría

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 530 “Muestreo de auditoría”, y debe leerse conjuntamente con ella. La NIA 520 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 530 es aplicable cuando el auditor ha decidido recurrir al muestreo de auditoría al aplicar procedimientos de auditoría, y se refiere a la aplicación de muestreo estadístico y no estadístico al concebir y seleccionar la muestra de auditoría, efectuar pruebas de controles y de detalles, y evaluar los resultados de la muestra.

La NIA 530 complementa a la NIA 500², que expone la obligación del auditor de plantear y aplicar procedimientos de auditoría a fin de obtener evidencia suficiente y apropiada que le permita extraer conclusiones razonables en las que basar su opinión. La NIA 500 ofrece orientaciones sobre los medios de que dispone el auditor para seleccionar elementos para verificar, uno de los cuales es el muestreo de auditoría.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Concepción de la muestra, tamaño y selección de los elementos a verificar.
 - c) Naturaleza y causa de las desviaciones e incorrecciones.
 - d) Extrapolación de las incorrecciones.
 - e) Evaluación de los resultados del muestreo de auditoría.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 530 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI”.

² NIA 500, “Evidencia de auditoría”.

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales

- P3. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría, o las obligaciones para las entidades del sector público derivadas de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo puede contener obligaciones adicionales de auditoría e información, por ejemplo, si el auditor ha detectado casos falta de conformidad con las normas, incluidas cuestiones presupuestarias o de rendición de cuentas, o sobre la eficacia del control interno. En consecuencia, puede verse afectada la utilización de l muestreo de auditoría. Los auditores del sector público pueden recurrir al muestreo para cumplir con las mencionadas obligaciones además de emitir una opinión sobre los estados financieros.
- P4. La utilización del muestreo de auditoría para verificar la conformidad con las normas es similar a la utilización del muestreo en otros casos en la medida en que los auditores del sector público:
- Determinan la concepción de la muestra y los parámetros que se emplearán en la auditoría, incluida la materialidad, el nivel de confianza deseado y el método de selección de la muestra.
 - Aplican procedimientos de auditoría oportunos a cada elemento seleccionado.
 - Investigan la naturaleza y las causas de la falta de conformidad.
 - Evalúan los resultados, extrapolando éstos a la población si la muestra se selecciona mediante procedimientos estadísticos.

Concepción de la muestra, tamaño y selección de los elementos a verificar

- P5. Al concebir una muestra de auditoría, como establece el párrafo 6 de la NIA, los auditores del sector público pueden tener obligaciones adicionales, como se indica en el párrafo P3. En estas situaciones, pueden establecer distintos niveles de parámetros, incluida la materialidad y un grado de confianza más elevado, todo lo cual puede afectar al tamaño de la muestra. Los auditores del sector público a menudo recurren al muestreo de auditoría para verificar, por una parte, la eficacia de los controles internos y, por otra, como prueba de confirmación para controlar la conformidad con las normas, para lo cual pueden concebir muestras separadas o una sola muestra para verificar ambos aspectos. Por ejemplo, una muestra de desembolsos podría utilizarse para comprobar los controles de los desembolsos y para determinar si éstos se efectuaron de conformidad con las normas.
- P6. Es más probable que los auditores del sector público se planteen la necesidad de proceder a un muestreo de la información no financiera que los auditores del sector privado. Como resultado de los objetivos adicionales para el sector público, como la comprobación de la conformidad con las normas y el examen de la información no financiera contenida en los estados financieros, los auditores de este sector estudiarán la utilidad del muestreo para verificar dicha información. Por ejemplo, si los estados financieros de un hospital público utilizan el número de pacientes tratados para calcular medidas de rendimiento clave (como el coste por paciente), podrían recurrir al muestreo para comprobar la exactitud y la integridad del número de pacientes notificado.

- P7. Los auditores del sector público pueden recibir el mandato de proporcionar información adicional sobre muestreo de auditoría, como por ejemplo, informar de los métodos utilizados, si los resultados de la muestra pueden extrapolarse a la población y, en ese caso, comunicar los resultados de la extrapolación. Asimismo, pueden considerar estas necesidades a la hora de decidir utilizar enfoques estadísticos o no estadísticos.
- P8. La ISSAI 1320³ contiene orientaciones para los auditores del sector público sobre la determinación de la materialidad.

Naturaleza y causa de las desviaciones e incorrecciones

- P9. Al analizar las desviaciones e incorrecciones detectadas mencionadas en el párrafo A17 de la NIA, los auditores del sector público tendrán en cuenta la posibilidad de que sus obligaciones de auditoría e información sean mayores en relación con la existencia de fraudes. La ISSAI 1240⁴ ofrece información adicional para los auditores del sector público.

Extrapolación de incorrecciones

- P10. En el caso de las pruebas sustantivas o de detalles es necesaria una extrapolación explícita de las incorrecciones. El párrafo A20 de la NIA indica que en el caso de las pruebas de controles no es necesaria una extrapolación explícita de las desviaciones, puesto que la tasa de desviación de la muestra es la misma que la tasa de desviación extrapolada a la totalidad de la población. Al efectuar un muestreo de auditoría para verificar los controles, los auditores del sector público pueden tener que extrapolar la tasa de desviación de la población, incluyendo un intervalo de confianza, e informar de los resultados de la muestra como se señala en el párrafo P7. En algunos entornos de auditoría, como un Tribunal de Cuentas, puede ser necesario informar de las tasas de desviación para explicar, por ejemplo, las deficiencias en el control interno y la falta de conformidad con las normas.

Evaluación de los resultados del muestreo de auditoría

- P11. Además de las orientaciones del párrafo A23, los auditores del sector público tendrán en cuenta las obligaciones que les impone su mandato cuando la dirección no pueda dar una explicación satisfactoria de las desviaciones e incorrecciones. Por ejemplo, en el caso de un Tribunal de Cuentas, los auditores pueden verse en la necesidad de investigar con mayor profundidad las razones subyacentes a la falta de información e identificar a los responsables.
- P12. Además de las orientaciones del párrafo A23 (segundo punto), los auditores del sector público tendrán en cuenta cualquier obligación adicional de informar de la eficacia de los controles internos y de la falta de conformidad con las normas.

3 ISSAI 1320, "La materialidad al planificar y ejecutar una auditoría."

4 ISSAI 1240, "Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros".

International Standard on Auditing

Audit Sampling



**International Federation
of Accountants**

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This International Standard on Auditing (ISA) 530, “Audit Sampling” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 530

AUDIT SAMPLING

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1–2
Effective Date	3
Objective	4
Definitions	5
Requirements	
Sample Design, Size and Selection of Items for Testing	6–8
Performing Audit Procedures	9–11
Nature and Cause of Deviations and Misstatements	12–13
Projecting Misstatements	14
Evaluating Results of Audit Sampling	15
Application and Other Explanatory Material	
Definitions	A1–A3
Sample Design, Size and Selection of Items for Testing	A4–A13
Performing Audit Procedures	A14–A16
Nature and Cause of Deviations and Misstatements	A17
Projecting Misstatements	A18–A20
Evaluating Results of Audit Sampling	A21–A23
Appendix 1: Stratification and Value-Weighted Selection	
Appendix 2: Examples of Factors Influencing Sample Size for Tests of Controls	
Appendix 3: Examples of Factors Influencing Sample Size for Tests of Details	
Appendix 4: Sample Selection Methods	

International Standard on Auditing (ISA) 530, “Audit Sampling” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) applies when the auditor has decided to use audit sampling in performing audit procedures. It deals with the auditor's use of statistical and non-statistical sampling when designing and selecting the audit sample, performing tests of controls and tests of details, and evaluating the results from the sample.
2. This ISA complements ISA 500,¹ which deals with the auditor's responsibility to design and perform audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion. ISA 500 provides guidance on the means available to the auditor for selecting items for testing, of which audit sampling is one means.

Effective Date

3. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

4. The objective of the auditor, when using audit sampling, is to provide a reasonable basis for the auditor to draw conclusions about the population from which the sample is selected.

Definitions

5. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Audit sampling (sampling) – The application of audit procedures to less than 100% of items within a population of audit relevance such that all sampling units have a chance of selection in order to provide the auditor with a reasonable basis on which to draw conclusions about the entire population.
 - (b) Population – The entire set of data from which a sample is selected and about which the auditor wishes to draw conclusions.
 - (c) Sampling risk – The risk that the auditor's conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same audit procedure. Sampling risk can lead to two types of erroneous conclusions:
 - (i) In the case of a test of controls, that controls are more effective than they actually are, or in the case of a test of

¹ ISA 500, "Audit Evidence."

details, that a material misstatement does not exist when in fact it does. The auditor is primarily concerned with this type of erroneous conclusion because it affects audit effectiveness and is more likely to lead to an inappropriate audit opinion.

- (ii) In the case of a test of controls, that controls are less effective than they actually are, or in the case of a test of details, that a material misstatement exists when in fact it does not. This type of erroneous conclusion affects audit efficiency as it would usually lead to additional work to establish that initial conclusions were incorrect.
- (d) Non-sampling risk – The risk that the auditor reaches an erroneous conclusion for any reason not related to sampling risk. (Ref: Para A1)
- (e) Anomaly – A misstatement or deviation that is demonstrably not representative of misstatements or deviations in a population.
- (f) Sampling unit – The individual items constituting a population. (Ref: Para A2)
- (g) Statistical sampling – An approach to sampling that has the following characteristics:
 - (i) Random selection of the sample items; and
 - (ii) The use of probability theory to evaluate sample results, including measurement of sampling risk.A sampling approach that does not have characteristics (i) and (ii) is considered non-statistical sampling.
- (h) Stratification – The process of dividing a population into sub-populations, each of which is a group of sampling units which have similar characteristics (often monetary value).
- (i) Tolerable misstatement – A monetary amount set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the monetary amount set by the auditor is not exceeded by the actual misstatement in the population. (Ref: Para A3)
- (j) Tolerable rate of deviation – A rate of deviation from prescribed internal control procedures set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the rate of deviation set by the auditor is not exceeded by the actual rate of deviation in the population.

Requirements

Sample Design, Size and Selection of Items for Testing

6. When designing an audit sample, the auditor shall consider the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn. (Ref: Para. A4-A9)
7. The auditor shall determine a sample size sufficient to reduce sampling risk to an acceptably low level. (Ref: Para. A10-A11)
8. The auditor shall select items for the sample in such a way that each sampling unit in the population has a chance of selection. (Ref: Para. A12-A13)

Performing Audit Procedures

9. The auditor shall perform audit procedures, appropriate to the purpose, on each item selected.
10. If the audit procedure is not applicable to the selected item, the auditor shall perform the procedure on a replacement item. (Ref: Para. A14)
11. If the auditor is unable to apply the designed audit procedures, or suitable alternative procedures, to a selected item, the auditor shall treat that item as a deviation from the prescribed control, in the case of tests of controls, or a misstatement, in the case of tests of details. (Ref: Para. A15-A16)

Nature and Cause of Deviations and Misstatements

12. The auditor shall investigate the nature and cause of any deviations or misstatements identified, and evaluate their possible effect on the purpose of the audit procedure and on other areas of the audit. (Ref: Para. A17)
13. In the extremely rare circumstances when the auditor considers a misstatement or deviation discovered in a sample to be an anomaly, the auditor shall obtain a high degree of certainty that such misstatement or deviation is not representative of the population. The auditor shall obtain this degree of certainty by performing additional audit procedures to obtain sufficient appropriate audit evidence that the misstatement or deviation does not affect the remainder of the population.

Projecting Misstatements

14. For tests of details, the auditor shall project misstatements found in the sample to the population. (Ref: Para. A18-A20)

Evaluating Results of Audit Sampling

15. The auditor shall evaluate:
 - (a) The results of the sample; and (Ref: Para. A21-A22)

- (b) Whether the use of audit sampling has provided a reasonable basis for conclusions about the population that has been tested. (Ref: Para. A23)

Application and Other Explanatory Material

Definitions

Non-Sampling Risk (Ref: Para. 5(d))

- A1. Examples of non-sampling risk include use of inappropriate audit procedures, or misinterpretation of audit evidence and failure to recognize a misstatement or deviation.

Sampling Unit (Ref: Para. 5(f))

- A2. The sampling units might be physical items (for example, checks listed on deposit slips, credit entries on bank statements, sales invoices or debtors' balances) or monetary units.

Tolerable Misstatement (Ref: Para. 5(i))

- A3. When designing a sample, the auditor determines tolerable misstatement in order to address the risk that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated and provide a margin for possible undetected misstatements. Tolerable misstatement is the application of performance materiality, as defined in ISA 320,² to a particular sampling procedure. Tolerable misstatement may be the same amount or an amount lower than performance materiality.

Sample Design, Size and Selection of Items for Testing

Sample Design (Ref: Para. 6)

- A4. Audit sampling enables the auditor to obtain and evaluate audit evidence about some characteristic of the items selected in order to form or assist in forming a conclusion concerning the population from which the sample is drawn. Audit sampling can be applied using either non-statistical or statistical sampling approaches.
- A5. When designing an audit sample, the auditor's consideration includes the specific purpose to be achieved and the combination of audit procedures that is likely to best achieve that purpose. Consideration of the nature of the audit evidence sought and possible deviation or misstatement conditions or other characteristics relating to that audit evidence will assist the auditor in defining what constitutes a deviation or misstatement and what population to use for

² ISA 320, "Materiality in Planning and Performing an Audit," paragraph 9.

sampling. In fulfilling the requirement of paragraph 10 of ISA 500, when performing audit sampling, the auditor performs audit procedures to obtain evidence that the population from which the audit sample is drawn is complete.

- A6. The auditor's consideration of the purpose of the audit procedure, as required by paragraph 6, includes a clear understanding of what constitutes a deviation or misstatement so that all, and only, those conditions that are relevant to the purpose of the audit procedure are included in the evaluation of deviations or projection of misstatements. For example, in a test of details relating to the existence of accounts receivable, such as confirmation, payments made by the customer before the confirmation date but received shortly after that date by the client, are not considered a misstatement. Also, a misposting between customer accounts does not affect the total accounts receivable balance. Therefore, it may not be appropriate to consider this a misstatement in evaluating the sample results of this particular audit procedure, even though it may have an important effect on other areas of the audit, such as the assessment of the risk of fraud or the adequacy of the allowance for doubtful accounts.
- A7. In considering the characteristics of a population, for tests of controls, the auditor makes an assessment of the expected rate of deviation based on the auditor's understanding of the relevant controls or on the examination of a small number of items from the population. This assessment is made in order to design an audit sample and to determine sample size. For example, if the expected rate of deviation is unacceptably high, the auditor will normally decide not to perform tests of controls. Similarly, for tests of details, the auditor makes an assessment of the expected misstatement in the population. If the expected misstatement is high, 100% examination or use of a large sample size may be appropriate when performing tests of details.
- A8. In considering the characteristics of the population from which the sample will be drawn, the auditor may determine that stratification or value-weighted selection is appropriate. Appendix 1 provides further discussion on stratification and value-weighted selection.
- A9. The decision whether to use a statistical or non-statistical sampling approach is a matter for the auditor's judgment; however, sample size is not a valid criterion to distinguish between statistical and non-statistical approaches.

Sample Size (Ref: Para. 7)

- A10. The level of sampling risk that the auditor is willing to accept affects the sample size required. The lower the risk the auditor is willing to accept, the greater the sample size will need to be.
- A11. The sample size can be determined by the application of a statistically-based formula or through the exercise of professional judgment. Appendices 2 and 3 indicate the influences that various factors typically have on the determination of sample size. When circumstances are similar, the effect on sample size of

factors such as those identified in Appendices 2 and 3 will be similar regardless of whether a statistical or non-statistical approach is chosen.

Selection of Items for Testing (Ref: Para. 8)

- A12. With statistical sampling, sample items are selected in a way that each sampling unit has a known probability of being selected. With non-statistical sampling, judgment is used to select sample items. Because the purpose of sampling is to provide a reasonable basis for the auditor to draw conclusions about the population from which the sample is selected, it is important that the auditor selects a representative sample, so that bias is avoided, by choosing sample items which have characteristics typical of the population.
- A13. The principal methods of selecting samples are the use of random selection, systematic selection and haphazard selection. Each of these methods is discussed in Appendix 4.

Performing Audit Procedures (Ref: Para. 10-11)

- A14. An example of when it is necessary to perform the procedure on a replacement item is when a voided check is selected while testing for evidence of payment authorization. If the auditor is satisfied that the check has been properly voided such that it does not constitute a deviation, an appropriately chosen replacement is examined.
- A15. An example of when the auditor is unable to apply the designed audit procedures to a selected item is when documentation relating to that item has been lost.
- A16. An example of a suitable alternative procedure might be the examination of subsequent cash receipts together with evidence of their source and the items they are intended to settle when no reply has been received in response to a positive confirmation request.

Nature and Cause of Deviations and Misstatements (Ref: Para. 12)

- A17. In analyzing the deviations and misstatements identified, the auditor may observe that many have a common feature, for example, type of transaction, location, product line or period of time. In such circumstances, the auditor may decide to identify all items in the population that possess the common feature, and extend audit procedures to those items. In addition, such deviations or misstatements may be intentional, and may indicate the possibility of fraud.

Projecting Misstatements (Ref: Para. 14)

- A18. The auditor is required to project misstatements for the population to obtain a broad view of the scale of misstatement but this projection may not be sufficient to determine an amount to be recorded.

- A19. When a misstatement has been established as an anomaly, it may be excluded when projecting misstatements to the population. However, the effect of any such misstatement, if uncorrected, still needs to be considered in addition to the projection of the non-anomalous misstatements.
- A20. For tests of controls, no explicit projection of deviations is necessary since the sample deviation rate is also the projected deviation rate for the population as a whole. ISA 330³ provides guidance when deviations from controls upon which the auditor intends to rely are detected.

Evaluating Results of Audit Sampling (Ref: Para. 15)

- A21. For tests of controls, an unexpectedly high sample deviation rate may lead to an increase in the assessed risk of material misstatement, unless further audit evidence substantiating the initial assessment is obtained. For tests of details, an unexpectedly high misstatement amount in a sample may cause the auditor to believe that a class of transactions or account balance is materially misstated, in the absence of further audit evidence that no material misstatement exists.
- A22. In the case of tests of details, the projected misstatement plus anomalous misstatement, if any, is the auditor's best estimate of misstatement in the population. When the projected misstatement plus anomalous misstatement, if any, exceeds tolerable misstatement, the sample does not provide a reasonable basis for conclusions about the population that has been tested. The closer the projected misstatement plus anomalous misstatement is to tolerable misstatement, the more likely that actual misstatement in the population may exceed tolerable misstatement. Also if the projected misstatement is greater than the auditor's expectations of misstatement used to determine the sample size, the auditor may conclude that there is an unacceptable sampling risk that the actual misstatement in the population exceeds the tolerable misstatement. Considering the results of other audit procedures helps the auditor to assess the risk that actual misstatement in the population exceeds tolerable misstatement, and the risk may be reduced if additional audit evidence is obtained.
- A23. If the auditor concludes that audit sampling has not provided a reasonable basis for conclusions about the population that has been tested, the auditor may:
- Request management to investigate misstatements that have been identified and the potential for further misstatements and to make any necessary adjustments; or
 - Tailor the nature, timing and extent of those further audit procedures to best achieve the required assurance. For example, in the case of tests of controls, the auditor might extend the sample size, test an alternative control or modify related substantive procedures.

³ ISA 330, "The Auditor's Responses to Assessed Risks," paragraph 17.

Appendix 1

(Ref: Para. A8)

Stratification and Value-Weighted Selection

In considering the characteristics of the population from which the sample will be drawn, the auditor may determine that stratification or value-weighted selection is appropriate. This Appendix provides guidance to the auditor on the use of stratification and value-weighted sampling techniques.

Stratification

1. Audit efficiency may be improved if the auditor stratifies a population by dividing it into discrete sub-populations which have an identifying characteristic. The objective of stratification is to reduce the variability of items within each stratum and therefore allow sample size to be reduced without increasing sampling risk.
2. When performing tests of details, the population is often stratified by monetary value. This allows greater audit effort to be directed to the larger value items, as these items may contain the greatest potential misstatement in terms of overstatement. Similarly, a population may be stratified according to a particular characteristic that indicates a higher risk of misstatement, for example, when testing the allowance for doubtful accounts in the valuation of accounts receivable, balances may be stratified by age.
3. The results of audit procedures applied to a sample of items within a stratum can only be projected to the items that make up that stratum. To draw a conclusion on the entire population, the auditor will need to consider the risk of material misstatement in relation to whatever other strata make up the entire population. For example, 20% of the items in a population may make up 90% of the value of an account balance. The auditor may decide to examine a sample of these items. The auditor evaluates the results of this sample and reaches a conclusion on the 90% of value separately from the remaining 10% (on which a further sample or other means of gathering audit evidence will be used, or which may be considered immaterial).
4. If a class of transactions or account balance has been divided into strata, the misstatement is projected for each stratum separately. Projected misstatements for each stratum are then combined when considering the possible effect of misstatements on the total class of transactions or account balance.

Value-Weighted Selection

5. When performing tests of details it may be efficient to identify the sampling unit as the individual monetary units that make up the population. Having selected specific monetary units from within the population, for example, the accounts

receivable balance, the auditor may then examine the particular items, for example, individual balances, that contain those monetary units. One benefit of this approach to defining the sampling unit is that audit effort is directed to the larger value items because they have a greater chance of selection, and can result in smaller sample sizes. This approach may be used in conjunction with the systematic method of sample selection (described in Appendix 4) and is most efficient when selecting items using random selection.

Appendix 2

(Ref: Para. A11)

Examples of Factors Influencing Sample Size for Tests of Controls

The following are factors that the auditor may consider when determining the sample size for tests of controls. These factors, which need to be considered together, assume the auditor does not modify the nature or timing of tests of controls or otherwise modify the approach to substantive procedures in response to assessed risks.

FACTOR	EFFECT ON SAMPLE SIZE	
1. An increase in the extent to which the auditor's risk assessment takes into account relevant controls	Increase	The more assurance the auditor intends to obtain from the operating effectiveness of controls, the lower the auditor's assessment of the risk of material misstatement will be, and the larger the sample size will need to be. When the auditor's assessment of the risk of material misstatement at the assertion level includes an expectation of the operating effectiveness of controls, the auditor is required to perform tests of controls. Other things being equal, the greater the reliance the auditor places on the operating effectiveness of controls in the risk assessment, the greater is the extent of the auditor's tests of controls (and therefore, the sample size is increased).
2. An increase in the tolerable rate of deviation	Decrease	The lower the tolerable rate of deviation, the larger the sample size needs to be.
3. An increase in the expected rate of deviation of the	Increase	The higher the expected rate of deviation, the larger the sample size needs to be so that the

FACTOR	EFFECT ON SAMPLE SIZE	
population to be tested		auditor is in a position to make a reasonable estimate of the actual rate of deviation. Factors relevant to the auditor's consideration of the expected rate of deviation include the auditor's understanding of the business (in particular, risk assessment procedures undertaken to obtain an understanding of internal control), changes in personnel or in internal control, the results of audit procedures applied in prior periods and the results of other audit procedures. High expected control deviation rates ordinarily warrant little, if any, reduction of the assessed risk of material misstatement.
4. An increase in the auditor's desired level of assurance that the tolerable rate of deviation is not exceeded by the actual rate of deviation in the population	Increase	The greater the level of assurance that the auditor desires that the results of the sample are in fact indicative of the actual incidence of deviation in the population, the larger the sample size needs to be.
5. An increase in the number of sampling units in the population	Negligible effect	For large populations, the actual size of the population has little, if any, effect on sample size. For small populations however, audit sampling may not be as efficient as alternative means of obtaining sufficient appropriate audit evidence.

Appendix 3

(Ref: Para. A11)

Examples of Factors Influencing Sample Size for Tests of Details

The following are factors that the auditor may consider when determining the sample size for tests of details. These factors, which need to be considered together, assume the auditor does not modify the approach to tests of controls or otherwise modify the nature or timing of substantive procedures in response to the assessed risks.

FACTOR	EFFECT ON SAMPLE SIZE	
1. An increase in the auditor's assessment of the risk of material misstatement	Increase	The higher the auditor's assessment of the risk of material misstatement, the larger the sample size needs to be. The auditor's assessment of the risk of material misstatement is affected by inherent risk and control risk. For example, if the auditor does not perform tests of controls, the auditor's risk assessment cannot be reduced for the effective operation of internal controls with respect to the particular assertion. Therefore, in order to reduce audit risk to an acceptably low level, the auditor needs a low detection risk and will rely more on substantive procedures. The more audit evidence that is obtained from tests of details (that is, the lower the detection risk), the larger the sample size will need to be.
2. An increase in the use of other substantive procedures directed at the same assertion	Decrease	The more the auditor is relying on other substantive procedures (tests of details or substantive analytical procedures) to reduce

FACTOR	EFFECT ON SAMPLE SIZE	
		to an acceptable level the detection risk regarding a particular population, the less assurance the auditor will require from sampling and, therefore, the smaller the sample size can be.
3. An increase in the auditor's desired level of assurance that tolerable misstatement is not exceeded by actual misstatement in the population	Increase	The greater the level of assurance that the auditor requires that the results of the sample are in fact indicative of the actual amount of misstatement in the population, the larger the sample size needs to be.
4. An increase in tolerable misstatement	Decrease	The lower the tolerable misstatement, the larger the sample size needs to be.
5. An increase in the amount of misstatement the auditor expects to find in the population	Increase	The greater the amount of misstatement the auditor expects to find in the population, the larger the sample size needs to be in order to make a reasonable estimate of the actual amount of misstatement in the population. Factors relevant to the auditor's consideration of the expected misstatement amount include the extent to which item values are determined subjectively, the results of risk assessment procedures, the results of tests of control, the results of audit procedures applied in prior periods, and the results of other substantive procedures.

FACTOR	EFFECT ON SAMPLE SIZE	
6. Stratification of the population when appropriate	Decrease	When there is a wide range (variability) in the monetary size of items in the population, it may be useful to stratify the population. When a population can be appropriately stratified, the aggregate of the sample sizes from the strata generally will be less than the sample size that would have been required to attain a given level of sampling risk, had one sample been drawn from the whole population.
7. The number of sampling units in the population	Negligible effect	For large populations, the actual size of the population has little, if any, effect on sample size. Thus, for small populations, audit sampling is often not as efficient as alternative means of obtaining sufficient appropriate audit evidence. (However, when using monetary unit sampling, an increase in the monetary value of the population increases sample size, unless this is offset by a proportional increase in materiality for the financial statements as a whole [and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures].)

Appendix 4

(Ref: Para. A13)

Sample Selection Methods

There are many methods of selecting samples. The principal methods are as follows:

- (a) Random selection (applied through random number generators, for example, random number tables).
- (b) Systematic selection, in which the number of sampling units in the population is divided by the sample size to give a sampling interval, for example 50, and having determined a starting point within the first 50, each 50th sampling unit thereafter is selected. Although the starting point may be determined haphazardly, the sample is more likely to be truly random if it is determined by use of a computerized random number generator or random number tables. When using systematic selection, the auditor would need to determine that sampling units within the population are not structured in such a way that the sampling interval corresponds with a particular pattern in the population.
- (c) Monetary Unit Sampling is a type of value-weighted selection (as described in Appendix 1) in which sample size, selection and evaluation results in a conclusion in monetary amounts.
- (d) Haphazard selection, in which the auditor selects the sample without following a structured technique. Although no structured technique is used, the auditor would nonetheless avoid any conscious bias or predictability (for example, avoiding difficult to locate items, or always choosing or avoiding the first or last entries on a page) and thus attempt to ensure that all items in the population have a chance of selection. Haphazard selection is not appropriate when using statistical sampling.
- (e) Block selection involves selection of a block(s) of contiguous items from within the population. Block selection cannot ordinarily be used in audit sampling because most populations are structured such that items in a sequence can be expected to have similar characteristics to each other, but different characteristics from items elsewhere in the population. Although in some circumstances it may be an appropriate audit procedure to examine a block of items, it would rarely be an appropriate sample selection technique when the auditor intends to draw valid inferences about the entire population based on the sample.

ISSAI 1540

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INTOSAI



Directriz de auditoría financiera

Auditoría de estimaciones contables, incluido el valor razonable, e información relacionada

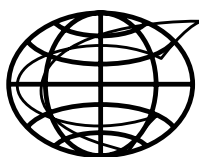
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 540 “Auditoría de estimaciones contables, incluido el valor razonable, e información relacionada”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1540

NOTA DE PRÁCTICA PARA LA NIA 540

Párrafo

Fundamentos

Introducción a la NIA	
Contenido de la Nota de Práctica	P1

Aplicabilidad de la NIA en la auditoría del sector público	P2

Orientaciones adicionales sobre cuestiones ligadas al sector público	P3

Naturaleza de las estimaciones contables	P4–P6
Objetivo	P7
Procedimientos de evaluación de riesgos y actividades conexas	P8
Identificación y evaluación de los riesgos de incorrecciones materiales	P9
Respuestas a los riesgos evaluados de incorrecciones materiales	P10
Procedimientos sustantivos adicionales en respuesta a los riesgos significativos	P11
Evaluación del carácter razonable de las estimaciones contables y determinación de incorrecciones	P12
Indicadores de posible parcialidad de la dirección	P13–P14

NORMA INTERNACIONAL DE AUDITORÍA 540

Introducción

Alcance de la NIA	1
Naturaleza de las estimaciones contables	2–4
Fecha de entrada en vigor	5

Objetivo	6

Definiciones	7

Exigencias

Procedimientos de evaluación de riesgos y actividades conexas	8–9
Identificación y evaluación de los riesgos de incorrecciones materiales	10–11
Respuestas a los riesgos evaluados de incorrecciones materiales	12–14
Procedimientos sustantivos adicionales en respuesta a los riesgos significativos	15–17
Evaluación del carácter razonable de las estimaciones contables y determinación de incorrecciones	18
Información relativa a las estimaciones contables	19–20
Indicadores de posible parcialidad de la dirección	21
Manifestaciones escritas	22
Documentación	23

Disposiciones de aplicación y otras disposiciones explicativas	Párrafo
Naturaleza de las estimaciones contables	A1–A11
Procedimientos de evaluación de riesgos y actividades conexas	A12–A44
Identificación y evaluación de los riesgos de incorrecciones materiales	A45–A51
Respuestas a los riesgos evaluados de incorrecciones materiales	A52–A101
Procedimientos sustantivos adicionales en respuesta a los riesgos significativos	A102–A115
Evaluación del carácter razonable de las estimaciones contables y determinación de incorrecciones	A116–A119
Información relativa a las estimaciones contables	A120–A123
Indicadores de posible parcialidad de la dirección	A124–A125
Manifestaciones escritas	A126–A127
Documentación	A128

**Apéndice: Medición y presentación del valor razonable con arreglo a distintos marcos
de información financiera**

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 540

Auditoría de estimaciones contables, incluido el valor razonable, e información relacionada

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 540 “Auditoría de estimaciones contables, incluido el valor razonable, e información relacionada”, y debe leerse conjuntamente con ella. La NIA 540 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 540 establece las obligaciones del auditor en relación con las estimaciones contables, incluida la estimación del valor razonable, e información relacionada en una auditoría de los estados financieros. Concretamente, se extiende sobre el modo en que han de aplicarse las NIA 315², 330³ y otras NIA pertinentes con respecto a las estimaciones contables. Asimismo, incluye exigencias y orientaciones sobre incorrecciones en las estimaciones contables individuales e indicadores de una posible parcialidad de la dirección.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Naturaleza de las estimaciones contables.
 - b) Objetivo.
 - c) Procedimientos de evaluación de riesgos y actividades conexas.
 - d) Identificación y evaluación de los riesgos de incorrecciones materiales.
 - e) Respuestas a los riesgos evaluados de incorrecciones materiales.
 - f) Procedimientos sustantivos adicionales en respuesta a los riesgos significativos.
 - g) Evaluación del carácter razonable de las estimaciones contables y determinación de incorrecciones.
 - h) Indicadores de posible parcialidad de la dirección.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI.”

² NIA 315, “Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno.”

³ NIA 330, “Respuesta del auditor ante los riesgos evaluados.”

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 540 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 540 contiene disposiciones de aplicación y otras disposiciones explicativas con consideraciones específicas a las entidades del sector público en el párrafo A11.

Naturaleza de las estimaciones contables

- P4. Cuándo y cómo utilizan estimaciones contables las entidades del sector público depende de los tipos de elementos financieros a los que se haga referencia y del marco de información financiera aplicable. Algunas estimaciones importantes en el sector público pueden referirse al activo, a las obligaciones y a la información revelada, como por ejemplo:
- Programas de seguros sociales.
 - Planes de pensiones para empleados públicos.
 - Programas de sanidad.
 - Programas de prestaciones a veteranos.
 - Programas de garantía oficial.
 - Obligaciones medioambientales.
 - Ingresos fiscales e impuestos vencidos.
 - Determinadas propiedades y equipos, como equipo militar especializado y el patrimonio cultural.
- P5. Debido a la naturaleza de las operaciones públicas, ciertas estimaciones contables de las entidades del sector público entrañan un elevado nivel de incertidumbre en la estimación, como garantías relativas a préstamos o entidades en dificultad.
- P6. Además de las orientaciones presentadas en el párrafo A11 de la NIA, el marco de información financiera en el sector público no siempre exige medir el valor razonable. En estos casos, los auditores del sector público evaluarán el método de valoración alternativo y determinarán si es conforme al marco de información financiera aplicable y si no induce a error.

Objetivo

- P7. Al considerar el objetivo de la NIA de obtener evidencia de auditoría suficiente y apropiada que acredite que las estimaciones contables son razonables y que la información relacionada es adecuada en el contexto del marco de información financiera, los auditores del sector público tendrán en cuenta lo siguiente:
- Los marcos de información financiera pueden exigir la inclusión de información no financiera, como resultados de programas u otra información operativa, que puede basarse en estimaciones.

- En las entidades del sector público, algunas obligaciones comportan un nivel tan elevado de incertidumbre en la estimación que el marco de información financiera aplicable puede no permitir su reconocimiento, aunque siga siendo necesario revelar la incertidumbre en la estimación. Cuando estas obligaciones potenciales amenazan la sostenibilidad de los programas públicos, los auditores del sector público pueden utilizar párrafos de énfasis o de otros asuntos para destacar estas cuestiones.

Procedimientos de evaluación de riesgos y actividades conexas

- P8. En el sector público, es posible que se desconozcan por un periodo de tiempo prolongado los importes efectivos de determinadas obligaciones estimadas a largo plazo. Así pues, el párrafo 9 de la NIA y las disposiciones de aplicación incluidas en los párrafos A39 a A42 pueden no resultar pertinentes para ciertas estimaciones. Por ejemplo, las obligaciones relativas a seguros sociales se aplican a un futuro a largo plazo y, por lo tanto, los auditores del sector público no podrán recurrir a los hechos posteriores para evaluarlas.

Identificación y evaluación de los riesgos de incorrecciones materiales

- P9. Muchos marcos de información financiera del sector público no contienen orientaciones para distinguir entre los cambios en las estimaciones contables que constituyen incorrecciones de los estados financieros del periodo anterior y los que no, como se explica en el párrafo A44 de la NIA. En ausencia de orientaciones en el marco de información financiera aplicable, los auditores del sector público pueden recurrir a otros marcos para obtenerlas.

Respuestas a los riesgos evaluados de incorrecciones materiales

- P10. Al considerar si son necesarias técnicas o conocimientos especializados en relación con uno o más aspectos de las estimaciones contables para obtener evidencia de auditoría suficiente y apropiada, como establece el párrafo 14 de la NIA, los auditores del sector público tendrán en cuenta que la necesidad de utilizar técnicas especializadas puede tener particular importancia en estimaciones como las relativas a:
- Programas de seguros sociales.
 - Planes de pensiones para empleados públicos.
 - Programas de compensación a veteranos.

La ISSAI 1620⁴ contiene orientaciones adicionales sobre el recurso a expertos.

4 ISSAI 1620, "Utilización del trabajo de expertos".

Procedimientos sustantivos adicionales en respuesta a los riesgos significativos

- P11. Al evaluar las estimaciones contables de conformidad con lo establecido en el subpárrafo 15c) de la NIA, los auditores del sector público tendrán en cuenta que la dirección puede verse en la imposibilidad de mantener una actuación concreta en la que se base la estimación. Como se señala en el párrafo P12 de la ISSAI 1315⁵, este tipo de decisiones de llevar a cabo una actuación concreta en la que se basa la estimación pueden adoptarse al margen del control de la entidad auditada como resultado de procesos políticos.

Evaluación del carácter razonable de las estimaciones contables y determinación de incorrecciones

- P12. Cuando los estados financieros del sector público incluyan una serie de estimaciones muy amplias, que pueden contener un elevado grado de incertidumbre, los auditores del sector público evaluarán si resulta adecuado revelar dicho grado de incertidumbre y su efecto en el informe del auditor.

Indicadores de posible parcialidad de la dirección

- P13. Los auditores del sector público examinarán los juicios y decisiones de la dirección al efectuar estimaciones contables a fin de determinar si existen indicios de una posible parcialidad de la dirección, según lo establecido en el párrafo 21 de la NIA. Al mismo tiempo, pueden considerar si existen razones de posible parcialidad que sean específicas del sector público, como:
- Fuertes motivos políticos.
 - Entorno político cambiante o inestable.
 - Mayores expectativas del público general.
 - Expectativas de respetar el presupuesto superiores a lo normal.
 - Reducción en los presupuestos sin la reducción correspondiente en las expectativas de prestación de servicios.
 - Asociaciones público-privadas.
 - Tolerancia de errores en la información financiera.
- P14. Los auditores del sector público que actúen en determinados entornos, como un Tribunal de Cuentas, pueden tener obligaciones adicionales cuando determinan una intención de engaño por parte de la dirección. Entre estas obligaciones con frecuencia se incluye la identificación de los responsables de tales acciones y la recomendación de entablar contra ellos acciones civiles y penales.

5 ISSAI 1315, "Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno".

International Standard on Auditing

**Auditing Accounting
Estimates, Including Fair
Value Accounting Estimates,
and Related Disclosures**



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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INTERNATIONAL STANDARD ON AUDITING 540

AUDITING ACCOUNTING ESTIMATES, INCLUDING FAIR VALUE ACCOUNTING ESTIMATES, AND RELATED DISCLOSURES

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Nature of Accounting Estimates	2-4
Effective Date	5
Objective	6
Definitions	7
Requirements	
Risk Assessment Procedures and Related Activities	8-9
Identifying and Assessing the Risks of Material Misstatement	10-11
Responses to the Assessed Risks of Material Misstatement	12-14
Further Substantive Procedures to Respond to Significant Risks	15-17
Evaluating the Reasonableness of the Accounting Estimates, and Determining Misstatements	18
Disclosures Related to Accounting Estimates	19-20
Indicators of Possible Management Bias	21
Written Representations	22
Documentation	23
Application and Other Explanatory Material	
Nature of Accounting Estimates	A1-A11
Risk Assessment Procedures and Related Activities	A12-A44
Identifying and Assessing the Risks of Material Misstatement	A45-A51
Responses to the Assessed Risks of Material Misstatement	A52-A101
Further Substantive Procedures to Respond to Significant Risks	A102-A115

Evaluating the Reasonableness of the Accounting Estimates, and
Determining Misstatements A116-A119

Disclosures Related to Accounting Estimates A120-A123

Indicators of Possible Management Bias A124-A125

Written Representations A126-A127

Documentation A128

Appendix: Fair Value Measurements and Disclosures under Different
Financial Reporting Frameworks

International Standard on Auditing (ISA) 540, “Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to accounting estimates, including fair value accounting estimates, and related disclosures in an audit of financial statements. Specifically, it expands on how ISA 315¹ and ISA 330² and other relevant ISAs are to be applied in relation to accounting estimates. It also includes requirements and guidance on misstatements of individual accounting estimates, and indicators of possible management bias.

Nature of Accounting Estimates

2. Some financial statement items cannot be measured precisely, but can only be estimated. For purposes of this ISA, such financial statement items are referred to as accounting estimates. The nature and reliability of information available to management to support the making of an accounting estimate varies widely, which thereby affects the degree of estimation uncertainty associated with accounting estimates. The degree of estimation uncertainty affects, in turn, the risks of material misstatement of accounting estimates, including their susceptibility to unintentional or intentional management bias. (Ref: Para. A1-A11)
3. The measurement objective of accounting estimates can vary depending on the applicable financial reporting framework and the financial item being reported. The measurement objective for some accounting estimates is to forecast the outcome of one or more transactions, events or conditions giving rise to the need for the accounting estimate. For other accounting estimates, including many fair value accounting estimates, the measurement objective is different, and is expressed in terms of the value of a current transaction or financial statement item based on conditions prevalent at the measurement date, such as estimated market price for a particular type of asset or liability. For example, the applicable financial reporting framework may require fair value measurement based on an assumed hypothetical current transaction between knowledgeable, willing parties (sometimes referred to as "marketplace participants" or equivalent) in an arm's length transaction, rather than the settlement of a transaction at some past or future date.³
4. A difference between the outcome of an accounting estimate and the amount originally recognized or disclosed in the financial statements does not necessarily represent a misstatement of the financial statements. This is particularly the case

¹ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

² ISA 330, "The Auditor's Responses to Assessed Risks."

³ Different definitions of fair value may exist among financial reporting frameworks.

for fair value accounting estimates, as any observed outcome is invariably affected by events or conditions subsequent to the date at which the measurement is estimated for purposes of the financial statements.

Effective Date

5. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

6. The objective of the auditor is to obtain sufficient appropriate audit evidence about whether:
 - (a) accounting estimates, including fair value accounting estimates, in the financial statements, whether recognized or disclosed, are reasonable; and
 - (b) related disclosures in the financial statements are adequate, in the context of the applicable financial reporting framework.

Definitions

7. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Accounting estimate – An approximation of a monetary amount in the absence of a precise means of measurement. This term is used for an amount measured at fair value where there is estimation uncertainty, as well as for other amounts that require estimation. Where this ISA addresses only accounting estimates involving measurement at fair value, the term “fair value accounting estimates” is used.
 - (b) Auditor’s point estimate or auditor’s range – The amount, or range of amounts, respectively, derived from audit evidence for use in evaluating management’s point estimate.
 - (c) Estimation uncertainty – The susceptibility of an accounting estimate and related disclosures to an inherent lack of precision in its measurement.
 - (d) Management bias – A lack of neutrality by management in the preparation of information.
 - (e) Management’s point estimate – The amount selected by management for recognition or disclosure in the financial statements as an accounting estimate.

- (f) Outcome of an accounting estimate – The actual monetary amount which results from the resolution of the underlying transaction(s), event(s) or condition(s) addressed by the accounting estimate.

Requirements

Risk Assessment Procedures and Related Activities

- 8. When performing risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the entity's internal control, as required by ISA 315,⁴ the auditor shall obtain an understanding of the following in order to provide a basis for the identification and assessment of the risks of material misstatement for accounting estimates: (Ref: Para. A12)
 - (a) The requirements of the applicable financial reporting framework relevant to accounting estimates, including related disclosures. (Ref: Para. A13-A15)
 - (b) How management identifies those transactions, events and conditions that may give rise to the need for accounting estimates to be recognized or disclosed in the financial statements. In obtaining this understanding, the auditor shall make inquiries of management about changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates. (Ref: Para. A16-A21)
 - (c) How management makes the accounting estimates, and an understanding of the data on which they are based, including: (Ref: Para. A22-A23)
 - (i) The method, including where applicable the model, used in making the accounting estimate; (Ref: Para. A24-A26)
 - (ii) Relevant controls; (Ref: Para. A27-A28)
 - (iii) Whether management has used an expert; (Ref: Para. A29-A30)
 - (iv) The assumptions underlying the accounting estimates; (Ref: Para. A31-A36)
 - (v) Whether there has been or ought to have been a change from the prior period in the methods for making the accounting estimates, and if so, why; and (Ref: Para. A37)
 - (vi) Whether and, if so, how management has assessed the effect of estimation uncertainty. (Ref: Para. A38)

⁴ ISA 315, paragraphs 5-6 and 11-12.

9. The auditor shall review the outcome of accounting estimates included in the prior period financial statements, or, where applicable, their subsequent re-estimation for the purpose of the current period. The nature and extent of the auditor's review takes account of the nature of the accounting estimates, and whether the information obtained from the review would be relevant to identifying and assessing risks of material misstatement of accounting estimates made in the current period financial statements. However, the review is not intended to call into question the judgments made in the prior periods that were based on information available at the time. (Ref: Para. A39-A44)

Identifying and Assessing the Risks of Material Misstatement

10. In identifying and assessing the risks of material misstatement, as required by ISA 315,⁵ the auditor shall evaluate the degree of estimation uncertainty associated with an accounting estimate. (Ref: Para. A45-A46)
11. The auditor shall determine whether, in the auditor's judgment, any of those accounting estimates that have been identified as having high estimation uncertainty give rise to significant risks. (Ref: Para. A47-A51)

Responses to the Assessed Risks of Material Misstatement

12. Based on the assessed risks of material misstatement, the auditor shall determine: (Ref: Para. A52)
 - (a) Whether management has appropriately applied the requirements of the applicable financial reporting framework relevant to the accounting estimate; and (Ref: Para. A53-A56)
 - (b) Whether the methods for making the accounting estimates are appropriate and have been applied consistently, and whether changes, if any, in accounting estimates or in the method for making them from the prior period are appropriate in the circumstances. (Ref: Para. A57-A58)
13. In responding to the assessed risks of material misstatement, as required by ISA 330,⁶ the auditor shall undertake one or more of the following, taking account of the nature of the accounting estimate: (Ref: Para. A59-A61)
 - (a) Determine whether events occurring up to the date of the auditor's report provide audit evidence regarding the accounting estimate. (Ref: Para. A62-A67)

⁵ ISA 315, paragraph 25.

⁶ ISA 330, paragraph 5.

- (b) Test how management made the accounting estimate and the data on which it is based. In doing so, the auditor shall evaluate whether: (Ref: Para. A68-A70)
 - (i) The method of measurement used is appropriate in the circumstances; and (Ref: Para. A71-A76)
 - (ii) The assumptions used by management are reasonable in light of the measurement objectives of the applicable financial reporting framework. (Ref: Para. A77-A83)
 - (c) Test the operating effectiveness of the controls over how management made the accounting estimate, together with appropriate substantive procedures. (Ref: Para. A84-A86)
 - (d) Develop a point estimate or a range to evaluate management's point estimate. For this purpose: (Ref: Para. A87-A91)
 - (i) If the auditor uses assumptions or methods that differ from management's, the auditor shall obtain an understanding of management's assumptions or methods sufficient to establish that the auditor's point estimate or range takes into account relevant variables and to evaluate any significant differences from management's point estimate. (Ref: Para. A92)
 - (ii) If the auditor concludes that it is appropriate to use a range, the auditor shall narrow the range, based on audit evidence available, until all outcomes within the range are considered reasonable. (Ref: Para. A93-A95)
14. In determining the matters identified in paragraph 12 or in responding to the assessed risks of material misstatement in accordance with paragraph 13, the auditor shall consider whether specialized skills or knowledge in relation to one or more aspects of the accounting estimates are required in order to obtain sufficient appropriate audit evidence. (Ref: Para. A96-A101)

Further Substantive Procedures to Respond to Significant Risks

Estimation Uncertainty

15. For accounting estimates that give rise to significant risks, in addition to other substantive procedures performed to meet the requirements of ISA 330,⁷ the auditor shall evaluate the following: (Ref: Para. A102)
- (a) How management has considered alternative assumptions or outcomes, and why it has rejected them, or how management has otherwise

⁷ ISA 330, paragraph 18.

addressed estimation uncertainty in making the accounting estimate. (Ref: Para. A103-A106)

- (b) Whether the significant assumptions used by management are reasonable. (Ref: Para. A107-A109)
 - (c) Where relevant to the reasonableness of the significant assumptions used by management or the appropriate application of the applicable financial reporting framework, management's intent to carry out specific courses of action and its ability to do so. (Ref: Para. A110)
16. If, in the auditor's judgment, management has not adequately addressed the effects of estimation uncertainty on the accounting estimates that give rise to significant risks, the auditor shall, if considered necessary, develop a range with which to evaluate the reasonableness of the accounting estimate. (Ref: Para. A111-A112)

Recognition and Measurement Criteria

17. For accounting estimates that give rise to significant risks, the auditor shall obtain sufficient appropriate audit evidence about whether:
- (a) management's decision to recognize, or to not recognize, the accounting estimates in the financial statements; and (Ref: Para. A113-A114)
 - (b) the selected measurement basis for the accounting estimates, (Ref: Para. A115)
- are in accordance with the requirements of the applicable financial reporting framework.

Evaluating the Reasonableness of the Accounting Estimates, and Determining Misstatements

18. The auditor shall evaluate, based on the audit evidence, whether the accounting estimates in the financial statements are either reasonable in the context of the applicable financial reporting framework, or are misstated. (Ref: Para. A116-A119)

Disclosures Related to Accounting Estimates

19. The auditor shall obtain sufficient appropriate audit evidence about whether the disclosures in the financial statements related to accounting estimates are in accordance with the requirements of the applicable financial reporting framework. (Ref: Para. A120-A121)
20. For accounting estimates that give rise to significant risks, the auditor shall also evaluate the adequacy of the disclosure of their estimation uncertainty in the financial statements in the context of the applicable financial reporting framework. (Ref: Para. A122-A123)

Indicators of Possible Management Bias

21. The auditor shall review the judgments and decisions made by management in the making of accounting estimates to identify whether there are indicators of possible management bias. Indicators of possible management bias do not themselves constitute misstatements for the purposes of drawing conclusions on the reasonableness of individual accounting estimates. (Ref: Para. A124-A125)

Written Representations

22. The auditor shall obtain written representations from management and, where appropriate, those charged with governance whether they believe significant assumptions used in making accounting estimates are reasonable. (Ref: Para. A126-A127)

Documentation

23. The auditor shall include in the audit documentation:⁸
- (a) The basis for the auditor's conclusions about the reasonableness of accounting estimates and their disclosure that give rise to significant risks; and
 - (b) Indicators of possible management bias, if any. (Ref: Para. A128)

Application and Other Explanatory Material

Nature of Accounting Estimates (Ref: Para. 2)

- A1. Because of the uncertainties inherent in business activities, some financial statement items can only be estimated. Further, the specific characteristics of an asset, liability or component of equity, or the basis of or method of measurement prescribed by the financial reporting framework, may give rise to the need to estimate a financial statement item. Some financial reporting frameworks prescribe specific methods of measurement and the disclosures that are required to be made in the financial statements, while other financial reporting frameworks are less specific. The Appendix to this ISA discusses fair value measurements and disclosures under different financial reporting frameworks.
- A2. Some accounting estimates involve relatively low estimation uncertainty and may give rise to lower risks of material misstatements, for example:

⁸ ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

- Accounting estimates arising in entities that engage in business activities that are not complex.
 - Accounting estimates that are frequently made and updated because they relate to routine transactions.
 - Accounting estimates derived from data that is readily available, such as published interest rate data or exchange-traded prices of securities. Such data may be referred to as “observable” in the context of a fair value accounting estimate.
 - Fair value accounting estimates where the method of measurement prescribed by the applicable financial reporting framework is simple and applied easily to the asset or liability requiring measurement at fair value.
 - Fair value accounting estimates where the model used to measure the accounting estimate is well-known or generally accepted, provided that the assumptions or inputs to the model are observable.
- A3. For some accounting estimates, however, there may be relatively high estimation uncertainty, particularly where they are based on significant assumptions, for example:
- Accounting estimates relating to the outcome of litigation.
 - Fair value accounting estimates for derivative financial instruments not publicly traded.
 - Fair value accounting estimates for which a highly specialized entity-developed model is used or for which there are assumptions or inputs that cannot be observed in the marketplace.
- A4. The degree of estimation uncertainty varies based on the nature of the accounting estimate, the extent to which there is a generally accepted method or model used to make the accounting estimate, and the subjectivity of the assumptions used to make the accounting estimate. In some cases, estimation uncertainty associated with an accounting estimate may be so great that the recognition criteria in the applicable financial reporting framework are not met and the accounting estimate cannot be made.
- A5. Not all financial statement items requiring measurement at fair value, involve estimation uncertainty. For example, this may be the case for some financial statement items where there is an active and open market that provides readily available and reliable information on the prices at which actual exchanges occur, in which case the existence of published price quotations ordinarily is the best audit evidence of fair value. However, estimation uncertainty may exist even when the valuation method and data are well defined. For example, valuation of securities quoted on an active and open market at the listed market

price may require adjustment if the holding is significant in relation to the market or is subject to restrictions in marketability. In addition, general economic circumstances prevailing at the time, for example, illiquidity in a particular market, may impact estimation uncertainty.

A6. Additional examples of situations where accounting estimates, other than fair value accounting estimates, may be required include:

- Allowance for doubtful accounts.
- Inventory obsolescence.
- Warranty obligations.
- Depreciation method or asset useful life.
- Provision against the carrying amount of an investment where there is uncertainty regarding its recoverability.
- Outcome of long term contracts.
- Costs arising from litigation settlements and judgments.

A7. Additional examples of situations where fair value accounting estimates may be required include:

- Complex financial instruments, which are not traded in an active and open market.
- Share-based payments.
- Property or equipment held for disposal.
- Certain assets or liabilities acquired in a business combination, including goodwill and intangible assets.
- Transactions involving the exchange of assets or liabilities between independent parties without monetary consideration, for example, a non-monetary exchange of plant facilities in different lines of business.

A8. Estimation involves judgments based on information available when the financial statements are prepared. For many accounting estimates, these include making assumptions about matters that are uncertain at the time of estimation. The auditor is not responsible for predicting future conditions, transactions or events that, if known at the time of the audit, might have significantly affected management's actions or the assumptions used by management.

Management Bias

A9. Financial reporting frameworks often call for neutrality, that is, freedom from bias. Accounting estimates are imprecise, however, and can be influenced by management judgment. Such judgment may involve unintentional or

intentional management bias (for example, as a result of motivation to achieve a desired result). The susceptibility of an accounting estimate to management bias increases with the subjectivity involved in making it. Unintentional management bias and the potential for intentional management bias are inherent in subjective decisions that are often required in making an accounting estimate. For continuing audits, indicators of possible management bias identified during the audit of the preceding periods influence the planning and risk identification and assessment activities of the auditor in the current period.

- A10. Management bias can be difficult to detect at an account level. It may only be identified when considered in the aggregate of groups of accounting estimates or all accounting estimates, or when observed over a number of accounting periods. Although some form of management bias is inherent in subjective decisions, in making such judgments there may be no intention by management to mislead the users of financial statements. Where, however, there is intention to mislead, management bias is fraudulent in nature.

Considerations Specific to Public Sector Entities

- A11. Public sector entities may have significant holdings of specialized assets for which there are no readily available and reliable sources of information for purposes of measurement at fair value or other current value bases, or a combination of both. Often specialized assets held do not generate cash flows and do not have an active market. Measurement at fair value therefore ordinarily requires estimation and may be complex, and in some rare cases may not be possible at all.

Risk Assessment Procedures and Related Activities (Ref: Para. 8)

- A12. The risk assessment procedures and related activities required by paragraph 8 of this ISA assist the auditor in developing an expectation of the nature and type of accounting estimates that an entity may have. The auditor's primary consideration is whether the understanding that has been obtained is sufficient to identify and assess the risks of material misstatement in relation to accounting estimates, and to plan the nature, timing and extent of further audit procedures.

Obtaining an Understanding of the Requirements of the Applicable Financial Reporting Framework (Ref: Para. 8(a))

- A13. Obtaining an understanding of the requirements of the applicable financial reporting framework assists the auditor in determining whether it, for example:
- Prescribes certain conditions for the recognition,⁹ or methods for the measurement, of accounting estimates.

⁹ Most financial reporting frameworks require incorporation in the balance sheet or income statement of items that satisfy their criteria for recognition. Disclosure of accounting policies or adding notes to the financial statements does not rectify a failure to recognize such items, including accounting estimates.

- Specifies certain conditions that permit or require measurement at a fair value, for example, by referring to management's intentions to carry out certain courses of action with respect to an asset or liability.
- Specifies required or permitted disclosures.

Obtaining this understanding also provides the auditor with a basis for discussion with management about how management has applied those requirements relevant to the accounting estimate, and the auditor's determination of whether they have been applied appropriately.

- A14. Financial reporting frameworks may provide guidance for management on determining point estimates where alternatives exist. Some financial reporting frameworks, for example, require that the point estimate selected be the alternative that reflects management's judgment of the most likely outcome.¹⁰ Others may require, for example, use of a discounted probability-weighted expected value. In some cases, management may be able to make a point estimate directly. In other cases, management may be able to make a reliable point estimate only after considering alternative assumptions or outcomes from which it is able to determine a point estimate.
- A15. Financial reporting frameworks may require the disclosure of information concerning the significant assumptions to which the accounting estimate is particularly sensitive. Furthermore, where there is a high degree of estimation uncertainty, some financial reporting frameworks do not permit an accounting estimate to be recognized in the financial statements, but certain disclosures may be required in the notes to the financial statements.

Obtaining an Understanding of How Management Identifies the Need for Accounting Estimates (Ref: Para. 8(b))

- A16. The preparation of the financial statements requires management to determine whether a transaction, event or condition gives rise to the need to make an accounting estimate, and that all necessary accounting estimates have been recognized, measured and disclosed in the financial statements in accordance with the applicable financial reporting framework.
- A17. Management's identification of transactions, events and conditions that give rise to the need for accounting estimates is likely to be based on:
- Management's knowledge of the entity's business and the industry in which it operates.
 - Management's knowledge of the implementation of business strategies in the current period.

¹⁰ Different financial reporting frameworks may use different terminology to describe point estimates determined in this way.

- Where applicable, management's cumulative experience of preparing the entity's financial statements in prior periods.

In such cases, the auditor may obtain an understanding of how management identifies the need for accounting estimates primarily through inquiry of management. In other cases, where management's process is more structured, for example, when management has a formal risk management function, the auditor may perform risk assessment procedures directed at the methods and practices followed by management for periodically reviewing the circumstances that give rise to the accounting estimates and re-estimating the accounting estimates as necessary. The completeness of accounting estimates is often an important consideration of the auditor, particularly accounting estimates relating to liabilities.

- A18. The auditor's understanding of the entity and its environment obtained during the performance of risk assessment procedures, together with other audit evidence obtained during the course of the audit, assist the auditor in identifying circumstances, or changes in circumstances, that may give rise to the need for an accounting estimate.
- A19. Inquiries of management about changes in circumstances may include, for example, inquiries about whether:
- The entity has engaged in new types of transactions that may give rise to accounting estimates.
 - Terms of transactions that gave rise to accounting estimates have changed.
 - Accounting policies relating to accounting estimates have changed, as a result of changes to the requirements of the applicable financial reporting framework or otherwise.
 - Regulatory or other changes outside the control of management have occurred that may require management to revise, or make new, accounting estimates.
 - New conditions or events have occurred that may give rise to the need for new or revised accounting estimates.
- A20. During the audit, the auditor may identify transactions, events and conditions that give rise to the need for accounting estimates that management failed to identify. ISA 315 deals with circumstances where the auditor identifies risks of material misstatement that management failed to identify, including determining whether there is a significant deficiency in internal control with regard to the entity's risk assessment processes.¹¹

¹¹ ISA 315, paragraph 16.

Considerations Specific to Smaller Entities

- A21. Obtaining this understanding for smaller entities is often less complex as their business activities are often limited and transactions are less complex. Further, often a single person, for example the owner-manager, identifies the need to make an accounting estimate and the auditor may focus inquiries accordingly.

Obtaining an Understanding of How Management Makes the Accounting Estimates (Ref: Para. 8(c))

- A22. The preparation of the financial statements also requires management to establish financial reporting processes for making accounting estimates, including adequate internal control. Such processes include the following:
- Selecting appropriate accounting policies and prescribing estimation processes, including appropriate estimation or valuation methods, including, where applicable, models.
 - Developing or identifying relevant data and assumptions that affect accounting estimates.
 - Periodically reviewing the circumstances that give rise to the accounting estimates and re-estimating the accounting estimates as necessary.
- A23. Matters that the auditor may consider in obtaining an understanding of how management makes the accounting estimates include, for example:
- The types of accounts or transactions to which the accounting estimates relate (for example, whether the accounting estimates arise from the recording of routine and recurring transactions or whether they arise from non-recurring or unusual transactions).
 - Whether and, if so, how management has used recognized measurement techniques for making particular accounting estimates.
 - Whether the accounting estimates were made based on data available at an interim date and, if so, whether and how management has taken into account the effect of events, transactions and changes in circumstances occurring between that date and the period end.

Method of Measurement, Including the Use of Models (Ref: Para. 8(c)(i))

- A24. In some cases, the applicable financial reporting framework may prescribe the method of measurement for an accounting estimate, for example, a particular model that is to be used in measuring a fair value estimate. In many cases, however, the applicable financial reporting framework does not prescribe the method of measurement, or may specify alternative methods for measurement.

A25. When the applicable financial reporting framework does not prescribe a particular method to be used in the circumstances, matters that the auditor may consider in obtaining an understanding of the method or, where applicable the model, used to make accounting estimates include, for example:

- How management considered the nature of the asset or liability being estimated when selecting a particular method.
- Whether the entity operates in a particular business, industry or environment in which there are methods commonly used to make the particular type of accounting estimate.

A26. There may be greater risks of material misstatement, for example, in cases when management has internally developed a model to be used to make the accounting estimate or is departing from a method commonly used in a particular industry or environment.

Relevant Controls (Ref: Para. 8(c)(ii))

A27. Matters that the auditor may consider in obtaining an understanding of relevant controls include, for example, the experience and competence of those who make the accounting estimates, and controls related to:

- How management determines the completeness, relevance and accuracy of the data used to develop accounting estimates.
- The review and approval of accounting estimates, including the assumptions or inputs used in their development, by appropriate levels of management and, where appropriate, those charged with governance.
- The segregation of duties between those committing the entity to the underlying transactions and those responsible for making the accounting estimates, including whether the assignment of responsibilities appropriately takes account of the nature of the entity and its products or services (for example, in the case of a large financial institution, relevant segregation of duties may include an independent function responsible for estimation and validation of fair value pricing of the entity's proprietary financial products staffed by individuals whose remuneration is not tied to such products).

A28. Other controls may be relevant to making the accounting estimates depending on the circumstances. For example, if the entity uses specific models for making accounting estimates, management may put into place specific policies and procedures around such models. Relevant controls may include, for example, those established over:

- The design and development, or selection, of a particular model for a particular purpose.

- The use of the model.
- The maintenance and periodic validation of the integrity of the model.

Management's Use of Experts (Ref: Para. 8(c)(iii))

A29. Management may have, or the entity may employ individuals with, the experience and competence necessary to make the required point estimates. In some cases, however, management may need to engage an expert to make, or assist in making, them. This need may arise because of, for example:

- The specialized nature of the matter requiring estimation, for example, the measurement of mineral or hydrocarbon reserves in extractive industries.
- The technical nature of the models required to meet the relevant requirements of the applicable financial reporting framework, as may be the case in certain measurements at fair value.
- The unusual or infrequent nature of the condition, transaction or event requiring an accounting estimate.

Considerations specific to smaller entities

A30. In smaller entities, the circumstances requiring an accounting estimate often are such that the owner-manager is capable of making the required point estimate. In some cases, however, an expert will be needed. Discussion with the owner-manager early in the audit process about the nature of any accounting estimates, the completeness of the required accounting estimates, and the adequacy of the estimating process may assist the owner-manager in determining the need to use an expert.

Assumptions (Ref: Para. 8(c)(iv))

A31. Assumptions are integral components of accounting estimates. Matters that the auditor may consider in obtaining an understanding of the assumptions underlying the accounting estimates include, for example:

- The nature of the assumptions, including which of the assumptions are likely to be significant assumptions.
- How management assesses whether the assumptions are relevant and complete (that is, that all relevant variables have been taken into account).
- Where applicable, how management determines that the assumptions used are internally consistent.
- Whether the assumptions relate to matters within the control of management (for example, assumptions about the maintenance

programs that may affect the estimation of an asset's useful life), and how they conform to the entity's business plans and the external environment, or to matters that are outside its control (for example, assumptions about interest rates, mortality rates, potential judicial or regulatory actions, or the variability and the timing of future cash flows).

- The nature and extent of documentation, if any, supporting the assumptions.

Assumptions may be made or identified by an expert to assist management in making the accounting estimates. Such assumptions, when used by management, become management's assumptions.

- A32. In some cases, assumptions may be referred to as inputs, for example, where management uses a model to make an accounting estimate, though the term inputs may also be used to refer to the underlying data to which specific assumptions are applied.
- A33. Management may support assumptions with different types of information drawn from internal and external sources, the relevance and reliability of which will vary. In some cases, an assumption may be reliably based on applicable information from either external sources (for example, published interest rate or other statistical data) or internal sources (for example, historical information or previous conditions experienced by the entity). In other cases, an assumption may be more subjective, for example, where the entity has no experience or external sources from which to draw.
- A34. In the case of fair value accounting estimates, assumptions reflect, or are consistent with, what knowledgeable, willing arm's length parties (sometimes referred to as "marketplace participants" or equivalent) would use in determining fair value when exchanging an asset or settling a liability. Specific assumptions will also vary with the characteristics of the asset or liability being valued, the valuation method used (for example, a market approach, or an income approach) and the requirements of the applicable financial reporting framework.
- A35. With respect to fair value accounting estimates, assumptions or inputs vary in terms of their source and bases, as follows:
- (a) Those that reflect what marketplace participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (sometimes referred to as "observable inputs" or equivalent).
 - (b) Those that reflect the entity's own judgments about what assumptions marketplace participants would use in pricing the asset or liability

developed based on the best information available in the circumstances (sometimes referred to as “unobservable inputs” or equivalent).

In practice, however, the distinction between (a) and (b) is not always apparent. Further, it may be necessary for management to select from a number of different assumptions used by different marketplace participants.

- A36. The extent of subjectivity, such as whether an assumption or input is observable, influences the degree of estimation uncertainty and thereby the auditor’s assessment of the risks of material misstatement for a particular accounting estimate.

Changes in Methods for Making Accounting Estimates (Ref: Para. 8(c)(v))

- A37. In evaluating how management makes the accounting estimates, the auditor is required to understand whether there has been or ought to have been a change from the prior period in the methods for making the accounting estimates. A specific estimation method may need to be changed in response to changes in the environment or circumstances affecting the entity or in the requirements of the applicable financial reporting framework. If management has changed the method for making an accounting estimate, it is important that management can demonstrate that the new method is more appropriate, or is itself a response to such changes. For example, if management changes the basis of making an accounting estimate from a mark-to-market approach to using a model, the auditor challenges whether management’s assumptions about the marketplace are reasonable in light of economic circumstances.

Estimation Uncertainty (Ref: Para. 8(c)(vi))

- A38. Matters that the auditor may consider in obtaining an understanding of whether and, if so, how management has assessed the effect of estimation uncertainty include, for example:
- Whether and, if so, how management has considered alternative assumptions or outcomes by, for example, performing a sensitivity analysis to determine the effect of changes in the assumptions on an accounting estimate.
 - How management determines the accounting estimate when analysis indicates a number of outcome scenarios.
 - Whether management monitors the outcome of accounting estimates made in the prior period, and whether management has appropriately responded to the outcome of that monitoring procedure.

Reviewing Prior Period Accounting Estimates (Ref: Para. 9)

- A39. The outcome of an accounting estimate will often differ from the accounting estimate recognized in the prior period financial statements. By performing

risk assessment procedures to identify and understand the reasons for such differences, the auditor may obtain:

- Information regarding the effectiveness of management's prior period estimation process, from which the auditor can judge the likely effectiveness of management's current process.
- Audit evidence that is pertinent to the re-estimation, in the current period, of prior period accounting estimates.
- Audit evidence of matters, such as estimation uncertainty, that may be required to be disclosed in the financial statements.

A40. The review of prior period accounting estimates may also assist the auditor, in the current period, in identifying circumstances or conditions that increase the susceptibility of accounting estimates to, or indicate the presence of, possible management bias. The auditor's professional skepticism assists in identifying such circumstances or conditions and in determining the nature, timing and extent of further audit procedures.

A41. A retrospective review of management judgments and assumptions related to significant accounting estimates is also required by ISA 240.¹² That review is conducted as part of the requirement for the auditor to design and perform procedures to review accounting estimates for biases that could represent a risk of material misstatement due to fraud, in response to the risks of management override of controls. As a practical matter, the auditor's review of prior period accounting estimates as a risk assessment procedure in accordance with this ISA may be carried out in conjunction with the review required by ISA 240.

A42. The auditor may judge that a more detailed review is required for those accounting estimates that were identified during the prior period audit as having high estimation uncertainty, or for those accounting estimates that have changed significantly from the prior period. On the other hand, for example, for accounting estimates that arise from the recording of routine and recurring transactions, the auditor may judge that the application of analytical procedures as risk assessment procedures is sufficient for purposes of the review.

A43. For fair value accounting estimates and other accounting estimates based on current conditions at the measurement date, more variation may exist between the fair value amount recognized in the prior period financial statements and the outcome or the amount re-estimated for the purpose of the current period. This is because the measurement objective for such accounting estimates deals with perceptions about value at a point in time, which may change significantly and rapidly as the environment in which the entity operates

¹² ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements," paragraph 32(b)(ii).

changes. The auditor may therefore focus the review on obtaining information that would be relevant to identifying and assessing risks of material misstatement. For example, in some cases obtaining an understanding of changes in marketplace participant assumptions which affected the outcome of a prior period fair value accounting estimate may be unlikely to provide relevant information for audit purposes. If so, then the auditor's consideration of the outcome of prior period fair value accounting estimates may be directed more towards understanding the effectiveness of management's prior estimation process, that is, management's track record, from which the auditor can judge the likely effectiveness of management's current process.

- A44. A difference between the outcome of an accounting estimate and the amount recognized in the prior period financial statements does not necessarily represent a misstatement of the prior period financial statements. However, it may do so if, for example, the difference arises from information that was available to management when the prior period's financial statements were finalized, or that could reasonably be expected to have been obtained and taken into account in the preparation of those financial statements. Many financial reporting frameworks contain guidance on distinguishing between changes in accounting estimates that constitute misstatements and changes that do not, and the accounting treatment required to be followed.

Identifying and Assessing the Risks of Material Misstatement

Estimation Uncertainty (Ref: Para. 10)

- A45. The degree of estimation uncertainty associated with an accounting estimate may be influenced by factors such as:

- The extent to which the accounting estimate depends on judgment.
- The sensitivity of the accounting estimate to changes in assumptions.
- The existence of recognized measurement techniques that may mitigate the estimation uncertainty (though the subjectivity of the assumptions used as inputs may nevertheless give rise to estimation uncertainty).
- The length of the forecast period, and the relevance of data drawn from past events to forecast future events.
- The availability of reliable data from external sources.
- The extent to which the accounting estimate is based on observable or unobservable inputs.

The degree of estimation uncertainty associated with an accounting estimate may influence the estimate's susceptibility to bias.

- A46. Matters that the auditor considers in assessing the risks of material misstatement may also include:

- The actual or expected magnitude of an accounting estimate.
- The recorded amount of the accounting estimate (that is, management's point estimate) in relation to the amount expected by the auditor to be recorded.
- Whether management has used an expert in making the accounting estimate.
- The outcome of the review of prior period accounting estimates.

High Estimation Uncertainty and Significant Risks (Ref: Para. 11)

A47. Examples of accounting estimates that may have high estimation uncertainty include the following:

- Accounting estimates that are highly dependent upon judgment, for example, judgments about the outcome of pending litigation or the amount and timing of future cash flows dependent on uncertain events many years in the future.
- Accounting estimates that are not calculated using recognized measurement techniques.
- Accounting estimates where the results of the auditor's review of similar accounting estimates made in the prior period financial statements indicate a substantial difference between the original accounting estimate and the actual outcome.
- Fair value accounting estimates for which a highly specialized entity-developed model is used or for which there are no observable inputs.

A48. A seemingly immaterial accounting estimate may have the potential to result in a material misstatement due to the estimation uncertainty associated with the estimation; that is, the size of the amount recognized or disclosed in the financial statements for an accounting estimate may not be an indicator of its estimation uncertainty.

A49. In some circumstances, the estimation uncertainty is so high that a reasonable accounting estimate cannot be made. The applicable financial reporting framework may, therefore, preclude recognition of the item in the financial statements, or its measurement at fair value. In such cases, the significant risks relate not only to whether an accounting estimate should be recognized, or whether it should be measured at fair value, but also to the adequacy of the disclosures. With respect to such accounting estimates, the applicable financial reporting framework may require disclosure of the accounting estimates and the high estimation uncertainty associated with them (see paragraphs A120-A123).

- A50. If the auditor determines that an accounting estimate gives rise to a significant risk, the auditor is required to obtain an understanding of the entity's controls, including control activities.¹³
- A51. In some cases, the estimation uncertainty of an accounting estimate may cast significant doubt about the entity's ability to continue as a going concern. ISA 570¹⁴ establishes requirements and provides guidance in such circumstances.

Responses to the Assessed Risks of Material Misstatement (Ref: Para. 12)

- A52. ISA 330 requires the auditor to design and perform audit procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement in relation to accounting estimates at both the financial statement and assertion levels.¹⁵ Paragraphs A53-A115 focus on specific responses at the assertion level only.

Application of the Requirements of the Applicable Financial Reporting Framework
(Ref: Para. 12(a))

- A53. Many financial reporting frameworks prescribe certain conditions for the recognition of accounting estimates and specify the methods for making them and required disclosures. Such requirements may be complex and require the application of judgment. Based on the understanding obtained in performing risk assessment procedures, the requirements of the applicable financial reporting framework that may be susceptible to misapplication or differing interpretations become the focus of the auditor's attention.
- A54. Determining whether management has appropriately applied the requirements of the applicable financial reporting framework is based, in part, on the auditor's understanding of the entity and its environment. For example, the measurement of the fair value of some items, such as intangible assets acquired in a business combination, may involve special considerations that are affected by the nature of the entity and its operations.
- A55. In some situations, additional audit procedures, such as the inspection by the auditor of the current physical condition of an asset, may be necessary to determine whether management has appropriately applied the requirements of the applicable financial reporting framework.
- A56. The application of the requirements of the applicable financial reporting framework requires management to consider changes in the environment or circumstances that affect the entity. For example, the introduction of an active

¹³ ISA 315, paragraph 29.

¹⁴ ISA 570, "Going Concern."

¹⁵ ISA 330, paragraphs 5-6.

market for a particular class of asset or liability may indicate that the use of discounted cash flows to estimate the fair value of such asset or liability is no longer appropriate.

Consistency in Methods and Basis for Changes (Ref: Para. 12(b))

- A57. The auditor's consideration of a change in an accounting estimate, or in the method for making it from the prior period, is important because a change that is not based on a change in circumstances or new information is considered arbitrary. Arbitrary changes in an accounting estimate result in inconsistent financial statements over time and may give rise to a financial statement misstatement or be an indicator of possible management bias.
- A58. Management often is able to demonstrate good reason for a change in an accounting estimate or the method for making an accounting estimate from one period to another based on a change in circumstances. What constitutes a good reason, and the adequacy of support for management's contention that there has been a change in circumstances that warrants a change in an accounting estimate or the method for making an accounting estimate, are matters of judgment.

Responses to the Assessed Risks of Material Misstatements (Ref: Para. 13)

- A59. The auditor's decision as to which response, individually or in combination, in paragraph 13 to undertake to respond to the risks of material misstatement may be influenced by such matters as:
- The nature of the accounting estimate, including whether it arises from routine or non routine transactions.
 - Whether the procedure(s) is expected to effectively provide the auditor with sufficient appropriate audit evidence.
 - The assessed risk of material misstatement, including whether the assessed risk is a significant risk.
- A60. For example, when evaluating the reasonableness of the allowance for doubtful accounts, an effective procedure for the auditor may be to review subsequent cash collections in combination with other procedures. Where the estimation uncertainty associated with an accounting estimate is high, for example, an accounting estimate based on a proprietary model for which there are unobservable inputs, it may be that a combination of the responses to assessed risks in paragraph 13 is necessary in order to obtain sufficient appropriate audit evidence.
- A61. Additional guidance explaining the circumstances in which each of the responses may be appropriate is provided in paragraphs A62-A95.

Events Occurring Up to the Date of the Auditor's Report (Ref: Para. 13(a))

- A62. Determining whether events occurring up to the date of the auditor's report provide audit evidence regarding the accounting estimate may be an appropriate response when such events are expected to:
- Occur; and
 - Provide audit evidence that confirms or contradicts the accounting estimate.
- A63. Events occurring up to the date of the auditor's report may sometimes provide sufficient appropriate audit evidence about an accounting estimate. For example, sale of the complete inventory of a superseded product shortly after the period end may provide audit evidence relating to the estimate of its net realizable value. In such cases, there may be no need to perform additional audit procedures on the accounting estimate, provided that sufficient appropriate evidence about the events is obtained.
- A64. For some accounting estimates, events occurring up to the date of the auditor's report are unlikely to provide audit evidence regarding the accounting estimate. For example, the conditions or events relating to some accounting estimates develop only over an extended period. Also, because of the measurement objective of fair value accounting estimates, information after the period-end may not reflect the events or conditions existing at the balance sheet date and therefore may not be relevant to the measurement of the fair value accounting estimate. Paragraph 13 identifies other responses to the risks of material misstatement that the auditor may undertake.
- A65. In some cases, events that contradict the accounting estimate may indicate that management has ineffective processes for making accounting estimates, or that there is management bias in the making of accounting estimates.
- A66. Even though the auditor may decide not to undertake this approach in respect of specific accounting estimates, the auditor is required to comply with ISA 560.¹⁶ The auditor is required to perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified¹⁷ and appropriately reflected in the financial statements.¹⁸ Because the measurement of many accounting estimates, other than fair value accounting estimates, usually depends on the outcome of future conditions, transactions or events, the auditor's work under ISA 560 is particularly relevant.

¹⁶ ISA 560, "Subsequent Events."

¹⁷ ISA 560, paragraph 6.

¹⁸ ISA 560, paragraph 8.

Considerations specific to smaller entities

- A67. When there is a longer period between the balance sheet date and the date of the auditor's report, the auditor's review of events in this period may be an effective response for accounting estimates other than fair value accounting estimates. This may particularly be the case in some smaller owner-managed entities, especially when management does not have formalized control procedures over accounting estimates.

Testing How Management Made the Accounting Estimate (Ref: Para. 13(b))

- A68. Testing how management made the accounting estimate and the data on which it is based may be an appropriate response when the accounting estimate is a fair value accounting estimate developed on a model that uses observable and unobservable inputs. It may also be appropriate when, for example:

- The accounting estimate is derived from the routine processing of data by the entity's accounting system.
- The auditor's review of similar accounting estimates made in the prior period financial statements suggests that management's current period process is likely to be effective.
- The accounting estimate is based on a large population of items of a similar nature that individually are not significant.

- A69. Testing how management made the accounting estimate may involve, for example:

- Testing the extent to which data on which the accounting estimate is based is accurate, complete and relevant, and whether the accounting estimate has been properly determined using such data and management assumptions.
- Considering the source, relevance and reliability of external data or information, including that received from external experts engaged by management to assist in making an accounting estimate.
- Recalculating the accounting estimate, and reviewing information about an accounting estimate for internal consistency.
- Considering management's review and approval processes.

Considerations specific to smaller entities

- A70. In smaller entities, the process for making accounting estimates is likely to be less structured than in larger entities. Smaller entities with active management involvement may not have extensive descriptions of accounting procedures, sophisticated accounting records, or written policies. Even if the entity has no

formal established process, it does not mean that management is not able to provide a basis upon which the auditor can test the accounting estimate.

Evaluating the method of measurement (Ref: Para. 13(b)(i))

- A71. When the applicable financial reporting framework does not prescribe the method of measurement, evaluating whether the method used, including any applicable model, is appropriate in the circumstances is a matter of professional judgment.
- A72. For this purpose, matters that the auditor may consider include, for example, whether:
- Management's rationale for the method selected is reasonable.
 - Management has sufficiently evaluated and appropriately applied the criteria, if any, provided in the applicable financial reporting framework to support the selected method.
 - The method is appropriate in the circumstances given the nature of the asset or liability being estimated and the requirements of the applicable financial reporting framework relevant to accounting estimates.
 - The method is appropriate in relation to the business, industry and environment in which the entity operates.
- A73. In some cases, management may have determined that different methods result in a range of significantly different estimates. In such cases, obtaining an understanding of how the entity has investigated the reasons for these differences may assist the auditor in evaluating the appropriateness of the method selected.

Evaluating the use of models

- A74. In some cases, particularly when making fair value accounting estimates, management may use a model. Whether the model used is appropriate in the circumstances may depend on a number of factors, such as the nature of the entity and its environment, including the industry in which it operates, and the specific asset or liability being measured.
- A75. The extent to which the following considerations are relevant depends on the circumstances, including whether the model is one that is commercially available for use in a particular sector or industry, or a proprietary model. In some cases, an entity may use an expert to develop and test a model.
- A76. Depending on the circumstances, matters that the auditor may also consider in testing the model include, for example, whether:

- The model is validated prior to usage, with periodic reviews to ensure it is still suitable for its intended use. The entity's validation process may include evaluation of:
 - The model's theoretical soundness and mathematical integrity, including the appropriateness of model parameters.
 - The consistency and completeness of the model's inputs with market practices.
 - The model's output as compared to actual transactions.
- Appropriate change control policies and procedures exist.
- The model is periodically calibrated and tested for validity, particularly when inputs are subjective.
- Adjustments are made to the output of the model, including in the case of fair value accounting estimates, whether such adjustments reflect the assumptions marketplace participants would use in similar circumstances.
- The model is adequately documented, including the model's intended applications and limitations and its key parameters, required inputs, and results of any validation analysis performed.

Assumptions used by management (Ref: Para. 13(b)(ii))

- A77. The auditor's evaluation of the assumptions used by management is based only on information available to the auditor at the time of the audit. Audit procedures dealing with management assumptions are performed in the context of the audit of the entity's financial statements, and not for the purpose of providing an opinion on assumptions themselves.
- A78. Matters that the auditor may consider in evaluating the reasonableness of the assumptions used by management include, for example:
- Whether individual assumptions appear reasonable.
 - Whether the assumptions are interdependent and internally consistent.
 - Whether the assumptions appear reasonable when considered collectively or in conjunction with other assumptions, either for that accounting estimate or for other accounting estimates.
 - In the case of fair value accounting estimates, whether the assumptions appropriately reflect observable marketplace assumptions.
- A79. The assumptions on which accounting estimates are based may reflect what management expects will be the outcome of specific objectives and strategies. In such cases, the auditor may perform audit procedures to evaluate the

reasonableness of such assumptions by considering, for example, whether the assumptions are consistent with:

- The general economic environment and the entity's economic circumstances.
- The plans of the entity.
- Assumptions made in prior periods, if relevant.
- Experience of, or previous conditions experienced by, the entity, to the extent this historical information may be considered representative of future conditions or events.
- Other assumptions used by management relating to the financial statements.

A80. The reasonableness of the assumptions used may depend on management's intent and ability to carry out certain courses of action. Management often documents plans and intentions relevant to specific assets or liabilities and the financial reporting framework may require it to do so. Although the extent of audit evidence to be obtained about management's intent and ability is a matter of professional judgment, the auditor's procedures may include the following:

- Review of management's history of carrying out its stated intentions.
- Review of written plans and other documentation, including, where applicable, formally approved budgets, authorizations or minutes.
- Inquiry of management about its reasons for a particular course of action.
- Review of events occurring subsequent to the date of the financial statements and up to the date of the auditor's report.
- Evaluation of the entity's ability to carry out a particular course of action given the entity's economic circumstances, including the implications of its existing commitments.

Certain financial reporting frameworks, however, may not permit management's intentions or plans to be taken into account when making an accounting estimate. This is often the case for fair value accounting estimates because their measurement objective requires that assumptions reflect those used by marketplace participants.

A81. Matters that the auditor may consider in evaluating the reasonableness of assumptions used by management underlying fair value accounting estimates, in addition to those discussed above where applicable, may include, for example:

- Where relevant, whether and, if so, how management has incorporated market-specific inputs into the development of assumptions.

- Whether the assumptions are consistent with observable market conditions, and the characteristics of the asset or liability being measured at fair value.
- Whether the sources of market-participant assumptions are relevant and reliable, and how management has selected the assumptions to use when a number of different market participant assumptions exist.
- Where appropriate, whether and, if so, how management considered assumptions used in, or information about, comparable transactions, assets or liabilities.

A82. Further, fair value accounting estimates may comprise observable inputs as well as unobservable inputs. Where fair value accounting estimates are based on unobservable inputs, matters that the auditor may consider include, for example, how management supports the following:

- The identification of the characteristics of marketplace participants relevant to the accounting estimate.
- Modifications it has made to its own assumptions to reflect its view of assumptions marketplace participants would use.
- Whether it has incorporated the best information available in the circumstances.
- Where applicable, how its assumptions take account of comparable transactions, assets or liabilities.

If there are unobservable inputs, it is more likely that the auditor's evaluation of the assumptions will need to be combined with other responses to assessed risks in paragraph 13 in order to obtain sufficient appropriate audit evidence. In such cases, it may be necessary for the auditor to perform other audit procedures, for example, examining documentation supporting the review and approval of the accounting estimate by appropriate levels of management and, where appropriate, by those charged with governance.

A83. In evaluating the reasonableness of the assumptions supporting an accounting estimate, the auditor may identify one or more significant assumptions. If so, it may indicate that the accounting estimate has high estimation uncertainty and may, therefore, give rise to a significant risk. Additional responses to significant risks are described in paragraphs A102-A115.

Testing the Operating Effectiveness of Controls (Ref: Para. 13(c))

A84. Testing the operating effectiveness of the controls over how management made the accounting estimate may be an appropriate response when management's process has been well-designed, implemented and maintained, for example:

- Controls exist for the review and approval of the accounting estimates by appropriate levels of management and, where appropriate, by those charged with governance.
- The accounting estimate is derived from the routine processing of data by the entity's accounting system.

A85. Testing the operating effectiveness of the controls is required when:

- (a) The auditor's assessment of risks of material misstatement at the assertion level includes an expectation that controls over the process are operating effectively; or
- (b) Substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level.¹⁹

Considerations specific to smaller entities

A86. Controls over the process to make an accounting estimate may exist in smaller entities, but the formality with which they operate varies. Further, smaller entities may determine that certain types of controls are not necessary because of active management involvement in the financial reporting process. In the case of very small entities, however, there may not be many controls that the auditor can identify. For this reason, the auditor's response to the assessed risks is likely to be substantive in nature, with the auditor performing one or more of the other responses in paragraph 13.

Developing a Point Estimate or Range (Ref: Para. 13(d))

A87. Developing a point estimate or a range to evaluate management's point estimate may be an appropriate response where, for example:

- An accounting estimate is not derived from the routine processing of data by the accounting system.
- The auditor's review of similar accounting estimates made in the prior period financial statements suggests that management's current period process is unlikely to be effective.
- The entity's controls within and over management's processes for determining accounting estimates are not well designed or properly implemented.
- Events or transactions between the period end and the date of the auditor's report contradict management's point estimate.

¹⁹ ISA 330, paragraph 8.

- There are alternative sources of relevant data available to the auditor which can be used in making a point estimate or a range.
- A88. Even where the entity's controls are well designed and properly implemented, developing a point estimate or a range may be an effective or efficient response to the assessed risks. In other situations, the auditor may consider this approach as part of determining whether further procedures are necessary and, if so, their nature and extent.
- A89. The approach taken by the auditor in developing either a point estimate or a range may vary based on what is considered most effective in the circumstances. For example, the auditor may initially develop a preliminary point estimate, and then assess its sensitivity to changes in assumptions to ascertain a range with which to evaluate management's point estimate. Alternatively, the auditor may begin by developing a range for purposes of determining, where possible, a point estimate.
- A90. The ability of the auditor to make a point estimate, as opposed to a range, depends on several factors, including the model used, the nature and extent of data available and the estimation uncertainty involved with the accounting estimate. Further, the decision to develop a point estimate or range may be influenced by the applicable financial reporting framework, which may prescribe the point estimate that is to be used after consideration of the alternative outcomes and assumptions, or prescribe a specific measurement method (for example, the use of a discounted probability-weighted expected value).
- A91. The auditor may develop a point estimate or a range in a number of ways, for example, by:
- Using a model, for example, one that is commercially available for use in a particular sector or industry, or a proprietary or auditor-developed model.
 - Further developing management's consideration of alternative assumptions or outcomes, for example, by introducing a different set of assumptions.
 - Employing or engaging a person with specialized expertise to develop or execute the model, or to provide relevant assumptions.
 - Making reference to other comparable conditions, transactions or events, or, where relevant, markets for comparable assets or liabilities.

Understanding Management's Assumptions or Method (Ref: Para. 13(d)(i))

- A92. When the auditor makes a point estimate or a range and uses assumptions or a method different from those used by management, paragraph 13(d)(i) requires the auditor to obtain a sufficient understanding of the assumptions or method used by management in making the accounting estimate. This understanding

provides the auditor with information that may be relevant to the auditor's development of an appropriate point estimate or range. Further, it assists the auditor to understand and evaluate any significant differences from management's point estimate. For example, a difference may arise because the auditor used different, but equally valid, assumptions as compared with those used by management. This may reveal that the accounting estimate is highly sensitive to certain assumptions and therefore subject to high estimation uncertainty, indicating that the accounting estimate may be a significant risk. Alternatively, a difference may arise as a result of a factual error made by management. Depending on the circumstances, the auditor may find it helpful in drawing conclusions to discuss with management the basis for the assumptions used and their validity, and the difference, if any, in the approach taken to making the accounting estimate.

Narrowing a Range (Ref: Para. 13(d)(ii))

- A93. When the auditor concludes that it is appropriate to use a range to evaluate the reasonableness of management's point estimate (the auditor's range), paragraph 13(d)(ii) requires that range to encompass all "reasonable outcomes" rather than all possible outcomes. The range cannot be one that comprises all possible outcomes if it is to be useful, as such a range would be too wide to be effective for purposes of the audit. The auditor's range is useful and effective when it is sufficiently narrow to enable the auditor to conclude whether the accounting estimate is misstated.
- A94. Ordinarily, a range that has been narrowed to be equal to or less than performance materiality is adequate for the purposes of evaluating the reasonableness of management's point estimate. However, particularly in certain industries, it may not be possible to narrow the range to below such an amount. This does not necessarily preclude recognition of the accounting estimate. It may indicate, however, that the estimation uncertainty associated with the accounting estimate is such that it gives rise to a significant risk. Additional responses to significant risks are described in paragraphs A102-A115.
- A95. Narrowing the range to a position where all outcomes within the range are considered reasonable may be achieved by:
- (a) Eliminating from the range those outcomes at the extremities of the range judged by the auditor to be unlikely to occur; and
 - (b) Continuing to narrow the range, based on audit evidence available, until the auditor concludes that all outcomes within the range are considered reasonable. In some rare cases, the auditor may be able to narrow the range until the audit evidence indicates a point estimate.

Considering whether Specialized Skills or Knowledge Are Required (Ref: Para. 14)

- A96. In planning the audit, the auditor is required to ascertain the nature, timing and extent of resources necessary to perform the audit engagement.²⁰ This may include, as necessary, the involvement of those with specialized skills or knowledge. In addition, ISA 220 requires the engagement partner to be satisfied that the engagement team, and any auditor's external experts who are not part of the engagement team, collectively have the appropriate competence and capabilities to perform the audit engagement.²¹ During the course of the audit of accounting estimates the auditor may identify, in light of the experience of the auditor and the circumstances of the engagement, the need for specialized skills or knowledge to be applied in relation to one or more aspects of the accounting estimates.
- A97. Matters that may affect the auditor's consideration of whether specialized skills or knowledge is required include, for example:
- The nature of the underlying asset, liability or component of equity in a particular business or industry (for example, mineral deposits, agricultural assets, complex financial instruments).
 - A high degree of estimation uncertainty.
 - Complex calculations or specialized models are involved, for example, when estimating fair values when there is no observable market.
 - The complexity of the requirements of the applicable financial reporting framework relevant to accounting estimates, including whether there are areas known to be subject to differing interpretation or practice is inconsistent or developing.
 - The procedures the auditor intends to undertake in responding to assessed risks.
- A98. For the majority of accounting estimates, even when there is estimation uncertainty, it is unlikely that specialized skills or knowledge will be required. For example, it is unlikely that specialized skills or knowledge would be necessary for an auditor to evaluate an allowance for doubtful accounts.
- A99. However, the auditor may not possess the specialized skills or knowledge required when the matter involved is in a field other than accounting or auditing and may need to obtain it from an auditor's expert. ISA 620²² establishes requirements and provides guidance in determining the need to

²⁰ ISA 300, "Planning an Audit of Financial Statements," paragraph 8(e).

²¹ ISA 220, "Quality Control for an Audit of Financial Statements," paragraph 14.

²² ISA 620, "Using the Work of an Auditor's Expert."

employ or engage an auditor's expert and the auditor's responsibilities when using the work of an auditor's expert.

A100. Further, in some cases, the auditor may conclude that it is necessary to obtain specialized skills or knowledge related to specific areas of accounting or auditing. Individuals with such skills or knowledge may be employed by the auditor's firm or engaged from an external organization outside of the auditor's firm. Where such individuals perform audit procedures on the engagement, they are part of the engagement team and accordingly, they are subject to the requirements in ISA 220.

A101. Depending on the auditor's understanding and experience of working with the auditor's expert or those other individuals with specialized skills or knowledge, the auditor may consider it appropriate to discuss matters such as the requirements of the applicable financial reporting framework with the individuals involved to establish that their work is relevant for audit purposes.

Further Substantive Procedures to Respond to Significant Risks (Ref: Para. 15)

A102. In auditing accounting estimates that give rise to significant risks, the auditor's further substantive procedures are focused on the evaluation of:

- (a) How management has assessed the effect of estimation uncertainty on the accounting estimate, and the effect such uncertainty may have on the appropriateness of the recognition of the accounting estimate in the financial statements; and
- (b) The adequacy of related disclosures.

Estimation Uncertainty

Management's Consideration of Estimation Uncertainty (Ref: Para. 15(a))

A103. Management may evaluate alternative assumptions or outcomes of the accounting estimates through a number of methods, depending on the circumstances. One possible method used by management is to undertake a sensitivity analysis. This might involve determining how the monetary amount of an accounting estimate varies with different assumptions. Even for accounting estimates measured at fair value there can be variation because different market participants will use different assumptions. A sensitivity analysis could lead to the development of a number of outcome scenarios, sometimes characterized as a range of outcomes by management, such as "pessimistic" and "optimistic" scenarios.

A104. A sensitivity analysis may demonstrate that an accounting estimate is not sensitive to changes in particular assumptions. Alternatively, it may demonstrate that the accounting estimate is sensitive to one or more assumptions that then become the focus of the auditor's attention.

A105. This is not intended to suggest that one particular method of addressing estimation uncertainty (such as sensitivity analysis) is more suitable than another, or that management's consideration of alternative assumptions or outcomes needs to be conducted through a detailed process supported by extensive documentation. Rather, it is whether management has assessed how estimation uncertainty may affect the accounting estimate that is important, not the specific manner in which it is done. Accordingly, where management has not considered alternative assumptions or outcomes, it may be necessary for the auditor to discuss with management, and request support for, how it has addressed the effects of estimation uncertainty on the accounting estimate.

Considerations specific to smaller entities

A106. Smaller entities may use simple means to assess the estimation uncertainty. In addition to the auditor's review of available documentation, the auditor may obtain other audit evidence of management consideration of alternative assumptions or outcomes by inquiry of management. In addition, management may not have the expertise to consider alternative outcomes or otherwise address the estimation uncertainty of the accounting estimate. In such cases, the auditor may explain to management the process or the different methods available for doing so, and the documentation thereof. This would not, however, change the responsibilities of management for the preparation of the financial statements.

Significant Assumptions (Ref: Para. 15(b))

A107. An assumption used in making an accounting estimate may be deemed to be significant if a reasonable variation in the assumption would materially affect the measurement of the accounting estimate.

A108. Support for significant assumptions derived from management's knowledge may be obtained from management's continuing processes of strategic analysis and risk management. Even without formal established processes, such as may be the case in smaller entities, the auditor may be able to evaluate the assumptions through inquiries of and discussions with management, along with other audit procedures in order to obtain sufficient appropriate audit evidence.

A109. The auditor's considerations in evaluating assumptions made by management are described in paragraphs A77-A83.

Management Intent and Ability (Ref: Para. 15(c))

A110. The auditor's considerations in relation to assumptions made by management and management's intent and ability are described in paragraphs A13 and A80.

Development of a Range (Ref: Para. 16)

A111. In preparing the financial statements, management may be satisfied that it has adequately addressed the effects of estimation uncertainty on the accounting estimates that give rise to significant risks. In some circumstances, however, the auditor may view the efforts of management as inadequate. This may be the case, for example, where, in the auditor's judgment:

- Sufficient appropriate audit evidence could not be obtained through the auditor's evaluation of how management has addressed the effects of estimation uncertainty.
- It is necessary to explore further the degree of estimation uncertainty associated with an accounting estimate, for example, where the auditor is aware of wide variation in outcomes for similar accounting estimates in similar circumstances.
- It is unlikely that other audit evidence can be obtained, for example, through the review of events occurring up to the date of the auditor's report.
- Indicators of management bias in the making of accounting estimates may exist.

A112. The auditor's considerations in determining a range for this purpose are described in paragraphs A87-A95.

*Recognition and Measurement Criteria**Recognition of the Accounting Estimates in the Financial Statements (Ref: Para. 17(a))*

A113. Where management has recognized an accounting estimate in the financial statements, the focus of the auditor's evaluation is on whether the measurement of the accounting estimate is sufficiently reliable to meet the recognition criteria of the applicable financial reporting framework.

A114. With respect to accounting estimates that have not been recognized, the focus of the auditor's evaluation is on whether the recognition criteria of the applicable financial reporting framework have in fact been met. Even where an accounting estimate has not been recognized, and the auditor concludes that this treatment is appropriate, there may be a need for disclosure of the circumstances in the notes to the financial statements. The auditor may also determine that there is a need to draw the reader's attention to a significant uncertainty by adding an Emphasis of Matter paragraph to the auditor's report. ISA 706²³ establishes requirements and provides guidance concerning such paragraphs.

²³ ISA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report."

Measurement Basis for the Accounting Estimates (Ref: Para. 17(b))

A115. With respect to fair value accounting estimates, some financial reporting frameworks presume that fair value can be measured reliably as a prerequisite to either requiring or permitting fair value measurements and disclosures. In some cases, this presumption may be overcome when, for example, there is no appropriate method or basis for measurement. In such cases, the focus of the auditor's evaluation is on whether management's basis for overcoming the presumption relating to the use of fair value set forth under the applicable financial reporting framework is appropriate.

Evaluating the Reasonableness of the Accounting Estimates, and Determining Misstatements (Ref: Para. 18)

A116. Based on the audit evidence obtained, the auditor may conclude that the evidence points to an accounting estimate that differs from management's point estimate. Where the audit evidence supports a point estimate, the difference between the auditor's point estimate and management's point estimate constitutes a misstatement. Where the auditor has concluded that using the auditor's range provides sufficient appropriate audit evidence, a management point estimate that lies outside the auditor's range would not be supported by audit evidence. In such cases, the misstatement is no less than the difference between management's point estimate and the nearest point of the auditor's range.

A117. Where management has changed an accounting estimate, or the method in making it, from the prior period based on a subjective assessment that there has been a change in circumstances, the auditor may conclude based on the audit evidence that the accounting estimate is misstated as a result of an arbitrary change by management, or may regard it as an indicator of possible management bias (see paragraphs A124-A125).

A118. ISA 450²⁴ provides guidance on distinguishing misstatements for purposes of the auditor's evaluation of the effect of uncorrected misstatements on the financial statements. In relation to accounting estimates, a misstatement, whether caused by fraud or error, may arise as a result of:

- Misstatements about which there is no doubt (factual misstatements).
- Differences arising from management's judgments concerning accounting estimates that the auditor considers unreasonable, or the selection or application of accounting policies that the auditor considers inappropriate (judgmental misstatements).
- The auditor's best estimate of misstatements in populations, involving the projection of misstatements identified in audit samples to the entire

²⁴ ISA 450, "Evaluation of Misstatements Identified during the Audit."

populations from which the samples were drawn (projected misstatements).

In some cases involving accounting estimates, a misstatement could arise as a result of a combination of these circumstances, making separate identification difficult or impossible.

- A119. Evaluating the reasonableness of accounting estimates and related disclosures included in the notes to the financial statements, whether required by the applicable financial reporting framework or disclosed voluntarily, involves essentially the same types of considerations applied when auditing an accounting estimate recognized in the financial statements.

Disclosures Related to Accounting Estimates

Disclosures in Accordance with the Applicable Financial Reporting Framework (Ref: Para. 19)

- A120. The presentation of financial statements in accordance with the applicable financial reporting framework includes adequate disclosure of material matters. The applicable financial reporting framework may permit, or prescribe, disclosures related to accounting estimates, and some entities may disclose voluntarily additional information in the notes to the financial statements. These disclosures may include, for example:

- The assumptions used.
- The method of estimation used, including any applicable model.
- The basis for the selection of the method of estimation.
- The effect of any changes to the method of estimation from the prior period.
- The sources and implications of estimation uncertainty.

Such disclosures are relevant to users in understanding the accounting estimates recognized or disclosed in the financial statements, and sufficient appropriate audit evidence needs to be obtained about whether the disclosures are in accordance with the requirements of the applicable financial reporting framework.

- A121. In some cases, the applicable financial reporting framework may require specific disclosures regarding uncertainties. For example, some financial reporting frameworks prescribe:

- The disclosure of key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. Such requirements may be described using terms such as “Key Sources of Estimation Uncertainty” or “Critical Accounting Estimates.”

- The disclosure of the range of possible outcomes, and the assumptions used in determining the range.
- The disclosure of information regarding the significance of fair value accounting estimates to the entity's financial position and performance.
- Qualitative disclosures such as the exposures to risk and how they arise, the entity's objectives, policies and procedures for managing the risk and the methods used to measure the risk and any changes from the previous period of these qualitative concepts.
- Quantitative disclosures such as the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel, including credit risk, liquidity risk and market risk.

Disclosures of Estimation Uncertainty for Accounting Estimates that Give Rise to Significant Risks (Ref: Para. 20)

A122. In relation to accounting estimates having significant risk, even where the disclosures are in accordance with the applicable financial reporting framework, the auditor may conclude that the disclosure of estimation uncertainty is inadequate in light of the circumstances and facts involved. The auditor's evaluation of the adequacy of disclosure of estimation uncertainty increases in importance the greater the range of possible outcomes of the accounting estimate is in relation to materiality (see related discussion in paragraph A94).

A123. In some cases, the auditor may consider it appropriate to encourage management to describe, in the notes to the financial statements, the circumstances relating to the estimation uncertainty. ISA 705²⁵ provides guidance on the implications for the auditor's opinion when the auditor believes that management's disclosure of estimation uncertainty in the financial statements is inadequate or misleading.

Indicators of Possible Management Bias (Ref: Para. 21)

A124. During the audit, the auditor may become aware of judgments and decisions made by management which give rise to indicators of possible management bias. Such indicators may affect the auditor's conclusion as to whether the auditor's risk assessment and related responses remain appropriate, and the auditor may need to consider the implications for the rest of the audit. Further, they may affect the auditor's evaluation of whether the financial statements as a whole are free from material misstatement, as discussed in ISA 700.²⁶

²⁵ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

²⁶ ISA 700, "Forming an Opinion and Reporting on Financial Statements."

A125. Examples of indicators of possible management bias with respect to accounting estimates include:

- Changes in an accounting estimate, or the method for making it, where management has made a subjective assessment that there has been a change in circumstances.
- Use of an entity's own assumptions for fair value accounting estimates when they are inconsistent with observable marketplace assumptions.
- Selection or construction of significant assumptions that yield a point estimate favorable for management objectives.
- Selection of a point estimate that may indicate a pattern of optimism or pessimism.

Written Representations (Ref: Para. 22)

A126. ISA 580²⁷ discusses the use of written representations. Depending on the nature, materiality and extent of estimation uncertainty, written representations about accounting estimates recognized or disclosed in the financial statements may include representations:

- About the appropriateness of the measurement processes, including related assumptions and models, used by management in determining accounting estimates in the context of the applicable financial reporting framework, and the consistency in application of the processes.
- That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That disclosures related to accounting estimates are complete and appropriate under the applicable financial reporting framework.
- That no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

A127. For those accounting estimates not recognized or disclosed in the financial statements, written representations may also include representations about:

- The appropriateness of the basis used by management for determining that the recognition or disclosure criteria of the applicable financial reporting framework have not been met (see paragraph A114).
- The appropriateness of the basis used by management to overcome the presumption relating to the use of fair value set forth under the entity's

²⁷ ISA 580, "Written Representations."

applicable financial reporting framework, for those accounting estimates not measured or disclosed at fair value (see paragraph A115).

Documentation (Ref: Para. 23)

A128. Documentation of indicators of possible management bias identified during the audit assists the auditor in concluding whether the auditor's risk assessment and related responses remain appropriate, and in evaluating whether the financial statements as a whole are free from material misstatement. See paragraph A125 for examples of indicators of possible management bias.

Appendix

(Ref: Para. A1)

Fair Value Measurements and Disclosures under Different Financial Reporting Frameworks

The purpose of this appendix is only to provide a general discussion of fair value measurements and disclosures under different financial reporting frameworks, for background and context.

1. Different financial reporting frameworks require or permit a variety of fair value measurements and disclosures in financial statements. They also vary in the level of guidance that they provide on the basis for measuring assets and liabilities or the related disclosures. Some financial reporting frameworks give prescriptive guidance, others give general guidance, and some give no guidance at all. In addition, certain industry-specific measurement and disclosure practices for fair values also exist.
2. Definitions of fair value may differ among financial reporting frameworks, or for different assets, liabilities or disclosures within a particular framework. For example, International Accounting Standard (IAS) 39²⁸ defines fair value as “the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.” The concept of fair value ordinarily assumes a current transaction, rather than settlement at some past or future date. Accordingly, the process of measuring fair value would be a search for the estimated price at which that transaction would occur. Additionally, different financial reporting frameworks may use such terms as “entity-specific value,” “value in use,” or similar terms, but may still fall within the concept of fair value in this ISA.
3. Financial reporting frameworks may treat changes in fair value measurements that occur over time in different ways. For example, a particular financial reporting framework may require that changes in fair value measurements of certain assets or liabilities be reflected directly in equity, while such changes might be reflected in income under another framework. In some frameworks, the determination of whether to use fair value accounting or how it is applied is influenced by management’s intent to carry out certain courses of action with respect to the specific asset or liability.
4. Different financial reporting frameworks may require certain specific fair value measurements and disclosures in financial statements and prescribe or permit them in varying degrees. The financial reporting frameworks may:

²⁸ IAS 39, “Financial Instruments: Recognition and Measurement.”

- Prescribe measurement, presentation and disclosure requirements for certain information included in the financial statements or for information disclosed in notes to financial statements or presented as supplementary information;
 - Permit certain measurements using fair values at the option of an entity or only when certain criteria have been met;
 - Prescribe a specific method for determining fair value, for example, through the use of an independent appraisal or specified ways of using discounted cash flows;
 - Permit a choice of method for determining fair value from among several alternative methods (the criteria for selection may or may not be provided by the financial reporting framework); or
 - Provide no guidance on the fair value measurements or disclosures of fair value other than their use being evident through custom or practice, for example, an industry practice.
5. Some financial reporting frameworks presume that fair value can be measured reliably for assets or liabilities as a prerequisite to either requiring or permitting fair value measurements or disclosures. In some cases, this presumption may be overcome when an asset or liability does not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable. Some financial reporting frameworks may specify a fair value hierarchy that distinguishes inputs for use in arriving at fair values ranging from those that involve clearly “observable inputs” based on quoted prices and active markets and those “unobservable inputs” that involve an entity’s own judgments about assumptions that marketplace participants would use.
6. Some financial reporting frameworks require certain specified adjustments or modifications to valuation information, or other considerations unique to a particular asset or liability. For example, accounting for investment properties may require adjustments to be made to an appraised market value, such as adjustments for estimated closing costs on sale, adjustments related to the property’s condition and location, and other matters. Similarly, if the market for a particular asset is not an active market, published price quotations may have to be adjusted or modified to arrive at a more suitable measure of fair value. For example, quoted market prices may not be indicative of fair value if there is infrequent activity in the market, the market is not well established, or small volumes of units are traded relative to the aggregate number of trading units in existence. Accordingly, such market prices may have to be adjusted or modified. Alternative sources of market information may be needed to make such adjustments or modifications. Further, in some cases, collateral assigned (for example, when collateral is assigned for certain types of investment in

debt) may need to be considered in determining the fair value or possible impairment of an asset or liability.

7. In most financial reporting frameworks, underlying the concept of fair value measurements is a presumption that the entity is a going concern without any intention or need to liquidate, curtail materially the scale of its operations, or undertake a transaction on adverse terms. Therefore, in this case, fair value would not be the amount that an entity would receive or pay in a forced transaction, involuntary liquidation, or distress sale. On the other hand, general economic conditions or economic conditions specific to certain industries may cause illiquidity in the marketplace and require fair values to be predicated upon depressed prices, potentially significantly depressed prices. An entity, however, may need to take its current economic or operating situation into account in determining the fair values of its assets and liabilities if prescribed or permitted to do so by its financial reporting framework and such framework may or may not specify how that is done. For example, management's plan to dispose of an asset on an accelerated basis to meet specific business objectives may be relevant to the determination of the fair value of that asset.

Prevalence of Fair Value Measurements

8. Measurements and disclosures based on fair value are becoming increasingly prevalent in financial reporting frameworks. Fair values may occur in, and affect the determination of, financial statements in a number of ways, including the measurement at fair value of the following:
 - Specific assets or liabilities, such as marketable securities or liabilities to settle an obligation under a financial instrument, routinely or periodically "marked-to-market."
 - Specific components of equity, for example when accounting for the recognition, measurement and presentation of certain financial instruments with equity features, such as a bond convertible by the holder into common shares of the issuer.
 - Specific assets or liabilities acquired in a business combination. For example, the initial determination of goodwill arising on the purchase of an entity in a business combination usually is based on the fair value measurement of the identifiable assets and liabilities acquired and the fair value of the consideration given.
 - Specific assets or liabilities adjusted to fair value on a one-time basis. Some financial reporting frameworks may require the use of a fair value measurement to quantify an adjustment to an asset or a group of assets as part of an asset impairment determination, for example, a test of impairment of goodwill acquired in a business combination based on the fair value of a defined operating entity or reporting unit, the value of

which is then allocated among the entity's or unit's group of assets and liabilities in order to derive an implied goodwill for comparison to the recorded goodwill.

- Aggregations of assets and liabilities. In some circumstances, the measurement of a class or group of assets or liabilities calls for an aggregation of fair values of some of the individual assets or liabilities in such class or group. For example, under an entity's applicable financial reporting framework, the measurement of a diversified loan portfolio might be determined based on the fair value of some categories of loans comprising the portfolio.
- Information disclosed in notes to financial statements or presented as supplementary information, but not recognized in the financial statements.

ISSAI 1550

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Directriz de auditoría financiera

Partes vinculadas

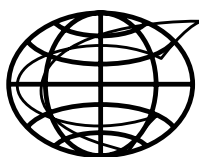
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 550, “Partes vinculadas”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1550

NOTA DE PRÁCTICA PARA LA NIA 550

Párrafo

Fundamentos

Introducción a la NIA

Contenido de la Nota de Práctica..... P1

Aplicabilidad de la NIA en la auditoría del sector público P2

Orientaciones adicionales sobre cuestiones ligadas al sector público P3

Consideraciones generales P4

Definiciones..... P5–P7

Procedimientos de evaluación de riesgos y actividades conexas P8–P10

Identificación y evaluación de los riesgos de incorrecciones materiales
debido a relaciones y operaciones mantenidas con partes vinculadas P11–P13Respuestas a los riesgos de incorrecciones materiales
debido a relaciones y operaciones mantenidas con partes vinculadas P14–P16

NORMA INTERNACIONAL DE AUDITORÍA 550

Introducción

Alcance de la NIA..... 1

Naturaleza de las relaciones y operaciones mantenidas con partes vinculadas..... 2

Obligaciones del auditor..... 3–7

Fecha de entrada en vigor 8

Objetivos 9

Definiciones..... 10

Exigencias

Procedimientos de evaluación de riesgos y actividades conexas..... 11–17

Identificación y evaluación de los riesgos de incorrecciones materiales
debido a relaciones y operaciones mantenidas con partes vinculadas 18–19Respuestas a los riesgos de incorrecciones materiales
debido a relaciones y operaciones mantenidas con partes vinculadas 20–24Evaluación de la contabilización e información de relaciones y operaciones mantenidas
con partes vinculadas..... 25

Manifestaciones escritas 26

Comunicación con los encargados de la gobernanza 27

Documentación 28

Disposiciones de aplicación y otras disposiciones explicativas	Párrafo
Obligaciones del auditor.....	A1–A3
Definición de parte vinculada.....	A4–A7
Procedimientos de evaluación de riesgos y actividades conexas.....	A8–A28
Identificación y evaluación de los riesgos de incorrecciones materiales debido a relaciones y operaciones mantenidas con partes vinculadas.....	A29–A30
Respuestas a los riesgos de incorrecciones materiales debido a relaciones y operaciones mantenidas con partes vinculadas.....	A31–A45
Evaluación de la contabilización e información de relaciones y operaciones mantenidas con partes vinculadas.....	A46–A47
Manifestaciones escritas.....	A48–A49
Comunicación con los encargados de la gobernanza.....	A50

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 550

Partes vinculadas

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 550, “Partes vinculadas” y debe leerse conjuntamente con ella. La NIA 550 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 550 establece las obligaciones del auditor con respecto a las relaciones y operaciones mantenidas con partes vinculadas y en concreto detalla la aplicación de la NIA 315, la NIA 330, y la NIA 240 en lo relativo a los riesgos de incorrecciones materiales en las relaciones y operaciones mantenidas con partes vinculadas.²

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Definiciones.
 - c) Procedimientos de evaluación de riesgos y actividades conexas.
 - d) Identificación y evaluación de riesgos de incorrecciones materiales debidas a las relaciones y operaciones mantenidas con partes vinculadas.
 - e) Respuestas a los riesgos de incorrecciones materiales debidas a las relaciones y operaciones mantenidas con partes vinculadas.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 550 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 Introducción general a las directrices de auditoría financiera de la INTOSAI.

² NIA 315, “Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno”. NIA 330, “Respuesta del auditor ante los riesgos evaluados.” y NIA 240, “Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros.”

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 550 contiene disposiciones de aplicación y otras disposiciones explicativas con consideraciones específicas a las entidades del sector público en el párrafo A8.

Consideraciones generales

- P4. Las entidades del sector público pueden estar sometidas además a restricciones específicas del alcance y la naturaleza de las operaciones que pueden mantener con partes vinculadas, restricciones consistentes en la prohibición de operaciones y prácticas que serían admisibles en las relaciones con partes vinculadas al margen del sector público.

Definiciones

- P5. El subpárrafo 10 b) de la NIA contiene una definición de parte vinculada, en la que el marco de información financiera aplicable establece o no exigencias mínimas en relación con ellas, incluidas las entidades sujetas a un control común. Los auditores del sector público tendrán presente que, según esta definición, no se consideran vinculadas las entidades sujetas al control común del Estado (es decir, las administraciones nacionales, regionales o locales) a menos que efectúen operaciones significativas o compartan recursos en medida considerable.
- P6. Los auditores del sector público examinarán si el hecho de excluir entidades sujetas al control común del Estado de la definición de partes vinculadas implica mayores riesgos al auditar las entidades del sector público. Por ejemplo, puede darse una situación en que un ministro controle una serie de entidades que no compartan recursos considerables ni efectúen operaciones significativas, pero en la que haya gran número de operaciones aparentemente insignificantes que tengan carácter irregular. Asimismo puede haber situaciones en las que se registren operaciones, cuando por ejemplo el ministro influye en una entidad para que no pague dividendos a otra entidad con la finalidad de incidir en el flujo de tesorería y las decisiones de asignación presupuestaria consiguientes.
- P7. Los auditores del sector público tendrán presente esta definición más amplia de parte vinculada cuando apliquen la NIA.

Procedimientos de evaluación de riesgos y actividades conexas

- P8. Para conocer las relaciones y operaciones mantenidas por la entidad del sector público con partes vinculadas, además de los procedimientos descritos en los párrafos 11 a 14 de la NIA, los auditores del sector público atenderán a los aspectos siguientes:
- La naturaleza jurídica y las exigencias reglamentarias de la entidad y sus partes vinculadas, es decir, si la entidad es un ministerio, un departamento administrativo, un organismo o cualquier otra modalidad de entidad pública.
 - La comprensión de las operaciones comerciales de entidades del sector público, adquirida en muchos casos mediante el conocimiento de los distintos tipos de actividades gubernamentales, entre las que figuran los correspondientes programas y las principales entidades contratadas para llevarlos a cabo.

- El sistema para controlar la entidad, admitiendo la probabilidad de que en el sector público ejerzan el control los encargados de la gobernanza en su calidad de representantes de los ciudadanos. La titularidad de las entidades del sector público puede no revestir la misma importancia que en el sector privado.
 - El conocimiento de las obligaciones de información de la entidad, incluidas las referentes a la notificación de las relaciones y operaciones mantenidas con partes vinculadas.
 - Otros reglamentos que incidan en la capacidad de las entidades del sector público para mantener actividades comerciales con partes vinculadas, como los referidos a la adjudicación de contratos públicos que pueden obligar a las entidades del sector público a demostrar que las operaciones con partes vinculadas se ajustan al principio de igualdad de trato.
- P9. En el sector público, el debate sobre la exposición de los estados financieros de la entidad al riesgo de incorrecciones materiales puede abarcar también los objetivos adicionales y los riesgos conexos de incorrecciones que se exponen en el párrafo A8 de la NIA. Los auditores del sector público pueden incluir también en este debate a auditores que lleven a cabo auditorías de rendimiento, u otras, de la entidad.
- P10. En el sector público, el debate en el seno del equipo auditor sobre el fraude puede incluir la vulnerabilidad del proceso de contratación de la entidad respecto del fraude perpetrado por partes vinculadas o a través de ellas.

Identificación y evaluación de los riesgos de incorrecciones materiales debido a relaciones y operaciones mantenidas con partes vinculadas

- P11. Además de las manifestaciones contempladas en el párrafo A 113 de la NIA 315, la dirección de una entidad del sector público puede declarar que las operaciones y actividades llevadas a cabo resultan conformes a la legislación o a otras normas. Este tipo de declaraciones pueden ampliarse a las operaciones y relaciones mantenidas con partes vinculadas y están comprendidas en el alcance de una auditoría de estados financieros.
- P12. El mandato de los auditores del sector público puede exigirles que examinen el marco legal y reglamentario que rige la entidad y cualquier otra obligación o limitación específica resultante para la entidad, los encargados de su gobernanza, la dirección o el personal, al efectuar operaciones con partes vinculadas. La entidad también puede estar sujeta a limitaciones a la hora de crear entidades entera o parcialmente de su propiedad que pudieran considerarse partes vinculadas.
- P13. Los encargados de la gobernanza de las entidades del sector público, así como la dirección y el personal pueden estar obligados también a declarar cualquier interés que tengan en las entidades con las que mantienen operaciones profesionales o comerciales. Cuando haya obligaciones legales en este sentido, los auditores del sector público deben aplicar procedimientos de evaluación de riesgos para identificar y evaluar los riesgos de incorrecciones materiales debidos al incumplimiento de dichas obligaciones.

Respuestas a los riesgos de incorrecciones materiales debido a relaciones y operaciones mantenidas con partes vinculadas

- P14. Al concebir y aplicar los procedimientos en respuesta a los riesgos de incorrecciones materiales debidas a partes vinculadas que se describen en los párrafos 20 a 24 de la NIA, los auditores del sector público examinarán si hay exigencias adicionales de información en el sector público, como el cumplimiento de la reglamentación.
- P15. El subpárrafo 23 b) de la NIA obliga a los auditores a obtener evidencia de que las operaciones significativas con partes vinculadas situadas al margen de la actividad ordinaria de la entidad han sido debidamente autorizadas y aprobadas. En el sector público, el mandato de auditoría puede contener la obligación de informar sobre el cumplimiento de leyes y reglamentos y, dentro de ella, la obligación de obtener evidencia de que las relaciones y operaciones con partes vinculadas han sido autorizadas y aprobadas. Ello puede significar que los auditores del sector público tengan que obtener evidencia de que la dirección ha recibido dicha autorización y aprobación del poder legislativo, del ministro de finanzas o de una entidad administrativa “matriz” o patrocinadora. Este procedimiento puede ser necesario con independencia de que las operaciones sean significativas o se sitúen al margen de la actividad ordinaria de la entidad.
- P16. El párrafo 24 de la NIA obliga a los auditores a obtener evidencia suficiente y apropiada en relación con las declaraciones de la dirección sobre el hecho de que las operaciones con partes vinculadas se han llevado a cabo en condiciones equivalentes a las de una operación en que se respeta el principio de igualdad de trato. En el sector público, las leyes y reglamentos referidas a la adjudicación de contratos públicos pueden exigir que los contratos con terceros, comprendidas las partes vinculadas, están sujetos a licitación pública o cualquier otra forma de “verificación del mercado” para demostrar su eficiencia económica.

International Standard on Auditing

Related Parties



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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This International Standard on Auditing (ISA) 550, “Related Parties” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 550

RELATED PARTIES

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Nature of Related Party Relationships and Transactions	2
Responsibilities of the Auditor	3-7
Effective Date	8
Objectives	9
Definitions	10
Requirements	
Risk Assessment Procedures and Related Activities	11-17
Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions	18-19
Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions	20-24
Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions	25
Written Representations	26
Communication with Those Charged with Governance	27
Documentation	28
Application and Other Explanatory Material	
Responsibilities of the Auditor	A1-A3
Definition of a Related Party	A4-A7
Risk Assessment Procedures and Related Activities	A8-A28
Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions	A29-A30

Responses to the Risks of Material Misstatement Associated with
Related Party Relationships and Transactions A31-A45

Evaluation of the Accounting for and Disclosure of Identified Related
Party Relationships and Transactions A46-A47

Written Representations A48-A49

Communication with Those Charged with Governance A50

International Standard on Auditing (ISA) 550, “Related Parties” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to related party relationships and transactions in an audit of financial statements. Specifically, it expands on how ISA 315,¹ ISA 330,² and ISA 240³ are to be applied in relation to risks of material misstatement associated with related party relationships and transactions.

Nature of Related Party Relationships and Transactions

2. Many related party transactions are in the normal course of business. In such circumstances, they may carry no higher risk of material misstatement of the financial statements than similar transactions with unrelated parties. However, the nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example:
 - Related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions.
 - Information systems may be ineffective at identifying or summarizing transactions and outstanding balances between an entity and its related parties.
 - Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration.

Responsibilities of the Auditor

3. Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. Where the applicable financial reporting framework establishes such requirements, the auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

¹ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

² ISA 330, "The Auditor's Responses to Assessed Risks."

³ ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements."

4. Even if the applicable financial reporting framework establishes minimal or no related party requirements, the auditor nevertheless needs to obtain an understanding of the entity's related party relationships and transactions sufficient to be able to conclude whether the financial statements, insofar as they are affected by those relationships and transactions: (Ref: Para. A1)
 - (a) Achieve fair presentation (for fair presentation frameworks); or (Ref: Para. A2)
 - (b) Are not misleading (for compliance frameworks). (Ref: Para. A3)
5. In addition, an understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA 240,⁴ because fraud may be more easily committed through related parties.
6. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs.⁵ In the context of related parties, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for such reasons as the following:
 - Management may be unaware of the existence of all related party relationships and transactions, particularly if the applicable financial reporting framework does not establish related party requirements.
 - Related party relationships may present a greater opportunity for collusion, concealment or manipulation by management.
7. Planning and performing the audit with professional skepticism as required by ISA 200⁶ is therefore particularly important in this context, given the potential for undisclosed related party relationships and transactions. The requirements in this ISA are designed to assist the auditor in identifying and assessing the risks of material misstatement associated with related party relationships and transactions, and in designing audit procedures to respond to the assessed risks.

Effective Date

8. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

⁴ ISA 240, paragraph 24.

⁵ ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph A52.

⁶ ISA 200, paragraph 15.

Objectives

9. The objectives of the auditor are:
 - (a) Irrespective of whether the applicable financial reporting framework establishes related party requirements, to obtain an understanding of related party relationships and transactions sufficient to be able:
 - (i) To recognize fraud risk factors, if any, arising from related party relationships and transactions that are relevant to the identification and assessment of the risks of material misstatement due to fraud; and
 - (ii) To conclude, based on the audit evidence obtained, whether the financial statements, insofar as they are affected by those relationships and transactions:
 - a. Achieve fair presentation (for fair presentation frameworks); or
 - b. Are not misleading (for compliance frameworks); and
 - (b) In addition, where the applicable financial reporting framework establishes related party requirements, to obtain sufficient appropriate audit evidence about whether related party relationships and transactions have been appropriately identified, accounted for and disclosed in the financial statements in accordance with the framework.

Definitions

10. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Arm's length transaction – A transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests.
 - (b) Related party – A party that is either: (Ref: Para. A4-A7)
 - (i) A related party as defined in the applicable financial reporting framework; or
 - (ii) Where the applicable financial reporting framework establishes minimal or no related party requirements:
 - a. A person or other entity that has control or significant influence, directly or indirectly through one or more intermediaries, over the reporting entity;

- b. Another entity over which the reporting entity has control or significant influence, directly or indirectly through one or more intermediaries; or
- c. Another entity that is under common control with the reporting entity through having:
 - i. Common controlling ownership;
 - ii. Owners who are close family members; or
 - iii. Common key management.

However, entities that are under common control by a state (that is, a national, regional or local government) are not considered related unless they engage in significant transactions or share resources to a significant extent with one another.

Requirements

Risk Assessment Procedures and Related Activities

11. As part of the risk assessment procedures and related activities that ISA 315 and ISA 240 require the auditor to perform during the audit,⁷ the auditor shall perform the audit procedures and related activities set out in paragraphs 12-17 to obtain information relevant to identifying the risks of material misstatement associated with related party relationships and transactions. (Ref: Para. A8)

Understanding the Entity's Related Party Relationships and Transactions

12. The engagement team discussion that ISA 315 and ISA 240 require⁸ shall include specific consideration of the susceptibility of the financial statements to material misstatement due to fraud or error that could result from the entity's related party relationships and transactions. (Ref: Para. A9-A10)
13. The auditor shall inquire of management regarding:
 - (a) The identity of the entity's related parties, including changes from the prior period; (Ref: Para. A11-A14)
 - (b) The nature of the relationships between the entity and these related parties; and
 - (c) Whether the entity entered into any transactions with these related parties during the period and, if so, the type and purpose of the transactions.

⁷ ISA 315, paragraph 5; ISA 240, paragraph 16.

⁸ ISA 315, paragraph 10; ISA 240, paragraph 15.

14. The auditor shall inquire of management and others within the entity, and perform other risk assessment procedures considered appropriate, to obtain an understanding of the controls, if any, that management has established to: (Ref: Para. A15-A20)
 - (a) Identify, account for, and disclose related party relationships and transactions in accordance with the applicable financial reporting framework;
 - (b) Authorize and approve significant transactions and arrangements with related parties; and (Ref: Para. A21)
 - (c) Authorize and approve significant transactions and arrangements outside the normal course of business.

Maintaining Alertness for Related Party Information When Reviewing Records or Documents

15. During the audit, the auditor shall remain alert, when inspecting records or documents, for arrangements or other information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor. (Ref: Para. A22-A23)

In particular, the auditor shall inspect the following for indications of the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor:

- (a) Bank and legal confirmations obtained as part of the auditor's procedures;
 - (b) Minutes of meetings of shareholders and of those charged with governance; and
 - (c) Such other records or documents as the auditor considers necessary in the circumstances of the entity.
16. If the auditor identifies significant transactions outside the entity's normal course of business when performing the audit procedures required by paragraph 15 or through other audit procedures, the auditor shall inquire of management about: (Ref: Para. A24-A25)
 - (a) The nature of these transactions; and (Ref: Para. A26)
 - (b) Whether related parties could be involved. (Ref: Para. A27)

Sharing Related Party Information with the Engagement Team

17. The auditor shall share relevant information obtained about the entity's related parties with the other members of the engagement team. (Ref: Para. A28)

Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions

18. In meeting the ISA 315 requirement to identify and assess the risks of material misstatement,⁹ the auditor shall identify and assess the risks of material misstatement associated with related party relationships and transactions and determine whether any of those risks are significant risks. In making this determination, the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks.
19. If the auditor identifies fraud risk factors (including circumstances relating to the existence of a related party with dominant influence) when performing the risk assessment procedures and related activities in connection with related parties, the auditor shall consider such information when identifying and assessing the risks of material misstatement due to fraud in accordance with ISA 240. (Ref: Para. A6 and A29-A30)

Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions

20. As part of the ISA 330 requirement that the auditor respond to assessed risks,¹⁰ the auditor designs and performs further audit procedures to obtain sufficient appropriate audit evidence about the assessed risks of material misstatement associated with related party relationships and transactions. These audit procedures shall include those required by paragraphs 21-24. (Ref: Para. A31-A34)

Identification of Previously Unidentified or Undisclosed Related Parties or Significant Related Party Transactions

21. If the auditor identifies arrangements or information that suggests the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor, the auditor shall determine whether the underlying circumstances confirm the existence of those relationships or transactions.
22. If the auditor identifies related parties or significant related party transactions that management has not previously identified or disclosed to the auditor, the auditor shall:
 - (a) Promptly communicate the relevant information to the other members of the engagement team; (Ref: Para. A35)
 - (b) Where the applicable financial reporting framework establishes related party requirements:

⁹ ISA 315, paragraph 25.

¹⁰ ISA 330, paragraphs 5-6.

- (i) Request management to identify all transactions with the newly identified related parties for the auditor's further evaluation; and
- (ii) Inquire as to why the entity's controls over related party relationships and transactions failed to enable the identification or disclosure of the related party relationships or transactions;
- (c) Perform appropriate substantive audit procedures relating to such newly identified related parties or significant related party transactions; (Ref: Para. A36)
- (d) Reconsider the risk that other related parties or significant related party transactions may exist that management has not previously identified or disclosed to the auditor, and perform additional audit procedures as necessary; and
- (e) If the non-disclosure by management appears intentional (and therefore indicative of a risk of material misstatement due to fraud), evaluate the implications for the audit. (Ref: Para. A37)

Identified Significant Related Party Transactions outside the Entity's Normal Course of Business

23. For identified significant related party transactions outside the entity's normal course of business, the auditor shall:
- (a) Inspect the underlying contracts or agreements, if any, and evaluate whether:
 - (i) The business rationale (or lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets;¹¹ (Ref: Para. A38-A39)
 - (ii) The terms of the transactions are consistent with management's explanations; and
 - (iii) The transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework; and
 - (b) Obtain audit evidence that the transactions have been appropriately authorized and approved. (Ref: Para. A40-A41)

¹¹ ISA 240, paragraph 32(c).

Assertions That Related Party Transactions Were Conducted on Terms Equivalent to Those Prevailing in an Arm's Length Transaction

24. If management has made an assertion in the financial statements to the effect that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction, the auditor shall obtain sufficient appropriate audit evidence about the assertion. (Ref: Para. A42-A45)

Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions

25. In forming an opinion on the financial statements in accordance with ISA 700,¹² the auditor shall evaluate: (Ref: Para. A46)
- (a) Whether the identified related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework; and (Ref: Para. A47)
 - (b) Whether the effects of the related party relationships and transactions:
 - (i) Prevent the financial statements from achieving fair presentation (for fair presentation frameworks); or
 - (ii) Cause the financial statements to be misleading (for compliance frameworks).

Written Representations

26. Where the applicable financial reporting framework establishes related party requirements, the auditor shall obtain written representations from management and, where appropriate, those charged with governance that: (Ref: Para. A48-A49)
- (a) They have disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and
 - (b) They have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.

Communication with Those Charged with Governance

27. Unless all of those charged with governance are involved in managing the entity,¹³ the auditor shall communicate with those charged with governance significant matters arising during the audit in connection with the entity's related parties. (Ref: Para. A50)

¹² ISA 700, "Forming an Opinion and Reporting on Financial Statements," paragraphs 10-15.

¹³ ISA 260, "Communication with Those Charged with Governance," paragraph 13.

Documentation

28. The auditor shall include in the audit documentation the names of the identified related parties and the nature of the related party relationships.¹⁴

Application and Other Explanatory Material

Responsibilities of the Auditor

Financial Reporting Frameworks That Establish Minimal Related Party Requirements
(Ref: Para. 4)

- A1. An applicable financial reporting framework that establishes minimal related party requirements is one that defines the meaning of a related party but that definition has a substantially narrower scope than the definition set out in paragraph 10(b)(ii) of this ISA, so that a requirement in the framework to disclose related party relationships and transactions would apply to substantially fewer related party relationships and transactions.

Fair Presentation Frameworks (Ref: Para. 4(a))

- A2. In the context of a fair presentation framework,¹⁵ related party relationships and transactions may cause the financial statements to fail to achieve fair presentation if, for example, the economic reality of such relationships and transactions is not appropriately reflected in the financial statements. For instance, fair presentation may not be achieved if the sale of a property by the entity to a controlling shareholder at a price above or below fair market value has been accounted for as a transaction involving a profit or loss for the entity when it may constitute a contribution or return of capital or the payment of a dividend.

Compliance Frameworks (Ref: Para. 4(b))

- A3. In the context of a compliance framework, whether related party relationships and transactions cause the financial statements to be misleading as discussed in ISA 700 depends upon the particular circumstances of the engagement. For example, even if non-disclosure of related party transactions in the financial statements is in compliance with the framework and applicable law or regulation, the financial statements could be misleading if the entity derives a very substantial portion of its revenue from transactions with related parties, and that fact is not disclosed. However, it will be extremely rare for the auditor

¹⁴ ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

¹⁵ ISA 200, paragraph 13(a), defines the meaning of fair presentation and compliance frameworks.

to consider financial statements that are prepared and presented in accordance with a compliance framework to be misleading if in accordance with ISA 210¹⁶ the auditor determined that the framework is acceptable.¹⁷

Definition of a Related Party (Ref: Para. 10(b))

- A4. Many financial reporting frameworks discuss the concepts of control and significant influence. Although they may discuss these concepts using different terms, they generally explain that:
- (a) Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities; and
 - (b) Significant influence (which may be gained by share ownership, statute or agreement) is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.
- A5. The existence of the following relationships may indicate the presence of control or significant influence:
- (a) Direct or indirect equity holdings or other financial interests in the entity.
 - (b) The entity's holdings of direct or indirect equity or other financial interests in other entities.
 - (c) Being part of those charged with governance or key management (that is, those members of management who have the authority and responsibility for planning, directing and controlling the activities of the entity).
 - (d) Being a close family member of any person referred to in subparagraph (c).
 - (e) Having a significant business relationship with any person referred to in subparagraph (c).

Related Parties with Dominant Influence

- A6. Related parties, by virtue of their ability to exert control or significant influence, may be in a position to exert dominant influence over the entity or its management. Consideration of such behavior is relevant when identifying and assessing the risks of material misstatement due to fraud, as further explained in paragraphs A29-A30.

¹⁶ ISA 210, "Agreeing the Terms of Audit Engagements," paragraph 6(a).

¹⁷ ISA 700, paragraph A12.

Special-Purpose Entities as Related Parties

- A7. In some circumstances, a special-purpose entity¹⁸ may be a related party of the entity because the entity may in substance control it, even if the entity owns little or none of the special-purpose entity's equity.

Risk Assessment Procedures and Related Activities

Risks of Material Misstatement Associated with Related Party Relationships and Transactions (Ref: Para. 11)

Considerations Specific to Public Sector Entities

- A8. The public sector auditor's responsibilities regarding related party relationships and transactions may be affected by the audit mandate, or by obligations on public sector entities arising from law, regulation or other authority. Consequently, the public sector auditor's responsibilities may not be limited to addressing the risks of material misstatement associated with related party relationships and transactions, but may also include a broader responsibility to address the risks of non-compliance with law, regulation and other authority governing public sector bodies that lay down specific requirements in the conduct of business with related parties. Further, the public sector auditor may need to have regard to public sector financial reporting requirements for related party relationships and transactions that may differ from those in the private sector.

Understanding the Entity's Related Party Relationships and Transactions

Discussion among the Engagement Team (Ref: Para. 12)

- A9. Matters that may be addressed in the discussion among the engagement team include:
- The nature and extent of the entity's relationships and transactions with related parties (using, for example, the auditor's record of identified related parties updated after each audit).
 - An emphasis on the importance of maintaining professional skepticism throughout the audit regarding the potential for material misstatement associated with related party relationships and transactions.
 - The circumstances or conditions of the entity that may indicate the existence of related party relationships or transactions that management has not identified or disclosed to the auditor (for example, a complex organizational structure, use of special-purpose entities for off-balance sheet transactions, or an inadequate information system).

¹⁸ ISA 315, paragraphs A26-A27, provides guidance regarding the nature of a special-purpose entity.

- The records or documents that may indicate the existence of related party relationships or transactions.
- The importance that management and those charged with governance attach to the identification, appropriate accounting for, and disclosure of related party relationships and transactions (if the applicable financial reporting framework establishes related party requirements), and the related risk of management override of relevant controls.

A10. In addition, the discussion in the context of fraud may include specific consideration of how related parties may be involved in fraud. For example:

- How special-purpose entities controlled by management might be used to facilitate earnings management.
- How transactions between the entity and a known business partner of a key member of management could be arranged to facilitate misappropriation of the entity's assets.

The Identity of the Entity's Related Parties (Ref: Para. 13(a))

A11. Where the applicable financial reporting framework establishes related party requirements, information regarding the identity of the entity's related parties is likely to be readily available to management because the entity's information systems will need to record, process and summarize related party relationships and transactions to enable the entity to meet the accounting and disclosure requirements of the framework. Management is therefore likely to have a comprehensive list of related parties and changes from the prior period. For recurring engagements, making the inquiries provides a basis for comparing the information supplied by management with the auditor's record of related parties noted in previous audits.

A12. However, where the framework does not establish related party requirements, the entity may not have such information systems in place. Under such circumstances, it is possible that management may not be aware of the existence of all related parties. Nevertheless, the requirement to make the inquiries specified by paragraph 13 still applies because management may be aware of parties that meet the related party definition set out in this ISA. In such a case, however, the auditor's inquiries regarding the identity of the entity's related parties are likely to form part of the auditor's risk assessment procedures and related activities performed in accordance with ISA 315 to obtain information regarding:

- The entity's ownership and governance structures;
- The types of investments that the entity is making and plans to make; and
- The way the entity is structured and how it is financed.

In the particular case of common control relationships, as management is more likely to be aware of such relationships if they have economic significance to the entity, the auditor's inquiries are likely to be more effective if they are focused on whether parties with which the entity engages in significant transactions, or shares resources to a significant degree, are related parties.

- A13. In the context of a group audit, ISA 600 requires the group engagement team to provide each component auditor with a list of related parties prepared by group management and any other related parties of which the group engagement team is aware.¹⁹ Where the entity is a component within a group, this information provides a useful basis for the auditor's inquiries of management regarding the identity of the entity's related parties.
- A14. The auditor may also obtain some information regarding the identity of the entity's related parties through inquiries of management during the engagement acceptance or continuance process.

The Entity's Controls over Related Party Relationships and Transactions (Ref: Para. 14)

- A15. Others within the entity are those considered likely to have knowledge of the entity's related party relationships and transactions, and the entity's controls over such relationships and transactions. These may include, to the extent that they do not form part of management:
- Those charged with governance;
 - Personnel in a position to initiate, process, or record transactions that are both significant and outside the entity's normal course of business, and those who supervise or monitor such personnel;
 - Internal auditors;
 - In-house legal counsel; and
 - The chief ethics officer or equivalent person.
- A16. The audit is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged and understand that they have responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation, and for such internal control as management and, where appropriate, those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.²⁰ Accordingly, where the

¹⁹ ISA 600, "Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)," paragraph 40(e).

²⁰ ISA 200, paragraph A2.

framework establishes related party requirements, the preparation of the financial statements requires management, with oversight from those charged with governance, to design, implement and maintain adequate controls over related party relationships and transactions so that these are identified and appropriately accounted for and disclosed in accordance with the framework. In their oversight role, those charged with governance monitor how management is discharging its responsibility for such controls. Regardless of any related party requirements the framework may establish, those charged with governance may, in their oversight role, obtain information from management to enable them to understand the nature and business rationale of the entity's related party relationships and transactions.

A17. In meeting the ISA 315 requirement to obtain an understanding of the control environment,²¹ the auditor may consider features of the control environment relevant to mitigating the risks of material misstatement associated with related party relationships and transactions, such as:

- Internal ethical codes, appropriately communicated to the entity's personnel and enforced, governing the circumstances in which the entity may enter into specific types of related party transactions.
- Policies and procedures for open and timely disclosure of the interests that management and those charged with governance have in related party transactions.
- The assignment of responsibilities within the entity for identifying, recording, summarizing, and disclosing related party transactions.
- Timely disclosure and discussion between management and those charged with governance of significant related party transactions outside the entity's normal course of business, including whether those charged with governance have appropriately challenged the business rationale of such transactions (for example, by seeking advice from external professional advisors).
- Clear guidelines for the approval of related party transactions involving actual or perceived conflicts of interest, such as approval by a subcommittee of those charged with governance comprising individuals independent of management.
- Periodic reviews by internal auditors, where applicable.
- Proactive action taken by management to resolve related party disclosure issues, such as by seeking advice from the auditor or external legal counsel.

²¹ ISA 315, paragraph 14.

- The existence of whistle-blowing policies and procedures, where applicable.

A18. Controls over related party relationships and transactions within some entities may be deficient or non-existent for a number of reasons, such as:

- The low importance attached by management to identifying and disclosing related party relationships and transactions.
- The lack of appropriate oversight by those charged with governance.
- An intentional disregard for such controls because related party disclosures may reveal information that management considers sensitive, for example, the existence of transactions involving family members of management.
- An insufficient understanding by management of the related party requirements of the applicable financial reporting framework.
- The absence of disclosure requirements under the applicable financial reporting framework.

Where such controls are ineffective or non-existent, the auditor may be unable to obtain sufficient appropriate audit evidence about related party relationships and transactions. If this were the case, the auditor would, in accordance with ISA 705,²² consider the implications for the audit, including the opinion in the auditor's report.

A19. Fraudulent financial reporting often involves management override of controls that otherwise may appear to be operating effectively.²³ The risk of management override of controls is higher if management has relationships that involve control or significant influence with parties with which the entity does business because these relationships may present management with greater incentives and opportunities to perpetrate fraud. For example, management's financial interests in certain related parties may provide incentives for management to override controls by (a) directing the entity, against its interests, to conclude transactions for the benefit of these parties, or (b) colluding with such parties or controlling their actions. Examples of possible fraud include:

- Creating fictitious terms of transactions with related parties designed to misrepresent the business rationale of these transactions.
- Fraudulently organizing the transfer of assets from or to management or others at amounts significantly above or below market value.
- Engaging in complex transactions with related parties, such as special-

²² ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

²³ ISA 240, paragraphs 31 and A4.

purpose entities, that are structured to misrepresent the financial position or financial performance of the entity.

Considerations specific to smaller entities

A20. Control activities in smaller entities are likely to be less formal and smaller entities may have no documented processes for dealing with related party relationships and transactions. An owner-manager may mitigate some of the risks arising from related party transactions, or potentially increase those risks, through active involvement in all the main aspects of the transactions. For such entities, the auditor may obtain an understanding of the related party relationships and transactions, and any controls that may exist over these, through inquiry of management combined with other procedures, such as observation of management's oversight and review activities, and inspection of available relevant documentation.

Authorization and approval of significant transactions and arrangements (Ref: Para. 14(b))

A21. Authorization involves the granting of permission by a party or parties with the appropriate authority (whether management, those charged with governance or the entity's shareholders) for the entity to enter into specific transactions in accordance with pre-determined criteria, whether judgmental or not. Approval involves those parties' acceptance of the transactions the entity has entered into as having satisfied the criteria on which authorization was granted. Examples of controls the entity may have established to authorize and approve significant transactions and arrangements with related parties or significant transactions and arrangements outside the normal course of business include:

- Monitoring controls to identify such transactions and arrangements for authorization and approval.
- Approval of the terms and conditions of the transactions and arrangements by management, those charged with governance or, where applicable, shareholders.

Maintaining Alertness for Related Party Information When Reviewing Records or Documents

Records or Documents That the Auditor May Inspect (Ref: Para. 15)

A22. During the audit, the auditor may inspect records or documents that may provide information about related party relationships and transactions, for example:

- Third-party confirmations obtained by the auditor (in addition to bank and legal confirmations).
- Entity income tax returns.

- Information supplied by the entity to regulatory authorities.
- Shareholder registers to identify the entity's principal shareholders.
- Statements of conflicts of interest from management and those charged with governance.
- Records of the entity's investments and those of its pension plans.
- Contracts and agreements with key management or those charged with governance.
- Significant contracts and agreements not in the entity's ordinary course of business.
- Specific invoices and correspondence from the entity's professional advisors.
- Life insurance policies acquired by the entity.
- Significant contracts re-negotiated by the entity during the period.
- Internal auditors' reports.
- Documents associated with the entity's filings with a securities regulator (for example, prospectuses).

Arrangements that may indicate the existence of previously unidentified or undisclosed related party relationships or transactions.

A23. An arrangement involves a formal or informal agreement between the entity and one or more other parties for such purposes as:

- The establishment of a business relationship through appropriate vehicles or structures.
- The conduct of certain types of transactions under specific terms and conditions.
- The provision of designated services or financial support.

Examples of arrangements that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor include:

- Participation in unincorporated partnerships with other parties.
- Agreements for the provision of services to certain parties under terms and conditions that are outside the entity's normal course of business.
- Guarantees and guarantor relationships.

Identification of Significant Transactions outside the Normal Course of Business
(Ref: Para. 16)

- A24. Obtaining further information on significant transactions outside the entity's normal course of business enables the auditor to evaluate whether fraud risk factors, if any, are present and, where the applicable financial reporting framework establishes related party requirements, to identify the risks of material misstatement.
- A25. Examples of transactions outside the entity's normal course of business may include:
- Complex equity transactions, such as corporate restructurings or acquisitions.
 - Transactions with offshore entities in jurisdictions with weak corporate laws.
 - The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
 - Sales transactions with unusually large discounts or returns.
 - Transactions with circular arrangements, for example, sales with a commitment to repurchase.
 - Transactions under contracts whose terms are changed before expiry.

Understanding the nature of significant transactions outside the normal course of business (Ref: Para. 16(a))

- A26. Inquiring into the nature of the significant transactions outside the entity's normal course of business involves obtaining an understanding of the business rationale of the transactions, and the terms and conditions under which these have been entered into.

Inquiring into whether related parties could be involved (Ref: Para. 16(b))

- A27. A related party could be involved in a significant transaction outside the entity's normal course of business not only by directly influencing the transaction through being a party to the transaction, but also by indirectly influencing it through an intermediary. Such influence may indicate the presence of a fraud risk factor.

Sharing Related Party Information with the Engagement Team (Ref: Para. 17)

- A28. Relevant related party information that may be shared among the engagement team members includes, for example:
- The identity of the entity's related parties.
 - The nature of the related party relationships and transactions.

- Significant or complex related party relationships or transactions that may require special audit consideration, in particular transactions in which management or those charged with governance are financially involved.

Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions

Fraud Risk Factors Associated with a Related Party with Dominant Influence (Ref: Para. 19)

A29. Domination of management by a single person or small group of persons without compensating controls is a fraud risk factor.²⁴ Indicators of dominant influence exerted by a related party include:

- The related party has vetoed significant business decisions taken by management or those charged with governance.
- Significant transactions are referred to the related party for final approval.
- There is little or no debate among management and those charged with governance regarding business proposals initiated by the related party.
- Transactions involving the related party (or a close family member of the related party) are rarely independently reviewed and approved.

Dominant influence may also exist in some cases if the related party has played a leading role in founding the entity and continues to play a leading role in managing the entity.

A30. In the presence of other risk factors, the existence of a related party with dominant influence may indicate significant risks of material misstatement due to fraud. For example:

- An unusually high turnover of senior management or professional advisors may suggest unethical or fraudulent business practices that serve the related party's purposes.
- The use of business intermediaries for significant transactions for which there appears to be no clear business justification may suggest that the related party could have an interest in such transactions through control of such intermediaries for fraudulent purposes.
- Evidence of the related party's excessive participation in or preoccupation with the selection of accounting policies or the determination of significant estimates may suggest the possibility of fraudulent financial reporting.

²⁴ ISA 240, Appendix 1.

Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions (Ref: Para. 20)

- A31. The nature, timing and extent of the further audit procedures that the auditor may select to respond to the assessed risks of material misstatement associated with related party relationships and transactions depend upon the nature of those risks and the circumstances of the entity.²⁵
- A32. Examples of substantive audit procedures that the auditor may perform when the auditor has assessed a significant risk that management has not appropriately accounted for or disclosed specific related party transactions in accordance with the applicable financial reporting framework (whether due to fraud or error) include:
- Confirming or discussing specific aspects of the transactions with intermediaries such as banks, law firms, guarantors, or agents, where practicable and not prohibited by law, regulation or ethical rules.
 - Confirming the purposes, specific terms or amounts of the transactions with the related parties (this audit procedure may be less effective where the auditor judges that the entity is likely to influence the related parties in their responses to the auditor).
 - Where applicable, reading the financial statements or other relevant financial information, if available, of the related parties for evidence of the accounting of the transactions in the related parties' accounting records.
- A33. If the auditor has assessed a significant risk of material misstatement due to fraud as a result of the presence of a related party with dominant influence, the auditor may, in addition to the general requirements of ISA 240, perform audit procedures such as the following to obtain an understanding of the business relationships that such a related party may have established directly or indirectly with the entity and to determine the need for further appropriate substantive audit procedures:
- Inquiries of, and discussion with, management and those charged with governance.
 - Inquiries of the related party.
 - Inspection of significant contracts with the related party.
 - Appropriate background research, such as through the Internet or specific external business information databases.

²⁵ ISA 330 provides further guidance on considering the nature, timing and extent of further audit procedures. ISA 240 establishes requirements and provides guidance on appropriate responses to assessed risks of material misstatement due to fraud.

- Review of employee whistle-blowing reports where these are retained.
- A34. Depending upon the results of the auditor's risk assessment procedures, the auditor may consider it appropriate to obtain audit evidence without testing the entity's controls over related party relationships and transactions. In some circumstances, however, it may not be possible to obtain sufficient appropriate audit evidence from substantive audit procedures alone in relation to the risks of material misstatement associated with related party relationships and transactions. For example, where intra-group transactions between the entity and its components are numerous and a significant amount of information regarding these transactions is initiated, recorded, processed or reported electronically in an integrated system, the auditor may determine that it is not possible to design effective substantive audit procedures that by themselves would reduce the risks of material misstatement associated with these transactions to an acceptably low level. In such a case, in meeting the ISA 330 requirement to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls,²⁶ the auditor is required to test the entity's controls over the completeness and accuracy of the recording of the related party relationships and transactions.

Identification of Previously Unidentified or Undisclosed Related Parties or Significant Related Party Transactions

Communicating Newly Identified Related Party Information to the Engagement Team (Ref: Para. 22(a))

- A35. Communicating promptly any newly identified related parties to the other members of the engagement team assists them in determining whether this information affects the results of, and conclusions drawn from, risk assessment procedures already performed, including whether the risks of material misstatement need to be reassessed.

Substantive Procedures Relating to Newly Identified Related Parties or Significant Related Party Transactions (Ref: Para. 22(c))

- A36. Examples of substantive audit procedures that the auditor may perform relating to newly identified related parties or significant related party transactions include:
- Making inquiries regarding the nature of the entity's relationships with the newly identified related parties, including (where appropriate and not prohibited by law, regulation or ethical rules) inquiring of parties outside the entity who are presumed to have significant knowledge of the entity and its business, such as legal counsel, principal agents, major representatives, consultants, guarantors, or other close business partners.

²⁶ ISA 330, paragraph 8(b).

- Conducting an analysis of accounting records for transactions with the newly identified related parties. Such an analysis may be facilitated using computer-assisted audit techniques.
- Verifying the terms and conditions of the newly identified related party transactions, and evaluating whether the transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework.

Intentional Non-Disclosure by Management (Ref: Para. 22(e))

A37. The requirements and guidance in ISA 240 regarding the auditor's responsibilities relating to fraud in an audit of financial statements are relevant where management appears to have intentionally failed to disclose related parties or significant related party transactions to the auditor. The auditor may also consider whether it is necessary to re-evaluate the reliability of management's responses to the auditor's inquiries and management's representations to the auditor.

Identified Significant Related Party Transactions outside the Entity's Normal Course of Business

Evaluating the Business Rationale of Significant Related Party Transactions (Ref: Para. 23)

A38. In evaluating the business rationale of a significant related party transaction outside the entity's normal course of business, the auditor may consider the following:

- Whether the transaction:
 - Is overly complex (for example, it may involve multiple related parties within a consolidated group).
 - Has unusual terms of trade, such as unusual prices, interest rates, guarantees and repayment terms.
 - Lacks an apparent logical business reason for its occurrence.
 - Involves previously unidentified related parties.
 - Is processed in an unusual manner.
- Whether management has discussed the nature of, and accounting for, such a transaction with those charged with governance.
- Whether management is placing more emphasis on a particular accounting treatment rather than giving due regard to the underlying economics of the transaction.

If management's explanations are materially inconsistent with the terms of the related party transaction, the auditor is required, in accordance with ISA 500,²⁷ to consider the reliability of management's explanations and representations on other significant matters.

- A39. The auditor may also seek to understand the business rationale of such a transaction from the related party's perspective, as this may help the auditor to better understand the economic reality of the transaction and why it was carried out. A business rationale from the related party's perspective that appears inconsistent with the nature of its business may represent a fraud risk factor.

Authorization and Approval of Significant Related Party Transactions (Ref: Para. 23(b))

- A40. Authorization and approval by management, those charged with governance, or, where applicable, the shareholders of significant related party transactions outside the entity's normal course of business may provide audit evidence that these have been duly considered at the appropriate levels within the entity and that their terms and conditions have been appropriately reflected in the financial statements. The existence of transactions of this nature that were not subject to such authorization and approval, in the absence of rational explanations based on discussion with management or those charged with governance, may indicate risks of material misstatement due to error or fraud. In these circumstances, the auditor may need to be alert for other transactions of a similar nature. Authorization and approval alone, however, may not be sufficient in concluding whether risks of material misstatement due to fraud are absent because authorization and approval may be ineffective if there has been collusion between the related parties or if the entity is subject to the dominant influence of a related party.

Considerations specific to smaller entities

- A41. A smaller entity may not have the same controls provided by different levels of authority and approval that may exist in a larger entity. Accordingly, when auditing a smaller entity, the auditor may rely to a lesser degree on authorization and approval for audit evidence regarding the validity of significant related party transactions outside the entity's normal course of business. Instead, the auditor may consider performing other audit procedures such as inspecting relevant documents, confirming specific aspects of the transactions with relevant parties, or observing the owner-manager's involvement with the transactions.

²⁷ ISA 500, "Audit Evidence," paragraph 11.

Assertions That Related Party Transactions Were Conducted on Terms Equivalent to Those Prevailing in an Arm's Length Transaction (Ref: Para. 24)

- A42. Although audit evidence may be readily available regarding how the price of a related party transaction compares to that of a similar arm's length transaction, there are ordinarily practical difficulties that limit the auditor's ability to obtain audit evidence that all other aspects of the transaction are equivalent to those of the arm's length transaction. For example, although the auditor may be able to confirm that a related party transaction has been conducted at a market price, it may be impracticable to confirm whether other terms and conditions of the transaction (such as credit terms, contingencies and specific charges) are equivalent to those that would ordinarily be agreed between independent parties. Accordingly, there may be a risk that management's assertion that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction may be materially misstated.
- A43. The preparation of the financial statements requires management to substantiate an assertion that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction. Management's support for the assertion may include:
- Comparing the terms of the related party transaction to those of an identical or similar transaction with one or more unrelated parties.
 - Engaging an external expert to determine a market value and to confirm market terms and conditions for the transaction.
 - Comparing the terms of the transaction to known market terms for broadly similar transactions on an open market.
- A44. Evaluating management's support for this assertion may involve one or more of the following:
- Considering the appropriateness of management's process for supporting the assertion.
 - Verifying the source of the internal or external data supporting the assertion, and testing the data to determine their accuracy, completeness and relevance.
 - Evaluating the reasonableness of any significant assumptions on which the assertion is based.
- A45. Some financial reporting frameworks require the disclosure of related party transactions not conducted on terms equivalent to those prevailing in arm's length transactions. In these circumstances, if management has not disclosed a related party transaction in the financial statements, there may be an implicit assertion that the transaction was conducted on terms equivalent to those prevailing in an arm's length transaction.

Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions

Materiality Considerations in Evaluating Misstatements (Ref: Para. 25)

A46. ISA 450 requires the auditor to consider both the size and the nature of a misstatement, and the particular circumstances of its occurrence, when evaluating whether the misstatement is material.²⁸ The significance of the transaction to the financial statement users may not depend solely on the recorded amount of the transaction but also on other specific relevant factors, such as the nature of the related party relationship.

Evaluation of Related Party Disclosures (Ref: Para. 25(a))

A47. Evaluating the related party disclosures in the context of the disclosure requirements of the applicable financial reporting framework means considering whether the facts and circumstances of the entity's related party relationships and transactions have been appropriately summarized and presented so that the disclosures are understandable. Disclosures of related party transactions may not be understandable if:

- (a) The business rationale and the effects of the transactions on the financial statements are unclear or misstated; or
- (b) Key terms, conditions, or other important elements of the transactions necessary for understanding them are not appropriately disclosed.

Written Representations (Ref: Para. 26)

A48. Circumstances in which it may be appropriate to obtain written representations from those charged with governance include:

- When they have approved specific related party transactions that (a) materially affect the financial statements, or (b) involve management.
- When they have made specific oral representations to the auditor on details of certain related party transactions.
- When they have financial or other interests in the related parties or the related party transactions.

A49. The auditor may also decide to obtain written representations regarding specific assertions that management may have made, such as a representation that specific related party transactions do not involve undisclosed side agreements.

²⁸ ISA 450, "Evaluation of Misstatements Identified during the Audit," paragraph 11(a). Paragraph A16 of ISA 450 provides guidance on the circumstances that may affect the evaluation of a misstatement.

Communication with Those Charged with Governance (Ref: Para. 27)

A50. Communicating significant matters arising during the audit²⁹ in connection with the entity's related parties helps the auditor to establish a common understanding with those charged with governance of the nature and resolution of these matters. Examples of significant related party matters include:

- Non-disclosure (whether intentional or not) by management to the auditor of related parties or significant related party transactions, which may alert those charged with governance to significant related party relationships and transactions of which they may not have been previously aware.
- The identification of significant related party transactions that have not been appropriately authorized and approved, which may give rise to suspected fraud.
- Disagreement with management regarding the accounting for and disclosure of significant related party transactions in accordance with the applicable financial reporting framework.
- Non-compliance with applicable law or regulations prohibiting or restricting specific types of related party transactions.
- Difficulties in identifying the party that ultimately controls the entity.

²⁹ ISA 230, paragraph A8, provides further guidance on the nature of significant matters arising during the audit.

ISSAI 1560

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Directriz de auditoría financiera

Hechos posteriores

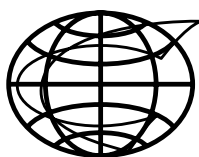
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 560, “Hechos posteriores”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1560

NOTA DE PRÁCTICA PARA LA NIA 560	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	P3–P5
Hechos ocurridos entre la fecha de los estados financieros y la fecha del informe de auditoría	P6–P7
Hechos conocidos por el auditor después de la publicación de los estados financieros	P8
NORMA INTERNACIONAL DE AUDITORÍA 560	
Introducción	
Alcance de la NIA	1
Hechos posteriores	2
Fecha de entrada en vigor	3
Objetivos	4
Definiciones	5
Exigencias	
Hechos ocurridos entre la fecha de los estados financieros y la fecha del informe de auditoría	6–9
Hechos conocidos por el auditor entre la fecha del informe de auditoría y la fecha de publicación de los estados financieros	10–13
Hechos conocidos por el auditor después de la publicación de los estados financieros	14–17
Disposiciones de aplicación y otras disposiciones explicativas	
Alcance de la NIA	A1
Definiciones	A2–A5
Hechos ocurridos entre la fecha de los estados financieros y la fecha del informe de auditoría	A6–A10
Hechos conocidos por el auditor entre la fecha del informe de auditoría y la fecha de publicación de los estados financieros	A11–A16
Hechos conocidos por el auditor después de la publicación de los estados financieros	A17–A18

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 560

Hechos posteriores

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 560, “Hechos posteriores”, y debe leerse conjuntamente con ella. La NIA 560 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 560 establece las obligaciones del auditor en relación con hechos posteriores cuando audita estados financieros.

Los estados financieros pueden verse afectados por hechos que ocurren después de su fecha de aprobación. Muchos marcos de información financiera se refieren expresamente a dichos hechos² y distinguen normalmente dos tipos:

- a) Los hechos que aportan evidencia sobre condiciones existentes en la fecha de los estados financieros.
- b) Los hechos que aportan evidencia sobre condiciones surgidas después de la fecha de los estados financieros.

La NIA 700 explica que la fecha del informe de auditoría señala al lector que el auditor ha tenido en cuenta la incidencia de hechos y operaciones que han llegado a su conocimiento y que han sucedido hasta esa fecha.³

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Hechos ocurridos entre la fecha de los estados financieros y la fecha del informe de auditoría.
 - b) Hechos conocidos por el auditor después de la fecha de los estados financieros.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 560 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 iIntroducción general a las Directrices de auditoría financiera de la INTOSAI.i

² Por ejemplo, la Norma Internacional de Contabilidad (NIC) 10, iHechos posteriores a la fecha del balancei aborda el tratamiento dado en los estados financieros a los hechos, tanto favorables como desfavorables, que ocurren entre la fecha de los estados financieros (denominada ifecha del balancei en las NIC) y su fecha de aprobación.

³ NIA 700, iFormación de una opinión y elaboración del informe sobre los estados financierosi, párrafo A38.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 560 contiene disposiciones de aplicación y otras disposiciones explicativas con consideraciones específicas a las entidades del sector público en los párrafos A5, A10, A14 y A17.
- P4. Las exigencias del sector público con respecto a hechos posteriores pueden ser diferentes en lo relativo a la fecha del informe del auditor y otras obligaciones según se establezca en la legislación pertinente. Los auditores del sector público tendrán que familiarizarse con la legislación aplicable sobre hechos posteriores.
- P5. Cuando el mandato de auditoría incluya objetivos sobre la regularidad de las operaciones, los auditores del sector público tendrán quizá que considerar hechos posteriores que aporten evidencia complementaria sobre la regularidad de las operaciones, como puede ser un proceso judicial. Los auditores del sector público tendrán en cuenta la ISSAI 4200.⁴

Hechos ocurridos entre la fecha de los estados financieros y la fecha del informe de auditoría

- P6. Además de las investigaciones concretas expuestas en el párrafo A9 de la NIA, los auditores del sector público pueden atender también a los hechos sobrevenidos que:
- a) Influyan en la capacidad de la entidad pública para cumplir los objetivos establecidos en su programa.
 - b) Incidan en la presentación de cualquier información sobre la gestión en los estados financieros.
- P7. Además de los procedimientos descritos en el párrafo A10 de la NIA, el auditor considerará los aspectos derivados de las correspondientes actuaciones del poder legislativo y otros órganos competentes que hayan llegado a su conocimiento en el curso de la auditoría y hubieran sido previstas para el final del período o posteriormente, cuando dichas actuaciones requieran la realización de ajustes o revelación de información en los estados financieros.

Hechos conocidos por el auditor después de la publicación de los estados financieros

- P8. Por lo que se refiere a las medidas adoptadas por el auditor para advertir de la falta de garantías del informe de auditoría que se contemplan en los párrafos A16 y A18 de la NIA, los auditores del sector público pueden recabar asesoramiento jurídico y también sopesar la necesidad de informar al órgano legislativo competente.

⁴ ISSAI 4200, iDirectrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros.i

International Standard on Auditing

Subsequent Events



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of Accountants**

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This International Standard on Auditing (ISA) 560, “Subsequent Events” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 560

SUBSEQUENT EVENTS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Subsequent Events	2
Effective Date	3
Objectives	4
Definitions	5
Requirements	
Events Occurring between the Date of the Financial Statements and the Date of the Auditor's Report.....	6-9
Facts Which Become Known to the Auditor after the Date of the Auditor's Report but before the Date the Financial Statements are Issued	10-13
Facts Which Become Known to the Auditor after the Financial Statements Have Been Issued	14-17
Application and Other Explanatory Material	
Scope of this ISA	A1
Definitions	A2-A5
Events Occurring between the Date of the Financial Statements and the Date of the Auditor's Report.....	A6-A10
Facts Which Become Known to the Auditor after the Date of the Auditor's Report but before the Date the Financial Statements are Issued	A11-A16
Facts Which Become Known to the Auditor after the Financial Statements Have Been Issued	A17-A18

International Standard on Auditing (ISA) 560, “Subsequent Events” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to subsequent events in an audit of financial statements. (Ref: Para. A1)

Subsequent Events

2. Financial statements may be affected by certain events that occur after the date of the financial statements. Many financial reporting frameworks specifically refer to such events.¹ Such financial reporting frameworks ordinarily identify two types of events:
 - (a) Those that provide evidence of conditions that existed at the date of the financial statements; and
 - (b) Those that provide evidence of conditions that arose after the date of the financial statements.

ISA 700 explains that the date of the auditor's report informs the reader that the auditor has considered the effect of events and transactions of which the auditor becomes aware and that occurred up to that date.²

Effective Date

3. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objectives

4. The objectives of the auditor are:
 - (a) To obtain sufficient appropriate audit evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework; and
 - (b) To respond appropriately to facts that become known to the auditor after the date of the auditor's report, that, had they been known to the auditor at that date, may have caused the auditor to amend the auditor's report.

¹ For example, International Accounting Standard (IAS) 10, "Events After the Reporting Period" deals with the treatment in financial statements of events, both favorable and unfavorable, that occur between the date of the financial statements (referred to as the "end of the reporting period" in the IAS) and the date when the financial statements are authorized for issue.

² ISA 700, "Forming an Opinion and Reporting on Financial Statements," paragraph A38.

Definitions

5. For purposes of the ISAs, the following terms have the meanings attributed below:
- (a) Date of the financial statements – The date of the end of the latest period covered by the financial statements.
 - (b) Date of approval of the financial statements – The date on which all the statements that comprise the financial statements, including the related notes, have been prepared and those with the recognized authority have asserted that they have taken responsibility for those financial statements. (Ref: Para. A2)
 - (c) Date of the auditor's report – The date the auditor dates the report on the financial statements in accordance with ISA 700. (Ref: Para. A3)
 - (d) Date the financial statements are issued – The date that the auditor's report and audited financial statements are made available to third parties. (Ref: Para. A4-A5)
 - (e) Subsequent events – Events occurring between the date of the financial statements and the date of the auditor's report, and facts that become known to the auditor after the date of the auditor's report.

Requirements

Events Occurring between the Date of the Financial Statements and the Date of the Auditor's Report

6. The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified. The auditor is not, however, expected to perform additional audit procedures on matters to which previously applied audit procedures have provided satisfactory conclusions. (Ref: Para. A6)
7. The auditor shall perform the procedures required by paragraph 6 so that they cover the period from the date of the financial statements to the date of the auditor's report, or as near as practicable thereto. The auditor shall take into account the auditor's risk assessment in determining the nature and extent of such audit procedures, which shall include the following: (Ref: Para. A7-A8)
- (a) Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified.

- (b) Inquiring of management and, where appropriate, those charged with governance as to whether any subsequent events have occurred which might affect the financial statements. (Ref: Para. A9)
 - (c) Reading minutes, if any, of the meetings, of the entity's owners, management and those charged with governance, that have been held after the date of the financial statements and inquiring about matters discussed at any such meetings for which minutes are not yet available. (Ref: Para. A10)
 - (d) Reading the entity's latest subsequent interim financial statements, if any.
8. If, as a result of the procedures performed as required by paragraphs 6 and 7, the auditor identifies events that require adjustment of, or disclosure in, the financial statements, the auditor shall determine whether each such event is appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.

Written Representations

9. The auditor shall request management and, where appropriate, those charged with governance, to provide a written representation in accordance with ISA 580³ that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

Facts Which Become Known to the Auditor after the Date of the Auditor's Report but before the Date the Financial Statements Are Issued

10. The auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report. However, if, after the date of the auditor's report but before the date the financial statements are issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall: (Ref: Para. A11)
- (a) Discuss the matter with management and, where appropriate, those charged with governance.
 - (b) Determine whether the financial statements need amendment and, if so,
 - (c) Inquire how management intends to address the matter in the financial statements.
11. If management amends the financial statements, the auditor shall:

³ ISA 580, "Written Representations."

- (a) Carry out the audit procedures necessary in the circumstances on the amendment.
 - (b) Unless the circumstances in paragraph 12 apply:
 - (i) Extend the audit procedures referred to in paragraphs 6 and 7 to the date of the new auditor's report; and
 - (ii) Provide a new auditor's report on the amended financial statements. The new auditor's report shall not be dated earlier than the date of approval of the amended financial statements.
12. Where law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment, the auditor is permitted to restrict the audit procedures on subsequent events required in paragraph 11(b)(i) to that amendment. In such cases, the auditor shall either:
- (a) Amend the auditor's report to include an additional date restricted to that amendment that thereby indicates that the auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements described in the relevant note to the financial statements; or (Ref: Para. A12)
 - (b) Provide a new or amended auditor's report that includes a statement in an Emphasis of Matter paragraph⁴ or Other Matter paragraph that conveys that the auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements.
13. In some jurisdictions, management may not be required by law, regulation or the financial reporting framework to issue amended financial statements and, accordingly, the auditor need not provide an amended or new auditor's report. However, if management does not amend the financial statements in circumstances where the auditor believes they need to be amended, then: (Ref: Para. A13-A14)
- (a) If the auditor's report has not yet been provided to the entity, the auditor shall modify the opinion as required by ISA 705⁵ and then provide the auditor's report; or
 - (b) If the auditor's report has already been provided to the entity, the auditor shall notify management and, unless all of those charged with

⁴ See ISA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report."

⁵ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

governance are involved in managing the entity, those charged with governance, not to issue the financial statements to third parties before the necessary amendments have been made. If the financial statements are nevertheless subsequently issued without the necessary amendments, the auditor shall take appropriate action, to seek to prevent reliance on the auditor's report. (Ref. Para: A15-A16)

Facts Which Become Known to the Auditor after the Financial Statements Have Been Issued

14. After the financial statements have been issued, the auditor has no obligation to perform any audit procedures regarding such financial statements. However, if, after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall:
 - (a) Discuss the matter with management and, where appropriate, those charged with governance;
 - (b) Determine whether the financial statements need amendment; and, if so,
 - (c) Inquire how management intends to address the matter in the financial statements.
15. If management amends the financial statements, the auditor shall: (Ref: Para. A17)
 - (a) Carry out the audit procedures necessary in the circumstances on the amendment.
 - (b) Review the steps taken by management to ensure that anyone in receipt of the previously issued financial statements together with the auditor's report thereon is informed of the situation.
 - (c) Unless the circumstances in paragraph 12 apply:
 - (i) Extend the audit procedures referred to in paragraphs 6 and 7 to the date of the new auditor's report, and date the new auditor's report no earlier than the date of approval of the amended financial statements; and
 - (ii) Provide a new auditor's report on the amended financial statements.
 - (d) When the circumstances in paragraph 12 apply, amend the auditor's report, or provide a new auditor's report as required by paragraph 12.
16. The auditor shall include in the new or amended auditor's report an Emphasis of Matter paragraph or Other Matter(s) paragraph referring to a

note to the financial statements that more extensively discusses the reason for the amendment of the previously issued financial statements and to the earlier report provided by the auditor.

17. If management does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation and does not amend the financial statements in circumstances where the auditor believes they need to be amended, the auditor shall notify management and, unless all of those charged with governance are involved in managing the entity,⁶ those charged with governance, that the auditor will seek to prevent future reliance on the auditor's report. If, despite such notification, management or those charged with governance do not take these necessary steps, the auditor shall take appropriate action to seek to prevent reliance on the auditor's report. (Ref: Para. A18)

Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1)

- A1. When the audited financial statements are included in other documents subsequent to the issuance of the financial statements, the auditor may have additional responsibilities relating to subsequent events that the auditor may need to consider, such as legal or regulatory requirements involving the offering of securities to the public in jurisdictions in which the securities are being offered. For example, the auditor may be required to perform additional audit procedures to the date of the final offering document. These procedures may include those referred to in paragraphs 6 and 7 performed up to a date at or near the effective date of the final offering document, and reading the offering document to assess whether the other information in the offering document is consistent with the financial information with which the auditor is associated.⁷

Definitions

Date of Approval of the Financial Statements (Ref: Para. 5(b))

- A2. In some jurisdictions, law or regulation identifies the individuals or bodies (for example, management or those charged with governance) that are responsible for concluding that all the statements that comprise the financial statements, including the related notes, have been prepared, and specifies the necessary approval process. In other jurisdictions, the approval process

⁶ ISA 260, "Communication with Those Charged with Governance," paragraph 13.

⁷ See ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph 2.

is not prescribed in law or regulation and the entity follows its own procedures in preparing and finalizing its financial statements in view of its management and governance structures. In some jurisdictions, final approval of the financial statements by shareholders is required. In these jurisdictions, final approval by shareholders is not necessary for the auditor to conclude that sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements has been obtained. The date of approval of the financial statements for purposes of the ISAs is the earlier date on which those with the recognized authority determine that all the statements that comprise the financial statements, including the related notes, have been prepared and that those with the recognized authority have asserted that they have taken responsibility for those financial statements.

Date of the Auditor's Report (Ref: Para. 5(c))

- A3. The auditor's report cannot be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the opinion on the financial statements including evidence that all the statements that comprise the financial statements, including the related notes, have been prepared and that those with the recognized authority have asserted that they have taken responsibility for those financial statements.⁸ Consequently, the date of the auditor's report cannot be earlier than the date of approval of the financial statements as defined in paragraph 5(b). A time period may elapse due to administrative issues between the date of the auditor's report as defined in paragraph 5(c) and the date the auditor's report is provided to the entity.

Date the Financial Statements Are Issued (Ref: Para. 5(d))

- A4. The date the financial statements are issued generally depends on the regulatory environment of the entity. In some circumstances, the date the financial statements are issued may be the date that they are filed with a regulatory authority. Since audited financial statements cannot be issued without an auditor's report, the date that the audited financial statements are issued must not only be at or later than the date of the auditor's report, but must also be at or later than the date the auditor's report is provided to the entity.

Considerations Specific to Public Sector Entities

- A5. In the case of the public sector, the date the financial statements are issued may be the date the audited financial statements and the auditor's report thereon are presented to the legislature or otherwise made public.

⁸ ISA 700, paragraph 41. In some cases, law or regulation also identifies the point in the financial statement reporting process at which the audit is expected to be complete.

Events Occurring between the Date of the Financial Statements and the Date of the Auditor's Report (Ref: Para. 6-9)

- A6. Depending on the auditor's risk assessment, the audit procedures required by paragraph 6 may include procedures, necessary to obtain sufficient appropriate audit evidence, involving the review or testing of accounting records or transactions occurring between the date of the financial statements and the date of the auditor's report. The audit procedures required by paragraphs 6 and 7 are in addition to procedures that the auditor may perform for other purposes that, nevertheless, may provide evidence about subsequent events (for example, to obtain audit evidence for account balances as at the date of the financial statements, such as cut-off procedures or procedures in relation to subsequent receipts of accounts receivable).
- A7. Paragraph 7 stipulates certain audit procedures in this context that the auditor is required to perform pursuant to paragraph 6. The subsequent events procedures that the auditor performs may, however, depend on the information that is available and, in particular, the extent to which the accounting records have been prepared since the date of the financial statements. Where the accounting records are not up-to-date, and accordingly no interim financial statements (whether for internal or external purposes) have been prepared, or minutes of meetings of management or those charged with governance have not been prepared, relevant audit procedures may take the form of inspection of available books and records, including bank statements. Paragraph A8 gives examples of some of the additional matters that the auditor may consider in the course of these inquiries.
- A8. In addition to the audit procedures required by paragraph 7, the auditor may consider it necessary and appropriate to:
- Read the entity's latest available budgets, cash flow forecasts and other related management reports for periods after the date of the financial statements;
 - Inquire, or extend previous oral or written inquiries, of the entity's legal counsel concerning litigation and claims; or
 - Consider whether written representations covering particular subsequent events may be necessary to support other audit evidence and thereby obtain sufficient appropriate audit evidence.

Inquiry (Ref. Para. 7(b))

- A9. In inquiring of management and, where appropriate, those charged with governance, as to whether any subsequent events have occurred that might affect the financial statements, the auditor may inquire as to the current status of items that were accounted for on the basis of preliminary or

inconclusive data and may make specific inquiries about the following matters:

- Whether new commitments, borrowings or guarantees have been entered into.
- Whether sales or acquisitions of assets have occurred or are planned.
- Whether there have been increases in capital or issuance of debt instruments, such as the issue of new shares or debentures, or an agreement to merge or liquidate has been made or is planned.
- Whether any assets have been appropriated by government or destroyed, for example, by fire or flood.
- Whether there have been any developments regarding contingencies.
- Whether any unusual accounting adjustments have been made or are contemplated.
- Whether any events have occurred or are likely to occur that will bring into question the appropriateness of accounting policies used in the financial statements, as would be the case, for example, if such events call into question the validity of the going concern assumption.
- Whether any events have occurred that are relevant to the measurement of estimates or provisions made in the financial statements.
- Whether any events have occurred that are relevant to the recoverability of assets.

Reading Minutes (Ref. Para. 7(c))

Considerations Specific to Public Sector Entities

- A10. In the public sector, the auditor may read the official records of relevant proceedings of the legislature and inquire about matters addressed in proceedings for which official records are not yet available.

Facts Which Become Known to the Auditor after the Date of the Auditor's Report but before the Date the Financial Statements Are Issued

Management Responsibility towards Auditor (Ref: Para. 10)

- A11. As explained in ISA 210, the terms of the audit engagement include the agreement of management to inform the auditor of facts that may affect the financial statements, of which management may become aware during the period from the date of the auditor's report to the date the financial statements are issued.⁹

⁹ ISA 210, "Agreeing the Terms of Audit Engagements," paragraph A23.

Dual Dating (Ref: Para. 12(a))

A12. When, in the circumstances described in paragraph 12(a), the auditor amends the auditor's report to include an additional date restricted to that amendment, the date of the auditor's report on the financial statements prior to their subsequent amendment by management remains unchanged because this date informs the reader as to when the audit work on those financial statements was completed. However, an additional date is included in the auditor's report to inform users that the auditor's procedures subsequent to that date were restricted to the subsequent amendment of the financial statements. The following is an illustration of such an additional date:

(Date of auditor's report), except as to Note Y, which is as of (date of completion of audit procedures restricted to amendment described in Note Y).

No Amendment of Financial Statements by Management (Ref: Para. 13)

A13. In some jurisdictions, management may not be required by law, regulation or the financial reporting framework to issue amended financial statements. This is often the case when issuance of the financial statements for the following period is imminent, provided appropriate disclosures are made in such statements.

Considerations Specific to Public Sector Entities

A14. In the public sector, the actions taken in accordance with paragraph 13 when management does not amend the financial statements may also include reporting separately to the legislature, or other relevant body in the reporting hierarchy, on the implications of the subsequent event for the financial statements and the auditor's report.

Auditor Action to Seek to Prevent Reliance on Auditor's Report (Ref: Para. 13(b))

A15. The auditor may need to fulfill additional legal obligations even when the auditor has notified management not to issue the financial statements and management has agreed to this request.

A16. Where management has issued the financial statements despite the auditor's notification not to issue the financial statements to third parties, the auditor's course of action to prevent reliance on the auditor's report on the financial statements depends upon the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

Facts Which Become Known to the Auditor after the Financial Statements Have Been Issued

No Amendment of Financial Statements by Management (Ref: Para. 15)

Considerations Specific to Public Sector Entities

- A17. In some jurisdictions, entities in the public sector may be prohibited from issuing amended financial statements by law or regulation. In such circumstances, the appropriate course of action for the auditor may be to report to the appropriate statutory body.

Auditor Action to Seek to Prevent Reliance on Auditor's Report (Ref: Para. 17)

- A18. Where the auditor believes that management, or those charged with governance, have failed to take the necessary steps to prevent reliance on the auditor's report on financial statements previously issued by the entity despite the auditor's prior notification that the auditor will take action to seek to prevent such reliance, the auditor's course of action depends upon the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

ISSAI 1570

INTOSAI



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Directriz de auditoría financiera

Empresa en funcionamiento

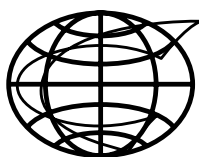
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 570, “Empresa en funcionamiento”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1570

NOTA DE PRÁCTICA PARA LA NIA 570

Párrafo

Fundamentos

Introducción a la NIA	
Contenido de la Nota de Práctica	P1

Aplicabilidad de la NIA en la auditoría del sector público	P2–P3

Orientaciones adicionales sobre cuestiones ligadas al sector público	P4

Presunción de empresa en funcionamiento	P5–P9
Evaluación de las valoraciones de la dirección	P10
Procedimientos de auditoría adicionales tras la identificación de hechos o condiciones	P11–P12
El uso de la presunción de empresa en funcionamiento es apropiado pero existe una incertidumbre significativa	P13–P16

NORMA INTERNACIONAL DE AUDITORÍA 570

Introducción

Alcance de la NIA	1
Presunción de empresa en funcionamiento	2
Responsabilidad de estimar la capacidad de la entidad de continuar como una empresa en funcionamiento	3–7
Fecha de entrada en vigor	8

Objetivos	9

Exigencias

Procedimientos de evaluación de riesgos y actividades conexas	10–11
Evaluación de las valoraciones de la dirección	12–14
Período ulterior a la valoración de la dirección	15
Procedimientos de auditoría adicionales tras la identificación de hechos o condiciones	16
Conclusiones de auditoría y elaboración de informes	17
El uso de la presunción de empresa en funcionamiento es apropiado pero existe una incertidumbre significativa	18–20
Uso inapropiado de la presunción de empresa en funcionamiento	21
Retención de la dirección a realizar o ampliar su valoración	22
Comunicación con los encargados de la gobernanza	23
Retraso significativo en la aprobación de los estados financieros	24

Disposiciones de aplicación y otras disposiciones explicativas	Paragraph
Presunción de empresa en funcionamiento	A1
Procedimientos de evaluación de riesgos y actividades conexas	A2–A6
Evaluación de las valoraciones de la dirección.....	A7–A12
Período ulterior a la valoración de la dirección	A13–A14
Procedimientos de auditoría adicionales tras la identificación de hechos o condiciones	A15–A18
Conclusiones de auditoría y elaboración de informes	A19
El uso de la presunción de empresa en funcionamiento es apropiado pero existe una incertidumbre significativa	A20–A24
Uso inapropiado de la presunción la empresa en funcionamiento	A25–A26
Reticencia de la dirección a realizar o ampliar su valoración	A27

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 570

Empresa en funcionamiento

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 570, “Empresa en funcionamiento”, y debe leerse conjuntamente con ella. La NIA 570 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 570 establece las obligaciones del auditor independiente, cuando audita estados financieros, en relación con el uso por la dirección de la presunción de empresa en funcionamiento al elaborar y presentar los estados financieros.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Presunción de la empresa en funcionamiento.
 - b) Evaluación de las valoraciones de la dirección.
 - c) Procedimientos de auditoría adicionales tras la identificación de hechos o condiciones.
 - d) El uso de la presunción de empresa en funcionamiento es apropiado pero existe una incertidumbre significativa.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 570 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.
- P3. Según se explica en el párrafo A1 de la NIA, el uso por la dirección de la presunción de empresa en funcionamiento es también aplicable a las entidades del sector público. Los gobiernos soberanos, en particular los gobiernos centrales, no suelen quebrar o convertirse en insolventes desde un punto de vista jurídico debido a sus amplias atribuciones para imponer impuestos, derechos o tasas, por lo que tienen la posibilidad de ajustar sus ingresos a fin de cumplir sus obligaciones. En algunos casos, sin embargo, los gobiernos pueden tener un pasivo neto

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 iIntroducción general a las Directrices de auditoría financiera de la INTOSAI.i

considerable en proporción al tamaño de su economía o a su capacidad de imponer impuestos, derechos o tasas, o depender sustancialmente de la ayuda de otros gobiernos. Aunque no es corriente, los gobiernos soberanos, en particular los gobiernos centrales, pueden convertirse en insolventes cuando son incapaces de cumplir sus obligaciones en el momento en que se hacen exigibles y se enfrentan, por ejemplo, a la imposibilidad de renegociar su deuda. La incapacidad de un gobierno para cumplir sus obligaciones puede verse influida también por la medida en que su moneda, emitida directamente por él o bien por el banco central en su nombre, siga siendo aceptada como medio de intercambio para cumplir sus obligaciones financieras. Por esta razón, los auditores del sector público aplicarán las exigencias y orientaciones de la NIA.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P4. La NIA 570 contiene disposiciones de aplicación y otras disposiciones explicativas con consideraciones específicas a las entidades del sector público en el párrafo A1.

Presunción de la empresa en funcionamiento

- P5. Los auditores del sector público en relación con la empresa en funcionamiento pueden tener otras obligaciones que las directamente previstas en la NIA 570 como la de examinar las disposiciones adoptadas por la entidad para mantener su posición financiera general e informar sobre ellas.
- P6. Las entidades del sector público pueden gastar en un año sumas por encima de los recursos a su disposición, y sus ingresos pueden ser inferiores a sus gastos y su activo a su pasivo. Sin embargo, no es corriente que una entidad de sector público cese o reduzca la escala de operaciones como consecuencia de su incapacidad de financiar sus operaciones o de su pasivo neto.
- P7. Es más probable que el cese de la actividad de una entidad del sector público se deba a una decisión política adoptada para liquidarla y disolverla completamente, reducir la escala de sus operaciones, privatizarla o transferir algunas de sus funciones a otra entidad de derecho público, o bien fusionarla con ella. En estos casos, cesa la actividad operativa de la entidad ya sea de forma total o parcial. Sólo en el supuesto de disolución sin solución de continuidad de la entidad perdería validez la presunción de empresa en funcionamiento. En los demás supuestos, los auditores del sector público tomarán en consideración sobre qué base se transfieren las actividades desde la perspectiva de la entidad que está cediendo el activo y el pasivo en la fecha contable correspondiente.
- P8. Con el fin de formarse una opinión sobre la capacidad de la entidad para continuar sus operaciones, los auditores del sector público tendrán en cuenta, al examinar el aspecto de la empresa en funcionamiento, dos factores distintos pero que a veces se superponen, a saber:
- El mayor riesgo que representan los cambios de dirección política (por ejemplo, un cambio en el gobierno).
 - El riesgo operativo o comercial, de carácter menos frecuente (por ejemplo, cuando la entidad carece de suficiente capital circulante para mantener sus operaciones en el nivel actual).

- P9. Con el fin de minimizar el riesgo de que se produzcan cambios en las políticas gubernamentales con incidencia en la presunción de empresa en funcionamiento sin conocimiento del auditor, éste verificará si:
- El gobierno ha declarado su intención de reexaminar una política que afecte a la entidad auditada.
 - Se ha anunciado un reexamen que está además en curso.
 - El reexamen indica que la entidad auditada puede racionalizarse o su futuro replantearse.
 - Hay una decisión política de privatizar las actividades de la entidad auditada.

Evaluación de las valoraciones de la dirección

- P10. Los auditores del sector público son conscientes de que los cambios en las políticas gubernamentales pueden tener una incidencia considerable en la naturaleza y las funciones de las entidades del sector público, aunque las decisiones políticas no son más inciertas normalmente que los riesgos imprevistos que sufren las entidades del sector privado.

Procedimientos de auditoría adicionales tras la identificación de hechos o condiciones

- P11. Teniendo en cuenta las exigencias del párrafo 16 de la NIA, los auditores del sector público examinarán la conveniencia de pedir a la entidad una confirmación directa del departamento u organismo administrativo del cual depende su respaldo financiero o su futura financiación, y en ese examen analizarán las limitaciones derivadas del proceso político. En tal caso, quizá no sea garantía suficiente del futuro de la entidad una declaración de su responsable financiero en el sentido de que ese respaldo continuará, debido a que la entidad puede desconocer las intenciones del departamento u organismo administrativo del cual depende su respaldo financiero.
- P12. Además de los procedimientos de auditoría expuestos en el párrafo A15 de la NIA, los auditores del sector público pueden acudir a registros oficiales para informarse sobre cambios de políticas y decisiones del poder legislativo e indagar sobre las cuestiones objeto de decisión cuando no se disponga de registros oficiales.

El uso de la presunción de empresa en funcionamiento pero existe una incertidumbre significativa

- P13. Los párrafos 19 y 20 de la NIA establecen las obligaciones del auditor tanto en el caso de que se informe adecuadamente de incertidumbres significativas en los estados financieros como de que no se informe. Los párrafos A21 a A24 de la NIA exponen ejemplos de párrafos de énfasis para los dos casos, y los párrafos P14 a P16 exponen ejemplos relativos al sector público.
- P14. Ejemplo de párrafo de énfasis cuando los auditores del sector público están satisfechos de la información facilitada:

Párrafo de énfasis

Sin incluir reservas en nuestra opinión, deseamos atraer la atención sobre la nota X de los estados financieros según la cual el Gobierno ha iniciado el reexamen de las futuras operaciones del Organismo pero no ha decidido aún su actuación al respecto. Esta situación, junto con otros aspectos señalados en la nota X, pone de manifiesto una incertidumbre significativa que puede suscitar considerables dudas sobre la capacidad del Organismo para continuar su actividad según el principio de empresa en funcionamiento.

P15. Ejemplo de párrafos en que ha de emitirse una opinión con reservas al no existir suficiente información sobre una incertidumbre significativa:

Base para emitir una opinión con reservas

El Gobierno ha iniciado el reexamen de las futuras operaciones del Organismo pero no ha decidido aún su actuación al respecto. Esta situación implica de una incertidumbre significativa que puede suscitar considerables dudas sobre la capacidad del Organismo para continuar su actividad según el principio de empresa en funcionamiento, por lo que el Organismo puede no ser capaz de enajenar sus activos y cumplir sus obligaciones en el curso normal de sus operaciones. Los estados financieros (y las notas contenidos en ellos) no informan de ese hecho.

Opinión con reservas

En nuestra opinión, salvo la omisión de la información contemplada en la base para emitir una opinión con reservas, los estados financieros del Organismo presentan una imagen fiel, en todos los aspectos significativos, de su situación financiera a 31 de diciembre de 20X0, así como de su gestión financiera y gestión de tesorería en relación con el año que termina de acuerdo con (el marco de información financiera aplicable).

P16. Ejemplo de párrafos en que ha de emitirse una opinión adversa al no existir suficiente información sobre una incertidumbre:

Base para emitir una opinión adversa

El Gobierno ha decidido que el Organismo cesará su actividad y será disuelto el próximo año, lo que implica una incertidumbre significativa que puede suscitar considerables dudas sobre la capacidad del Organismo para continuar su actividad según el principio de empresa en funcionamiento y la imposibilidad, por tanto, de enajenar sus activos y cumplir sus obligaciones en el curso normal de sus operaciones. Los estados financieros (y las notas contenidos en ellos) no informan de ese hecho.

Opinión adversa

En nuestra opinión, debido a la omisión de la información mencionada en la base para emitir una opinión adversa, los estados financieros no presentan fielmente la situación financiera del Organismo a 31 de diciembre de 20X0, ni su gestión financiera y la gestión de su tesorería en relación con el año que termina de acuerdo con (el marco de información financiera aplicable).

International Standard on Auditing

Going Concern



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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INTERNATIONAL STANDARD ON AUDITING 570

GOING CONCERN

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Going Concern Assumption	2
Responsibility for Assessment of the Entity's Ability to Continue as a Going Concern	3-7
Effective Date	8
Objectives	9
Requirements	
Risk Assessment Procedures and Related Activities	10-11
Evaluating Management's Assessment	12-14
Period beyond Management's Assessment	15
Additional Audit Procedures When Events or Conditions Are Identified	16
Audit Conclusions and Reporting	17
Use of Going Concern Assumption Appropriate but a Material Uncertainty Exists	18-20
Use of Going Concern Assumption Inappropriate	21
Management Unwilling to Make or Extend Its Assessment	22
Communication with Those Charged with Governance	23
Significant Delay in the Approval of Financial Statements	24
Application and Other Explanatory Material	
Going Concern Assumption	A1
Risk Assessment Procedures and Related Activities	A2-A6
Evaluating Management's Assessment	A7-A12

Period beyond Management’s Assessment	A13-A14
Additional Audit Procedures When Events or Conditions Are Identified	A15-A18
Audit Conclusions and Reporting	A19
Use of Going Concern Assumption Appropriate but a Material Uncertainty Exists	A20-A24
Use of Going Concern Assumption Inappropriate	A25-A26
Management Unwilling to Make or Extend Its Assessment	A27

International Standard on Auditing (ISA) 570, “Going Concern” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the preparation of the financial statements.

Going Concern Assumption

2. Under the going concern assumption, an entity is viewed as continuing in business for the foreseeable future. General purpose financial statements are prepared on a going concern basis, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis is relevant (for example, the going concern basis is not relevant for some financial statements prepared on a tax basis in particular jurisdictions). When the use of the going concern assumption is appropriate, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business. (Ref: Para. A1)

Responsibility for Assessment of the Entity's Ability to Continue as a Going Concern

3. Some financial reporting frameworks contain an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern, and standards regarding matters to be considered and disclosures to be made in connection with going concern. For example, International Accounting Standard (IAS) 1 requires management to make an assessment of an entity's ability to continue as a going concern.¹ The detailed requirements regarding management's responsibility to assess the entity's ability to continue as a going concern and related financial statement disclosures may also be set out in law or regulation.
4. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern. Nevertheless, since the going concern assumption is a fundamental principle in the preparation of financial statements as discussed in paragraph 2, the preparation of the financial statements requires management to assess the entity's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.

¹ IAS 1, "Presentation of Financial Statements" as at 1 January 2009, paragraphs 25-26.

5. Management's assessment of the entity's ability to continue as a going concern involves making a judgment, at a particular point in time, about inherently uncertain future outcomes of events or conditions. The following factors are relevant to that judgment:
- The degree of uncertainty associated with the outcome of an event or condition increases significantly the further into the future an event or condition or the outcome occurs. For that reason, most financial reporting frameworks that require an explicit management assessment specify the period for which management is required to take into account all available information.
 - The size and complexity of the entity, the nature and condition of its business and the degree to which it is affected by external factors affect the judgment regarding the outcome of events or conditions.
 - Any judgment about the future is based on information available at the time at which the judgment is made. Subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made.

Responsibilities of the Auditor

6. The auditor's responsibility is to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern. This responsibility exists even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern.
7. However, as described in ISA 200,² the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cause an entity to cease to continue as a going concern. The auditor cannot predict such future events or conditions. Accordingly, the absence of any reference to going concern uncertainty in an auditor's report cannot be viewed as a guarantee as to the entity's ability to continue as a going concern.

Effective Date

8. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

² ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing."

Objectives

9. The objectives of the auditor are:
 - (a) To obtain sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern assumption in the preparation of the financial statements;
 - (b) To conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
 - (c) To determine the implications for the auditor's report.

Requirements

Risk Assessment Procedures and Related Activities

10. When performing risk assessment procedures as required by ISA 315,³ the auditor shall consider whether there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In so doing, the auditor shall determine whether management has already performed a preliminary assessment of the entity's ability to continue as a going concern, and: (Ref: Para. A2-A5)
 - (a) If such an assessment has been performed, the auditor shall discuss the assessment with management and determine whether management has identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern and, if so, management's plans to address them; or
 - (b) If such an assessment has not yet been performed, the auditor shall discuss with management the basis for the intended use of the going concern assumption, and inquire of management whether events or conditions exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern.
11. The auditor shall remain alert throughout the audit for audit evidence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A6)

Evaluating Management's Assessment

12. The auditor shall evaluate management's assessment of the entity's ability to continue as a going concern. (Ref: Para. A7-A9; A11-A12)

³ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment," paragraph 5.

13. In evaluating management's assessment of the entity's ability to continue as a going concern, the auditor shall cover the same period as that used by management to make its assessment as required by the applicable financial reporting framework, or by law or regulation if it specifies a longer period. If management's assessment of the entity's ability to continue as a going concern covers less than twelve months from the date of the financial statements as defined in ISA 560,⁴ the auditor shall request management to extend its assessment period to at least twelve months from that date. (Ref: Para. A10-A12)
14. In evaluating management's assessment, the auditor shall consider whether management's assessment includes all relevant information of which the auditor is aware as a result of the audit.

Period beyond Management's Assessment

15. The auditor shall inquire of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A13-A14)

Additional Audit Procedures When Events or Conditions Are Identified

16. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists through performing additional audit procedures, including consideration of mitigating factors. These procedures shall include: (Ref: Para. A15)
 - (a) Where management has not yet performed an assessment of the entity's ability to continue as a going concern, requesting management to make its assessment.
 - (b) Evaluating management's plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible in the circumstances. (Ref: Para. A16)
 - (c) Where the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in considering the future outcome of events or conditions in the evaluation of management's plans for future action: (Ref: Para. A17-A18)
 - (i) Evaluating the reliability of the underlying data generated to prepare the forecast; and

⁴ ISA 560, "Subsequent Events," paragraph 5(a).

- (ii) Determining whether there is adequate support for the assumptions underlying the forecast.
- (d) Considering whether any additional facts or information have become available since the date on which management made its assessment.
- (e) Requesting written representations from management and, where appropriate, those charged with governance, regarding their plans for future action and the feasibility of these plans.

Audit Conclusions and Reporting

17. Based on the audit evidence obtained, the auditor shall conclude whether, in the auditor's judgment, a material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern. A material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary for: (Ref: Para. A19)
 - (a) In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or
 - (b) In the case of a compliance framework, the financial statements not to be misleading.

Use of Going Concern Assumption Appropriate but a Material Uncertainty Exists

18. If the auditor concludes that the use of the going concern assumption is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether the financial statements:
 - (a) Adequately describe the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans to deal with these events or conditions; and
 - (b) Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. (Ref: Para. A20)
19. If adequate disclosure is made in the financial statements, the auditor shall express an unmodified opinion and include an Emphasis of Matter paragraph in the auditor's report to:
 - (a) Highlight the existence of a material uncertainty relating to the event or condition that may cast significant doubt on the entity's ability to continue as a going concern; and

- (b) Draw attention to the note in the financial statements that discloses the matters set out in paragraph 18. (See ISA 706.⁵) (Ref: Para. A21-A22)
- 20. If adequate disclosure is not made in the financial statements, the auditor shall express a qualified opinion or adverse opinion, as appropriate, in accordance with ISA 705.⁶ The auditor shall state in the auditor's report that there is a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern. (Ref: Para. A23-A24)

Use of Going Concern Assumption Inappropriate

- 21. If the financial statements have been prepared on a going concern basis but, in the auditor's judgment, management's use of the going concern assumption in the financial statements is inappropriate, the auditor shall express an adverse opinion. (Ref: Para. A25-A26)

Management Unwilling to Make or Extend Its Assessment

- 22. If management is unwilling to make or extend its assessment when requested to do so by the auditor, the auditor shall consider the implications for the auditor's report. (Ref: Para. A27)

Communication with Those Charged with Governance

- 23. Unless all those charged with governance are involved in managing the entity,⁷ the auditor shall communicate with those charged with governance events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern. Such communication with those charged with governance shall include the following:
 - (a) Whether the events or conditions constitute a material uncertainty;
 - (b) Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and
 - (c) The adequacy of related disclosures in the financial statements.

Significant Delay in the Approval of Financial Statements

- 24. If there is significant delay in the approval of the financial statements by management or those charged with governance after the date of the financial statements, the auditor shall inquire as to the reasons for the delay. If the auditor believes that the delay could be related to events or conditions relating

⁵ ISA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report."

⁶ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

⁷ ISA 260, "Communication with Those Charged with Governance," paragraph 13.

to the going concern assessment, the auditor shall perform those additional audit procedures necessary, as described in paragraph 16, as well as consider the effect on the auditor's conclusion regarding the existence of a material uncertainty, as described in paragraph 17.

Application and Other Explanatory Material

Going Concern Assumption (Ref: Para. 2)

Considerations Specific to Public Sector Entities

- A1. Management's use of the going concern assumption is also relevant to public sector entities. For example, International Public Sector Accounting Standard (IPSAS) 1 addresses the issue of the ability of public sector entities to continue as going concerns.⁸ Going concern risks may arise, but are not limited to, situations where public sector entities operate on a for-profit basis, where government support may be reduced or withdrawn, or in the case of privatization. Events or conditions that may cast significant doubt on an entity's ability to continue as a going concern in the public sector may include situations where the public sector entity lacks funding for its continued existence or when policy decisions are made that affect the services provided by the public sector entity.

Risk Assessment Procedures and Related Activities

Events or Conditions That May Cast Doubt about Going Concern Assumption (Ref: Para. 10)

- A2. The following are examples of events or conditions that, individually or collectively, may cast significant doubt about the going concern assumption. This listing is not all-inclusive nor does the existence of one or more of the items always signify that a material uncertainty exists.

Financial

- Net liability or net current liability position.
- Fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment; or excessive reliance on short-term borrowings to finance long-term assets.
- Indications of withdrawal of financial support by creditors.

⁸ IPSAS 1, "Presentation of Financial Statements" as at January 1, 2009, paragraphs 38-41.

- Negative operating cash flows indicated by historical or prospective financial statements.
- Adverse key financial ratios.
- Substantial operating losses or significant deterioration in the value of assets used to generate cash flows.
- Arrears or discontinuance of dividends.
- Inability to pay creditors on due dates.
- Inability to comply with the terms of loan agreements.
- Change from credit to cash-on-delivery transactions with suppliers.
- Inability to obtain financing for essential new product development or other essential investments.

Operating

- Management intentions to liquidate the entity or to cease operations.
- Loss of key management without replacement.
- Loss of a major market, key customer(s), franchise, license, or principal supplier(s).
- Labor difficulties.
- Shortages of important supplies.
- Emergence of a highly successful competitor.

Other

- Non-compliance with capital or other statutory requirements.
- Pending legal or regulatory proceedings against the entity that may, if successful, result in claims that the entity is unlikely to be able to satisfy.
- Changes in law or regulation or government policy expected to adversely affect the entity.
- Uninsured or underinsured catastrophes when they occur.

The significance of such events or conditions often can be mitigated by other factors. For example, the effect of an entity being unable to make its normal debt repayments may be counter-balanced by management's plans to maintain adequate cash flows by alternative means, such as by disposing of assets, rescheduling loan repayments, or obtaining additional capital. Similarly, the loss of a principal supplier may be mitigated by the availability of a suitable alternative source of supply.

- A3. The risk assessment procedures required by paragraph 10 help the auditor to determine whether management's use of the going concern assumption is likely to be an important issue and its impact on planning the audit. These procedures also allow for more timely discussions with management, including a discussion of management's plans and resolution of any identified going concern issues.

Considerations Specific to Smaller Entities

- A4. The size of an entity may affect its ability to withstand adverse conditions. Small entities may be able to respond quickly to exploit opportunities, but may lack reserves to sustain operations.
- A5. Conditions of particular relevance to small entities include the risk that banks and other lenders may cease to support the entity, as well as the possible loss of a principal supplier, major customer, key employee, or the right to operate under a license, franchise or other legal agreement.

Remaining Alert throughout the Audit for Audit Evidence about Events or Conditions (Ref: Para. 11)

- A6. ISA 315 requires the auditor to revise the auditor's risk assessment and modify the further planned audit procedures accordingly when additional audit evidence is obtained during the course of the audit that affects the auditor's assessment of risk.⁹ If events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are identified after the auditor's risk assessments are made, in addition to performing the procedures in paragraph 16, the auditor's assessment of the risks of material misstatement may need to be revised. The existence of such events or conditions may also affect the nature, timing and extent of the auditor's further procedures in response to the assessed risks. ISA 330¹⁰ establishes requirements and provides guidance on this issue.

Evaluating Management's Assessment

Management's Assessment and Supporting Analysis and the Auditor's Evaluation (Ref: Para. 12)

- A7. Management's assessment of the entity's ability to continue as a going concern is a key part of the auditor's consideration of management's use of the going concern assumption.
- A8. It is not the auditor's responsibility to rectify the lack of analysis by management. In some circumstances, however, the lack of detailed analysis by management to support its assessment may not prevent the auditor from

⁹ ISA 315, paragraph 31.

¹⁰ ISA 330, "The Auditor's Responses to Assessed Risks."

concluding whether management's use of the going concern assumption is appropriate in the circumstances. For example, when there is a history of profitable operations and a ready access to financial resources, management may make its assessment without detailed analysis. In this case, the auditor's evaluation of the appropriateness of management's assessment may be made without performing detailed evaluation procedures if the auditor's other audit procedures are sufficient to enable the auditor to conclude whether management's use of the going concern assumption in the preparation of the financial statements is appropriate in the circumstances.

- A9. In other circumstances, evaluating management's assessment of the entity's ability to continue as a going concern, as required by paragraph 12, may include an evaluation of the process management followed to make its assessment, the assumptions on which the assessment is based and management's plans for future action and whether management's plans are feasible in the circumstances.

The Period of Management's Assessment (Ref: Para. 13)

- A10. Most financial reporting frameworks requiring an explicit management assessment specify the period for which management is required to take into account all available information.¹¹

Considerations Specific to Smaller Entities (Ref: Para. 12-13)

- A11. In many cases, the management of smaller entities may not have prepared a detailed assessment of the entity's ability to continue as a going concern, but instead may rely on in-depth knowledge of the business and anticipated future prospects. Nevertheless, in accordance with the requirements of this ISA, the auditor needs to evaluate management's assessment of the entity's ability to continue as a going concern. For smaller entities, it may be appropriate to discuss the medium and long-term financing of the entity with management, provided that management's contentions can be corroborated by sufficient documentary evidence and are not inconsistent with the auditor's understanding of the entity. Therefore, the requirement in paragraph 13 for the auditor to request management to extend its assessment may, for example, be satisfied by discussion, inquiry and inspection of supporting documentation, for example, orders received for future supply, evaluated as to their feasibility or otherwise substantiated.
- A12. Continued support by owner-managers is often important to smaller entities' ability to continue as a going concern. Where a small entity is largely financed by a loan from the owner-manager, it may be important that these funds are not

¹¹ For example, IAS 1 defines this as a period that should be at least, but is not limited to, twelve months from the end of the reporting period.

withdrawn. For example, the continuance of a small entity in financial difficulty may be dependent on the owner-manager subordinating a loan to the entity in favor of banks or other creditors, or the owner manager supporting a loan for the entity by providing a guarantee with his or her personal assets as collateral. In such circumstances the auditor may obtain appropriate documentary evidence of the subordination of the owner-manager's loan or of the guarantee. Where an entity is dependent on additional support from the owner-manager, the auditor may evaluate the owner-manager's ability to meet the obligation under the support arrangement. In addition, the auditor may request written confirmation of the terms and conditions attaching to such support and the owner-manager's intention or understanding.

Period beyond Management's Assessment (Ref: Para. 15)

- A13. As required by paragraph 11, the auditor remains alert to the possibility that there may be known events, scheduled or otherwise, or conditions that will occur beyond the period of assessment used by management that may bring into question the appropriateness of management's use of the going concern assumption in preparing the financial statements. Since the degree of uncertainty associated with the outcome of an event or condition increases as the event or condition is further into the future, in considering events or conditions further in the future, the indications of going concern issues need to be significant before the auditor needs to consider taking further action. If such events or conditions are identified, the auditor may need to request management to evaluate the potential significance of the event or condition on its assessment of the entity's ability to continue as a going concern. In these circumstances the procedures in paragraph 16 apply.
- A14. Other than inquiry of management, the auditor does not have a responsibility to perform any other audit procedures to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern beyond the period assessed by management, which, as discussed in paragraph 13, would be at least twelve months from the date of the financial statements.

Additional Audit Procedures When Events or Conditions Are Identified (Ref: Para. 16)

- A15. Audit procedures that are relevant to the requirement in paragraph 16 may include the following:
- Analyzing and discussing cash flow, profit and other relevant forecasts with management.
 - Analyzing and discussing the entity's latest available interim financial statements.
 - Reading the terms of debentures and loan agreements and determining whether any have been breached.

- Reading minutes of the meetings of shareholders, those charged with governance and relevant committees for reference to financing difficulties.
- Inquiring of the entity's legal counsel regarding the existence of litigation and claims and the reasonableness of management's assessments of their outcome and the estimate of their financial implications.
- Confirming the existence, legality and enforceability of arrangements to provide or maintain financial support with related and third parties and assessing the financial ability of such parties to provide additional funds.
- Evaluating the entity's plans to deal with unfilled customer orders.
- Performing audit procedures regarding subsequent events to identify those that either mitigate or otherwise affect the entity's ability to continue as a going concern.
- Confirming the existence, terms and adequacy of borrowing facilities.
- Obtaining and reviewing reports of regulatory actions.
- Determining the adequacy of support for any planned disposals of assets.

Evaluating Management's Plans for Future Actions (Ref: Para. 16(b))

A16. Evaluating management's plans for future actions may include inquiries of management as to its plans for future action, including, for example, its plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital.

The Period of Management's Assessment (Ref: Para. 16(c))

A17. In addition to the procedures required in paragraph 16(c), the auditor may compare:

- The prospective financial information for recent prior periods with historical results; and
- The prospective financial information for the current period with results achieved to date.

A18. Where management's assumptions include continued support by third parties, whether through the subordination of loans, commitments to maintain or provide additional funding, or guarantees, and such support is important to an entity's ability to continue as a going concern, the auditor may need to consider requesting written confirmation (including of terms and conditions) from those third parties and to obtain evidence of their ability to provide such support.

Audit Conclusions and Reporting (Ref: Para. 17)

- A19. The phrase “material uncertainty” is used in IAS 1 in discussing the uncertainties related to events or conditions which may cast significant doubt on the entity’s ability to continue as a going concern that should be disclosed in the financial statements. In some other financial reporting frameworks the phrase “significant uncertainty” is used in similar circumstances.

Use of Going Concern Assumption Appropriate but a Material Uncertainty Exists

Adequacy of Disclosure of Material Uncertainty (Ref: Para. 18)

- A20. The determination of the adequacy of the financial statement disclosure may involve determining whether the information explicitly draws the reader’s attention to the possibility that the entity may be unable to continue realizing its assets and discharging its liabilities in the normal course of business.

Audit Reporting When Disclosure of Material Uncertainty Is Adequate (Ref: Para. 19)

- A21. The following is an illustration of an Emphasis of Matter paragraph when the auditor is satisfied as to the adequacy of the note disclosure:

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note X in the financial statements which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company’s current liabilities exceeded its total assets by YYY. These conditions, along with other matters as set forth in Note X, indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

- A22. In situations involving multiple material uncertainties that are significant to the financial statements as a whole, the auditor may consider it appropriate in extremely rare cases to express a disclaimer of opinion instead of adding an Emphasis of Matter paragraph. ISA 705 provides guidance on this issue.

Audit Reporting When Disclosure of Material Uncertainty Is Inadequate (Ref: Para. 20)

- A23. The following is an illustration of the relevant paragraphs when a qualified opinion is to be expressed:

Basis for Qualified Opinion

The Company’s financing arrangements expire and amounts outstanding are payable on March 19, 20X1. The Company has been unable to re-negotiate or obtain replacement financing. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going

concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements (and notes thereto) do not fully disclose this fact.

Qualified Opinion

In our opinion, except for the incomplete disclosure of the information referred to in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects (or “give a true and fair view of”) the financial position of the Company as at December 31, 20X0, and of its financial performance and its cash flows for the year then ended in accordance with ...

- A24. The following is an illustration of the relevant paragraphs when an adverse opinion is to be expressed:

Basis for Adverse Opinion

The Company’s financing arrangements expired and the amount outstanding was payable on December 31, 20X0. The Company has been unable to re-negotiate or obtain replacement financing and is considering filing for bankruptcy. These events indicate a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements (and notes thereto) do not disclose this fact.

Adverse Opinion

In our opinion, because of the omission of the information mentioned in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly (or “give a true and fair view of”) the financial position of the Company as at December 31, 20X0, and of its financial performance and its cash flows for the year then ended in accordance with ...

Use of Going Concern Assumption Inappropriate (Ref: Para. 21)

- A25. If the financial statements have been prepared on a going concern basis but, in the auditor’s judgment, management’s use of the going concern assumption in the financial statements is inappropriate, the requirement of paragraph 21 for the auditor to express an adverse opinion applies regardless of whether or not the financial statements include disclosure of the inappropriateness of management’s use of the going concern assumption.
- A26. If the entity’s management is required, or elects, to prepare financial statements when the use of the going concern assumption is not appropriate in the circumstances, the financial statements are prepared on an alternative basis

(for example, liquidation basis). The auditor may be able to perform an audit of those financial statements provided that the auditor determines that the alternative basis is an acceptable financial reporting framework in the circumstances. The auditor may be able to express an unmodified opinion on those financial statements, provided there is adequate disclosure therein but may consider it appropriate or necessary to include an Emphasis of Matter paragraph in the auditor's report to draw the user's attention to that alternative basis and the reasons for its use.

Management Unwilling to Make or Extend Its Assessment (Ref: Para. 22)

- A27. In certain circumstances, the auditor may believe it necessary to request management to make or extend its assessment. If management is unwilling to do so, a qualified opinion or a disclaimer of opinion in the auditor's report may be appropriate, because it may not be possible for the auditor to obtain sufficient appropriate audit evidence regarding the use of the going concern assumption in the preparation of the financial statements, such as audit evidence regarding the existence of plans management has put in place or the existence of other mitigating factors.

ISSAI 1580

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información, visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

Manifestaciones escritas

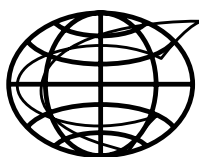
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 580, “Manifestaciones escritas”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1580

NOTA DE PRÁCTICA PARA LA NIA 580

Párrafo

Fundamentos

Introducción a la NIA

Contenido de la Nota de Práctica P1

Aplicabilidad de la NIA en la auditoría del sector público P2

Orientaciones adicionales sobre cuestiones ligadas al sector público P3

Consideraciones generales P4–P5

Miembros de la dirección a quienes se solicita manifestaciones escritas P6

Comunicación de un umbral P7

Fecha de las manifestaciones escritas y período abarcado por ellas P8

Falta de presentación de las manifestaciones escritas y dudas sobre su fiabilidad P9

Apéndice 1: Ejemplos adicionales para el Apéndice 2 de la NIA

“Modelo de carta de manifestaciones”

NORMA INTERNACIONAL DE AUDITORÍA 580

Introducción

Alcance de la NIA 1–2

Valor probatorio de las manifestaciones escritas 3–4

Fecha de entrada en vigor 5

Objetivos 6

Definiciones 7–8

Exigencias

Miembros de la dirección a quienes se solicita manifestaciones escritas 9

Manifestaciones escritas acerca de las atribuciones de la dirección 10–12

Otras manifestaciones escritas 13

Fecha de las manifestaciones escritas y período abarcado por ellas 14

Formato de las manifestaciones escritas 15

Falta de presentación de las manifestaciones escritas y dudas sobre su fiabilidad 16–20

Disposiciones de aplicación y otras disposiciones explicativas	Paragraph
Valor probatorio de las manifestaciones escritas	A1
Miembros de la dirección a quienes se solicita manifestaciones escritas	A2–A6
Manifestaciones escritas acerca de las atribuciones de la dirección	A7–A9
Otras manifestaciones escritas	A10–A13
Comunicación de un umbral	A14
Fecha de las manifestaciones escritas y período abarcado por ellas.....	A15–A18
Formato de las manifestaciones escritas	A19–A21
Comunicación con los encargados de la gobernanza	A22
Falta de presentación de las manifestaciones escritas y dudas sobre su fiabilidad	A23–A27

Apéndice 1: Lista de las NIA que incluyen requisitos para las manifestaciones escritas

Apéndice 2: Modelo de carta de manifestaciones

Nota de Práctica¹ a la Norma Internacional de Auditoría (NIA) 580

Manifestaciones escritas

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 580, “Manifestaciones escritas”, y debe leerse conjuntamente con ella. La NIA 580 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 580 establece las obligaciones del auditor de obtener manifestaciones escritas de la dirección y, cuando proceda, de los encargados de la gobernanza.

El Apéndice 1 de la NIA enumera otras NIA que contienen exigencias específicas en relación con las manifestaciones escritas, pero esas exigencias no limitan la aplicación de esta NIA.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Miembros de la dirección a quienes se solicita manifestaciones escritas.
 - c) Comunicación de un umbral.
 - d) Fecha de las manifestaciones escritas y período abarcado por ellas.
 - e) Falta de presentación de las manifestaciones escritas y dudas sobre su fiabilidad.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 580 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las Directrices de auditoría financiera de la INTOSAI”

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 580 contiene disposiciones de aplicación y otras disposiciones explicativas con consideraciones específicas a las entidades del sector público en el párrafo A9.

Consideraciones generales

- P4. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría, o las obligaciones derivadas de la legislación y la reglamentación, o de órdenes ministeriales, exigencias políticas o resoluciones del poder legislativo, pueden contener objetivos adicionales, entre ellos obligaciones de auditoría e información. Un ejemplo son las obligaciones de información cuando el auditor haya detectado falta de conformidad con las normas en el ámbito presupuestario u contable o informe sobre la eficacia del control interno.
- P5. En el sector público, las obligaciones de la dirección pueden ser más amplias también que en el sector privado. Cuando soliciten manifestaciones escritas acerca de las obligaciones de la dirección, los auditores del sector público tomarán en consideración esta premisa más amplia.

Miembros de la dirección a quienes se solicita manifestaciones escritas

- P6. Al remitirse a la orientación facilitada en el párrafo A2 de la NIA, los auditores del sector público tendrán presente que las obligaciones de elaboración y presentación de los estados financieros pueden variar acorde con la legislación, y se familiarizarán con la legislación aplicable para identificar a quiénes deben solicitarse las manifestaciones escritas y asimismo pueden comunicar y concertarse, en la fase de planificación, con los encargados de la gobernanza para la determinación de los individuos obligados a presentar las manifestaciones escritas.

Comunicación de un umbral

- P7. Con arreglo al párrafo A14 de la NIA, el auditor puede examinar la conveniencia de comunicar a la dirección un umbral para las manifestaciones escritas solicitadas. Los auditores del sector público tendrán en cuenta la perspectiva más amplia del sector público de comunicar todas las incorrecciones, incluso las corregidas por la entidad, y todas las deficiencias de control y los casos de falta de conformidad con las normas. Al solicitar las manifestaciones escritas, los auditores del sector público examinarán la conveniencia de comunicar estas exigencias.

Fecha de las manifestaciones escritas y período abarcado por ellas

- P8. Según se establece en el párrafo A15 de la NIA, la fecha de las manifestaciones escritas debe ser lo más próxima posible a la fecha del informe de auditoría sobre los estados financieros. En el sector público, las manifestaciones de la dirección proceden a veces de los máximos responsables de la gobernanza, por lo que es importante que los auditores del sector público planifiquen su tarea con anticipación para que esas manifestaciones se obtengan a tiempo para evitar retrasos en la presentación de su informe de auditoría.

Falta de presentación de las manifestaciones escritas y dudas sobre su fiabilidad

- P9. Es posible que los auditores del sector público sean nombrados mediante procedimientos legales y no puedan, por tanto, rechazar o abandonar un mandato según se establece en el párrafo A24 de la NIA. En esos casos, los auditores del sector público tienen la posibilidad de informar al poder legislativo.

Apéndice 1:

Ejemplos adicionales para el Apéndice 2 de la NIA, “Modelo de carta de manifestaciones”

El Apéndice 2 de la NIA presenta un modelo de carta de manifestaciones. Sobre la base de la legislación aplicable o del mandato de auditoría, los auditores del sector público pueden añadir otros elementos, como la consideración de si:

- Las actividades y las operaciones financieras son conformes a las normas.
- Los sistemas de control interno han funcionado con eficacia durante todo el período abarcado por la auditoría.
- La función de auditoría interna ha funcionado con eficacia durante todo el período abarcado por la auditoría.
- El programa público XYZ se ha llevado a la práctica de forma eficaz, eficiente y económica.
- La dirección ha facilitado su interpretación de las exigencias de conformidad, que pueden ser objeto de distintas interpretaciones.
- Han sido facilitados todos los contratos, acuerdos de subvención y cualquier otra correspondencia respecto a acuerdos que impliquen el uso de fondos de programas.
- La dirección ha facilitado todos los contratos y acuerdos con organizaciones de servicios, incluidas las comunicaciones referentes a incumplimientos.

International Standard on Auditing

Written Representations



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
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This International Standard on Auditing (ISA) 580, “Written Representations” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 580

WRITTEN REPRESENTATIONS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1-2
Written Representations as Audit Evidence	3-4
Effective Date	5
Objectives	6
Definitions	7-8
Requirements	
Management from whom Written Representations Requested	9
Written Representations about Management's Responsibilities	10-12
Other Written Representations	13
Date of and Period(s) Covered by Written Representations	14
Form of Written Representations	15
Doubt as to the Reliability of Written Representations and Requested Written Representations Not Provided	16-20
Application and Other Explanatory Material	
Written Representations as Audit Evidence	A1
Management from whom Written Representations Requested	A2-A6
Written Representations about Management's Responsibilities	A7-A9
Other Written Representations	A10-A13
Communicating a Threshold Amount	A14
Date of and Period(s) Covered by Written Representations	A15-A18
Form of Written Representations	A19-A21
Communication with Those Charged with Governance	A22

Doubt as to the Reliability of Written Representations and Requested
Written Representations Not Provided A23-A27

Appendix 1: List of ISAs Containing Requirements for Written
Representations

Appendix 2: Illustrative Representation Letter

International Standard on Auditing (ISA) 580, “Written Representations” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to obtain written representations from management and, where appropriate, those charged with governance in an audit of financial statements.
2. Appendix 1 lists other ISAs containing subject-matter specific requirements for written representations. The specific requirements for written representations of other ISAs do not limit the application of this ISA.

Written Representations as Audit Evidence

3. Audit evidence is the information used by the auditor in arriving at the conclusions on which the auditor's opinion is based.¹ Written representations are necessary information that the auditor requires in connection with the audit of the entity's financial statements. Accordingly, similar to responses to inquiries, written representations are audit evidence. (Ref: Para. A1)
4. Although written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own about any of the matters with which they deal. Furthermore, the fact that management has provided reliable written representations does not affect the nature or extent of other audit evidence that the auditor obtains about the fulfillment of management's responsibilities, or about specific assertions.

Effective Date

5. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objectives

6. The objectives of the auditor are:
 - (a) To obtain written representations from management and, where appropriate, those charged with governance that they believe that they have fulfilled their responsibility for the preparation of the financial statements and for the completeness of the information provided to the auditor;
 - (b) To support other audit evidence relevant to the financial statements or specific assertions in the financial statements by means of written representations if determined necessary by the auditor or required by other ISAs; and

¹ ISA 500, "Audit Evidence," paragraph 5(c).

- (c) To respond appropriately to written representations provided by management and, where appropriate, those charged with governance, or if management or, where appropriate, those charged with governance do not provide the written representations requested by the auditor.

Definitions

- 7. For purposes of the ISAs, the following term has the meaning attributed below:

Written representation – A written statement by management provided to the auditor to confirm certain matters or to support other audit evidence. Written representations in this context do not include financial statements, the assertions therein, or supporting books and records.

- 8. For purposes of this ISA, references to “management” should be read as “management and, where appropriate, those charged with governance.” Furthermore, in the case of a fair presentation framework, management is responsible for the preparation and *fair* presentation of the financial statements in accordance with the applicable financial reporting framework; or the preparation of financial statements *that give a true and fair view* in accordance with the applicable financial reporting framework.

Requirements

Management from whom Written Representations Requested

- 9. The auditor shall request written representations from management with appropriate responsibilities for the financial statements and knowledge of the matters concerned. (Ref: Para. A2-A6)

Written Representations about Management’s Responsibilities

Preparation of the Financial Statements

- 10. The auditor shall request management to provide a written representation that it has fulfilled its responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation, as set out in the terms of the audit engagement.² (Ref: Para. A7-A9, A14, A22)

Information Provided and Completeness of Transactions

- 11. The auditor shall request management to provide a written representation that:

² ISA 210, “Agreeing the Terms of Audit Engagements,” paragraph 6(b)(i).

- (a) It has provided the auditor with all relevant information and access as agreed in the terms of the audit engagement,³ and
- (b) All transactions have been recorded and are reflected in the financial statements. (Ref: Para. A7-A9, A14, A22)

Description of Management's Responsibilities in the Written Representations

- 12. Management's responsibilities shall be described in the written representations required by paragraphs 10 and 11 in the manner in which these responsibilities are described in the terms of the audit engagement.

Other Written Representations

- 13. Other ISAs require the auditor to request written representations. If, in addition to such required representations, the auditor determines that it is necessary to obtain one or more written representations to support other audit evidence relevant to the financial statements or one or more specific assertions in the financial statements, the auditor shall request such other written representations. (Ref: Para. A10-A13, A14, A22)

Date of and Period(s) Covered by Written Representations

- 14. The date of the written representations shall be as near as practicable to, but not after, the date of the auditor's report on the financial statements. The written representations shall be for all financial statements and period(s) referred to in the auditor's report. (Ref: Para. A15-A18)

Form of Written Representations

- 15. The written representations shall be in the form of a representation letter addressed to the auditor. If law or regulation requires management to make written public statements about its responsibilities, and the auditor determines that such statements provide some or all of the representations required by paragraphs 10 or 11, the relevant matters covered by such statements need not be included in the representation letter. (Ref: Para. A19-A21)

Doubt as to the Reliability of Written Representations and Requested Written Representations Not Provided

Doubt as to the Reliability of Written Representations

- 16. If the auditor has concerns about the competence, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, the auditor shall determine the effect that such concerns may have on the reliability of representations (oral or written) and audit evidence in general. (Ref: Para. A24-A25)

³ ISA 210, paragraph 6(b)(iii).

17. In particular, if written representations are inconsistent with other audit evidence, the auditor shall perform audit procedures to attempt to resolve the matter. If the matter remains unresolved, the auditor shall reconsider the assessment of the competence, integrity, ethical values or diligence of management, or of its commitment to or enforcement of these, and shall determine the effect that this may have on the reliability of representations (oral or written) and audit evidence in general. (Ref: Para. A23)
18. If the auditor concludes that the written representations are not reliable, the auditor shall take appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance with ISA 705,⁴ having regard to the requirement in paragraph 20 of this ISA.

Requested Written Representations Not Provided

19. If management does not provide one or more of the requested written representations, the auditor shall:
 - (a) Discuss the matter with management;
 - (b) Reevaluate the integrity of management and evaluate the effect that this may have on the reliability of representations (oral or written) and audit evidence in general; and
 - (c) Take appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance with ISA 705, having regard to the requirement in paragraph 20 of this ISA.

Written Representations about Management's Responsibilities

20. The auditor shall disclaim an opinion on the financial statements in accordance with ISA 705 if:
 - (a) The auditor concludes that there is sufficient doubt about the integrity of management such that the written representations required by paragraphs 10 and 11 are not reliable; or
 - (b) Management does not provide the written representations required by paragraphs 10 and 11. (Ref: Para. A26-A27)

Application and Other Explanatory Material

Written Representations as Audit Evidence (Ref: Para. 3)

- A1. Written representations are an important source of audit evidence. If management modifies or does not provide the requested written

⁴ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

representations, it may alert the auditor to the possibility that one or more significant issues may exist. Further, a request for written, rather than oral, representations in many cases may prompt management to consider such matters more rigorously, thereby enhancing the quality of the representations.

Management from whom Written Representations Requested (Ref: Para. 9)

- A2. Written representations are requested from those responsible for the preparation of the financial statements. Those individuals may vary depending on the governance structure of the entity, and relevant law or regulation; however, management (rather than those charged with governance) is often the responsible party. Written representations may therefore be requested from the entity's chief executive officer and chief financial officer, or other equivalent persons in entities that do not use such titles. In some circumstances, however, other parties, such as those charged with governance, are also responsible for the preparation of the financial statements.
- A3. Due to its responsibility for the preparation of the financial statements, and its responsibilities for the conduct of the entity's business, management would be expected to have sufficient knowledge of the process followed by the entity in preparing and presenting the financial statements and the assertions therein on which to base the written representations.
- A4. In some cases, however, management may decide to make inquiries of others who participate in preparing and presenting the financial statements and assertions therein, including individuals who have specialized knowledge relating to the matters about which written representations are requested. Such individuals may include:
- An actuary responsible for actuarially determined accounting measurements.
 - Staff engineers who may have responsibility for and specialized knowledge about environmental liability measurements.
 - Internal counsel who may provide information essential to provisions for legal claims.
- A5. In some cases, management may include in the written representations qualifying language to the effect that representations are made to the best of its knowledge and belief. It is reasonable for the auditor to accept such wording if the auditor is satisfied that the representations are being made by those with appropriate responsibilities and knowledge of the matters included in the representations.
- A6. To reinforce the need for management to make informed representations, the auditor may request that management include in the written representations confirmation that it has made such inquiries as it considered appropriate to

place it in the position to be able to make the requested written representations. It is not expected that such inquiries would usually require a formal internal process beyond those already established by the entity.

Written Representations about Management's Responsibilities (Ref: Para. 10-11)

- A7. Audit evidence obtained during the audit that management has fulfilled the responsibilities referred to in paragraphs 10 and 11 is not sufficient without obtaining confirmation from management that it believes that it has fulfilled those responsibilities. This is because the auditor is not able to judge solely on other audit evidence whether management has prepared and presented the financial statements and provided information to the auditor on the basis of the agreed acknowledgement and understanding of its responsibilities. For example, the auditor could not conclude that management has provided the auditor with all relevant information agreed in the terms of the audit engagement without asking it whether, and receiving confirmation that, such information has been provided.
- A8. The written representations required by paragraphs 10 and 11 draw on the agreed acknowledgement and understanding of management of its responsibilities in the terms of the audit engagement by requesting confirmation that it has fulfilled them. The auditor may also ask management to reconfirm its acknowledgement and understanding of those responsibilities in written representations. This is common in certain jurisdictions, but in any event may be particularly appropriate when:
- Those who signed the terms of the audit engagement on behalf of the entity no longer have the relevant responsibilities;
 - The terms of the audit engagement were prepared in a previous year;
 - There is any indication that management misunderstands those responsibilities; or
 - Changes in circumstances make it appropriate to do so.

Consistent with the requirement of ISA 210,⁵ such reconfirmation of management's acknowledgement and understanding of its responsibilities is not made subject to the best of management's knowledge and belief (as discussed in paragraph A5 of this ISA).

Considerations Specific to Public Sector Entities

- A9. The mandates for audits of the financial statements of public sector entities may be broader than those of other entities. As a result, the premise, relating to management's responsibilities, on which an audit of the financial statements of a public sector entity is conducted may give rise to additional

⁵ ISA 210, paragraph 6(b).

written representations. These may include written representations confirming that transactions and events have been carried out in accordance with law, regulation or other authority.

Other Written Representations (Ref: Para. 13)

Additional Written Representations about the Financial Statements

A10. In addition to the written representation required by paragraph 10, the auditor may consider it necessary to request other written representations about the financial statements. Such written representations may supplement, but do not form part of, the written representation required by paragraph 10. They may include representations about the following:

- Whether the selection and application of accounting policies are appropriate; and
- Whether matters such as the following, where relevant under the applicable financial reporting framework, have been recognized, measured, presented or disclosed in accordance with that framework:
 - Plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - Liabilities, both actual and contingent;
 - Title to, or control over, assets, the liens or encumbrances on assets, and assets pledged as collateral; and
 - Aspects of laws, regulations and contractual agreements that may affect the financial statements, including non-compliance.

Additional Written Representations about Information Provided to the Auditor

A11. In addition to the written representation required by paragraph 11, the auditor may consider it necessary to request management to provide a written representation that it has communicated to the auditor all deficiencies in internal control of which management is aware.

Written Representations about Specific Assertions

A12. When obtaining evidence about, or evaluating, judgments and intentions, the auditor may consider one or more of the following:

- The entity's past history in carrying out its stated intentions.
- The entity's reasons for choosing a particular course of action.
- The entity's ability to pursue a specific course of action.

- The existence or lack of any other information that might have been obtained during the course of the audit that may be inconsistent with management's judgment or intent.

A13. In addition, the auditor may consider it necessary to request management to provide written representations about specific assertions in the financial statements; in particular, to support an understanding that the auditor has obtained from other audit evidence of management's judgment or intent in relation to, or the completeness of, a specific assertion. For example, if the intent of management is important to the valuation basis for investments, it may not be possible to obtain sufficient appropriate audit evidence without a written representation from management about its intentions. Although such written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own for that assertion.

Communicating a Threshold Amount (Ref: Para. 10-11, 13)

A14. ISA 450 requires the auditor to accumulate misstatements identified during the audit, other than those that are clearly trivial.⁶ The auditor may determine a threshold above which misstatements cannot be regarded as clearly trivial. In the same way, the auditor may consider communicating to management a threshold for purposes of the requested written representations.

Date of and Period(s) Covered by Written Representations (Ref: Para. 14)

A15. Because written representations are necessary audit evidence, the auditor's opinion cannot be expressed, and the auditor's report cannot be dated, before the date of the written representations. Furthermore, because the auditor is concerned with events occurring up to the date of the auditor's report that may require adjustment to or disclosure in the financial statements, the written representations are dated as near as practicable to, but not after, the date of the auditor's report on the financial statements.

A16. In some circumstances it may be appropriate for the auditor to obtain a written representation about a specific assertion in the financial statements during the course of the audit. Where this is the case, it may be necessary to request an updated written representation.

A17. The written representations are for all periods referred to in the auditor's report because management needs to reaffirm that the written representations it previously made with respect to the prior periods remain appropriate. The auditor and management may agree to a form of written representation that updates written representations relating to the prior periods by addressing whether there are any changes to such written representations and, if so, what they are.

⁶ ISA 450, "Evaluation of Misstatements Identified during the Audit," paragraph 5.

- A18. Situations may arise where current management were not present during all periods referred to in the auditor's report. Such persons may assert that they are not in a position to provide some or all of the written representations because they were not in place during the period. This fact, however, does not diminish such persons' responsibilities for the financial statements as a whole. Accordingly, the requirement for the auditor to request from them written representations that cover the whole of the relevant period(s) still applies.

Form of Written Representations (Ref: Para. 15)

- A19. Written representations are required to be included in a representation letter addressed to the auditor. In some jurisdictions, however, management may be required by law or regulation to make a written public statement about its responsibilities. Although such statement is a representation to the users of the financial statements, or to relevant authorities, the auditor may determine that it is an appropriate form of written representation in respect of some or all of the representations required by paragraph 10 or 11. Consequently, the relevant matters covered by such statement need not be included in the representation letter. Factors that may affect the auditor's determination include:

- Whether the statement includes confirmation of the fulfillment of the responsibilities referred to in paragraphs 10 and 11.
- Whether the statement has been given or approved by those from whom the auditor requests the relevant written representations.
- Whether a copy of the statement is provided to the auditor as near as practicable to, but not after, the date of the auditor's report on the financial statements (see paragraph 14).

- A20. A formal statement of compliance with law or regulation, or of approval of the financial statements, would not contain sufficient information for the auditor to be satisfied that all necessary representations have been consciously made. The expression of management's responsibilities in law or regulation is also not a substitute for the requested written representations.

- A21. Appendix 2 provides an illustrative example of a representation letter.

Communication with Those Charged with Governance (Ref: Para. 10-11, 13)

- A22. ISA 260 requires the auditor to communicate with those charged with governance the written representations which the auditor has requested from management.⁷

⁷ ISA 260, "Communication with Those Charged with Governance," paragraph 16(c)(ii).

Doubt as to the Reliability of Written Representations and Requested Written Representations Not Provided

Doubt as to the Reliability of Written Representations (Ref: Para. 16-17)

- A23. In the case of identified inconsistencies between one or more written representations and audit evidence obtained from another source, the auditor may consider whether the risk assessment remains appropriate and, if not, revise the risk assessment and determine the nature, timing and extent of further audit procedures to respond to the assessed risks.
- A24. Concerns about the competence, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, may cause the auditor to conclude that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted. In such a case, the auditor may consider withdrawing from the engagement, where withdrawal is possible under applicable law or regulation, unless those charged with governance put in place appropriate corrective measures. Such measures, however, may not be sufficient to enable the auditor to issue an unmodified audit opinion.
- A25. ISA 230 requires the auditor to document significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.⁸ The auditor may have identified significant issues relating to the competence, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, but concluded that the written representations are nevertheless reliable. In such a case, this significant matter is documented in accordance with ISA 230.

Written Representations about Management's Responsibilities (Ref: Para. 20)

- A26. As explained in paragraph A7, the auditor is not able to judge solely on other audit evidence whether management has fulfilled the responsibilities referred to in paragraphs 10 and 11. Therefore, if, as described in paragraph 20(a), the auditor concludes that the written representations about these matters are unreliable, or if management does not provide those written representations, the auditor is unable to obtain sufficient appropriate audit evidence. The possible effects on the financial statements of such inability are not confined to specific elements, accounts or items of the financial statements and are hence pervasive. ISA 705 requires the auditor to disclaim an opinion on the financial statements in such circumstances.⁹

⁸ ISA 230, "Audit Documentation," paragraphs 8(c) and 10.

⁹ ISA 705, paragraph 9.

A27. A written representation that has been modified from that requested by the auditor does not necessarily mean that management did not provide the written representation. However, the underlying reason for such modification may affect the opinion in the auditor's report. For example:

- The written representation about management's fulfillment of its responsibility for the preparation of the financial statements may state that management believes that, except for material non-compliance with a particular requirement of the applicable financial reporting framework, the financial statements are prepared in accordance with that framework. The requirement in paragraph 20 does not apply because the auditor concluded that management has provided reliable written representations. However, the auditor is required to consider the effect of the non-compliance on the opinion in the auditor's report in accordance with ISA 705.
- The written representation about the responsibility of management to provide the auditor with all relevant information agreed in the terms of the audit engagement may state that management believes that, except for information destroyed in a fire, it has provided the auditor with such information. The requirement in paragraph 20 does not apply because the auditor concluded that management has provided reliable written representations. However, the auditor is required to consider the effects of the pervasiveness of the information destroyed in the fire on the financial statements and the effect thereof on the opinion in the auditor's report in accordance with ISA 705.

Appendix 1

(Ref: Para. 2)

List of ISAs Containing Requirements for Written Representations

This appendix identifies paragraphs in other ISAs in effect for audits of financial statements for periods beginning on or after December 15, 2009 that require subject-matter specific written representations. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISA 240, “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements” – paragraph 39
- ISA 250, “Consideration of Laws and Regulations in an Audit of Financial Statements” – paragraph 16
- ISA 450, “Evaluation of Misstatements Identified during the Audit” – paragraph 14
- ISA 501, “Audit Evidence—Specific Considerations for Selected Items” – paragraph 12
- ISA 540, “Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures” – paragraph 22
- ISA 550, “Related Parties” – paragraph 26
- ISA 560, “Subsequent Events” – paragraph 9
- ISA 570, “Going Concern” – paragraph 16(e)
- ISA 710, “Comparative Information—Corresponding Figures and Comparative Financial Statements” – paragraph 9

Appendix 2

(Ref: Para. A21)

Illustrative Representation Letter

The following illustrative letter includes written representations that are required by this and other ISAs in effect for audits of financial statements for periods beginning on or after December 15, 2009. It is assumed in this illustration that the applicable financial reporting framework is International Financial Reporting Standards; the requirement of ISA 570¹⁰ to obtain a written representation is not relevant; and that there are no exceptions to the requested written representations. If there were exceptions, the representations would need to be modified to reflect the exceptions.

(Entity Letterhead)

(To Auditor)

(Date)

This representation letter is provided in connection with your audit of the financial statements of ABC Company for the year ended December 31, 20XX¹¹ for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, (or *give a true and fair view*) in accordance with International Financial Reporting Standards.

We confirm that (, *to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves*):

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated [insert date], for the preparation of the financial statements in accordance with International Financial Reporting Standards; in particular the financial statements are fairly presented (or give a true and fair view) in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. (ISA 540)
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. (ISA 550)

¹⁰ ISA 570, “Going Concern.”

¹¹ Where the auditor reports on more than one period, the auditor adjusts the date so that the letter pertains to all periods covered by the auditor’s report.

- All events subsequent to the date of the financial statements and for which International Financial Reporting Standards require adjustment or disclosure have been adjusted or disclosed. (ISA 560)
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter. (ISA 450)
- [Any other matters that the auditor may consider appropriate (see paragraph A10 of this ISA).]

Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. (ISA 240)
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements. (ISA 240)
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. (ISA 240)
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. (ISA 250)
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. (ISA 550)

- [Any other matters that the auditor may consider necessary (see paragraph A11 of this ISA).]

Management

Management

ISSAI 1600

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información, visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

Consideraciones específicas – Auditorías de estados financieros correspondientes a un grupo (incluido el trabajo de los auditores de los componentes)

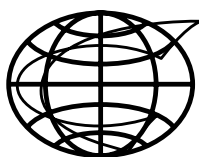
COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 600, “Consideraciones específicas – Auditorías de estados financieros correspondientes a un grupo (incluido el trabajo de los auditores de los componentes)”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1600

NOTA DE PRÁCTICA PARA LA NIA 600

Párrafo

Fundamentos

Introducción a la NIA

Contenido de la Nota de Práctica P1

Aplicabilidad de la NIA en la auditoría del sector público P2–P4

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales P5

Definiciones P6

Aceptación y continuidad P7–P9

Comprensión del grupo, sus componentes y sus distintos entornos P10

Comprensión acerca de los auditores de los componentes P11–P14

Materialidad P15–P16

Respuesta ante los riesgos evaluados P17

Proceso de consolidación P18

Comunicación con los auditores de los componentes P19

Comunicación con la dirección y los encargados de la gobernanza del grupo P20

Apéndice 1: Ejemplo de base para emitir una opinión con reservas y de informe sobre otras exigencias legales y reglamentarias para su utilización en el sector público

Apéndice 2: Ejemplos de cuestiones en las que el equipo auditor del grupo ha obtenido la comprensión necesaria

Apéndice 3: Ejemplos de hechos y condiciones que pueden indicar riesgos de incorrecciones materiales en los estados financieros del grupo

Apéndice 4: Cuestiones obligatorias y adicionales incluidas en la carta de instrucciones del equipo auditor del grupo

NORMA INTERNACIONAL DE AUDITORÍA 600

Introducción

Alcance de la NIA 1–6

Fecha de entrada en vigor 7

Objetivos 8

Definitions 9–10

Exigencias	Párrafo
Responsabilidad	11
Aceptación y continuidad	12–14
Estrategia global y programa de auditoría	15–16
Comprensión del grupo, sus componentes y sus distintos entornos	17–18
Comprensión acerca de los auditores de los componentes	19–20
Materialidad	21–23
Respuesta ante los riesgos evaluados	24–31
Proceso de consolidación	32–37
Hechos posteriores	38–39
Comunicación con los auditores de los componentes	40–41
Evaluación del carácter suficiente y apropiado de la evidencia de auditoría obtenida	42–45
Comunicación con la dirección y los encargados de la gobernanza del grupo	46–49
Documentación	50

Disposiciones de aplicación y otras disposiciones explicativas

Componentes sujetos a auditoría por disposición legal, reglamentaria u otros motivos	A1
Definiciones	A2–A7
Responsabilidad	A8–A9
Aceptación y continuidad	A10–A21
Estrategia global y programa de auditoría	A22
Comprensión del grupo, sus componentes y sus distintos entornos	A23–A31
Comprensión acerca de los auditores de los componentes	A32–A41
Materialidad	A42–A46
Respuesta ante los riesgos evaluados	A47–A55
Proceso de consolidación	A56
Comunicación con los auditores de los componentes	A57–A60
Evaluación del carácter suficiente y apropiado de la evidencia de auditoría obtenida	A61–A63
Comunicación con la dirección y los encargados de la gobernanza del grupo	A64–A66

Apéndice 1: Ejemplo de opinión con reservas cuando el equipo auditor del grupo no ha podido obtener evidencia de auditoría suficiente y apropiada para sustentar la opinión de auditoría sobre el grupo

Apéndice 2: Ejemplos de cuestiones en las que el equipo auditor del grupo ha obtenido la comprensión necesaria

Apéndice 3: Ejemplos de hechos y condiciones que pueden indicar riesgos de incorrecciones materiales en los estados financieros del grupo

Apéndice 4: Ejemplos de confirmación por los auditores de los componentes

Apéndice 5: Cuestiones obligatorias y adicionales incluidas en la carta de instrucciones del equipo auditor del grupo

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 600

Consideraciones específicas ñ Auditorías de estados financieros correspondientes a un grupo (incluido el trabajo de los auditores de los componentes)

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la Norma Internacional de Auditoría NIA 600, “Consideraciones específicas ñ Auditorías de estados financieros correspondientes a un grupo (incluido el trabajo de los auditores de los componentes)”, y debe leerse conjuntamente con ella. La NIA 600 entra en vigor para las auditorías de estados financieros correspondientes a períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

Las NIA son aplicables a las auditorías de un grupo y la NIA 600 contiene consideraciones específicas para este tipo de auditorías, en particular cuando en ellas intervienen los auditores de los componentes.

Un auditor puede encontrar útil la NIA 600, con las necesarias adaptaciones según las circunstancias, cuando implique a otros auditores en la auditoría de estados financieros que no sean los estados financieros del grupo, por ejemplo para observar el recuento del inventario o inspeccionar el inmovilizado situado en puntos alejados.

Los auditores de los componentes pueden estar obligados por disposición legal, reglamentaria u otro motivo a emitir una opinión de auditoría sobre los estados financieros de dichos componentes. El equipo auditor del grupo puede decidir utilizar la evidencia en la que se basa la opinión sobre los estados financieros de los componentes para constituir la evidencia del grupo, pero no por ello dejarán de aplicarse las exigencias de la NIA 600.

De acuerdo con la NIA 220², el responsable del equipo auditor del grupo, además de sus funciones directivas y de realización y supervisión del encargo de auditoría del grupo, tendrá que asegurarse de que los miembros del equipo, incluidos los auditores de los componentes, reúnen los requisitos de competencia y capacidad exigidos.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 iIntroducción general a las Directrices de auditoría financiera de la INTOSAI.i

² NIA 220, iControl de calidad en una auditoría de estados financieros.i párrafos 14 y 15.

El responsable del equipo auditor del grupo se atenderá a las exigencias de la NIA 220² con independencia de que la información financiera de un componente sea controlada por el auditor de éste o bien por el equipo. La NIA 600 ayuda al responsable del equipo auditor del grupo a cumplir lo establecido en la NIA 220² cuando los auditores de los componentes controlen la información financiera correspondiente a estos.

El riesgo de auditoría está en función del riesgo de incorrecciones materiales de los estados financieros y del riesgo de que el auditor no llegue a detectarlas³. En la auditoría de un grupo, se añade el riesgo de que los auditores de los componentes no descubran una incorrección en la información financiera de dichos componentes provocando así una incorrección material en los estados financieros del grupo, y el riesgo de que el equipo auditor del grupo tampoco la detecte. La NIA 600 explica las cuestiones analizadas por el equipo auditor del grupo para decidir la naturaleza, el momento y el alcance de su participación en los procedimientos de evaluación de riesgos y otros procedimientos de auditoría llevados a cabo por los auditores de los componentes sobre la información financiera de estos. El objetivo de esta participación es obtener evidencia de auditoría suficiente y apropiada para sustentar la opinión de auditoría sobre los estados financieros del grupo.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Definiciones.
 - c) Aceptación y continuidad.
 - d) Comprensión del grupo, sus componentes y sus distintos entornos.
 - e) Conocimiento acerca de los auditores de los componentes.
 - f) Materialidad.
 - g) Respuesta ante los riesgos evaluados.
 - h) Proceso de consolidación.
 - i) Comunicación con los auditores de los componentes.
 - j) Comunicación con la dirección y los encargados de la gobernanza del grupo.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 600 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.
- P3. En algunos entornos de sector público es posible que las leyes y reglamentos, o bien la práctica habitual, obliguen a hacer referencia a los auditores de los componentes en el informe del auditor del grupo sobre los estados financieros del grupo. En ese caso, si el informe del auditor del grupo

² NIA 220, iControl de calidad en una auditoría de estados financieros.i párrafos 14 y 15.

³ ISA 200, iObjetivos generales del auditor independiente y ejecución de la auditoría con arreglo a las normas internacionales de auditoríai, párrafo A32.

no indica claramente que esa referencia no disminuye la responsabilidad de éste en relación con la opinión de auditoría sobre el grupo, la auditoría no resulta conforme al párrafo 11 de la NIA.

- P4. El auditor de un grupo perteneciente al sector público que se refiera en su informe a los auditores de los componentes sin una indicación clara acerca de su propia responsabilidad, tal y como se describe en el párrafo 11 de la NIA, debe buscar orientación en otras fuentes, entre ellas las normas nacionales de auditoría y otras fuentes generalmente aceptadas, que pueden instruir al auditor de un grupo perteneciente al sector público a que indague acerca de la reputación profesional y la independencia de los auditores de los componentes y a que adopte las medidas necesarias para garantizar la coordinación de sus actividades con las de dichos auditores a fin de examinar adecuadamente las cuestiones que afectan al proceso de consolidación de los estados financieros del grupo.

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales

- P5. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco financiero aplicable (es decir, el alcance de las NIA), y consistir también en objetivos adicionales de auditoría o de información, como por ejemplo la conformidad con las normas en lo relativo al presupuesto, la rendición de cuentas o la eficacia del control interno. El mandato de auditoría o las obligaciones derivadas de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo pueden conducir a obligaciones suplementarias de información. Sin embargo, aun no existiendo esas obligaciones suplementarias, puede haber expectativas de los ciudadanos en cuanto a la conformidad con las normas o la eficacia del control interno y a la atención que debe prestar el auditor a esas cuestiones. El auditor de un grupo perteneciente al sector público ha de tener presente dichas expectativas, mantenerse alerta durante toda la auditoría respecto de los ámbitos en que pueda darse una falta de conformidad con las normas y establecer una comunicación al respecto con los auditores de los componentes.

Definiciones

- P6. Al remitirse a las definiciones del párrafo 9 de la NIA, los auditores, además de tomar como base las orientaciones contenidas en los párrafos A2 a A4, tendrán en cuenta la posibilidad de que concurren las siguientes circunstancias en el sector público:
- a) Componentes: en la esfera gubernamental esta categoría puede también abarcar organismos, departamentos, oficinas especializadas, empresas, fondos, unidades administrativas, distritos, empresas conjuntas y organizaciones no gubernamentales.
 - b) Componentes significativos: en el sector público esta categoría puede abarcar cuestiones sensibles para los ciudadanos como la seguridad nacional, la financiación de proyectos por donantes o la elaboración de informes sobre ingresos fiscales.

Aceptación y continuidad

- P7. Los párrafos 12 a 14 de la NIA establecen obligaciones para la aceptación y continuidad como auditor del grupo. La imposibilidad de participar en el trabajo de los auditores de los componentes que se aborda en el párrafo 2 de la NIA y la imposibilidad de obtener evidencia de auditoría suficiente y apropiada son menos probables en el sector público, porque las leyes y reglamentos pueden prohibir las restricciones de acceso a la información.
- P8. Teniendo en cuenta las obligaciones del párrafo 13 de la NIA, el auditor de un grupo perteneciente al sector público, además de remitirse a las orientaciones contenidas en el párrafo A18, puede ponerse en contacto con el poder legislativo u otros órganos reguladores competentes para la eliminación de las restricciones de acceso a la evidencia de auditoría impuestas por la dirección del grupo o por leyes y reglamentos. El apéndice 1 de esta Nota de Práctica facilita un ejemplo de una opinión modificada por la restricción de acceso a la evidencia de auditoría y un ejemplo de informe dirigido al poder legislativo.
- P9. Los cambios significativos citados en el párrafo A12 de la NIA, que inciden en la capacidad del equipo auditor del grupo para obtener evidencia de auditoría suficiente y apropiada, pueden verse afectados a su vez en el sector público por otros cambios como los siguientes:
- Modificaciones en leyes y reglamentos que influyan en el sistema de información de la gestión financiera.
 - Variaciones en la naturaleza, las fuentes o los importes de la financiación, incluidas las referidas a la estructura de la deuda pública.

Comprensión del grupo, sus componentes y sus distintos entornos

- P10. Los párrafos 17 y 18 de la NIA establecen para el auditor de un grupo perteneciente al sector público la obligación de conocer el grupo y sus componentes, y los párrafos A23 a A26 ofrecen orientación al respecto. En ocasiones, el Gobierno puede tener relación con entidades independientes a través de transferencias o de su función de instancia reguladora de algunos sectores, en cuyo caso, resulta difícil determinar a veces si la relación con una entidad justifica la inclusión de ésta en el grupo. Por ejemplo:
- La aplicación del marco de información financiera puede dar lugar a la exclusión en los estados financieros del grupo de un tipo específico de organismo, departamento, oficinas especializada, empresa, fondo, unidad administrativa, distrito, empresa conjunta y organización no gubernamental. En esos casos, si el auditor de un grupo perteneciente al sector público considera que esta exclusión se traduce en una presentación equívoca de los estados financieros del grupo puede no sólo analizar su impacto en el informe de auditoría sino también examinar la necesidad de comunicar el asunto al poder legislativo o a otros órganos reguladores competentes.
 - El marco de información financiera puede no ofrecer orientación concreta para incluir o excluir en los estados financieros del grupo un tipo específico de organismo, departamento, oficinas especializada, empresa, fondo, unidad administrativa, distrito, empresa conjunta y organización no gubernamental. En esos casos, el auditor de un grupo perteneciente al sector público tiene la posibilidad de participar en las conversaciones de la dirección del grupo con la dirección de los componentes para determinar si la consideración de los componentes en los estados financieros del grupo se traducirá en una presentación fidedigna de estos últimos.

Esta dificultad puede además repercutir en la utilización del trabajo de los auditores de los componentes. Es posible que la dirección del grupo no esté de acuerdo con la inclusión de los componentes en los estados financieros del grupo, lo que a su vez limitaría las posibilidades del auditor del grupo para comunicar con los auditores de los componentes y utilizar su trabajo.

Comprensión acerca de los auditores de los componentes

- P11. La orientación contenida en el párrafo A33 de la NIA es especialmente pertinente cuando el auditor de un grupo perteneciente al sector público solicite a los auditores de los componentes la ejecución de trabajos suplementarios de auditoría de la información financiera relativa a un componente o al grupo. En algunos entornos del sector público, la metodología del auditor del grupo puede diferir de la metodología o prácticas seguidas por los auditores de los componentes. Cuando se den esas circunstancias, el auditor del grupo puede prescribir procedimientos coherentes con la metodología que él utiliza.
- P12. Teniendo en cuenta el párrafo A37 de la NIA, los auditores del sector público pueden constatar que los auditores de los componentes de dicho sector están sometidos también a las exigencias contempladas en el Código de Ética de INTOSAI⁴ adoptado por la organización de entidades fiscalizadoras superiores.
- P13. En el segundo apartado del párrafo A38 de la NIA se establece que el equipo auditor del grupo ha de adquirir una comprensión de la competencia profesional de los auditores de los componentes y sus aptitudes específicas (por ejemplo, el conocimiento del sector en concreto) para llevar a cabo el trabajo. En el contexto del sector público ello implicaría el conocimiento del entorno administrativo y de las leyes y reglamentos aplicables a la auditoría del grupo.
- P14. El párrafo A41 de la NIA analiza los casos en que las leyes y reglamentos prohíben el acceso a las partes de la documentación de auditoría a cargo de los auditores de los componentes. En esos casos, los auditores del sector público examinarán la necesidad de comunicar el asunto al poder legislativo o a otros órganos reguladores competentes.

Materialidad

- P15. Al determinar la materialidad de los estados financieros del grupo con arreglo a los párrafos 21 a 23 de la NIA, los auditores del sector público pueden remitirse a la orientación facilitada por la ISSAI 1320⁵, párrafos P8 y P9, que tratan de la determinación de la materialidad en el sector público. En los estados financieros del grupo es posible que la materialidad de los tipos de operaciones y balances y notas contables y la materialidad de los componentes se sitúen en un umbral inferior al del sector privado debido a una serie de razones, como pueden ser el contexto concreto o la naturaleza y características de los sistemas y entidades afectados. A ello se añade la posibilidad de que se exijan opiniones separadas sobre los componentes, con lo cual el umbral de materialidad fijado para ellos sería inferior. Por último, puede ser necesario aplicar determinados procedimientos en virtud de la legislación o del mandato de auditoría, o los auditores del sector público pueden concebir procedimientos de auditoría para operaciones que sólo son significativas por su naturaleza.

⁴ ISSAI 30, "Código de Ética de la INTOSAI."

⁵ ISSAI 1320, "La materialidad al planificar y ejecutar una auditoría."

- P16. Según se establece en el subpárrafo 21 d) de la NIA la determinación de un umbral por encima del cual no pueden considerarse las incorrecciones como triviales para los estados financieros del grupo puede verse influida por la materia controlada y la sensibilidad pública. El auditor de un grupo perteneciente al sector público tendrá también presente la perspectiva más amplia de dicho sector en virtud de la cual puede verse obligado a comunicar todas las incorrecciones, incluso las que hayan sido corregidas por la entidad, y la totalidad de las deficiencias de control y de los casos de falta de conformidad con las normas. Cuando se den esas circunstancias, no se fijará un umbral.

Respuesta ante los riesgos evaluados

- P17. Al aplicar las exigencias del párrafo 24 de la NIA al nivel del grupo, el auditor de éste puede considerar que en el sector público la naturaleza de las actividades llevadas a cabo por los diferentes componentes constituye un factor decisivo de riesgo de incorrecciones materiales. Por ejemplo, el riesgo de que se produzcan dichas incorrecciones en una operación de ayuda en caso de catástrofe será más elevado que en una operación más estable como el pago de retribuciones al personal docente. Para evaluar el riesgo de incorrecciones materiales en operaciones al nivel del grupo, el auditor de éste puede clasificar los componentes según la naturaleza de las operaciones correspondientes, y evaluar separadamente el riesgo para cada categoría, lo que le permitirá decidir la naturaleza, el calendario y el alcance de los trabajos que debe llevar a cabo.

Proceso de consolidación

- P18. Teniendo en cuenta la orientación facilitada por el párrafo A56 de la NIA, cabe señalar que en el sector público puede haber operaciones registradas sólo al nivel del grupo, especialmente en los estados financieros consolidados del Gobierno. Estas operaciones pueden abarcar recursos naturales o elementos del patrimonio histórico. Cuando se den esas circunstancias, los auditores de un grupo perteneciente al sector público tienen la obligación de obtener evidencia de auditoría suficiente y apropiada en relación con dicho tipo de operaciones.

Comunicación con los auditores de los componentes

- P19. En sus comunicaciones con los auditores de los componentes con arreglo al párrafo 40 de la NIA, el auditor de un grupo perteneciente al sector público puede considerar pertinente facilitarles información sobre riesgos de incumplimiento de leyes y reglamentos que podrían dar lugar a incorrecciones materiales en los estados financieros del grupo o afectar a la naturaleza, el calendario y el alcance de los procedimientos de auditoría y las obligaciones de información.

Comunicación con la dirección y los encargados de la gobernanza del grupo

- P20. El auditor de un grupo perteneciente al sector público puede tener obligaciones de notificación de los fraudes detectados en los componentes, además de las contenidas en el párrafo 47 de la NIA. Estas obligaciones pueden incluir la notificación a terceros ajenos a la entidad, como los órganos reguladores, judiciales o policiales. En la ISSAI 1240⁶ se ofrecen más orientaciones sobre las obligaciones de notificación de fraudes que recaen en los auditores del sector público.

6 ISSAI 1240, "Obligaciones del auditor en relación con el fraude en una auditoría de estados financieros."

Apéndice 1: Ejemplo de base para emitir una opinión con reservas y de informe sobre otras exigencias legales y reglamentarias para su utilización en el sector público

El apéndice 1 de la NIA ofrece un ejemplo de informe de auditoría con una opinión con reservas que se basa en la imposibilidad del equipo auditor del grupo de obtener auditoría suficiente y apropiada en relación con un componente significativo registrado mediante el método de contabilidad patrimonial, cuyo efecto a juicio de dicho equipo es significativo pero no omnipresente.

La ISSAI 4200⁷ ofrece ejemplos de opiniones sobre el cumplimiento de leyes y reglamentos.

En el sector público, la base para emitir una opinión con reservas y el informe sobre otras exigencias legales y reglamentarias pueden tener el siguiente formato:

INFORME DEL AUDITOR INDEPENDIENTE

[Destinatario]

Informe sobre los estados financieros consolidados

Hemos auditado los estados financieros consolidados que se adjuntan...

Obligaciones de la dirección en relación con los estados financieros consolidados

La dirección es responsable de la elaboración y presentación fidedigna de los estados financieros consolidados.

Obligaciones del auditor

Tenemos la responsabilidad de emitir una opinión sobre los estados financieros consolidados sobre la base de la auditoría que hemos llevado a cabo.

...Consideramos que la evidencia de auditoría obtenida es suficiente y apropiada para servir de base a nuestra opinión con reservas.

Base para una opinión con reservas

El gasto público correspondiente al programa XX figura en la cuenta de resultados consolidadas por un importe de 15 millones de USD para el ejercicio que finalizó el 31 de diciembre de 200X. No hemos podido obtener evidencia de auditoría suficiente y apropiada sobre estos gastos al habérseles denegado el acceso a la información financiera, a los representantes de la dirección o a los auditores de ese componente, por lo que tampoco podemos determinar si es necesario realizar ajustes al importe citado.

7 ISSAI 4200, "Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros".

Opinión con reservas

En nuestra opinión, salvo en lo referente a los efectos que pueda tener la cuestión descrita en la base para emitir una opinión con reservas, los estados financieros consolidados presentan fielmente, en todos los aspectos significativos...

Informe sobre otras exigencias legales y reglamentarias

Según se describe en la base para emitir la opinión que se ha citado anteriormente, se nos denegó el acceso a la información financiera, a los representantes de la dirección o a los auditores de ese componente que tenía la responsabilidad del programa XX. La ley XXX (El mandato por el que se rige nuestra organización) otorga a nuestra organización un acceso total y sin restricciones a la totalidad de los datos y agentes públicos. La negativa a concedernos el acceso a la información sobre el programa XX constituye una infracción de la ley XXX y hemos emprendido acciones legales para obtener dicha información. También nos hemos dirigido al poder legislativo solicitándole que examine el asunto.

[Firma del auditor]

[Fecha del informe de auditoría]

[Dirección del auditor]

Apéndice 2: Ejemplos de cuestiones en las que el equipo auditor del grupo ha obtenido la comprensión necesaria

Otros ejemplos de cuestiones ligadas al sector público son los siguientes:

- Controles del cumplimiento de leyes y reglamentos.
- Observancia de exigencias presupuestarias o de normas sobre gastos.
- Coherencia del código de clasificación para la presentación de importes presupuestados y efectivos.
- Participación del grupo o de sus componentes en asociaciones público-privadas.

Apéndice 3: Ejemplos de hechos y condiciones que pueden indicar riesgos de incorrecciones materiales en los estados financieros del grupo

A continuación se citan ejemplos de circunstancias propias del sector público que se añaden a los ejemplos del Apéndice 3 de la NIA, y que pueden indicar riesgos de incorrecciones materiales de los estados financieros del grupo.

- Ignorada mostrada por la dirección de las leyes y reglamentos aplicables.
- Gastos excesivos debido a la insuficiencia de los controles presupuestarios.
- Privatización de los componentes.
- Nuevos programas o componentes.
- Cambios fundamentales de los programas o componentes.
- Nuevas fuentes de financiación para el grupo o los componentes o de un componente con respecto a otro.
- Modificaciones de leyes, reglamentos o directivas.
- Decisiones políticas como puede ser la reorganización de los componentes.
- Programas importantes con un componente sin recursos ni financiación suficientes.
- Aumento de las expectativas de los ciudadanos.
- Adjudicación pública de bienes y servicios en algunos componentes, como los de defensa o seguridad nacional.
- Contratación externa de las actividades de los componentes.
- Componentes sometidos a investigaciones especiales o a supervisión parlamentaria.
- Cambios en la dirección política.
- Indicios de abuso o despilfarro.
- Expectativas de cumplimiento del presupuesto superiores a lo normal.
- Asociaciones público-privadas.
- Interferencias políticas en la asignación de recursos públicos.
- Influencia directa del Gobierno en la dirección o falta de experiencia profesional de gestión ante un nombramiento político.

Apéndice 4: Cuestiones obligatorias y adicionales incluidas en la carta de instrucciones del equipo auditor del grupo

Otras cuestiones pertinentes para el sector público además de las que se requieren o sugieren en el apéndice 5 de la NIA pueden ser:

- Una lista de leyes y reglamentos aplicables a la auditoría de los componentes o del grupo.
- Una lista de procedimientos adicionales que el auditor del grupo considera necesario solicitar a los auditores de los componentes.

International Standard on Auditing

**Special Considerations—
Audits of Group Financial
Statements (Including the
Work of Component
Auditors)**



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

This International Standard on Auditing (ISA) 600, “Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 600

SPECIAL CONSIDERATIONS—AUDITS OF GROUP FINANCIAL STATEMENTS (INCLUDING THE WORK OF COMPONENT AUDITORS)

(Effective for audits of group financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1-6
Effective Date	7
Objectives	8
Definitions	9-10
Requirements	
Responsibility	11
Acceptance and Continuance	12-14
Overall Audit Strategy and Audit Plan	15-16
Understanding the Group, Its Components and Their Environments	17-18
Understanding the Component Auditor	19-20
Materiality	21-23
Responding to Assessed Risks	24-31
Consolidation Process	32-37
Subsequent Events	38-39
Communication with the Component Auditor	40-41
Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained	42-45
Communication with Group Management and Those Charged with Governance of the Group	46-49
Documentation	50
Application and Other Explanatory Material	
Components Subject to Audit by Statute, Regulation or Other Reason.....	A1

Definitions	A2-A7
Responsibility	A8-A9
Acceptance and Continuance	A10-A21
Overall Audit Strategy and Audit Plan	A22
Understanding the Group, Its Components and Their Environments	A23-A31
Understanding the Component Auditor	A32-A41
Materiality	A42-A46
Responding to Assessed Risks	A47-A55
Consolidation Process	A56
Communication with the Component Auditor	A57-A60
Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained	A61-A63
Communication with Group Management and Those Charged with Governance of the Group	A64-A66
Appendix 1: Example of a Qualified Opinion Where the Group Engagement Team Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion	
Appendix 2: Examples of Matters about Which the Group Engagement Team Obtains an Understanding	
Appendix 3: Examples of Conditions or Events that May Indicate Risks of Material Misstatement of the Group Financial Statements	
Appendix 4: Examples of a Component Auditor's Confirmations	
Appendix 5: Required and Additional Matters Included in the Group Engagement Team's Letter of Instruction	

International Standard on Auditing (ISA) 600, “Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. The International Standards on Auditing (ISAs) apply to group audits. This ISA deals with special considerations that apply to group audits, in particular those that involve component auditors.
2. An auditor may find this ISA, adapted as necessary in the circumstances, useful when that auditor involves other auditors in the audit of financial statements that are not group financial statements. For example, an auditor may involve another auditor to observe the inventory count or inspect physical fixed assets at a remote location.
3. A component auditor may be required by statute, regulation or for another reason, to express an audit opinion on the financial statements of a component. The group engagement team may decide to use the audit evidence on which the audit opinion on the financial statements of the component is based to provide audit evidence for the group audit, but the requirements of this ISA nevertheless apply. (Ref: Para. A1)
4. In accordance with ISA 220,¹ the group engagement partner is required to be satisfied that those performing the group audit engagement, including component auditors, collectively have the appropriate competence and capabilities. The group engagement partner is also responsible for the direction, supervision and performance of the group audit engagement.
5. The group engagement partner applies the requirements of ISA 220 regardless of whether the group engagement team or a component auditor performs the work on the financial information of a component. This ISA assists the group engagement partner to meet the requirements of ISA 220 where component auditors perform work on the financial information of components.
6. Audit risk is a function of the risk of material misstatement of the financial statements and the risk that the auditor will not detect such misstatements.² In a group audit, this includes the risk that the component auditor may not detect a misstatement in the financial information of the component that could cause a material misstatement of the group financial statements, and the risk that the group engagement team may not detect this misstatement. This ISA explains the matters that the group engagement team considers when determining the nature, timing and extent of its involvement in the risk assessment procedures and further audit procedures performed by the component auditors on the financial information of the components. The purpose of this involvement is to

¹ ISA 220, "Quality Control for an Audit of Financial Statements," paragraphs 14 and 15.

² ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph A32.

obtain sufficient appropriate audit evidence on which to base the audit opinion on the group financial statements.

Effective Date

7. This ISA is effective for audits of group financial statements for periods beginning on or after December 15, 2009.

Objectives

8. The objectives of the auditor are:
- (a) To determine whether to act as the auditor of the group financial statements; and
 - (b) If acting as the auditor of the group financial statements:
 - (i) To communicate clearly with component auditors about the scope and timing of their work on financial information related to components and their findings; and
 - (ii) To obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Definitions

9. For purposes of the ISAs, the following terms have the meanings attributed below:
- (a) Component – An entity or business activity for which group or component management prepares financial information that should be included in the group financial statements. (Ref: Para. A2-A4)
 - (b) Component auditor – An auditor who, at the request of the group engagement team, performs work on financial information related to a component for the group audit. (Ref: Para. A7)
 - (c) Component management – Management responsible for the preparation of the financial information of a component.
 - (d) Component materiality – The materiality for a component determined by the group engagement team.
 - (e) Group – All the components whose financial information is included in the group financial statements. A group always has more than one component.
 - (f) Group audit – The audit of group financial statements.

- (g) Group audit opinion – The audit opinion on the group financial statements.
 - (h) Group engagement partner – The partner or other person in the firm who is responsible for the group audit engagement and its performance, and for the auditor’s report on the group financial statements that is issued on behalf of the firm. Where joint auditors conduct the group audit, the joint engagement partners and their engagement teams collectively constitute the group engagement partner and the group engagement team. This ISA does not, however, deal with the relationship between joint auditors or the work that one joint auditor performs in relation to the work of the other joint auditor.
 - (i) Group engagement team – Partners, including the group engagement partner, and staff who establish the overall group audit strategy, communicate with component auditors, perform work on the consolidation process, and evaluate the conclusions drawn from the audit evidence as the basis for forming an opinion on the group financial statements.
 - (j) Group financial statements – Financial statements that include the financial information of more than one component. The term “group financial statements” also refers to combined financial statements aggregating the financial information prepared by components that have no parent but are under common control.
 - (k) Group management – Management responsible for the preparation of the group financial statements.
 - (l) Group-wide controls – Controls designed, implemented and maintained by group management over group financial reporting.
 - (m) Significant component – A component identified by the group engagement team (i) that is of individual financial significance to the group, or (ii) that, due to its specific nature or circumstances, is likely to include significant risks of material misstatement of the group financial statements. (Ref: Para. A5-A6)
10. Reference to “the applicable financial reporting framework” means the financial reporting framework that applies to the group financial statements. Reference to “the consolidation process” includes:
- (a) The recognition, measurement, presentation, and disclosure of the financial information of the components in the group financial statements by way of consolidation, proportionate consolidation, or the equity or cost methods of accounting; and
 - (b) The aggregation in combined financial statements of the financial information of components that have no parent but are under common control.

Requirements

Responsibility

11. The group engagement partner is responsible for the direction, supervision and performance of the group audit engagement in compliance with professional standards and applicable legal and regulatory requirements, and whether the auditor's report that is issued is appropriate in the circumstances.³ As a result, the auditor's report on the group financial statements shall not refer to a component auditor, unless required by law or regulation to include such reference. If such reference is required by law or regulation, the auditor's report shall indicate that the reference does not diminish the group engagement partner's or the group engagement partner's firm's responsibility for the group audit opinion. (Ref: Para. A8-A9)

Acceptance and Continuance

12. In applying ISA 220, the group engagement partner shall determine whether sufficient appropriate audit evidence can reasonably be expected to be obtained in relation to the consolidation process and the financial information of the components on which to base the group audit opinion. For this purpose, the group engagement team shall obtain an understanding of the group, its components, and their environments that is sufficient to identify components that are likely to be significant components. Where component auditors will perform work on the financial information of such components, the group engagement partner shall evaluate whether the group engagement team will be able to be involved in the work of those component auditors to the extent necessary to obtain sufficient appropriate audit evidence. (Ref: Para. A10-A12)
13. If the group engagement partner concludes that:
 - (a) it will not be possible for the group engagement team to obtain sufficient appropriate audit evidence due to restrictions imposed by group management; and
 - (b) the possible effect of this inability will result in a disclaimer of opinion on the group financial statements),⁴the group engagement partner shall either:
 - in the case of a new engagement, not accept the engagement, or, in the case of a continuing engagement, withdraw from the engagement, where withdrawal is possible under applicable law or regulation; or

³ ISA 220, paragraph 15.

⁴ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

- where law or regulation prohibits an auditor from declining an engagement or where withdrawal from an engagement is not otherwise possible, having performed the audit of the group financial statements to the extent possible, disclaim an opinion on the group financial statements. (Ref: Para. A13-A19)

Terms of Engagement

14. The group engagement partner shall agree on the terms of the group audit engagement in accordance with ISA 210.⁵ (Ref: Para. A20-A21)

Overall Audit Strategy and Audit Plan

15. The group engagement team shall establish an overall group audit strategy and shall develop a group audit plan in accordance with ISA 300.⁶
16. The group engagement partner shall review the overall group audit strategy and group audit plan. (Ref: Para. A22)

Understanding the Group, Its Components and Their Environments

17. The auditor is required to identify and assess the risks of material misstatement through obtaining an understanding of the entity and its environment.⁷ The group engagement team shall:
 - (a) Enhance its understanding of the group, its components, and their environments, including group-wide controls, obtained during the acceptance or continuance stage; and
 - (b) Obtain an understanding of the consolidation process, including the instructions issued by group management to components. (Ref: Para. A23-A29)
18. The group engagement team shall obtain an understanding that is sufficient to:
 - (a) Confirm or revise its initial identification of components that are likely to be significant; and
 - (b) Assess the risks of material misstatement of the group financial statements, whether due to fraud or error.⁸ (Ref: Para. A30-A31)

⁵ ISA 210, "Agreeing the Terms of Audit Engagements."

⁶ ISA 300, "Planning an Audit of Financial Statements," paragraphs 7-12.

⁷ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

⁸ ISA 315.

Understanding the Component Auditor

19. If the group engagement team plans to request a component auditor to perform work on the financial information of a component, the group engagement team shall obtain an understanding of the following: (Ref: Para. A32-A35)
 - (a) Whether the component auditor understands and will comply with the ethical requirements that are relevant to the group audit and, in particular, is independent. (Ref: Para. A37)
 - (b) The component auditor's professional competence. (Ref: Para. A38)
 - (c) Whether the group engagement team will be able to be involved in the work of the component auditor to the extent necessary to obtain sufficient appropriate audit evidence.
 - (d) Whether the component auditor operates in a regulatory environment that actively oversees auditors. (Ref: Para. A36)
20. If a component auditor does not meet the independence requirements that are relevant to the group audit, or the group engagement team has serious concerns about the other matters listed in paragraph 19(a)-(c), the group engagement team shall obtain sufficient appropriate audit evidence relating to the financial information of the component without requesting that component auditor to perform work on the financial information of that component. (Ref: Para. A39-A41)

Materiality

21. The group engagement team shall determine the following: (Ref: Para. A42)
 - (a) Materiality for the group financial statements as a whole when establishing the overall group audit strategy.
 - (b) If, in the specific circumstances of the group, there are particular classes of transactions, account balances or disclosures in the group financial statements for which misstatements of lesser amounts than materiality for the group financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the group financial statements, the materiality level or levels to be applied to those particular classes of transactions, account balances or disclosures.
 - (c) Component materiality for those components where component auditors will perform an audit or a review for purposes of the group audit. To reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the group financial statements exceeds materiality for the group financial statements as a whole, component materiality shall be lower than materiality for the group financial statements as a whole. (Ref: Para. A43-A44)

- (d) The threshold above which misstatements cannot be regarded as clearly trivial to the group financial statements. (Ref: Para. A45)
- 22. Where component auditors will perform an audit for purposes of the group audit, the group engagement team shall evaluate the appropriateness of performance materiality determined at the component level. (Ref: Para. A46)
- 23. If a component is subject to audit by statute, regulation or other reason, and the group engagement team decides to use that audit to provide audit evidence for the group audit, the group engagement team shall determine whether:
 - (a) materiality for the component financial statements as a whole; and
 - (b) performance materiality at the component level
 meet the requirements of this ISA.

Responding to Assessed Risks

- 24. The auditor is required to design and implement appropriate responses to address the assessed risks of material misstatement of the financial statements.⁹ The group engagement team shall determine the type of work to be performed by the group engagement team, or the component auditors on its behalf, on the financial information of the components (see paragraphs 26-29). The group engagement team shall also determine the nature, timing and extent of its involvement in the work of the component auditors (see paragraphs 30-31).
- 25. If the nature, timing and extent of the work to be performed on the consolidation process or the financial information of the components are based on an expectation that group-wide controls are operating effectively, or if substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level, the group engagement team shall test, or request a component auditor to test, the operating effectiveness of those controls.

Determining the Type of Work to Be Performed on the Financial Information of Components (Ref: Para. A47)

Significant Components

- 26. For a component that is significant due to its individual financial significance to the group, the group engagement team, or a component auditor on its behalf, shall perform an audit of the financial information of the component using component materiality.
- 27. For a component that is significant because it is likely to include significant risks of material misstatement of the group financial statements due to its

⁹ ISA 330, “The Auditor’s Responses to Assessed Risks.”

specific nature or circumstances, the group engagement team, or a component auditor on its behalf, shall perform one or more of the following:

- (a) An audit of the financial information of the component using component materiality.
- (b) An audit of one or more account balances, classes of transactions or disclosures relating to the likely significant risks of material misstatement of the group financial statements. (Ref: Para. A48)
- (c) Specified audit procedures relating to the likely significant risks of material misstatement of the group financial statements. (Ref: Para. A49)

Components that Are Not Significant Components

- 28. For components that are not significant components, the group engagement team shall perform analytical procedures at group level. (Ref: Para. A50)
- 29. If the group engagement team does not consider that sufficient appropriate audit evidence on which to base the group audit opinion will be obtained from:
 - (a) the work performed on the financial information of significant components;
 - (b) the work performed on group-wide controls and the consolidation process; and
 - (c) the analytical procedures performed at group level,

the group engagement team shall select components that are not significant components and shall perform, or request a component auditor to perform, one or more of the following on the financial information of the individual components selected: (Ref: Para. A51-A53)

- An audit of the financial information of the component using component materiality.
- An audit of one or more account balances, classes of transactions or disclosures.
- A review of the financial information of the component using component materiality.
- Specified procedures.

The group engagement team shall vary the selection of components over a period of time.

Involvement in the Work Performed by Component Auditors (Ref: Para. A54-A55)

Significant Components—Risk Assessment

30. If a component auditor performs an audit of the financial information of a significant component, the group engagement team shall be involved in the component auditor's risk assessment to identify significant risks of material misstatement of the group financial statements. The nature, timing and extent of this involvement are affected by the group engagement team's understanding of the component auditor, but at a minimum shall include:
- (a) Discussing with the component auditor or component management those of the component's business activities that are significant to the group;
 - (b) Discussing with the component auditor the susceptibility of the component to material misstatement of the financial information due to fraud or error; and
 - (c) Reviewing the component auditor's documentation of identified significant risks of material misstatement of the group financial statements. Such documentation may take the form of a memorandum that reflects the component auditor's conclusion with regard to the identified significant risks.

Identified Significant Risks of Material Misstatement of the Group Financial Statements—Further Audit Procedures

31. If significant risks of material misstatement of the group financial statements have been identified in a component on which a component auditor performs the work, the group engagement team shall evaluate the appropriateness of the further audit procedures to be performed to respond to the identified significant risks of material misstatement of the group financial statements. Based on its understanding of the component auditor, the group engagement team shall determine whether it is necessary to be involved in the further audit procedures.

Consolidation Process

32. In accordance with paragraph 17, the group engagement team obtains an understanding of group-wide controls and the consolidation process, including the instructions issued by group management to components. In accordance with paragraph 25, the group engagement team, or component auditor at the request of the group engagement team, tests the operating effectiveness of group-wide controls if the nature, timing and extent of the work to be performed on the consolidation process are based on an expectation that group-wide controls are operating effectively, or if substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level.

33. The group engagement team shall design and perform further audit procedures on the consolidation process to respond to the assessed risks of material misstatement of the group financial statements arising from the consolidation process. This shall include evaluating whether all components have been included in the group financial statements.
34. The group engagement team shall evaluate the appropriateness, completeness and accuracy of consolidation adjustments and reclassifications, and shall evaluate whether any fraud risk factors or indicators of possible management bias exist. (Ref: Para. A56)
35. If the financial information of a component has not been prepared in accordance with the same accounting policies applied to the group financial statements, the group engagement team shall evaluate whether the financial information of that component has been appropriately adjusted for purposes of preparing and presenting the group financial statements.
36. The group engagement team shall determine whether the financial information identified in the component auditor's communication (see paragraph 41(c)) is the financial information that is incorporated in the group financial statements.
37. If the group financial statements include the financial statements of a component with a financial reporting period-end that differs from that of the group, the group engagement team shall evaluate whether appropriate adjustments have been made to those financial statements in accordance with the applicable financial reporting framework.

Subsequent Events

38. Where the group engagement team or component auditors perform audits on the financial information of components, the group engagement team or the component auditors shall perform procedures designed to identify events at those components that occur between the dates of the financial information of the components and the date of the auditor's report on the group financial statements, and that may require adjustment to or disclosure in the group financial statements.
39. Where component auditors perform work other than audits of the financial information of components, the group engagement team shall request the component auditors to notify the group engagement team if they become aware of subsequent events that may require an adjustment to or disclosure in the group financial statements.

Communication with the Component Auditor

40. The group engagement team shall communicate its requirements to the component auditor on a timely basis. This communication shall set out the work to be performed, the use to be made of that work, and the form and

content of the component auditor's communication with the group engagement team. It shall also include the following: (Ref: Para. A57, A58, A60)

- (a) A request that the component auditor, knowing the context in which the group engagement team will use the work of the component auditor, confirms that the component auditor will cooperate with the group engagement team. (Ref: Para. A59)
 - (b) The ethical requirements that are relevant to the group audit and, in particular, the independence requirements.
 - (c) In the case of an audit or review of the financial information of the component, component materiality (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) and the threshold above which misstatements cannot be regarded as clearly trivial to the group financial statements.
 - (d) Identified significant risks of material misstatement of the group financial statements, due to fraud or error, that are relevant to the work of the component auditor. The group engagement team shall request the component auditor to communicate on a timely basis any other identified significant risks of material misstatement of the group financial statements, due to fraud or error, in the component, and the component auditor's responses to such risks.
 - (e) A list of related parties prepared by group management, and any other related parties of which the group engagement team is aware. The group engagement team shall request the component auditor to communicate on a timely basis related parties not previously identified by group management or the group engagement team. The group engagement team shall determine whether to identify such additional related parties to other component auditors.
41. The group engagement team shall request the component auditor to communicate matters relevant to the group engagement team's conclusion with regard to the group audit. Such communication shall include: (Ref: Para. A60)
- (a) Whether the component auditor has complied with ethical requirements that are relevant to the group audit, including independence and professional competence;
 - (b) Whether the component auditor has complied with the group engagement team's requirements;
 - (c) Identification of the financial information of the component on which the component auditor is reporting;

- (d) Information on instances of non-compliance with laws or regulations that could give rise to a material misstatement of the group financial statements;
- (e) A list of uncorrected misstatements of the financial information of the component (the list need not include misstatements that are below the threshold for clearly trivial misstatements communicated by the group engagement team (see paragraph 40(c)));
- (f) Indicators of possible management bias;
- (g) Description of any identified significant deficiencies in internal control at the component level;
- (h) Other significant matters that the component auditor communicated or expects to communicate to those charged with governance of the component, including fraud or suspected fraud involving component management, employees who have significant roles in internal control at the component level or others where the fraud resulted in a material misstatement of the financial information of the component;
- (i) Any other matters that may be relevant to the group audit, or that the component auditor wishes to draw to the attention of the group engagement team, including exceptions noted in the written representations that the component auditor requested from component management; and
- (j) The component auditor's overall findings, conclusions or opinion.

Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained

Evaluating the Component Auditor's Communication and Adequacy of their Work

- 42. The group engagement team shall evaluate the component auditor's communication (see paragraph 41). The group engagement team shall:
 - (a) Discuss significant matters arising from that evaluation with the component auditor, component management or group management, as appropriate; and
 - (b) Determine whether it is necessary to review other relevant parts of the component auditor's audit documentation. (Ref: Para. A61)
- 43. If the group engagement team concludes that the work of the component auditor is insufficient, the group engagement team shall determine what additional procedures are to be performed, and whether they are to be performed by the component auditor or by the group engagement team.

Sufficiency and Appropriateness of Audit Evidence

44. The auditor is required to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion.¹⁰ The group engagement team shall evaluate whether sufficient appropriate audit evidence has been obtained from the audit procedures performed on the consolidation process and the work performed by the group engagement team and the component auditors on the financial information of the components, on which to base the group audit opinion. (Ref: Para. A62)
45. The group engagement partner shall evaluate the effect on the group audit opinion of any uncorrected misstatements (either identified by the group engagement team or communicated by component auditors) and any instances where there has been an inability to obtain sufficient appropriate audit evidence. (Ref: Para. A63)

Communication with Group Management and Those Charged with Governance of the Group

Communication with Group Management

46. The group engagement team shall determine which identified deficiencies in internal control to communicate to those charged with governance and group management in accordance with ISA 265.¹¹ In making this determination, the group engagement team shall consider:
- (a) Deficiencies in group-wide internal control that the group engagement team has identified;
 - (b) Deficiencies in internal control that the group engagement team has identified in internal controls at components; and
 - (c) Deficiencies in internal control that component auditors have brought to the attention of the group engagement team.
47. If fraud has been identified by the group engagement team or brought to its attention by a component auditor (see paragraph 41(h)), or information indicates that a fraud may exist, the group engagement team shall communicate this on a timely basis to the appropriate level of group management in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities. (Ref: Para. A64)

¹⁰ ISA 200, paragraph 17.

¹¹ ISA 265, "Communicating Deficiencies in Internal Control to Those Charged with Governance and Management."

48. A component auditor may be required by statute, regulation or for another reason, to express an audit opinion on the financial statements of a component. In that case, the group engagement team shall request group management to inform component management of any matter of which the group engagement team becomes aware that may be significant to the financial statements of the component, but of which component management may be unaware. If group management refuses to communicate the matter to component management, the group engagement team shall discuss the matter with those charged with governance of the group. If the matter remains unresolved, the group engagement team, subject to legal and professional confidentiality considerations, shall consider whether to advise the component auditor not to issue the auditor's report on the financial statements of the component until the matter is resolved. (Ref: Para. A65)

Communication with Those Charged with Governance of the Group

49. The group engagement team shall communicate the following matters with those charged with governance of the group, in addition to those required by ISA 260¹² and other ISAs: (Ref: Para. A66)
- (a) An overview of the type of work to be performed on the financial information of the components.
 - (b) An overview of the nature of the group engagement team's planned involvement in the work to be performed by the component auditors on the financial information of significant components.
 - (c) Instances where the group engagement team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.
 - (d) Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted.
 - (e) Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.

Documentation

50. The group engagement team shall include in the audit documentation the following matters:¹³
- (a) An analysis of components, indicating those that are significant, and the type of work performed on the financial information of the components.

¹² ISA 260, "Communication with Those Charged with Governance."

¹³ ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

- (b) The nature, timing and extent of the group engagement team's involvement in the work performed by the component auditors on significant components including, where applicable, the group engagement team's review of relevant parts of the component auditors' audit documentation and conclusions thereon.
- (c) Written communications between the group engagement team and the component auditors about the group engagement team's requirements.

Application and Other Explanatory Material

Components Subject to Audit by Statute, Regulation or Other Reason (Ref: Para. 3)

- A1. Factors that may affect the group engagement team's decision whether to use an audit required by statute, regulation or for another reason to provide audit evidence for the group audit include the following:
 - Differences in the financial reporting framework applied in preparing the financial statements of the component and that applied in preparing the group financial statements.
 - Differences in the auditing and other standards applied by the component auditor and those applied in the audit of the group financial statements.
 - Whether the audit of the financial statements of the component will be completed in time to meet the group reporting timetable.

Definitions

Component (Ref: Para. 9(a))

- A2. The structure of a group affects how components are identified. For example, the group financial reporting system may be based on an organizational structure that provides for financial information to be prepared by a parent and one or more subsidiaries, joint ventures, or investees accounted for by the equity or cost methods of accounting; by a head office and one or more divisions or branches; or by a combination of both. Some groups, however, may organize their financial reporting system by function, process, product or service (or by groups of products or services), or geographical locations. In these cases, the entity or business activity for which group or component management prepares financial information that is included in the group financial statements may be a function, process, product or service (or group of products or services), or geographical location.

- A3. Various levels of components may exist within the group financial reporting system, in which case it may be more appropriate to identify components at certain levels of aggregation rather than individually.
- A4. Components aggregated at a certain level may constitute a component for purposes of the group audit; however, such a component may also prepare group financial statements that incorporate the financial information of the components it encompasses (that is, a subgroup). This ISA may therefore be applied by different group engagement partners and teams for different subgroups within a larger group.

Significant Component (Ref: Para. 9(m))

- A5. As the individual financial significance of a component increases, the risks of material misstatement of the group financial statements ordinarily increase. The group engagement team may apply a percentage to a chosen benchmark as an aid to identify components that are of individual financial significance. Identifying a benchmark and determining a percentage to be applied to it involve the exercise of professional judgment. Depending on the nature and circumstances of the group, appropriate benchmarks might include group assets, liabilities, cash flows, profit or turnover. For example, the group engagement team may consider that components exceeding 15% of the chosen benchmark are significant components. A higher or lower percentage may, however, be deemed appropriate in the circumstances.
- A6. The group engagement team may also identify a component as likely to include significant risks of material misstatement of the group financial statements due to its specific nature or circumstances (that is, risks that require special audit consideration¹⁴). For example, a component could be responsible for foreign exchange trading and thus expose the group to a significant risk of material misstatement, even though the component is not otherwise of individual financial significance to the group.

Component Auditor (Ref: Para. 9(b))

- A7. A member of the group engagement team may perform work on the financial information of a component for the group audit at the request of the group engagement team. Where this is the case, such a member of the engagement team is also a component auditor.

Responsibility (Ref: Para. 11)

- A8. Although component auditors may perform work on the financial information of the components for the group audit and as such are responsible for their

¹⁴ ISA 315, paragraphs 27-29.

overall findings, conclusions or opinions, the group engagement partner or the group engagement partner's firm is responsible for the group audit opinion.

- A9. When the group audit opinion is modified because the group engagement team was unable to obtain sufficient appropriate audit evidence in relation to the financial information of one or more components, the Basis for Modification paragraph in the auditor's report on the group financial statements describes the reasons for that inability without referring to the component auditor, unless such a reference is necessary for an adequate explanation of the circumstances.¹⁵

Acceptance and Continuance

Obtaining an Understanding at the Acceptance or Continuance Stage (Ref: Para. 12)

- A10. In the case of a new engagement, the group engagement team's understanding of the group, its components, and their environments may be obtained from:
- Information provided by group management;
 - Communication with group management; and
 - Where applicable, communication with the previous group engagement team, component management, or component auditors.
- A11. The group engagement team's understanding may include matters such as the following:
- The group structure, including both the legal and organizational structure (that is, how the group financial reporting system is organized).
 - Components' business activities that are significant to the group, including the industry and regulatory, economic and political environments in which those activities take place.
 - The use of service organizations, including shared service centers.
 - A description of group-wide controls.
 - The complexity of the consolidation process.
 - Whether component auditors that are not from the group engagement partner's firm or network will perform work on the financial information of any of the components, and group management's rationale for appointing more than one auditor.
 - Whether the group engagement team:
 - Will have unrestricted access to those charged with governance of the group, group management, those charged with governance

¹⁵ ISA 705, paragraph 20.

of the component, component management, component information, and the component auditors (including relevant audit documentation sought by the group engagement team); and

- Will be able to perform necessary work on the financial information of the components.

A12. In the case of a continuing engagement, the group engagement team's ability to obtain sufficient appropriate audit evidence may be affected by significant changes, for example:

- Changes in the group structure (for example, acquisitions, disposals, reorganizations, or changes in how the group financial reporting system is organized).
- Changes in components' business activities that are significant to the group.
- Changes in the composition of those charged with governance of the group, group management, or key management of significant components.
- Concerns the group engagement team has with regard to the integrity and competence of group or component management.
- Changes in group-wide controls.
- Changes in the applicable financial reporting framework.

Expectation to Obtain Sufficient Appropriate Audit Evidence (Ref: Para. 13)

A13. A group may consist only of components not considered significant components. In these circumstances, the group engagement partner can reasonably expect to obtain sufficient appropriate audit evidence on which to base the group audit opinion if the group engagement team will be able to:

- (a) Perform the work on the financial information of some of these components; and
- (b) Be involved in the work performed by component auditors on the financial information of other components to the extent necessary to obtain sufficient appropriate audit evidence.

Access to Information (Ref: Para. 13)

A14. The group engagement team's access to information may be restricted by circumstances that cannot be overcome by group management, for example, laws relating to confidentiality and data privacy, or denial by the component auditor of access to relevant audit documentation sought by the group engagement team. It may also be restricted by group management.

- A15. Where access to information is restricted by circumstances, the group engagement team may still be able to obtain sufficient appropriate audit evidence; however, this is less likely as the significance of the component increases. For example, the group engagement team may not have access to those charged with governance, management, or the auditor (including relevant audit documentation sought by the group engagement team) of a component that is accounted for by the equity method of accounting. If the component is not a significant component, and the group engagement team has a complete set of financial statements of the component, including the auditor's report thereon, and has access to information kept by group management in relation to that component, the group engagement team may conclude that this information constitutes sufficient appropriate audit evidence in relation to that component. If the component is a significant component, however, the group engagement team will not be able to comply with the requirements of this ISA relevant in the circumstances of the group audit. For example, the group engagement team will not be able to comply with the requirement in paragraphs 30-31 to be involved in the work of the component auditor. The group engagement team will not, therefore, be able to obtain sufficient appropriate audit evidence in relation to that component. The effect of the group engagement team's inability to obtain sufficient appropriate audit evidence is considered in terms of ISA 705.
- A16. The group engagement team will not be able to obtain sufficient appropriate audit evidence if group management restricts the access of the group engagement team or a component auditor to the information of a significant component.
- A17. Although the group engagement team may be able to obtain sufficient appropriate audit evidence if such restriction relates to a component considered not a significant component, the reason for the restriction may affect the group audit opinion. For example, it may affect the reliability of group management's responses to the group engagement team's inquiries and group management's representations to the group engagement team.
- A18. Law or regulation may prohibit the group engagement partner from declining or withdrawing from an engagement. For example, in some jurisdictions the auditor is appointed for a specified period of time and is prohibited from withdrawing before the end of that period. Also, in the public sector, the option of declining or withdrawing from an engagement may not be available to the auditor due to the nature of the mandate or public interest considerations. In these circumstances, this ISA still applies to the group audit, and the effect of the group engagement team's inability to obtain sufficient appropriate audit evidence is considered in terms of ISA 705.
- A19. Appendix 1 contains an example of an auditor's report containing a qualified opinion based on the group engagement team's inability to obtain sufficient

appropriate audit evidence in relation to a significant component accounted for by the equity method of accounting, but where, in the group engagement team's judgment, the effect is material but not pervasive.

Terms of Engagement (Ref: Para. 14)

A20. The terms of engagement identify the applicable financial reporting framework.¹⁶ Additional matters may be included in the terms of a group audit engagement, such as the fact that:

- The communication between the group engagement team and the component auditors should be unrestricted to the extent possible under law or regulation;
- Important communications between the component auditors, those charged with governance of the component, and component management, including communications on significant deficiencies in internal control, should be communicated as well to the group engagement team;
- Important communications between regulatory authorities and components related to financial reporting matters should be communicated to the group engagement team; and
- To the extent the group engagement team considers necessary, it should be permitted:
 - Access to component information, those charged with governance of components, component management, and the component auditors (including relevant audit documentation sought by the group engagement team); and
 - To perform work or request a component auditor to perform work on the financial information of the components.

A21. Restrictions imposed on:

- the group engagement team's access to component information, those charged with governance of components, component management, or the component auditors (including relevant audit documentation sought by the group engagement team); or
- the work to be performed on the financial information of the components

after the group engagement partner's acceptance of the group audit engagement, constitute an inability to obtain sufficient appropriate audit

¹⁶ ISA 210, paragraph 8.

evidence that may affect the group audit opinion. In exceptional circumstances it may even lead to withdrawal from the engagement where withdrawal is possible under applicable law or regulation.

Overall Audit Strategy and Audit Plan (Ref: Para. 16)

- A22. The group engagement partner's review of the overall group audit strategy and group audit plan is an important part of fulfilling the group engagement partner's responsibility for the direction of the group audit engagement.

Understanding the Group, Its Components and Their Environments

Matters about Which the Group Engagement Team Obtains an Understanding (Ref: Para. 17)

- A23. ISA 315 contains guidance on matters the auditor may consider when obtaining an understanding of the industry, regulatory, and other external factors that affect the entity, including the applicable financial reporting framework; the nature of the entity; objectives and strategies and related business risks; and measurement and review of the entity's financial performance.¹⁷ Appendix 2 of this ISA contains guidance on matters specific to a group, including the consolidation process.

Instructions Issued by Group Management to Components (Ref: Para. 17)

- A24. To achieve uniformity and comparability of financial information, group management ordinarily issues instructions to components. Such instructions specify the requirements for financial information of the components to be included in the group financial statements and often include financial reporting procedures manuals and a reporting package. A reporting package ordinarily consists of standard formats for providing financial information for incorporation in the group financial statements. Reporting packages generally do not, however, take the form of complete financial statements prepared and presented in accordance with the applicable financial reporting framework.

- A25. The instructions ordinarily cover:

- The accounting policies to be applied;
- Statutory and other disclosure requirements applicable to the group financial statements, including:
 - The identification and reporting of segments;
 - Related party relationships and transactions;
 - Intra-group transactions and unrealized profits;

¹⁷ ISA 315, paragraphs A17-A41.

- Intra-group account balances; and
- A reporting timetable.

A26. The group engagement team's understanding of the instructions may include the following:

- The clarity and practicality of the instructions for completing the reporting package.
- Whether the instructions:
 - Adequately describe the characteristics of the applicable financial reporting framework;
 - Provide for disclosures that are sufficient to comply with the requirements of the applicable financial reporting framework, for example, disclosure of related party relationships and transactions, and segment information;
 - Provide for the identification of consolidation adjustments, for example, intra-group transactions and unrealized profits, and intra-group account balances; and
 - Provide for the approval of the financial information by component management.

Fraud (Ref: Para. 17)

A27. The auditor is required to identify and assess the risks of material misstatement of the financial statements due to fraud, and to design and implement appropriate responses to the assessed risks.¹⁸ Information used to identify the risks of material misstatement of the group financial statements due to fraud may include the following:

- Group management's assessment of the risks that the group financial statements may be materially misstated as a result of fraud.
- Group management's process for identifying and responding to the risks of fraud in the group, including any specific fraud risks identified by group management, or account balances, classes of transactions, or disclosures for which a risk of fraud is likely.
- Whether there are particular components for which a risk of fraud is likely.
- How those charged with governance of the group monitor group management's processes for identifying and responding to the risks of

¹⁸ ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements."

fraud in the group, and the controls group management has established to mitigate these risks.

- Responses of those charged with governance of the group, group management, internal audit (and if considered appropriate, component management, the component auditors, and others) to the group engagement team's inquiry whether they have knowledge of any actual, suspected, or alleged fraud affecting a component or the group.

Discussion among Group Engagement Team Members and Component Auditors Regarding the Risks of Material Misstatement of the Group Financial Statements, Including Risks of Fraud (Ref: Para. 17)

A28. The key members of the engagement team are required to discuss the susceptibility of an entity to material misstatement of the financial statements due to fraud or error, specifically emphasizing the risks due to fraud. In a group audit, these discussions may also include the component auditors.¹⁹ The group engagement partner's determination of who to include in the discussions, how and when they occur, and their extent, is affected by factors such as prior experience with the group.

A29. The discussions provide an opportunity to:

- Share knowledge of the components and their environments, including group-wide controls.
- Exchange information about the business risks of the components or the group.
- Exchange ideas about how and where the group financial statements may be susceptible to material misstatement due to fraud or error, how group management and component management could perpetrate and conceal fraudulent financial reporting, and how assets of the components could be misappropriated.
- Identify practices followed by group or component management that may be biased or designed to manage earnings that could lead to fraudulent financial reporting, for example, revenue recognition practices that do not comply with the applicable financial reporting framework.
- Consider known external and internal factors affecting the group that may create an incentive or pressure for group management, component management, or others to commit fraud, provide the opportunity for fraud to be perpetrated, or indicate a culture or environment that enables

¹⁹ ISA 240, paragraph 15; ISA 315, paragraph 10.

group management, component management, or others to rationalize committing fraud.

- Consider the risk that group or component management may override controls.
- Consider whether uniform accounting policies are used to prepare the financial information of the components for the group financial statements and, where not, how differences in accounting policies are identified and adjusted (where required by the applicable financial reporting framework).
- Discuss fraud that has been identified in components, or information that indicates existence of a fraud in a component.
- Share information that may indicate non-compliance with national laws or regulations, for example, payments of bribes and improper transfer pricing practices.

Risk Factors (Ref: Para. 18)

A30. Appendix 3 sets out examples of conditions or events that, individually or together, may indicate risks of material misstatement of the group financial statements, including risks due to fraud.

Risk Assessment (Ref: Para. 18)

A31. The group engagement team's assessment at group level of the risks of material misstatement of the group financial statements is based on information such as the following:

- Information obtained from the understanding of the group, its components, and their environments, and of the consolidation process, including audit evidence obtained in evaluating the design and implementation of group-wide controls and controls that are relevant to the consolidation.
- Information obtained from the component auditors.

Understanding the Component Auditor (Ref: Para. 19)

A32. The group engagement team obtains an understanding of a component auditor only when it plans to request the component auditor to perform work on the financial information of a component for the group audit. For example, it will not be necessary to obtain an understanding of the auditors of those components for which the group engagement team plans to perform analytical procedures at group level only.

Group Engagement Team's Procedures to Obtain an Understanding of the Component Auditor and Sources of Audit Evidence (Ref: Para. 19)

A33. The nature, timing and extent of the group engagement team's procedures to obtain an understanding of the component auditor are affected by factors such as previous experience with or knowledge of the component auditor, and the degree to which the group engagement team and the component auditor are subject to common policies and procedures, for example:

- Whether the group engagement team and a component auditor share:
 - Common policies and procedures for performing the work (for example, audit methodologies);
 - Common quality control policies and procedures; or
 - Common monitoring policies and procedures.
- The consistency or similarity of:
 - Laws and regulations or legal system;
 - Professional oversight, discipline, and external quality assurance;
 - Education and training;
 - Professional organizations and standards; or
 - Language and culture.

A34. These factors interact and are not mutually exclusive. For example, the extent of the group engagement team's procedures to obtain an understanding of Component Auditor A, who consistently applies common quality control and monitoring policies and procedures and a common audit methodology or operates in the same jurisdiction as the group engagement partner, may be less than the extent of the group engagement team's procedures to obtain an understanding of Component Auditor B, who is not consistently applying common quality control and monitoring policies and procedures and a common audit methodology or operates in a foreign jurisdiction. The nature of the procedures performed in relation to Component Auditors A and B may also be different.

A35. The group engagement team may obtain an understanding of the component auditor in a number of ways. In the first year of involving a component auditor, the group engagement team may, for example:

- Evaluate the results of the quality control monitoring system where the group engagement team and component auditor are from a firm or

network that operates under and complies with common monitoring policies and procedures;²⁰

- Visit the component auditor to discuss the matters in paragraph 19(a)-(c);
- Request the component auditor to confirm the matters referred to in paragraph 19(a)-(c) in writing. Appendix 4 contains an example of written confirmations by a component auditor;
- Request the component auditor to complete questionnaires about the matters in paragraph 19(a)-(c);
- Discuss the component auditor with colleagues in the group engagement partner's firm, or with a reputable third party that has knowledge of the component auditor; or
- Obtain confirmations from the professional body or bodies to which the component auditor belongs, the authorities by which the component auditor is licensed, or other third parties.

In subsequent years, the understanding of the component auditor may be based on the group engagement team's previous experience with the component auditor. The group engagement team may request the component auditor to confirm whether anything in relation to the matters listed in paragraph 19(a)-(c) has changed since the previous year.

- A36. Where independent oversight bodies have been established to oversee the auditing profession and monitor the quality of audits, awareness of the regulatory environment may assist the group engagement team in evaluating the independence and competence of the component auditor. Information about the regulatory environment may be obtained from the component auditor or information provided by the independent oversight bodies.

Ethical Requirements that Are Relevant to the Group Audit (Ref: Para. 19(a))

- A37. When performing work on the financial information of a component for a group audit, the component auditor is subject to ethical requirements that are relevant to the group audit. Such requirements may be different or in addition to those applying to the component auditor when performing a statutory audit in the component auditor's jurisdiction. The group engagement team therefore obtains an understanding whether the component auditor understands and will comply with the ethical requirements that are relevant to the group audit, sufficient to fulfill the component auditor's responsibilities in the group audit.

²⁰ As required by ISQC 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements," paragraph 54, or national requirements that are at least as demanding.

The Component Auditor's Professional Competence (Ref: Para. 19(b))

A38. The group engagement team's understanding of the component auditor's professional competence may include whether the component auditor:

- Possesses an understanding of auditing and other standards applicable to the group audit that is sufficient to fulfill the component auditor's responsibilities in the group audit;
- Possesses the special skills (for example, industry specific knowledge) necessary to perform the work on the financial information of the particular component; and
- Where relevant, possesses an understanding of the applicable financial reporting framework that is sufficient to fulfill the component auditor's responsibilities in the group audit (instructions issued by group management to components often describe the characteristics of the applicable financial reporting framework).

Application of the Group Engagement Team's Understanding of a Component Auditor (Ref: Para. 20)

A39. The group engagement team cannot overcome the fact that a component auditor is not independent by being involved in the work of the component auditor or by performing additional risk assessment or further audit procedures on the financial information of the component.

A40. However, the group engagement team may be able to overcome less than serious concerns about the component auditor's professional competency (for example, lack of industry specific knowledge), or the fact that the component auditor does not operate in an environment that actively oversees auditors, by being involved in the work of the component auditor or by performing additional risk assessment or further audit procedures on the financial information of the component.

A41. Where law or regulation prohibits access to relevant parts of the audit documentation of the component auditor, the group engagement team may request the component auditor to overcome this by preparing a memorandum that covers the relevant information.

Materiality (Ref: Para. 21-23)

A42. The auditor is required:²¹

- (a) When establishing the overall audit strategy, to determine:
 - (i) Materiality for the financial statements as a whole; and

²¹ ISA 320, "Materiality in Planning and Performing an Audit," paragraphs 10-11.

- (ii) If, in the specific circumstances of the entity, there are particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements, the materiality level or levels to be applied to those particular classes of transactions, account balances or disclosures; and

- (b) To determine performance materiality.

In the context of a group audit, materiality is established for both the group financial statements as a whole, and for the financial information of the components. Materiality for the group financial statements as a whole is used when establishing the overall group audit strategy.

- A43. To reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the group financial statements exceeds materiality for the group financial statements as a whole, component materiality is set lower than materiality for the group financial statements as a whole. Different component materiality may be established for different components. Component materiality need not be an arithmetical portion of the materiality for the group financial statements as a whole and, consequently, the aggregate of component materiality for the different components may exceed the materiality for the group financial statements as a whole. Component materiality is used when establishing the overall audit strategy for a component.
- A44. Component materiality is determined for those components whose financial information will be audited or reviewed as part of the group audit in accordance with paragraphs 26, 27(a) and 29. Component materiality is used by the component auditor to evaluate whether uncorrected detected misstatements are material, individually or in the aggregate.
- A45. A threshold for misstatements is determined in addition to component materiality. Misstatements identified in the financial information of the component that are above the threshold for misstatements are communicated to the group engagement team.
- A46. In the case of an audit of the financial information of a component, the component auditor (or group engagement team) determines performance materiality at the component level. This is necessary to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial information of the component exceeds component materiality. In practice, the group engagement team may set component materiality at this lower level. Where this is the case, the component auditor uses component materiality for purposes of assessing the

risks of material misstatement of the financial information of the component and to design further audit procedures in response to assessed risks as well as for evaluating whether detected misstatements are material individually or in the aggregate.

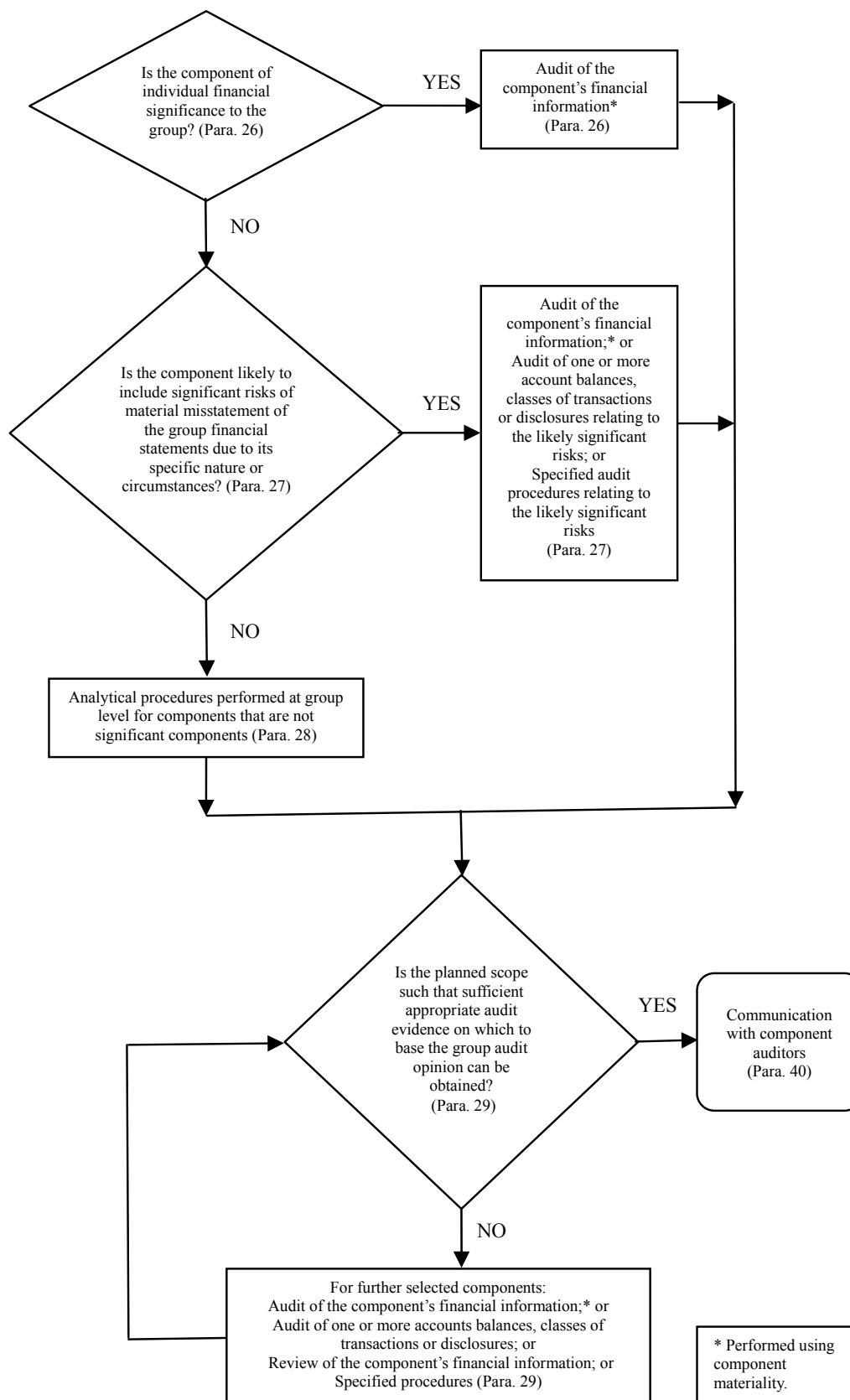
Responding to Assessed Risks

Determining the Type of Work to Be Performed on the Financial Information of Components (Ref: Para. 26-27)

A47. The group engagement team's determination of the type of work to be performed on the financial information of a component and its involvement in the work of the component auditor is affected by:

- (a) The significance of the component;
- (b) The identified significant risks of material misstatement of the group financial statements;
- (c) The group engagement team's evaluation of the design of group-wide controls and determination whether they have been implemented; and
- (d) The group engagement team's understanding of the component auditor.

The diagram shows how the significance of the component affects the group engagement team's determination of the type of work to be performed on the financial information of the component.



Significant Components (Ref: Para. 27(b)-(c))

- A48. The group engagement team may identify a component as a significant component because that component is likely to include significant risks of material misstatement of the group financial statements due to its specific nature or circumstances. In that case, the group engagement team may be able to identify the account balances, classes of transactions or disclosures affected by the likely significant risks. Where this is the case, the group engagement team may decide to perform, or request a component auditor to perform, an audit of only those account balances, classes of transactions or disclosures. For example, in the situation described in paragraph A6, the work on the financial information of the component may be limited to an audit of the account balances, classes of transactions and disclosures affected by the foreign exchange trading of that component. Where the group engagement team requests a component auditor to perform an audit of one or more specific account balances, classes of transactions or disclosures, the communication of the group engagement team (see paragraph 40) takes account of the fact that many financial statement items are interrelated.
- A49. The group engagement team may design audit procedures that respond to a likely significant risk of material misstatement of the group financial statements. For example, in the case of a likely significant risk of inventory obsolescence, the group engagement team may perform, or request a component auditor to perform, specified audit procedures on the valuation of inventory at a component that holds a large volume of potentially obsolete inventory, but that is not otherwise significant.

Components that Are Not Significant Components (Ref: Para. 28-29)

- A50. Depending on the circumstances of the engagement, the financial information of the components may be aggregated at various levels for purposes of the analytical procedures. The results of the analytical procedures corroborate the group engagement team's conclusions that there are no significant risks of material misstatement of the aggregated financial information of components that are not significant components.
- A51. The group engagement team's decision as to how many components to select in accordance with paragraph 29, which components to select, and the type of work to be performed on the financial information of the individual components selected may be affected by factors such as the following:
- The extent of audit evidence expected to be obtained on the financial information of the significant components.
 - Whether the component has been newly formed or acquired.
 - Whether significant changes have taken place in the component.

- Whether internal audit has performed work at the component and any effect of that work on the group audit.
- Whether the components apply common systems and processes.
- The operating effectiveness of group-wide controls.
- Abnormal fluctuations identified by analytical procedures performed at group level.
- The individual financial significance of, or the risk posed by, the component in comparison with other components within this category.
- Whether the component is subject to audit required by statute, regulation or for another reason.

Including an element of unpredictability in selecting components in this category may increase the likelihood of identifying material misstatement of the components' financial information. The selection of components is often varied on a cyclical basis.

- A52. A review of the financial information of a component may be performed in accordance with International Standard on Review Engagements (ISRE) 2400²² or ISRE 2410,²³ adapted as necessary in the circumstances. The group engagement team may also specify additional procedures to supplement this work.
- A53. As explained in paragraph A13, a group may consist only of components that are not significant components. In these circumstances, the group engagement team can obtain sufficient appropriate audit evidence on which to base the group audit opinion by determining the type of work to be performed on the financial information of the components in accordance with paragraph 29. It is unlikely that the group engagement team will obtain sufficient appropriate audit evidence on which to base the group audit opinion if the group engagement team, or a component auditor, only tests group-wide controls and performs analytical procedures on the financial information of the components.

Involvement in the Work Performed by Component Auditors (Ref: Para. 30-31)

- A54. Factors that may affect the group engagement team's involvement in the work of the component auditor include:
- (a) The significance of the component;

²² ISRE 2400, "Engagements to Review Financial Statements."

²³ ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."

- (b) The identified significant risks of material misstatement of the group financial statements; and
- (c) The group engagement team's understanding of the component auditor.

In the case of a significant component or identified significant risks, the group engagement team performs the procedures described in paragraphs 30-31. In the case of a component that is not a significant component, the nature, timing and extent of the group engagement team's involvement in the work of the component auditor will vary based on the group engagement team's understanding of that component auditor. The fact that the component is not a significant component becomes secondary. For example, even though a component is not considered a significant component, the group engagement team nevertheless may decide to be involved in the component auditor's risk assessment, because it has less than serious concerns about the component auditor's professional competency (for example, lack of industry specific knowledge), or the component auditor does not operate in an environment that actively oversees auditors.

A55. Forms of involvement in the work of a component auditor other than those described in paragraphs 30-31 and 42 may, based on the group engagement team's understanding of the component auditor, include one or more of the following:

- (a) Meeting with component management or the component auditors to obtain an understanding of the component and its environment.
- (b) Reviewing the component auditors' overall audit strategy and audit plan.
- (c) Performing risk assessment procedures to identify and assess the risks of material misstatement at the component level. These may be performed with the component auditors, or by the group engagement team.
- (d) Designing and performing further audit procedures. These may be designed and performed with the component auditors, or by the group engagement team.
- (e) Participating in the closing and other key meetings between the component auditors and component management.
- (f) Reviewing other relevant parts of the component auditors' audit documentation.

Consolidation Process

Consolidation Adjustments and Reclassifications (Ref: Para. 34)

A56. The consolidation process may require adjustments to amounts reported in the group financial statements that do not pass through the usual transaction processing systems, and may not be subject to the same internal controls to which other financial information is subject. The group engagement team's evaluation of the appropriateness, completeness and accuracy of the adjustments may include:

- Evaluating whether significant adjustments appropriately reflect the events and transactions underlying them;
- Determining whether significant adjustments have been correctly calculated, processed and authorized by group management and, where applicable, by component management;
- Determining whether significant adjustments are properly supported and sufficiently documented; and
- Checking the reconciliation and elimination of intra-group transactions and unrealized profits, and intra-group account balances.

Communication with the Component Auditor (Ref: Para. 40-41)

A57. If effective two-way communication between the group engagement team and the component auditors does not exist, there is a risk that the group engagement team may not obtain sufficient appropriate audit evidence on which to base the group audit opinion. Clear and timely communication of the group engagement team's requirements forms the basis of effective two-way communication between the group engagement team and the component auditor.

A58. The group engagement team's requirements are often communicated in a letter of instruction. Appendix 5 contains guidance on required and additional matters that may be included in such a letter of instruction. The component auditor's communication with the group engagement team often takes the form of a memorandum or report of work performed. Communication between the group engagement team and the component auditor, however, may not necessarily be in writing. For example, the group engagement team may visit the component auditor to discuss identified significant risks or review relevant parts of the component auditor's audit documentation. Nevertheless, the documentation requirements of this and other ISAs apply.

A59. In cooperating with the group engagement team, the component auditor, for example, would provide the group engagement team with access to relevant audit documentation if not prohibited by law or regulation.

A60. Where a member of the group engagement team is also a component auditor, the objective for the group engagement team to communicate clearly with the

component auditor can often be achieved by means other than specific written communication. For example:

- Access by the component auditor to the overall audit strategy and audit plan may be sufficient to communicate the group engagement team's requirements set out in paragraph 40; and
- A review of the component auditor's audit documentation by the group engagement team may be sufficient to communicate matters relevant to the group engagement team's conclusion set out in paragraph 41.

Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained

Reviewing the Component Auditor's Audit Documentation (Ref: Para. 42(b))

- A61. What parts of the audit documentation of the component auditor will be relevant to the group audit may vary depending on the circumstances. Often the focus is on audit documentation that is relevant to the significant risks of material misstatement of the group financial statements. The extent of the review may be affected by the fact that the component auditor's audit documentation has been subjected to the component auditor's firm's review procedures.

Sufficiency and Appropriateness of Audit Evidence (Ref: Para. 44-45)

- A62. If the group engagement team concludes that sufficient appropriate audit evidence on which to base the group audit opinion has not been obtained, the group engagement team may request the component auditor to perform additional procedures. If this is not feasible, the group engagement team may perform its own procedures on the financial information of the component.
- A63. The group engagement partner's evaluation of the aggregate effect of any misstatements (either identified by the group engagement team or communicated by component auditors) allows the group engagement partner to determine whether the group financial statements as a whole are materially misstated.

Communication with Group Management and Those Charged with Governance of the Group

Communication with Group Management (Ref: Para. 46-48)

- A64. ISA 240 contains requirements and guidance on communication of fraud to management and, where management may be involved in the fraud, to those charged with governance.²⁴
- A65. Group management may need to keep certain material sensitive information confidential. Examples of matters that may be significant to the financial

²⁴ ISA 240, paragraphs 40-42.

statements of the component of which component management may be unaware include the following:

- Potential litigation.
- Plans for abandonment of material operating assets.
- Subsequent events.
- Significant legal agreements.

Communication with Those Charged with Governance of the Group (Ref: Para. 49)

A66. The matters the group engagement team communicates to those charged with governance of the group may include those brought to the attention of the group engagement team by component auditors that the group engagement team judges to be significant to the responsibilities of those charged with governance of the group. Communication with those charged with governance of the group takes place at various times during the group audit. For example, the matters referred to in paragraph 49(a)-(b) may be communicated after the group engagement team has determined the work to be performed on the financial information of the components. On the other hand, the matter referred to in paragraph 49(c) may be communicated at the end of the audit, and the matters referred to in paragraph 49(d)-(e) may be communicated when they occur.

Appendix 1

(Ref: Para. A19)

Example of a Qualified Opinion Where the Group Engagement Team Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion

In this example, the group engagement team is unable to obtain sufficient appropriate audit evidence relating to a significant component accounted for by the equity method (recognized at \$15 million in the balance sheet, which reflects total assets of \$60 million) because the group engagement team did not have access to the accounting records, management, or auditor of the component.

The group engagement team has read the audited financial statements of the component as of December 31, 20X1, including the auditor's report thereon, and considered related financial information kept by group management in relation to the component.

In the group engagement partner's judgment, the effect on the group financial statements of this inability to obtain sufficient appropriate audit evidence is material but not pervasive.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Consolidated Financial Statements²⁵

We have audited the accompanying consolidated financial statements of ABC Company and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 20X1, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's²⁶ Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards,²⁷ and for such internal control as

²⁵ The sub-title, "Report on the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title, "Report on Other Legal and Regulatory Requirements" is not applicable.

²⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

²⁷ Where management's responsibility is to prepare consolidated financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of consolidated financial

management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation²⁸ of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.²⁹ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ..."

²⁸ In the case of footnote 27, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

²⁹ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the consolidated financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 27, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

Basis for Qualified Opinion

ABC Company's investment in XYZ Company, a foreign associate acquired during the year and accounted for by the equity method, is carried at \$15 million on the consolidated balance sheet as at December 31, 20X1, and ABC's share of XYZ's net income of \$1 million is included in the consolidated income statement for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC's investment in XYZ as at December 31, 20X1 and ABC's share of XYZ's net income for the year because we were denied access to the financial information, management, and the auditors of XYZ. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, *(or give a true and fair view of)* the financial position of ABC Company and its subsidiaries as at December 31, 20X1, and *(of)* their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

If, in the group engagement partner's judgment, the effect on the group financial statements of the inability to obtain sufficient appropriate audit evidence is material and pervasive, the group engagement partner would disclaim an opinion in accordance with ISA 705.

Appendix 2

(Ref: Para. A23)

Examples of Matters about Which the Group Engagement Team Obtains an Understanding

The examples provided cover a broad range of matters; however, not all matters are relevant to every group audit engagement and the list of examples is not necessarily complete.

Group-Wide Controls

1. Group-wide controls may include a combination of the following:
 - Regular meetings between group and component management to discuss business developments and to review performance.
 - Monitoring of components' operations and their financial results, including regular reporting routines, which enables group management to monitor components' performance against budgets, and to take appropriate action.
 - Group management's risk assessment process, that is, the process for identifying, analyzing and managing business risks, including the risk of fraud, that may result in material misstatement of the group financial statements.
 - Monitoring, controlling, reconciling, and eliminating intra-group transactions and unrealized profits, and intra-group account balances at group level.
 - A process for monitoring the timeliness and assessing the accuracy and completeness of financial information received from components.
 - A central IT system controlled by the same general IT controls for all or part of the group.
 - Control activities within an IT system that is common for all or some components.
 - Monitoring of controls, including activities of internal audit and self-assessment programs.
 - Consistent policies and procedures, including a group financial reporting procedures manual.
 - Group-wide programs, such as codes of conduct and fraud prevention programs.

- Arrangements for assigning authority and responsibility to component management.
2. Internal audit may be regarded as part of group-wide controls, for example, when the internal audit function is centralized. ISA 610³⁰ deals with the group engagement team's evaluation of the competence and objectivity of the internal auditors where it plans to use their work.

Consolidation Process

3. The group engagement team's understanding of the consolidation process may include matters such as the following:

Matters relating to the applicable financial reporting framework:

- The extent to which component management has an understanding of the applicable financial reporting framework.
- The process for identifying and accounting for components in accordance with the applicable financial reporting framework.
- The process for identifying reportable segments for segment reporting in accordance with the applicable financial reporting framework.
- The process for identifying related party relationships and related party transactions for reporting in accordance with the applicable financial reporting framework.
- The accounting policies applied to the group financial statements, changes from those of the previous financial year, and changes resulting from new or revised standards under the applicable financial reporting framework.
- The procedures for dealing with components with financial year-ends different from the group's year-end.

Matters relating to the consolidation process:

- Group management's process for obtaining an understanding of the accounting policies used by components, and, where applicable, ensuring that uniform accounting policies are used to prepare the financial information of the components for the group financial statements, and that differences in accounting policies are identified, and adjusted where required in terms of the applicable financial reporting framework. Uniform accounting policies are the specific principles, bases, conventions, rules, and practices adopted by the group, based on the applicable financial reporting framework, that the

³⁰ ISA 610, "Using the Work of Internal Auditors," paragraph 9.

components use to report similar transactions consistently. These policies are ordinarily described in the financial reporting procedures manual and reporting package issued by group management.

- Group management's process for ensuring complete, accurate and timely financial reporting by the components for the consolidation.
- The process for translating the financial information of foreign components into the currency of the group financial statements.
- How IT is organized for the consolidation, including the manual and automated stages of the process, and the manual and programmed controls in place at various stages of the consolidation process.
- Group management's process for obtaining information on subsequent events.

Matters relating to consolidation adjustments:

- The process for recording consolidation adjustments, including the preparation, authorization and processing of related journal entries, and the experience of personnel responsible for the consolidation.
- The consolidation adjustments required by the applicable financial reporting framework.
- Business rationale for the events and transactions that gave rise to the consolidation adjustments.
- Frequency, nature and size of transactions between components.
- Procedures for monitoring, controlling, reconciling and eliminating intra-group transactions and unrealized profits, and intra-group account balances.
- Steps taken to arrive at the fair value of acquired assets and liabilities, procedures for amortizing goodwill (where applicable), and impairment testing of goodwill, in accordance with the applicable financial reporting framework.
- Arrangements with a majority owner or minority interests regarding losses incurred by a component (for example, an obligation of the minority interest to make good such losses).

Appendix 3

(Ref: Para. A30)

Examples of Conditions or Events that May Indicate Risks of Material Misstatement of the Group Financial Statements

The examples provided cover a broad range of conditions or events; however, not all conditions or events are relevant to every group audit engagement and the list of examples is not necessarily complete.

- A complex group structure, especially where there are frequent acquisitions, disposals or reorganizations.
- Poor corporate governance structures, including decision-making processes, that are not transparent.
- Non-existent or ineffective group-wide controls, including inadequate group management information on monitoring of components' operations and their results.
- Components operating in foreign jurisdictions that may be exposed to factors such as unusual government intervention in areas such as trade and fiscal policy, and restrictions on currency and dividend movements; and fluctuations in exchange rates.
- Business activities of components that involve high risk, such as long-term contracts or trading in innovative or complex financial instruments.
- Uncertainties regarding which components' financial information require incorporation in the group financial statements in accordance with the applicable financial reporting framework, for example, whether any special-purpose entities or non-trading entities exist and require incorporation.
- Unusual related party relationships and transactions.
- Prior occurrences of intra-group account balances that did not balance or reconcile on consolidation.
- The existence of complex transactions that are accounted for in more than one component.
- Components' application of accounting policies that differ from those applied to the group financial statements.
- Components with different financial year-ends, which may be utilized to manipulate the timing of transactions.
- Prior occurrences of unauthorized or incomplete consolidation adjustments.

- Aggressive tax planning within the group, or large cash transactions with entities in tax havens.
- Frequent changes of auditors engaged to audit the financial statements of components.

Appendix 4

(Ref: Para. A35)

Examples of a Component Auditor's Confirmations

The following is not intended to be a standard letter. Confirmations may vary from one component auditor to another and from one period to the next.

Confirmations often are obtained before work on the financial information of the component commences.

[Component Auditor Letterhead]

[Date]

[To Group Engagement Partner]

This letter is provided in connection with your audit of the group financial statements of [name of parent] for the year ended [date] for the purpose of expressing an opinion on whether the group financial statements present fairly, in all material respects (give a true and fair view of) the financial position of the group as of [date] and of its financial performance and cash flows for the year then ended in accordance with [indicate applicable financial reporting framework].

We acknowledge receipt of your instructions dated [date], requesting us to perform the specified work on the financial information of [name of component] for the year ended [date].

We confirm that:

1. We will be able to comply with the instructions. / We advise you that we will not be able to comply with the following instructions [specify instructions] for the following reasons [specify reasons].
2. The instructions are clear and we understand them. / We would appreciate it if you could clarify the following instructions [specify instructions].
3. We will cooperate with you and provide you with access to relevant audit documentation.

We acknowledge that:

1. The financial information of [name of component] will be included in the group financial statements of [name of parent].
2. You may consider it necessary to be involved in the work you have requested us to perform on the financial information of [name of component] for the year ended [date].

3. You intend to evaluate and, if considered appropriate, use our work for the audit of the group financial statements of [name of parent].

In connection with the work that we will perform on the financial information of [name of component], a [describe component, for example, wholly-owned subsidiary, subsidiary, joint venture, investee accounted for by the equity or cost methods of accounting] of [name of parent], we confirm the following:

1. We have an understanding of [indicate relevant ethical requirements] that is sufficient to fulfill our responsibilities in the audit of the group financial statements, and will comply therewith. In particular, and with respect to [name of parent] and the other components in the group, we are independent within the meaning of [indicate relevant ethical requirements] and comply with the applicable requirements of [refer to rules] promulgated by [name of regulatory agency].
2. We have an understanding of International Standards on Auditing and [indicate other national standards applicable to the audit of the group financial statements] that is sufficient to fulfill our responsibilities in the audit of the group financial statements and will conduct our work on the financial information of [name of component] for the year ended [date] in accordance with those standards.
3. We possess the special skills (for example, industry specific knowledge) necessary to perform the work on the financial information of the particular component.
4. We have an understanding of [indicate applicable financial reporting framework or group financial reporting procedures manual] that is sufficient to fulfill our responsibilities in the audit of the group financial statements.

We will inform you of any changes in the above representations during the course of our work on the financial information of [name of component].

[Auditor's signature]

[Date]

[Auditor's address]

Appendix 5

(Ref: Para. A58)

Required and Additional Matters Included in the Group Engagement Team's Letter of Instruction

Matters required by this ISA to be communicated to the component auditor are shown in italicized text.

Matters that are relevant to the planning of the work of the component auditor:

- *A request for the component auditor, knowing the context in which the group engagement team will use the work of the component auditor, to confirm that the component auditor will cooperate with the group engagement team.*
- The timetable for completing the audit.
- Dates of planned visits by group management and the group engagement team, and dates of planned meetings with component management and the component auditor.
- A list of key contacts.
- *The work to be performed by the component auditor, the use to be made of that work, and arrangements for coordinating efforts at the initial stage of and during the audit, including the group engagement team's planned involvement in the work of the component auditor.*
- *The ethical requirements that are relevant to the group audit and, in particular, the independence requirements.*
- *In the case of an audit or review of the financial information of the component, component materiality (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures), and the threshold above which misstatements cannot be regarded as clearly trivial to the group financial statements.*
- *A list of related parties prepared by group management, and any other related parties that the group engagement team is aware of, and a request that the component auditor communicates on a timely basis to the group engagement team related parties not previously identified by group management or the group engagement team.*
- Work to be performed on intra-group transactions and unrealized profits and intra-group account balances.
- Guidance on other statutory reporting responsibilities, for example, reporting on group management's assertion on the effectiveness of internal control.

- Where time lag between completion of the work on the financial information of the components and the group engagement team's conclusion on the group financial statements is likely, specific instructions for a subsequent events review.

Matters that are relevant to the conduct of the work of the component auditor:

- The findings of the group engagement team's tests of control activities of a processing system that is common for all or some components, and tests of controls to be performed by the component auditor.
- *Identified significant risks of material misstatement of the group financial statements, due to fraud or error, that are relevant to the work of the component auditor, and a request that the component auditor communicates on a timely basis any other significant risks of material misstatement of the group financial statements, due to fraud or error, identified in the component and the component auditor's response to such risks.*
- The findings of internal audit, based on work performed on controls at or relevant to components.
- A request for timely communication of audit evidence obtained from performing work on the financial information of the components that contradicts the audit evidence on which the group engagement team originally based the risk assessment performed at group level.
- A request for a written representation on component management's compliance with the applicable financial reporting framework, or a statement that differences between the accounting policies applied to the financial information of the component and those applied to the group financial statements have been disclosed.
- Matters to be documented by the component auditor.

Other information

- A request that the following be reported to the group engagement team on a timely basis:
 - Significant accounting, financial reporting and auditing matters, including accounting estimates and related judgments.
 - Matters relating to the going concern status of the component.
 - Matters relating to litigation and claims.
 - Significant deficiencies in internal control that the component auditor has identified during the performance of the work on the financial information of the component, and information that indicates the existence of fraud.
- A request that the group engagement team be notified of any significant or unusual events as early as possible.

- *A request that the matters listed in paragraph 41 be communicated to the group engagement team when the work on the financial information of the component is completed.*

ISSAI 1610

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Directriz de auditoría financiera

Utilización del trabajo de los auditores internos

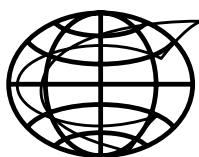
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 610, “Utilización del trabajo de los auditores internos”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1610

NOTA DE PRÁCTICA PARA LA NIA 610	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	
Consideraciones generales	P3
Decisión de utilizar o no el trabajo de los auditores internos y en qué medida	P4
NORMA INTERNACIONAL DE AUDITORÍA 610	
Introducción	
Alcance de la NIA	1–2
Relaciones entre la función de auditoría interna y el auditor externo	3–4
Fecha de entrada en vigor	5
Objetivos	6
Definiciones	7
Exigencias	
Decisión de utilizar o no el trabajo de los auditores internos y en qué medida	8–10
Utilización del trabajo específico de los auditores internos	11–12
Documentación	13
Disposiciones de aplicación y otras disposiciones explicativas	
Alcance de la NIA	A1–A2
Objetivos de la función de auditoría interna	A3
Decisión de utilizar o no el trabajo de los auditores internos y en qué medida	A4–A5
Utilización del trabajo específico de los auditores internos	A6

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 610

Utilización del trabajo de los auditores internos

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 610, “Utilización del trabajo de los auditores internos”, y debe leerse conjuntamente con ella. La NIA 610 entra en vigor para las auditorías de estados financieros correspondientes a períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 610 establece las obligaciones del auditor externo respecto del trabajo de los auditores internos cuando considere probable, con arreglo a la NIA 315², que la función de auditoría interna resulte pertinente para su auditoría externa.

La NIA 610 no aborda los casos en que auditores internos facilitan ayuda directa al auditor externo para la ejecución de los procedimientos de auditoría.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Decisión de utilizar o no el trabajo de los auditores internos y en qué medida.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 610 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las Directrices de auditoría financiera de la INTOSAI.”

² NIA 315, “Identificación y evaluación de los riesgos de incorrecciones materiales mediante la comprensión de la entidad y su entorno. í párrafo 23.”

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales

- P3. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). Otros objetivos pueden referirse a obligaciones de auditoría o información, cuando por ejemplo los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. Los auditores del sector público pueden considerar que la actividad de la auditoría interna en estos ámbitos es pertinente para su auditoría externa, en cuyo caso pueden utilizar el trabajo del auditor interno para completar su propio trabajo.

Decisión de utilizar o no el trabajo de los auditores internos y en qué medida

- P4. Para determinar si el trabajo del auditor interno resulta objetivo para los fines de la auditoría, según se establece en el párrafo 9 A de la NIA, los auditores del sector público atenderán a las correspondientes directrices de la INTOSAI sobre la valoración de la independencia y objetividad de los auditores internos y, si procede, la existencia de un posible organismo público de supervisión de la auditoría interna, así como sus informes. Ahora bien, cuando la función de auditoría interna haya sido establecida por ley u otro tipo de regulación, y se satisfagan los criterios que se exponen a continuación, existen sólidos indicios para presumir que la función de auditoría interna es independiente:
- a) Rinde cuentas al jefe o subjefe de la entidad pública o a los encargados de la gobernanza.
 - b) Comunica los resultados de la auditoría al jefe o subjefe de la entidad pública o a los encargados de la gobernanza.
 - c) Está situada en la organización al margen del personal y de la dirección de la entidad.
 - d) Está suficientemente libre de presiones políticas a la hora de realizar auditorías y comunica sus resultados, opiniones y conclusiones con objetividad y sin miedo a represalias políticas.
 - e) No permite a sus agentes auditar operaciones de las que hayan sido responsables con anterioridad para evitar cualquier posible conflicto de intereses.
 - f) Tiene acceso a los encargados de la gobernanza.

International Standard on Auditing

Using the Work of Internal Auditors



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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This International Standard on Auditing (ISA) 610, “Using the Work of Internal Auditors” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

This publication may be downloaded free of charge from the IFAC website: <http://www.ifac.org>. The approved text is published in the English language.

The mission of IFAC is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession’s expertise is most relevant.

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INTERNATIONAL STANDARD ON AUDITING 610

USING THE WORK OF INTERNAL AUDITORS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1–2
Relationship between the Internal Audit Function and the External Auditor	3–4
Effective Date	5
Objectives	6
Definitions	7
Requirements	
Determining Whether and to What Extent to Use the Work of the Internal Auditors	8–10
Using Specific Work of the Internal Auditors	11–12
Documentation	13
Application and Other Explanatory Material	
Scope of this ISA	A1–A2
Objectives of the Internal Audit Function	A3
Determining Whether and to What Extent to Use the Work of the Internal Auditors	A4–A5
Using Specific Work of the Internal Auditors	A6

International Standard on Auditing (ISA) 610, “Using the Work of Internal Auditors” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the external auditor's responsibilities relating to the work of internal auditors when the external auditor has determined, in accordance with ISA 315,¹ that the internal audit function is likely to be relevant to the audit. (Ref: Para. A1-A2)
2. This ISA does not deal with instances when individual internal auditors provide direct assistance to the external auditor in carrying out audit procedures.

Relationship between the Internal Audit Function and the External Auditor

3. The objectives of the internal audit function are determined by management and, where applicable, those charged with governance. While the objectives of the internal audit function and the external auditor are different, some of the ways in which the internal audit function and the external auditor achieve their respective objectives may be similar. (Ref: Para. A3)
4. Irrespective of the degree of autonomy and objectivity of the internal audit function, such function is not independent of the entity as is required of the external auditor when expressing an opinion on financial statements. The external auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the external auditor's use of the work of the internal auditors.

Effective Date

5. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objectives

6. The objectives of the external auditor, where the entity has an internal audit function that the external auditor has determined is likely to be relevant to the audit, are:
 - (a) To determine whether, and to what extent, to use specific work of the internal auditors; and
 - (b) If using the specific work of the internal auditors, to determine whether that work is adequate for the purposes of the audit.

¹ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment," paragraph 23.

Definitions

7. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Internal audit function – An appraisal activity established or provided as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control.
 - (b) Internal auditors – Those individuals who perform the activities of the internal audit function. Internal auditors may belong to an internal audit department or equivalent function.

Requirements

Determining Whether and to What Extent to Use the Work of the Internal Auditors

8. The external auditor shall determine:
 - (a) Whether the work of the internal auditors is likely to be adequate for purposes of the audit; and
 - (b) If so, the planned effect of the work of the internal auditors on the nature, timing or extent of the external auditor's procedures.
9. In determining whether the work of the internal auditors is likely to be adequate for purposes of the audit, the external auditor shall evaluate:
 - (a) The objectivity of the internal audit function;
 - (b) The technical competence of the internal auditors;
 - (c) Whether the work of the internal auditors is likely to be carried out with due professional care; and
 - (d) Whether there is likely to be effective communication between the internal auditors and the external auditor. (Ref: Para. A4)
10. In determining the planned effect of the work of the internal auditors on the nature, timing or extent of the external auditor's procedures, the external auditor shall consider:
 - (a) The nature and scope of specific work performed, or to be performed, by the internal auditors;
 - (b) The assessed risks of material misstatement at the assertion level for particular classes of transactions, account balances, and disclosures; and
 - (c) The degree of subjectivity involved in the evaluation of the audit evidence gathered by the internal auditors in support of the relevant assertions. (Ref: Para. A5)

Using Specific Work of the Internal Auditors

11. In order for the external auditor to use specific work of the internal auditors, the external auditor shall evaluate and perform audit procedures on that work to determine its adequacy for the external auditor's purposes. (Ref: Para. A6)
12. To determine the adequacy of specific work performed by the internal auditors for the external auditor's purposes, the external auditor shall evaluate whether:
 - (a) The work was performed by internal auditors having adequate technical training and proficiency;
 - (b) The work was properly supervised, reviewed and documented;
 - (c) Adequate audit evidence has been obtained to enable the internal auditors to draw reasonable conclusions;
 - (d) Conclusions reached are appropriate in the circumstances and any reports prepared by the internal auditors are consistent with the results of the work performed; and
 - (e) Any exceptions or unusual matters disclosed by the internal auditors are properly resolved.

Documentation

13. If the external auditor uses specific work of the internal auditors, the external auditor shall include in the audit documentation the conclusions reached regarding the evaluation of the adequacy of the work of the internal auditors, and the audit procedures performed by the external auditor on that work, in accordance with paragraph 11.²

Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1)

- A1. As described in ISA 315,³ the entity's internal audit function is likely to be relevant to the audit if the nature of the internal audit function's responsibilities and activities are related to the entity's financial reporting, and the auditor expects to use the work of the internal auditors to modify the nature or timing, or reduce the extent, of audit procedures to be performed.
- A2. Carrying out procedures in accordance with this ISA may cause the external auditor to re-evaluate the external auditor's assessment of the risks of material misstatement. Consequently, this may affect the external auditor's determination

² ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

³ ISA 315, paragraph A101.

of the relevance of the internal audit function to the audit. Similarly, the external auditor may decide not to otherwise use the work of the internal auditors to affect the nature, timing or extent of the external auditor's procedures. In such circumstances, the external auditor's further application of this ISA may not be necessary.

Objectives of the Internal Audit Function (Ref: Para. 3)

- A3. The objectives of internal audit functions vary widely and depend on the size and structure of the entity and the requirements of management and, where applicable, those charged with governance. The activities of the internal audit function may include one or more of the following:
- Monitoring of internal control. The internal audit function may be assigned specific responsibility for reviewing controls, monitoring their operation and recommending improvements thereto.
 - Examination of financial and operating information. The internal audit function may be assigned to review the means used to identify, measure, classify and report financial and operating information, and to make specific inquiry into individual items, including detailed testing of transactions, balances and procedures.
 - Review of operating activities. The internal audit function may be assigned to review the economy, efficiency and effectiveness of operating activities, including non-financial activities of an entity.
 - Review of compliance with laws and regulations. The internal audit function may be assigned to review compliance with laws, regulations and other external requirements, and with management policies and directives and other internal requirements.
 - Risk management. The internal audit function may assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.
 - Governance. The internal audit function may assess the governance process in its accomplishment of objectives on ethics and values, performance management and accountability, communicating risk and control information to appropriate areas of the organization and effectiveness of communication among those charged with governance, external and internal auditors, and management.

Determining Whether and to What Extent to Use the Work of the Internal Auditors

Whether the Work of the Internal Auditors Is Likely to Be Adequate for Purposes of the Audit (Ref: Para. 9)

- A4. Factors that may affect the external auditor's determination of whether the work of the internal auditors is likely to be adequate for the purposes of the audit include:

Objectivity

- The status of the internal audit function within the entity and the effect such status has on the ability of the internal auditors to be objective.
- Whether the internal audit function reports to those charged with governance or an officer with appropriate authority, and whether the internal auditors have direct access to those charged with governance.
- Whether the internal auditors are free of any conflicting responsibilities.
- Whether those charged with governance oversee employment decisions related to the internal audit function.
- Whether there are any constraints or restrictions placed on the internal audit function by management or those charged with governance.
- Whether, and to what extent, management acts on the recommendations of the internal audit function, and how such action is evidenced.

Technical competence

- Whether the internal auditors are members of relevant professional bodies.
- Whether the internal auditors have adequate technical training and proficiency as internal auditors.
- Whether there are established policies for hiring and training internal auditors.

Due professional care

- Whether activities of the internal audit function are properly planned, supervised, reviewed and documented.
- The existence and adequacy of audit manuals or other similar documents, work programs and internal audit documentation.

Communication

Communication between the external auditor and the internal auditors may be most effective when the internal auditors are free to communicate openly with the external auditors, and:

- Meetings are held at appropriate intervals throughout the period;
- The external auditor is advised of and has access to relevant internal audit reports and is informed of any significant matters that come to the attention of the internal auditors when such matters may affect the work of the external auditor; and
- The external auditor informs the internal auditors of any significant matters that may affect the internal audit function.

Planned Effect of the Work of the Internal Auditors on the Nature, Timing or Extent of the External Auditor's Procedures (Ref: Para. 10)

A5. Where the work of the internal auditors is to be a factor in determining the nature, timing or extent of the external auditor's procedures, it may be useful to agree in advance the following matters with the internal auditors:

- The timing of such work;
- The extent of audit coverage;
- Materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures), and performance materiality;
- Proposed methods of item selection;
- Documentation of the work performed; and
- Review and reporting procedures.

Using Specific Work of the Internal Auditors (Ref: Para. 11)

A6. The nature, timing and extent of the audit procedures performed on specific work of the internal auditors will depend on the external auditor's assessment of the risk of material misstatement, the evaluation of the internal audit function, and the evaluation of the specific work of the internal auditors. Such audit procedures may include:

- Examination of items already examined by the internal auditors;
- Examination of other similar items; and
- Observation of procedures performed by the internal auditors.

ISSAI 1620

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Directriz de auditoría financiera

Utilización del trabajo de un experto

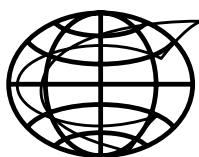
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 620 “Utilización del trabajo de un experto”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1620

NOTA DE PRÁCTICA PARA LA 620	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	
Consideraciones generales	P3
Determinación de la necesidad de recurrir a un experto	P4
Competencia, capacidad y objetividad del experto	P5
Acuerdo con el experto	P6–P9
NORMA INTERNACIONAL DE AUDITORÍA 620	
Introducción	
Alcance de la NIA	1–2
Responsabilidad del auditor con respecto a la opinión de auditoría	3
Fecha de entrada en vigor	4
Objetivos	5
Definiciones	6
Exigencias	
Determinación de la necesidad de recurrir a un experto	7
Naturaleza, calendario y alcance de los procedimientos de auditoría	8
Competencia, capacidad y objetividad del experto	9
Comprensión del ámbito de especialización del experto	10
Acuerdo con el experto	11
Evaluación de la idoneidad del trabajo del experto	12–13
Referencia al experto en el informe del auditor	14–15
Disposiciones de aplicación y otras disposiciones explicativas	
Definición de experto	A1–A3
Determinación de la necesidad de recurrir a un experto	A4–A9
Naturaleza, calendario y alcance de los procedimientos de auditoría	A10–A13
Competencia, capacidad y objetividad del experto	A14–A20
Comprensión del ámbito de especialización del experto	A21–A22
Acuerdo con el experto	A23–A31
Evaluación de la idoneidad del trabajo del experto	A32–A40
Referencia al experto en el informe del auditor	A41–A42
Apéndice: Consideraciones con respecto al acuerdo entre el auditor y el experto externo	

Nota de Práctica¹ a la Norma Internacional de Auditoría (NIA) 620

Utilización del trabajo de un experto

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 620, “Utilización del trabajo de un experto”, y debe leerse conjuntamente con ella. La NIA 620 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 620 establece las obligaciones del auditor cuando utiliza el trabajo de un individuo o una organización en un ámbito de especialización distinto a la auditoría o a la contabilidad como ayuda para obtener evidencia de auditoría suficiente y apropiada.

La NIA 620 no aborda lo siguiente:

- a) Situaciones en las que el equipo auditor incluye a un miembro, o consulta a un individuo o a una organización especializados en un ámbito concreto de la contabilidad o la auditoría, que se tratan en la NIA 220.
- b) La utilización por el auditor del trabajo de un individuo o una organización especializados en un ámbito distinto de la contabilidad o la auditoría, cuando dicho trabajo en dicho ámbito sea utilizado por la entidad como ayuda para preparar los estados financieros (un experto de la dirección), aspecto que se trata en la NIA 500.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Determinación de la necesidad de recurrir a un experto.
 - c) Competencia, capacidad y objetividad del experto.
 - d) Acuerdo con el experto.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 620 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI”.

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales

- P3. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría o las obligaciones para las entidades del sector público derivadas de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo pueden suponer objetivos adicionales, entre ellos aplicar procedimientos e informar sobre casos de falta de conformidad con las normas o sobre la eficacia del control interno. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden tener expectativas en este sentido. Cabe citar como ejemplo de ello la falta de conformidad con la legislación o con el mandato o el presupuesto aprobados, el incumplimiento de las disposiciones contractuales o de los acuerdos de subvención, los gastos no autorizados o inapropiados, cuestiones de interés parlamentario o mediático, o cuestiones relativas a fraudes, corrupción, abuso o despilfarro. Así pues, los auditores del sector público pueden plantearse recurrir al trabajo de un experto a la luz de estas obligaciones adicionales.

Determinación de la necesidad de recurrir a un experto

- P4. Al determinar la necesidad de recurrir a un experto como se indica en el párrafo 9 de la NIA, los auditores del sector público tendrán en cuenta que, según las leyes, la reglamentación o el mandato, las auditorías financieras pueden incluir obligaciones adicionales con respecto al fraude, por lo que pueden verse en la necesidad, en tales casos, de recurrir al trabajo de expertos de la policía o de la oficina de lucha contra la corrupción. En determinados entornos del sector público, como un Tribunal de Cuentas con funciones jurisdiccionales, el fallo puede basarse en evidencia aportada por expertos que pasa a ser jurídicamente vinculante y obliga al responsable del fraude o de la corrupción a pagar multas y deudas. El ministerio fiscal puede emprender acciones legales contra dicho responsable, así como embargar bienes para pagar la deuda.

Competencia, capacidad y objetividad del experto

- P5. La cuestión de la independencia reviste una importancia crucial en el sector público y puede incluir exigencias legislativas o de política pública que deben respetar tanto los expertos como los auditores del sector público. Éstos últimos pueden adoptar los procedimientos recomendados en el párrafo A20 de la NIA, relativos a la evaluación de la objetividad, para valorar la independencia del experto. Por otra parte, al considerar la independencia, los auditores del sector público también pueden plantearse evaluar la neutralidad política del experto, tanto real como percibida. Entre las actividades que podrían poner en cuestión dicha neutralidad cabría mencionar la candidatura a un cargo político o la ocupación del mismo, así como la participación en actos patrocinados por asociaciones políticas, grupos de presión u organizaciones de afiliación política. Estos factores han de tenerse en cuenta en el contexto del grado de participación del experto y su posible beneficio personal o parcialidad.

Acuerdo con el experto

- P6. El subapartado 140.1, parte A, del Código de ética profesional de IFAC para contadores públicos exige a los auditores observar el principio de confidencialidad en todo momento, salvo que se haya concedido la facultad específica de revelar determinada información, o exista un derecho u obligación legal o profesional para hacerlo. Una diferencia fundamental entre el sector privado y el público es que en éste pueden existir exigencias jurídicas específicas en materia de confidencialidad, por una parte, y derecho de acceso a terceros, por otra. En el sector público existe una continua necesidad de equilibrar la confidencialidad con la exigencia de transparencia y rendición de cuentas. Al plantearse cuestiones de confidencialidad, como se indica en el subpárrafo 11 d) de la NIA, los auditores del sector público tendrán en cuenta cualquier legislación que otorgue acceso público al trabajo de un experto utilizado en una auditoría del sector público.
- P7. No es inusual en el sector público tratar con solicitudes de órganos reguladores externos, policía, ministerio fiscal o jueces para acceder al trabajo de un experto. Los auditores informarán al experto de que su evidencia o su informe pueden ser solicitados por instancias no pertenecientes a la organización del sector público y utilizarse en otros procesos o investigaciones.
- P8. Por otra parte, el experto que trabaja para el sector público puede tener obligaciones adicionales en materia de confidencialidad que estén basadas en el mandato de la entidad fiscalizadora superior o en leyes relativas a secretos oficiales o actos privados. Esta legislación puede referirse, por ejemplo, a auditorías de organismos de defensa, sanidad, servicios sociales o tributarios. Los auditores del sector público probablemente necesitarán familiarizarse con cualquier exigencia particular en materia de confidencialidad a la que esté sujeto el experto y pueden pedir a éste que firme un acuerdo de confidencialidad.
- P9. El equilibrio entre confidencialidad y transparencia exige que los auditores del sector público ejerzan su juicio profesional para garantizar que el trabajo de un experto de naturaleza confidencial se identifique claramente y se trate como tal, concediendo al mismo tiempo el acceso que sea oportuno. Los auditores del sector público deben tener en cuenta las políticas y procedimientos claramente definidos y establecidos por la organización auditadora al tratar estas situaciones.

International Standard on Auditing

Using the Work of an Auditor's Expert



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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INTERNATIONAL STANDARD ON AUDITING 620

USING THE WORK OF AN AUDITOR'S EXPERT

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1-2
The Auditor's Responsibility for the Audit Opinion	3
Effective Date	4
Objectives	5
Definitions	6
Requirements	
Determining the Need for an Auditor's Expert	7
Nature, Timing and Extent of Audit Procedures	8
The Competence, Capabilities and Objectivity of the Auditor's Expert	9
Obtaining an Understanding of the Field of Expertise of the Auditor's Expert	10
Agreement with the Auditor's Expert	11
Evaluating the Adequacy of the Auditor's Expert's Work	12-13
Reference to the Auditor's Expert in the Auditor's Report	14-15
Application and Other Explanatory Material	
Definition of an Auditor's Expert	A1-A3
Determining the Need for an Auditor's Expert	A4-A9
Nature, Timing and Extent of Audit Procedures	A10-A13
The Competence, Capabilities and Objectivity of the Auditor's Expert	A14-A20
Obtaining an Understanding of the Field of Expertise of the Auditor's Expert	A21-A22
Agreement with the Auditor's Expert	A23-A31
Evaluating the Adequacy of the Auditor's Expert's Work	A32-A40

Reference to the Auditor's Expert in the Auditor's Report A41-A42

Appendix: Considerations for Agreement between the Auditor and an
Auditor's External Expert

International Standard on Auditing (ISA) 620, "Using the Work of an Auditor's Expert" should be read in conjunction with ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing."

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to the work of an individual or organization in a field of expertise other than accounting or auditing, when that work is used to assist the auditor in obtaining sufficient appropriate audit evidence.
2. This ISA does not deal with:
 - (a) Situations where the engagement team includes a member, or consults an individual or organization, with expertise in a specialized area of accounting or auditing, which are dealt with in ISA 220;¹ or
 - (b) The auditor's use of the work of an individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements (a management's expert), which is dealt with in ISA 500.²

The Auditor's Responsibility for the Audit Opinion

3. The auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the auditor's use of the work of an auditor's expert. Nonetheless, if the auditor using the work of an auditor's expert, having followed this ISA, concludes that the work of that expert is adequate for the auditor's purposes, the auditor may accept that expert's findings or conclusions in the expert's field as appropriate audit evidence.

Effective Date

4. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objectives

5. The objectives of the auditor are:
 - (a) To determine whether to use the work of an auditor's expert; and
 - (b) If using the work of an auditor's expert, to determine whether that work is adequate for the auditor's purposes.

¹ ISA 220, "Quality Control for an Audit of Financial Statements," paragraphs A10, A20-A22.

² ISA 500, "Audit Evidence," paragraphs A34-A48.

Definitions

6. For purposes of the ISAs, the following terms have the meanings attributed below:
- (a) Auditor's expert – An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (who is a partner³ or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert. (Ref: Para. A1-A3)
 - (b) Expertise – Skills, knowledge and experience in a particular field.
 - (c) Management's expert – An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements.

Requirements

Determining the Need for an Auditor's Expert

7. If expertise in a field other than accounting or auditing is necessary to obtain sufficient appropriate audit evidence, the auditor shall determine whether to use the work of an auditor's expert. (Ref: Para. A4-A9)

Nature, Timing and Extent of Audit Procedures

8. The nature, timing and extent of the auditor's procedures with respect to the requirements in paragraphs 9-13 of this ISA will vary depending on the circumstances. In determining the nature, timing and extent of those procedures, the auditor shall consider matters including: (Ref: Para. A10)
- (a) The nature of the matter to which that expert's work relates;
 - (b) The risks of material misstatement in the matter to which that expert's work relates;
 - (c) The significance of that expert's work in the context of the audit;
 - (d) The auditor's knowledge of and experience with previous work performed by that expert; and
 - (e) Whether that expert is subject to the auditor's firm's quality control policies and procedures. (Ref: Para. A11-A13)

³ "Partner" and "firm" should be read as referring to their public sector equivalents where relevant.

The Competence, Capabilities and Objectivity of the Auditor's Expert

9. The auditor shall evaluate whether the auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes. In the case of an auditor's external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert's objectivity. (Ref: Para. A14-A20)

Obtaining an Understanding of the Field of Expertise of the Auditor's Expert

10. The auditor shall obtain a sufficient understanding of the field of expertise of the auditor's expert to enable the auditor to: (Ref: Para. A21-A22)
 - (a) Determine the nature, scope and objectives of that expert's work for the auditor's purposes; and
 - (b) Evaluate the adequacy of that work for the auditor's purposes.

Agreement with the Auditor's Expert

11. The auditor shall agree, in writing when appropriate, on the following matters with the auditor's expert: (Ref: Para. A23-A26)
 - (a) The nature, scope and objectives of that expert's work; (Ref: Para. A27)
 - (b) The respective roles and responsibilities of the auditor and that expert; (Ref: Para. A28-A29)
 - (c) The nature, timing and extent of communication between the auditor and that expert, including the form of any report to be provided by that expert; and (Ref: Para. A30)
 - (d) The need for the auditor's expert to observe confidentiality requirements. (Ref: Para. A31)

Evaluating the Adequacy of the Auditor's Expert's Work

12. The auditor shall evaluate the adequacy of the auditor's expert's work for the auditor's purposes, including: (Ref: Para. A32)
 - (a) The relevance and reasonableness of that expert's findings or conclusions, and their consistency with other audit evidence; (Ref: Para. A33-A34)
 - (b) If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances; and (Ref: Para. A35-A37)
 - (c) If that expert's work involves the use of source data that is significant to that expert's work, the relevance, completeness, and accuracy of that source data. (Ref: Para. A38-A39)

13. If the auditor determines that the work of the auditor's expert is not adequate for the auditor's purposes, the auditor shall: (Ref: Para. A40)
 - (a) Agree with that expert on the nature and extent of further work to be performed by that expert; or
 - (b) Perform additional audit procedures appropriate to the circumstances.

Reference to the Auditor's Expert in the Auditor's Report

14. The auditor shall not refer to the work of an auditor's expert in an auditor's report containing an unmodified opinion unless required by law or regulation to do so. If such reference is required by law or regulation, the auditor shall indicate in the auditor's report that the reference does not reduce the auditor's responsibility for the auditor's opinion. (Ref: Para. A41)
15. If the auditor makes reference to the work of an auditor's expert in the auditor's report because such reference is relevant to an understanding of a modification to the auditor's opinion, the auditor shall indicate in the auditor's report that such reference does not reduce the auditor's responsibility for that opinion. (Ref: Para. A42)

Application and Other Explanatory Material

Definition of an Auditor's Expert (Ref: Para. 6(a))

- A1. Expertise in a field other than accounting or auditing may include expertise in relation to such matters as:
 - The valuation of complex financial instruments, land and buildings, plant and machinery, jewelry, works of art, antiques, intangible assets, assets acquired and liabilities assumed in business combinations and assets that may have been impaired.
 - The actuarial calculation of liabilities associated with insurance contracts or employee benefit plans.
 - The estimation of oil and gas reserves.
 - The valuation of environmental liabilities, and site clean-up costs.
 - The interpretation of contracts, laws and regulations.
 - The analysis of complex or unusual tax compliance issues.
- A2. In many cases, distinguishing between expertise in accounting or auditing, and expertise in another field, will be straightforward, even where this involves a specialized area of accounting or auditing. For example, an individual with expertise in applying methods of accounting for deferred income tax can often

be easily distinguished from an expert in taxation law. The former is not an expert for the purposes of this ISA as this constitutes accounting expertise; the latter is an expert for the purposes of this ISA as this constitutes legal expertise. Similar distinctions may also be able to be made in other areas, for example, between expertise in methods of accounting for financial instruments, and expertise in complex modeling for the purpose of valuing financial instruments. In some cases, however, particularly those involving an emerging area of accounting or auditing expertise, distinguishing between specialized areas of accounting or auditing, and expertise in another field, will be a matter of professional judgment. Applicable professional rules and standards regarding education and competency requirements for accountants and auditors may assist the auditor in exercising that judgment.⁴

- A3. It is necessary to apply judgment when considering how the requirements of this ISA are affected by the fact that an auditor's expert may be either an individual or an organization. For example, when evaluating the competence, capabilities and objectivity of an auditor's expert, it may be that the expert is an organization the auditor has previously used, but the auditor has no prior experience of the individual expert assigned by the organization for the particular engagement; or it may be the reverse, that is, the auditor may be familiar with the work of an individual expert but not with the organization that expert has joined. In either case, both the personal attributes of the individual and the managerial attributes of the organization (such as systems of quality control the organization implements) may be relevant to the auditor's evaluation.

Determining the Need for an Auditor's Expert (Ref: Para. 7)

- A4. An auditor's expert may be needed to assist the auditor in one or more of the following:
- Obtaining an understanding of the entity and its environment, including its internal control.
 - Identifying and assessing the risks of material misstatement.
 - Determining and implementing overall responses to assessed risks at the financial statement level.
 - Designing and performing further audit procedures to respond to assessed risks at the assertion level, comprising tests of controls or substantive procedures.
 - Evaluating the sufficiency and appropriateness of audit evidence obtained in forming an opinion on the financial statements.

⁴ For example, International Education Standard 8, "Competence Requirements for Audit Professionals" may be of assistance.

- A5. The risks of material misstatement may increase when expertise in a field other than accounting is needed for management to prepare the financial statements, for example, because this may indicate some complexity, or because management may not possess knowledge of the field of expertise. If in preparing the financial statements management does not possess the necessary expertise, a management's expert may be used in addressing those risks. Relevant controls, including controls that relate to the work of a management's expert, if any, may also reduce the risks of material misstatement.
- A6. If the preparation of the financial statements involves the use of expertise in a field other than accounting, the auditor, who is skilled in accounting and auditing, may not possess the necessary expertise to audit those financial statements. The engagement partner is required to be satisfied that the engagement team, and any auditor's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities to perform the audit engagement.⁵ Further, the auditor is required to ascertain the nature, timing and extent of resources necessary to perform the engagement.⁶ The auditor's determination of whether to use the work of an auditor's expert, and if so when and to what extent, assists the auditor in meeting these requirements. As the audit progresses, or as circumstances change, the auditor may need to revise earlier decisions about using the work of an auditor's expert.
- A7. An auditor who is not an expert in a relevant field other than accounting or auditing may nevertheless be able to obtain a sufficient understanding of that field to perform the audit without an auditor's expert. This understanding may be obtained through, for example:
- Experience in auditing entities that require such expertise in the preparation of their financial statements.
 - Education or professional development in the particular field. This may include formal courses, or discussion with individuals possessing expertise in the relevant field for the purpose of enhancing the auditor's own capacity to deal with matters in that field. Such discussion differs from consultation with an auditor's expert regarding a specific set of circumstances encountered on the engagement where that expert is given all the relevant facts that will enable the expert to provide informed advice about the particular matter.⁷
 - Discussion with auditors who have performed similar engagements.

⁵ ISA 220, paragraph 14.

⁶ ISA 300, "Planning an Audit of Financial Statements," paragraph 8(e).

⁷ ISA 220, paragraph A21.

A8. In other cases, however, the auditor may determine that it is necessary, or may choose, to use an auditor's expert to assist in obtaining sufficient appropriate audit evidence. Considerations when deciding whether to use an auditor's expert may include:

- Whether management has used a management's expert in preparing the financial statements (see paragraph A9).
- The nature and significance of the matter, including its complexity.
- The risks of material misstatement in the matter.
- The expected nature of procedures to respond to identified risks, including: the auditor's knowledge of and experience with the work of experts in relation to such matters; and the availability of alternative sources of audit evidence.

A9. When management has used a management's expert in preparing the financial statements, the auditor's decision on whether to use an auditor's expert may also be influenced by such factors as:

- The nature, scope and objectives of the management's expert's work.
- Whether the management's expert is employed by the entity, or is a party engaged by it to provide relevant services.
- The extent to which management can exercise control or influence over the work of the management's expert.
- The management's expert's competence and capabilities.
- Whether the management's expert is subject to technical performance standards or other professional or industry requirements
- Any controls within the entity over the management's expert's work.

ISA 500⁸ includes requirements and guidance regarding the effect of the competence, capabilities and objectivity of management's experts on the reliability of audit evidence.

Nature, Timing and Extent of Audit Procedures (Ref: Para. 8)

A10. The nature, timing and extent of audit procedures with respect to the requirements in paragraphs 9-13 of this ISA will vary depending on the circumstances. For example, the following factors may suggest the need for different or more extensive procedures than would otherwise be the case:

- The work of the auditor's expert relates to a significant matter that involves subjective and complex judgments.

⁸ ISA 500, paragraph 8.

- The auditor has not previously used the work of the auditor's expert, and has no prior knowledge of that expert's competence, capabilities and objectivity.
- The auditor's expert is performing procedures that are integral to the audit, rather than being consulted to provide advice on an individual matter.
- The expert is an auditor's external expert and is not, therefore, subject to the firm's quality control policies and procedures.

The Auditor's Firm's Quality Control Policies and Procedures (Ref: Para. 8(e))

- A11. An auditor's internal expert may be a partner or staff, including temporary staff, of the auditor's firm, and therefore subject to the quality control policies and procedures of that firm in accordance with ISQC 1⁹ or national requirements that are at least as demanding.¹⁰ Alternatively, an auditor's internal expert may be a partner or staff, including temporary staff, of a network firm, which may share common quality control policies and procedures with the auditor's firm.
- A12. An auditor's external expert is not a member of the engagement team and is not subject to quality control policies and procedures in accordance with ISQC 1.¹¹ In some jurisdictions, however, law or regulation may require that an auditor's external expert be treated as a member of the engagement team, and may therefore be subject to relevant ethical requirements, including those pertaining to independence, and other professional requirements, as determined by that law or regulation.
- A13. Engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise.¹² The extent of that reliance will vary with the circumstances, and may affect the nature, timing and extent of the auditor's procedures with respect to such matters as:
- Competence and capabilities, through recruitment and training programs.
 - Objectivity. Auditor's internal experts are subject to relevant ethical requirements, including those pertaining to independence.
 - The auditor's evaluation of the adequacy of the auditor's expert's work.

⁹ ISQC 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements," paragraph 12(f).

¹⁰ ISA 220, paragraph 2.

¹¹ ISQC 1, paragraph 12(f).

¹² ISA 220, paragraph 4.

For example, the firm's training programs may provide auditor's internal experts with an appropriate understanding of the interrelationship of their expertise with the audit process. Reliance on such training and other firm processes, such as protocols for scoping the work of auditor's internal experts, may affect the nature, timing and extent of the auditor's procedures to evaluate the adequacy of the auditor's expert's work.

- Adherence to regulatory and legal requirements, through monitoring processes.
- Agreement with the auditor's expert.

Such reliance does not reduce the auditor's responsibility to meet the requirements of this ISA.

The Competence, Capabilities and Objectivity of the Auditor's Expert (Ref: Para. 9)

- A14. The competence, capabilities and objectivity of an auditor's expert are factors that significantly affect whether the work of the auditor's expert will be adequate for the auditor's purposes. Competence relates to the nature and level of expertise of the auditor's expert. Capability relates to the ability of the auditor's expert to exercise that competence in the circumstances of the engagement. Factors that influence capability may include, for example, geographic location, and the availability of time and resources. Objectivity relates to the possible effects that bias, conflict of interest, or the influence of others may have on the professional or business judgment of the auditor's expert.
- A15. Information regarding the competence, capabilities and objectivity of an auditor's expert may come from a variety of sources, such as:
- Personal experience with previous work of that expert.
 - Discussions with that expert.
 - Discussions with other auditors or others who are familiar with that expert's work.
 - Knowledge of that expert's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition.
 - Published papers or books written by that expert.
 - The auditor's firm's quality control policies and procedures (see paragraphs A11-A13).
- A16. Matters relevant to evaluating the competence, capabilities and objectivity of the auditor's expert include whether that expert's work is subject to technical performance standards or other professional or industry requirements, for example, ethical standards and other membership requirements of a

professional body or industry association, accreditation standards of a licensing body, or requirements imposed by law or regulation.

A17. Other matters that may be relevant include:

- The relevance of the auditor's expert's competence to the matter for which that expert's work will be used, including any areas of specialty within that expert's field. For example, a particular actuary may specialize in property and casualty insurance, but have limited expertise regarding pension calculations.
- The auditor's expert's competence with respect to relevant accounting and auditing requirements, for example, knowledge of assumptions and methods, including models where applicable, that are consistent with the applicable financial reporting framework.
- Whether unexpected events, changes in conditions, or the audit evidence obtained from the results of audit procedures indicate that it may be necessary to reconsider the initial evaluation of the competence, capabilities and objectivity of the auditor's expert as the audit progresses.

A18. A broad range of circumstances may threaten objectivity, for example, self-interest threats, advocacy threats, familiarity threats, self-review threats, and intimidation threats. Safeguards may eliminate or reduce such threats, and may be created by external structures (for example, the auditor's expert's profession, legislation or regulation), or by the auditor's expert's work environment (for example, quality control policies and procedures). There may also be safeguards specific to the audit engagement.

A19. The evaluation of the significance of threats to objectivity and of whether there is a need for safeguards may depend upon the role of the auditor's expert and the significance of the expert's work in the context of the audit. There may be some circumstances in which safeguards cannot reduce threats to an acceptable level, for example, if a proposed auditor's expert is an individual who has played a significant role in preparing the information that is being audited, that is, if the auditor's expert is a management's expert.

A20. When evaluating the objectivity of an auditor's external expert, it may be relevant to:

- (a) Inquire of the entity about any known interests or relationships that the entity has with the auditor's external expert that may affect that expert's objectivity.
- (b) Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert; and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that it may be relevant to discuss with the auditor's expert include:

- Financial interests.
- Business and personal relationships.
- Provision of other services by the expert, including by the organization in the case of an external expert that is an organization.

In some cases, it may also be appropriate for the auditor to obtain a written representation from the auditor's external expert about any interests or relationships with the entity of which that expert is aware.

Obtaining an Understanding of the Field of Expertise of the Auditor's Expert

(Ref: Para. 10)

- A21. The auditor may obtain an understanding of the auditor's expert's field of expertise through the means described in paragraph A7, or through discussion with that expert.
- A22. Aspects of the auditor's expert's field relevant to the auditor's understanding may include:
- Whether that expert's field has areas of specialty within it that are relevant to the audit (see paragraph A17).
 - Whether any professional or other standards, and regulatory or legal requirements apply.
 - What assumptions and methods, including models where applicable, are used by the auditor's expert, and whether they are generally accepted within that expert's field and appropriate for financial reporting purposes.
 - The nature of internal and external data or information the auditor's expert uses.

Agreement with the Auditor's Expert (Ref: Para. 11)

- A23. The nature, scope and objectives of the auditor's expert's work may vary considerably with the circumstances, as may the respective roles and responsibilities of the auditor and the auditor's expert, and the nature, timing and extent of communication between the auditor and the auditor's expert. It is therefore required that these matters are agreed between the auditor and the auditor's expert regardless of whether the expert is an auditor's external expert or an auditor's internal expert.
- A24. The matters noted in paragraph 8 may affect the level of detail and formality of the agreement between the auditor and the auditor's expert, including whether it is appropriate that the agreement be in writing. For example, the following

factors may suggest the need for more a detailed agreement than would otherwise be the case, or for the agreement to be set out in writing:

- The auditor's expert will have access to sensitive or confidential entity information.
- The respective roles or responsibilities of the auditor and the auditor's expert are different from those normally expected.
- Multi-jurisdictional legal or regulatory requirements apply.
- The matter to which the auditor's expert's work relates is highly complex.
- The auditor has not previously used work performed by that expert.
- The greater the extent of the auditor's expert's work, and its significance in the context of the audit.

A25. The agreement between the auditor and an auditor's external expert is often in the form of an engagement letter. The Appendix lists matters that the auditor may consider for inclusion in such an engagement letter, or in any other form of agreement with an auditor's external expert.

A26. When there is no written agreement between the auditor and the auditor's expert, evidence of the agreement may be included in, for example:

- Planning memoranda, or related working papers such as the audit program.
- The policies and procedures of the auditor's firm. In the case of an auditor's internal expert, the established policies and procedures to which that expert is subject may include particular policies and procedures in relation to that expert's work. The extent of documentation in the auditor's working papers depends on the nature of such policies and procedures. For example, no documentation may be required in the auditor's working papers if the auditor's firm has detailed protocols covering the circumstances in which the work of such an expert is used.

Nature, Scope and Objectives of Work (Ref: Para. 11(a))

A27. It may often be relevant when agreeing on the nature, scope and objectives of the auditor's expert's work to include discussion of any relevant technical performance standards or other professional or industry requirements that the expert will follow.

Respective Roles and Responsibilities (Ref: Para. 11(b))

A28. Agreement on the respective roles and responsibilities of the auditor and the auditor's expert may include:

- Whether the auditor or the auditor's expert will perform detailed testing of source data.
- Consent for the auditor to discuss the auditor's expert's findings or conclusions with the entity and others, and to include details of that expert's findings or conclusions in the basis for a modified opinion in the auditor's report, if necessary (see paragraph A42).
- Any agreement to inform the auditor's expert of the auditor's conclusions concerning that expert's work.

Working Papers

A29. Agreement on the respective roles and responsibilities of the auditor and the auditor's expert may also include agreement about access to, and retention of, each other's working papers. When the auditor's expert is a member of the engagement team, that expert's working papers form part of the audit documentation. Subject to any agreement to the contrary, auditor's external experts' working papers are their own and do not form part of the audit documentation.

Communication (Ref: Para. 11(c))

A30. Effective two-way communication facilitates the proper integration of the nature, timing and extent of the auditor's expert's procedures with other work on the audit, and appropriate modification of the auditor's expert's objectives during the course of the audit. For example, when the work of the auditor's expert relates to the auditor's conclusions regarding a significant risk, both a formal written report at the conclusion of that expert's work, and oral reports as the work progresses, may be appropriate. Identification of specific partners or staff who will liaise with the auditor's expert, and procedures for communication between that expert and the entity, assists timely and effective communication, particularly on larger engagements.

Confidentiality (Ref: Para. 11(d))

A31. It is necessary for the confidentiality provisions of relevant ethical requirements that apply to the auditor also to apply to the auditor's expert. Additional requirements may be imposed by law or regulation. The entity may also have requested that specific confidentiality provisions be agreed with auditor's external experts.

Evaluating the Adequacy of the Auditor's Expert's Work (Ref: Para. 12)

A32. The auditor's evaluation of the auditor's expert's competence, capabilities and objectivity, the auditor's familiarity with the auditor's expert's field of expertise, and the nature of the work performed by the auditor's expert affect

the nature, timing and extent of audit procedures to evaluate the adequacy of that expert's work for the auditor's purposes.

The Findings and Conclusions of the Auditor's Expert (Ref: Para. 12(a))

A33. Specific procedures to evaluate the adequacy of the auditor's expert's work for the auditor's purposes may include:

- Inquiries of the auditor's expert.
- Reviewing the auditor's expert's working papers and reports.
- Corroborative procedures, such as:
 - Observing the auditor's expert's work;
 - Examining published data, such as statistical reports from reputable, authoritative sources;
 - Confirming relevant matters with third parties;
 - Performing detailed analytical procedures; and
 - Reperforming calculations.
- Discussion with another expert with relevant expertise when, for example, the findings or conclusions of the auditor's expert are not consistent with other audit evidence.
- Discussing the auditor's expert's report with management.

A34. Relevant factors when evaluating the relevance and reasonableness of the findings or conclusions of the auditor's expert, whether in a report or other form, may include whether they are:

- Presented in a manner that is consistent with any standards of the auditor's expert's profession or industry;
- Clearly expressed, including reference to the objectives agreed with the auditor, the scope of the work performed and standards applied;
- Based on an appropriate period and take into account subsequent events, where relevant;
- Subject to any reservation, limitation or restriction on use, and if so, whether this has implications for the auditor; and
- Based on appropriate consideration of errors or deviations encountered by the auditor's expert.

Assumptions, Methods and Source Data

Assumptions and Methods (Ref: Para. 12(b))

- A35. When the auditor's expert's work is to evaluate underlying assumptions and methods, including models where applicable, used by management in developing an accounting estimate, the auditor's procedures are likely to be primarily directed to evaluating whether the auditor's expert has adequately reviewed those assumptions and methods. When the auditor's expert's work is to develop an auditor's point estimate or an auditor's range for comparison with management's point estimate, the auditor's procedures may be primarily directed to evaluating the assumptions and methods, including models where appropriate, used by the auditor's expert.
- A36. ISA 540¹³ discusses the assumptions and methods used by management in making accounting estimates, including the use in some cases of highly specialized, entity-developed models. Although that discussion is written in the context of the auditor obtaining sufficient appropriate audit evidence regarding management's assumptions and methods, it may also assist the auditor when evaluating an auditor's expert's assumptions and methods.
- A37. When an auditor's expert's work involves the use of significant assumptions and methods, factors relevant to the auditor's evaluation of those assumptions and methods include whether they are:
- Generally accepted within the auditor's expert's field;
 - Consistent with the requirements of the applicable financial reporting framework;
 - Dependent on the use of specialized models; and
 - Consistent with those of management, and if not, the reason for, and effects of, the differences.

Source Data Used by the Auditor's Expert (Ref: Para. 12(c))

- A38. When an auditor's expert's work involves the use of source data that is significant to that expert's work, procedures such as the following may be used to test that data:
- Verifying the origin of the data, including obtaining an understanding of, and where applicable testing, the internal controls over the data and, where relevant, its transmission to the expert.
 - Reviewing the data for completeness and internal consistency.

¹³ ISA 540, "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures," paragraphs 8, 13 and 15.

- A39. In many cases, the auditor may test source data. However, in other cases, when the nature of the source data used by an auditor's expert is highly technical in relation to the expert's field, that expert may test the source data. If the auditor's expert has tested the source data, inquiry of that expert by the auditor, or supervision or review of that expert's tests may be an appropriate way for the auditor to evaluate that data's relevance, completeness, and accuracy.

Inadequate Work (Ref: Para. 13)

- A40. If the auditor concludes that the work of the auditor's expert is not adequate for the auditor's purposes and the auditor cannot resolve the matter through the additional audit procedures required by paragraph 13, which may involve further work being performed by both the expert and the auditor, or include employing or engaging another expert, it may be necessary to express a modified opinion in the auditor's report in accordance with ISA 705 because the auditor has not obtained sufficient appropriate audit evidence.¹⁴

Reference to the Auditor's Expert in the Auditor's Report (Ref: Para. 14-15)

- A41. In some cases, law or regulation may require a reference to the work of an auditor's expert, for example, for the purposes of transparency in the public sector.
- A42. It may be appropriate in some circumstances to refer to the auditor's expert in an auditor's report containing a modified opinion, to explain the nature of the modification. In such circumstances, the auditor may need the permission of the auditor's expert before making such a reference.

¹⁴ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report," paragraph 6(b).

Appendix

(Ref: Para. A25)

Considerations for Agreement between the Auditor and an Auditor's External Expert

This Appendix lists matters that the auditor may consider for inclusion in any agreement with an auditor's external expert. The following list is illustrative and is not exhaustive; it is intended only to be a guide that may be used in conjunction with the considerations outlined in this ISA. Whether to include particular matters in the agreement depends on the circumstances of the engagement. The list may also be of assistance in considering the matters to be included in an agreement with an auditor's internal expert.

Nature, Scope and Objectives of the Auditor's External Expert's Work

- The nature and scope of the procedures to be performed by the auditor's external expert.
- The objectives of the auditor's external expert's work in the context of materiality and risk considerations concerning the matter to which the auditor's external expert's work relates, and, when relevant, the applicable financial reporting framework.
- Any relevant technical performance standards or other professional or industry requirements the auditor's external expert will follow.
- The assumptions and methods, including models where applicable, the auditor's external expert will use, and their authority.
- The effective date of, or when applicable the testing period for, the subject matter of the auditor's external expert's work, and requirements regarding subsequent events.

The Respective Roles and Responsibilities of the Auditor and the Auditor's External Expert

- Relevant auditing and accounting standards, and relevant regulatory or legal requirements.
- The auditor's external expert's consent to the auditor's intended use of that expert's report, including any reference to it, or disclosure of it, to others, for example reference to it in the basis for a modified opinion in the auditor's report, if necessary, or disclosure of it to management or an audit committee.
- The nature and extent of the auditor's review of the auditor's external expert's work.
- Whether the auditor or the auditor's external expert will test source data.

- The auditor's external expert's access to the entity's records, files, personnel and to experts engaged by the entity.
- Procedures for communication between the auditor's external expert and the entity.
- The auditor's and the auditor's external expert's access to each other's working papers.
- Ownership and control of working papers during and after the engagement, including any file retention requirements.
- The auditor's external expert's responsibility to perform work with due skill and care.
- The auditor's external expert's competence and capability to perform the work.
- The expectation that the auditor's external expert will use all knowledge that expert has that is relevant to the audit or, if not, will inform the auditor.
- Any restriction on the auditor's external expert's association with the auditor's report.
- Any agreement to inform the auditor's external expert of the auditor's conclusions concerning that expert's work.

Communications and Reporting

- Methods and frequency of communications, including:
 - How the auditor's external expert's findings or conclusions will be reported (for example, written report, oral report, ongoing input to the engagement team).
 - Identification of specific persons within the engagement team who will liaise with the auditor's external expert.
- When the auditor's external expert will complete the work and report findings or conclusions to the auditor.
- The auditor's external expert's responsibility to communicate promptly any potential delay in completing the work, and any potential reservation or limitation on that expert's findings or conclusions.
- The auditor's external expert's responsibility to communicate promptly instances in which the entity restricts that expert's access to records, files, personnel or experts engaged by the entity.
- The auditor's external expert's responsibility to communicate to the auditor all information that expert believes may be relevant to the audit, including any changes in circumstances previously communicated.
- The auditor's external expert's responsibility to communicate circumstances that

may create threats to that expert's objectivity, and any relevant safeguards that may eliminate or reduce such threats to an acceptable level.

Confidentiality

- The need for the auditor's expert to observe confidentiality requirements, including:
 - The confidentiality provisions of relevant ethical requirements that apply to the auditor.
 - Additional requirements that may be imposed by law or regulation, if any.
 - Specific confidentiality provisions requested by the entity, if any.

ISSAI 1700

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información, visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

Formación de una opinión y elaboración del informe sobre los estados financieros

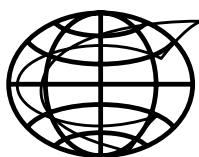
COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 700, “Formación de una opinión y elaboración del informe sobre los estados financieros”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1700

NOTA DE PRÁCTICA PARA LA NIA 700

Párrafo

Fundamentos

Introducción a la NIA	
Contenido de la Nota de Práctica	P1

Aplicabilidad de la NIA en la auditoría del sector público	P2

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales	P3
Alcance de la NIA	P4–P6
Informe de auditoría	P7–P13
Presentación de la incidencia de hechos y operaciones de importancia significativa en la información facilitada en los estados financieros	P14

NORMA INTERNACIONAL DE AUDITORÍA 700

Introducción

Alcance de la NIA	1–4
Fecha de entrada en vigor	5

Objetivos	6

Definiciones.....	7–9

Exigencias

Formación de una opinión sobre los estados financieros	10–15
Modalidad de la opinión	16–19
Informe de auditoría	20–45
Información adicional presentada con los estados financieros	46–47

Disposiciones de aplicación y otras disposiciones explicativas

Aspectos cualitativos de las prácticas contables de la entidad	A1–A3
Presentación de la incidencia de hechos y operaciones de importancia significativa en la información facilitada en los estados financieros	A4
Descripción del marco de información financiera aplicable	A5–A10
Modalidad de la opinión	A11–A12
Informe de auditoría	A13–A44
Información adicional presentada con los estados financieros	A45–A51

Apéndice: Ejemplos de informes de auditoría sobre los estados financieros

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 700

Formación de una opinión y elaboración del informe sobre los estados financieros

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 700, “Formación de una opinión y elaboración del informe sobre los estados financieros”, y debe leerse conjuntamente con ella. La NIA 700 entra en vigor para las auditorías de estados financieros correspondientes a períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 700 establece la obligación del auditor de formarse una opinión sobre los estados financieros y aborda además el formato y el contenido del informe resultante de la auditoría de los estados financieros.

La NIA 705² y la NIA 706³ tratan del formato y del contenido del informe cuando el auditor emite una opinión modificada o incluye en dicho informe párrafos de énfasis y párrafos sobre otros asuntos.

La NIA 700 se ha redactado en el contexto de unos estados financieros completos con finalidades generales. La NIA 800⁴ recoge consideraciones específicas para los estados financieros elaborados de acuerdo con un marco con finalidades especiales. La NIA 805⁵ recoge consideraciones específicas para el caso en que se audite un estado financiero individual o una cuenta, partida o elemento concreto de un estado financiero.

La NIA 700 promueve la coherencia del informe de auditoría y por tanto, si la auditoría ha sido realizada con arreglo a las NIA, fomenta la credibilidad del mercado internacional pues se pueden identificar con más facilidad las auditorías realizadas conforme a normas internacionalmente aceptadas. También se facilita al usuario su comprensión y la posibilidad de reconocer cuando se han producido circunstancias inhabituales.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las Directrices de auditoría financiera de la INTOSAI.”

² NIA 705, “Modificaciones a la opinión en el informe del auditor independiente.”

³ NIA 706, “Párrafos de énfasis y párrafos sobre otros asuntos en el informe del auditor independiente.”

⁴ NIA 800, “Consideraciones específicas ñ Auditorías de estados financieros elaborados de acuerdo con un marco con finalidades especiales.”

⁵ NIA 805, “Consideraciones específicas ñ Auditoría de un estado financiero individual o de cuentas, partidas o elementos concretos de un estado financiero.”

- a) Consideraciones generales.
- b) Alcance de la NIA.
- c) Informe de auditoría.
- d) Presentación de la incidencia de hechos y operaciones de importancia significativa en la información facilitada en los estados financieros.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 700 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales

- P3. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría o las obligaciones de las entidades del sector público, que se derivan de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo, pueden contener objetivos adicionales de la misma importancia para la opinión sobre los estados financieros, entre ellos obligaciones de auditoría o de información, cuando por ejemplo los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden esperar de los auditores del sector público que informen de cualquier falta de conformidad con las normas que hayan detectado durante la auditoría o informen sobre la eficacia del control interno. Estas obligaciones suplementarias deberán ser tratadas en una sección separada del informe de auditoría, tal como se describe en el párrafo P5.

Alcance de la NIA

- P4. La coherencia del informe de auditoría cuando dicha auditoría ha sido realizada con arreglo a las NIA, según se establece en el párrafo 4 de la NIA, fomenta la credibilidad del sector público así como la del mercado internacional. En el caso de las entidades del sector público, los usuarios en primera instancia de sus estados financieros son los órganos legislativos y reguladores. Los órganos legislativos representan a los ciudadanos que son los usuarios finales de dichos estados financieros.
- P5. Las leyes y reglamentos, el mandato de auditoría o la práctica habitual pueden obligar a los auditores del sector público a comunicar sus constataciones en el informe de auditoría con arreglo a las NIA. Otras constataciones, revelaciones, conclusiones, recomendaciones y respuestas de la dirección pueden ser objeto de un informe separado, que complementará al informe de auditoría

redactado con arreglo a las NIA. Este informe separado puede presentarse al mismo tiempo que el informe de auditoría o de acuerdo con lo prescrito en las leyes y reglamentos aplicables.

- P6. Los auditores del sector público que deban informar de los casos de conformidad o falta de conformidad con las normas pueden recurrir a las Directrices para la auditoría de cumplimiento de la INTOSAI (ISSAI 4000⁶ y 4200⁷), y aplicar la ISAE 3000⁸ y la ISSAI 4100⁹ para otros encargos de aseguramiento.

Informe de auditoría

- P7. En el sector público las responsabilidades de la dirección pueden ser mayores que en el sector privado, por lo que los auditores del sector público deberán tener en cuenta esa premisa cuando describan las responsabilidades de la dirección con arreglo al párrafo 26 de la NIA.
- P8. Por lo que se refiere a las exigencias de comportamiento citadas en la sección del informe que trata de las responsabilidades del auditor, también podrán aplicarse otros códigos deontológicos tan restrictivos como el *Código de ética para contadores profesionales* de la IFAC. El Código de Ética de la INTOSAI¹⁰ es aplicable en lo que se refiere al párrafo 30 de la NIA.
- P9. Cuando, en virtud de leyes o reglamentos, los auditores del sector público estén obligados a utilizar en su informe de auditoría un determinado esquema o una determinada elaboración, deberán verificar que dicho esquema o elaboración incluyan los elementos mínimos descritos en el párrafo 43 de la NIA. Si no se han incluido esos elementos, los auditores del sector público no pueden declarar que la auditoría se ha realizado con arreglo a las NIA.
- P10. Los ejemplos ilustrativos que se ofrecen en la NIA, con las modificaciones necesarias, son pertinentes y aplicables al sector público. Además de los ejemplos ilustrativos de la NIA, figura en el Apéndice 7 de la ISSAI 4200¹¹ un ejemplo genérico del informe de auditoría sobre los estados financieros.
- P11. Cuando apliquen el párrafo A16 de la NIA y las leyes y reglamentos no prevean expresamente el destinatario del informe de auditoría, los auditores del sector público dirigirán dicho informe a los encargados de la gobernanza o en su caso a la parte del poder legislativo que corresponda.
- P12. En función de las normas que apliquen, los auditores del sector público podrán referirse a las normas de auditoría aplicables en una de las formas que se citan a continuación:
- a) Con arreglo a las NIA, lo que significa la plena conformidad con todas las NIA aplicables y, en su caso, con las orientaciones suplementarias facilitadas en las Notas de Práctica para las NIA emitidas por la INTOSAI.

6 ISSAI 4000, "Introducción general a las Directrices para la auditoría de cumplimiento."

7 ISSAI 4200, "Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros."

8 ISAE 3000, "Encargos para atestiguar distintos a las auditorías o las revisiones de información financiera histórica."

9 ISSAI 4100, "Directrices para las auditorías de cumplimiento realizadas separadamente de la auditoría de estados financieros."

10 ISSAI 30, "Código de Ética de la INTOSAI."

11 ISSAI 4200, "Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros."

- b) Con arreglo a los Principios fundamentales de auditoría de la INTOSAI, lo que no significa la plena conformidad con las NIA incluidas actualmente en las Directrices de Auditoría Financiera de la INTOSAI (ISSAI 1000 a 2999).
 - c) Con arreglo a las normas de auditoría nacionales que resulten pertinentes.
- P13. Cuando se vean en la imposibilidad de observar el plazo establecido en leyes y reglamentos para el informe de auditoría, los auditores del sector público examinarán la conveniencia de adoptar disposiciones como la de informar a los encargados de la gobernanza o al poder legislativo.

Presentación de la incidencia de hechos y operaciones de importancia significativa en la información facilitada en los estados financieros

- P14. Los estados financieros con finalidades generales pueden incluir otros elementos como la comparación de los importes estimados y efectivos y los informes sobre rendimiento y asignación con el fin de constituir un conjunto completo de estados financieros. En caso de que así fuera, los auditores del sector público evaluarán esos informes con arreglo a la orientación facilitada en el párrafo A4.

International Standard on Auditing

Forming an Opinion and Reporting on Financial Statements



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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This International Standard on Auditing (ISA) 700, “Forming an Opinion and Reporting on Financial Statements” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 700

FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1-4
Effective Date	5
Objectives	6
Definitions	7-9
Requirements	
Forming an Opinion on the Financial Statements	10-15
Form of Opinion	16-19
Auditor's Report	20-45
Supplementary Information Presented with the Financial Statements	46-47
Application and Other Explanatory Material	
Qualitative Aspects of the Entity's Accounting Practices	A1-A3
Disclosure of the Effect of Material Transactions and Events on the Information Conveyed in the Financial Statements	A4
Description of the Applicable Financial Reporting Framework	A5-A10
Form of Opinion	A11-A12
Auditor's Report	A13-A44
Supplementary Information Presented with the Financial Statements	A45-A51
Appendix: Illustrations of Auditors' Reports on Financial Statements	

International Standard on Auditing (ISA) 700, "Forming an Opinion and Reporting on Financial Statements," should be read in conjunction with ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing."

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to form an opinion on the financial statements. It also deals with the form and content of the auditor's report issued as a result of an audit of financial statements.
2. ISA 705¹ and ISA 706² deal with how the form and content of the auditor's report are affected when the auditor expresses a modified opinion or includes an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor's report.
3. This ISA is written in the context of a complete set of general purpose financial statements. ISA 800³ deals with special considerations when financial statements are prepared in accordance with a special purpose framework. ISA 805⁴ deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement.
4. This ISA promotes consistency in the auditor's report. Consistency in the auditor's report, when the audit has been conducted in accordance with ISAs, promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognized standards. It also helps to promote the user's understanding and to identify unusual circumstances when they occur.

Effective Date

5. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objectives

6. The objectives of the auditor are:
 - (a) To form an opinion on the financial statements based on an evaluation of the conclusions drawn from the audit evidence obtained; and
 - (b) To express clearly that opinion through a written report that also describes the basis for that opinion.

¹ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

² ISA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report."

³ ISA 800, "Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks."

⁴ ISA 805, "Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement."

Definitions

7. For purposes of the ISAs, the following terms have the meanings attributed below:

- (a) General purpose financial statements – Financial statements prepared in accordance with a general purpose framework.
- (b) General purpose framework – A financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework.

The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

- (i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.

The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.⁵

- (c) Unmodified opinion – The opinion expressed by the auditor when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.⁶

8. Reference to “financial statements” in this ISA means “a complete set of general purpose financial statements, including the related notes.” The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine the form and content of the financial statements, and what constitutes a complete set of financial statements.

⁵ ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing,” paragraph 13(a).

⁶ Paragraphs 35-36 deal with the phrases used to express this opinion in the case of a fair presentation framework and a compliance framework respectively.

9. Reference to “International Financial Reporting Standards” in this ISA means the International Financial Reporting Standards issued by the International Accounting Standards Board, and reference to “International Public Sector Accounting Standards” means the International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board.

Requirements

Forming an Opinion on the Financial Statements

10. The auditor shall form an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.^{7 8}
11. In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. That conclusion shall take into account:
- (a) The auditor’s conclusion, in accordance with ISA 330, whether sufficient appropriate audit evidence has been obtained;⁹
 - (b) The auditor’s conclusion, in accordance with ISA 450, whether uncorrected misstatements are material, individually or in aggregate;¹⁰ and
 - (c) The evaluations required by paragraphs 12-15.
12. The auditor shall evaluate whether the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation shall include consideration of the qualitative aspects of the entity’s accounting practices, including indicators of possible bias in management’s judgments. (Ref: Para. A1-A3)
13. In particular, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework:
- (a) The financial statements adequately disclose the significant accounting policies selected and applied;
 - (b) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;

⁷ ISA 200, paragraph 11.

⁸ Paragraphs 35-36 deal with the phrases used to express this opinion in the case of a fair presentation framework and a compliance framework respectively.

⁹ ISA 330, “The Auditor’s Responses to Assessed Risks,” paragraph 26.

¹⁰ ISA 450, “Evaluation of Misstatements Identified during the Audit,” paragraph 11.

- (c) The accounting estimates made by management are reasonable;
 - (d) The information presented in the financial statements is relevant, reliable, comparable and understandable;
 - (e) The financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements; and (Ref: Para. A4)
 - (f) The terminology used in the financial statements, including the title of each financial statement, is appropriate.
14. When the financial statements are prepared in accordance with a fair presentation framework, the evaluation required by paragraphs 12-13 shall also include whether the financial statements achieve fair presentation. The auditor's evaluation as to whether the financial statements achieve fair presentation shall include consideration of:
- (a) The overall presentation, structure and content of the financial statements; and
 - (b) Whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation.
15. The auditor shall evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework. (Ref: Para. A5-A10)

Form of Opinion

16. The auditor shall express an unmodified opinion when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.
17. If the auditor:
- (a) concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
 - (b) is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement,
- the auditor shall modify the opinion in the auditor's report in accordance with ISA 705.
18. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor shall discuss the matter with management and, depending on the

requirements of the applicable financial reporting framework and how the matter is resolved, shall determine whether it is necessary to modify the opinion in the auditor's report in accordance with ISA 705. (Ref: Para. A11)

19. When the financial statements are prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the financial statements achieve fair presentation. However, if in extremely rare circumstances the auditor concludes that such financial statements are misleading, the auditor shall discuss the matter with management and, depending on how it is resolved, shall determine whether, and how, to communicate it in the auditor's report. (Ref: Para. A12)

Auditor's Report

20. The auditor's report shall be in writing. (Ref: Para. A13-A14)

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing

Title

21. The auditor's report shall have a title that clearly indicates that it is the report of an independent auditor. (Ref: Para. A15)

Addressee

22. The auditor's report shall be addressed as required by the circumstances of the engagement. (Ref: Para. A16)

Introductory Paragraph

23. The introductory paragraph in the auditor's report shall: (Ref: Para. A17-A19)
 - (a) Identify the entity whose financial statements have been audited;
 - (b) State that the financial statements have been audited;
 - (c) Identify the title of each statement that comprises the financial statements;
 - (d) Refer to the summary of significant accounting policies and other explanatory information; and
 - (e) Specify the date or period covered by each financial statement comprising the financial statements.

Management's Responsibility for the Financial Statements

24. This section of the auditor's report describes the responsibilities of those in the organization that are responsible for the preparation of the financial statements. The auditor's report need not refer specifically to

- “management,” but shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction. In some jurisdictions, the appropriate reference may be to those charged with governance.
25. The auditor’s report shall include a section with the heading “Management’s [or other appropriate term] Responsibility for the Financial Statements.”
 26. The auditor’s report shall describe management’s responsibility for the preparation of the financial statements. The description shall include an explanation that management is responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework, and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. (Ref: Para. A20-A23)
 27. Where the financial statements are prepared in accordance with a fair presentation framework, the explanation of management’s responsibility for the financial statements in the auditor’s report shall refer to “the preparation and fair presentation of these financial statements” or “the preparation of financial statements that give a true and fair view,” as appropriate in the circumstances.

Auditor’s Responsibility

28. The auditor’s report shall include a section with the heading “Auditor’s Responsibility.”
29. The auditor’s report shall state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit. (Ref: Para. A24)
30. The auditor’s report shall state that the audit was conducted in accordance with International Standards on Auditing. The auditor’s report shall also explain that those standards require that the auditor comply with ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. (Ref: Para. A25-A26)
31. The auditor’s report shall describe an audit by stating that:
 - (a) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements;
 - (b) The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control; and

- (c) An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.
32. Where the financial statements are prepared in accordance with a fair presentation framework, the description of the audit in the auditor's report shall refer to "the entity's preparation and fair presentation of the financial statements" or "the entity's preparation of financial statements that give a true and fair view," as appropriate in the circumstances.
33. The auditor's report shall state whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.

Auditor's Opinion

34. The auditor's report shall include a section with the heading "Opinion."
35. When expressing an unmodified opinion on financial statements prepared in accordance with a fair presentation framework, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases, which are regarded as being equivalent:
- (a) The financial statements present fairly, in all material respects, ... in accordance with [the applicable financial reporting framework]; or
 - (b) The financial statements give a true and fair view of ... in accordance with [the applicable financial reporting framework]. (Ref: Para. A27-A33)
36. When expressing an unmodified opinion on financial statements prepared in accordance with a compliance framework, the auditor's opinion shall be that the financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework]. (Ref: Para. A27, A29-A33)
37. If the reference to the applicable financial reporting framework in the auditor's opinion is not to International Financial Reporting Standards issued by the International Accounting Standards Board or International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board, the auditor's opinion shall identify the jurisdiction of origin of the framework.

Other Reporting Responsibilities

38. If the auditor addresses other reporting responsibilities in the auditor's report on the financial statements that are in addition to the auditor's responsibility under the ISAs to report on the financial statements, these other reporting responsibilities shall be addressed in a separate section in the auditor's report that shall be sub-titled "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section. (Ref: Para. A34-A35)
39. If the auditor's report contains a separate section on other reporting responsibilities, the headings, statements and explanations referred to in paragraphs 23-37 shall be under the sub-title "Report on the Financial Statements." The "Report on Other Legal and Regulatory Requirements" shall follow the "Report on the Financial Statements." (Ref: Para. A36)

Signature of the Auditor

40. The auditor's report shall be signed. (Ref: Para. A37)

Date of the Auditor's Report

41. The auditor's report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that: (Ref: Para. A38-A41)
 - (a) All the statements that comprise the financial statements, including the related notes, have been prepared; and
 - (b) Those with the recognized authority have asserted that they have taken responsibility for those financial statements.

Auditor's Address

42. The auditor's report shall name the location in the jurisdiction where the auditor practices.

Auditor's Report Prescribed by Law or Regulation

43. If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout or wording of the auditor's report, the auditor's report shall refer to International Standards on Auditing only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A42)
 - (a) A title;
 - (b) An addressee, as required by the circumstances of the engagement;
 - (c) An introductory paragraph that identifies the financial statements audited;

- (d) A description of the responsibility of management (or other appropriate term, see paragraph 24) for the preparation of the financial statements;
- (e) A description of the auditor's responsibility to express an opinion on the financial statements and the scope of the audit, that includes:
 - A reference to International Standards on Auditing and the law or regulation; and
 - A description of an audit in accordance with those standards;
- (f) An opinion paragraph containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements (including identifying the jurisdiction of origin of the financial reporting framework that is not International Financial Reporting Standards or International Public Sector Accounting Standards, see paragraph 37);
- (g) The auditor's signature;
- (h) The date of the auditor's report; and
- (i) The auditor's address.

Auditor's Report for Audits Conducted in Accordance with Both Auditing Standards of a Specific Jurisdiction and International Standards on Auditing

44. An auditor may be required to conduct an audit in accordance with the auditing standards of a specific jurisdiction (the "national auditing standards"), but may additionally have complied with the ISAs in the conduct of the audit. If this is the case, the auditor's report may refer to International Standards on Auditing in addition to the national auditing standards, but the auditor shall do so only if: (Ref: Para. A43-A44)
- (a) There is no conflict between the requirements in the national auditing standards and those in ISAs that would lead the auditor (i) to form a different opinion, or (ii) not to include an Emphasis of Matter paragraph that, in the particular circumstances, is required by ISAs; and
 - (b) The auditor's report includes, at a minimum, each of the elements set out in paragraph 43(a)(i) when the auditor uses the layout or wording specified by the national auditing standards. Reference to law or regulation in paragraph 43(e) shall be read as reference to the national auditing standards. The auditor's report shall thereby identify such national auditing standards.

45. When the auditor's report refers to both the national auditing standards and International Standards on Auditing, the auditor's report shall identify the jurisdiction of origin of the national auditing standards.

Supplementary Information Presented with the Financial Statements (Ref: Para. A45-A51)

46. If supplementary information that is not required by the applicable financial reporting framework is presented with the audited financial statements, the auditor shall evaluate whether such supplementary information is clearly differentiated from the audited financial statements. If such supplementary information is not clearly differentiated from the audited financial statements, the auditor shall ask management to change how the unaudited supplementary information is presented. If management refuses to do so, the auditor shall explain in the auditor's report that such supplementary information has not been audited.
47. Supplementary information that is not required by the applicable financial reporting framework but is nevertheless an integral part of the financial statements because it cannot be clearly differentiated from the audited financial statements due to its nature and how it is presented shall be covered by the auditor's opinion.

Application and Other Explanatory Material

Qualitative Aspects of the Entity's Accounting Practices (Ref: Para. 12)

- A1. Management makes a number of judgments about the amounts and disclosures in the financial statements.
- A2. ISA 260 contains a discussion of the qualitative aspects of accounting practices.¹¹ In considering the qualitative aspects of the entity's accounting practices, the auditor may become aware of possible bias in management's judgments. The auditor may conclude that the cumulative effect of a lack of neutrality, together with the effect of uncorrected misstatements, causes the financial statements as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the auditor's evaluation of whether the financial statements as a whole are materially misstated include the following:
- The selective correction of misstatements brought to management's attention during the audit (for example, correcting misstatements with the effect of increasing reported earnings, but not correcting misstatements that have the effect of decreasing reported earnings).

¹¹ ISA 260, "Communication with Those Charged with Governance," Appendix 2.

- Possible management bias in the making of accounting estimates.
- A3. ISA 540 addresses possible management bias in making accounting estimates.¹² Indicators of possible management bias do not constitute misstatements for purposes of drawing conclusions on the reasonableness of individual accounting estimates. They may, however, affect the auditor's evaluation of whether the financial statements as a whole are free from material misstatement.

Disclosure of the Effect of Material Transactions and Events on the Information Conveyed in the Financial Statements (Ref: Para. 13(e))

- A4. It is common for financial statements prepared in accordance with a general purpose framework to present an entity's financial position, financial performance and cash flows. In such circumstances, the auditor evaluates whether the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the entity's financial position, financial performance and cash flows.

Description of the Applicable Financial Reporting Framework (Ref: Para. 15)

- A5. As explained in ISA 200, the preparation of the financial statements by management and, where appropriate, those charged with governance requires the inclusion of an adequate description of the applicable financial reporting framework in the financial statements.¹³ That description is important because it advises users of the financial statements of the framework on which the financial statements are based.
- A6. A description that the financial statements are prepared in accordance with a particular applicable financial reporting framework is appropriate only if the financial statements comply with all the requirements of that framework that are effective during the period covered by the financial statements.
- A7. A description of the applicable financial reporting framework that contains imprecise qualifying or limiting language (for example, "the financial statements are in substantial compliance with International Financial Reporting Standards") is not an adequate description of that framework as it may mislead users of the financial statements.

Reference to More than One Financial Reporting Framework

- A8. In some cases, the financial statements may represent that they are prepared in accordance with two financial reporting frameworks (for example, the national framework and International Financial Reporting Standards). This

¹² ISA 540, "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures," paragraph 21.

¹³ ISA 200, paragraphs A2-A3.

may be because management is required, or has chosen, to prepare the financial statements in accordance with both frameworks, in which case both are applicable financial reporting frameworks. Such description is appropriate only if the financial statements comply with each of the frameworks individually. To be regarded as being prepared in accordance with both frameworks, the financial statements need to comply with both frameworks simultaneously and without any need for reconciling statements. In practice, simultaneous compliance is unlikely unless the jurisdiction has adopted the other framework (for example, International Financial Reporting Standards) as its own national framework, or has eliminated all barriers to compliance with it.

- A9. Financial statements that are prepared in accordance with one financial reporting framework and that contain a note or supplementary statement reconciling the results to those that would be shown under another framework, are not prepared in accordance with that other framework. This is because the financial statements do not include all the information in the manner required by that other framework.
- A10. The financial statements may, however, be prepared in accordance with one applicable financial reporting framework and, in addition, describe in the notes to the financial statements the extent to which the financial statements comply with another framework (for example, financial statements prepared in accordance with the national framework that also describe the extent to which they comply with International Financial Reporting Standards). Such description is supplementary financial information and, as discussed in paragraph 47, is considered an integral part of the financial statements and, accordingly, is covered by the auditor's opinion.

Form of Opinion (Ref: Para. 18-19)

- A11. There may be cases where the financial statements, although prepared in accordance with the requirements of a fair presentation framework, do not achieve fair presentation. Where this is the case, it may be possible for management to include additional disclosures in the financial statements beyond those specifically required by the framework or, in extremely rare circumstances, to depart from a requirement in the framework in order to achieve fair presentation of the financial statements.
- A12. It will be extremely rare for the auditor to consider financial statements that are prepared in accordance with a compliance framework to be misleading if, in accordance with ISA 210, the auditor determined that the framework is acceptable.¹⁴

¹⁴ ISA 210, "Agreeing the Terms of Audit Engagements," paragraph 6(a).

Auditor's Report (Ref: Para. 20)

- A13. A written report encompasses reports issued in hard copy format and those using an electronic medium.
- A14. The Appendix contains illustrations of auditors' reports on financial statements, incorporating the elements set forth in paragraphs 21-42.

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing

Title (Ref: Para. 21)

- A15. A title indicating the report is the report of an independent auditor, for example, "Independent Auditor's Report," affirms that the auditor has met all of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent auditor's report from reports issued by others.

Addressee (Ref: Para. 22)

- A16. Law or regulation often specifies to whom the auditor's report is to be addressed in that particular jurisdiction. The auditor's report is normally addressed to those for whom the report is prepared, often either to the shareholders or to those charged with governance of the entity whose financial statements are being audited.

Introductory Paragraph (Ref: Para. 23)

- A17. The introductory paragraph states, for example, that the auditor has audited the accompanying financial statements of the entity, which comprise [state the title of each financial statement comprising the complete set of financial statements required by the applicable financial reporting framework, specifying the date or period covered by each financial statement] and the summary of significant accounting policies and other explanatory information.
- A18. When the auditor is aware that the audited financial statements will be included in a document that contains other information, such as an annual report, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited financial statements are presented. This helps users to identify the financial statements to which the auditor's report relates.
- A19. The auditor's opinion covers the complete set of financial statements as defined by the applicable financial reporting framework. For example, in the case of many general purpose frameworks, the financial statements include: a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, and a summary of significant accounting policies and other explanatory information. In some jurisdictions additional information might also be considered to be an integral part of the financial statements.

Management's Responsibility for the Financial Statements (Ref: Para. 26)

- A20. ISA 200 explains the premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit in accordance with ISAs is conducted.¹⁵ Management and, where appropriate, those charged with governance accept responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation. Management also accepts responsibility for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The description of management's responsibilities in the auditor's report includes reference to both responsibilities as it helps to explain to users the premise on which an audit is conducted.
- A21. There may be circumstances when it is appropriate for the auditor to add to the description of management's responsibility in paragraph 26 to reflect additional responsibilities that are relevant to the preparation of the financial statements in the context of the particular jurisdiction or the nature of the entity.
- A22. Paragraph 26 is consistent with the form in which the responsibilities are agreed in the engagement letter or other suitable form of written agreement, as required by ISA 210.¹⁶ ISA 210 provides some flexibility by explaining that, if law or regulation prescribes the responsibilities of management and, where appropriate, those charged with governance in relation to financial reporting, the auditor may determine that the law or regulation includes responsibilities that, in the auditor's judgment, are equivalent in effect to those set out in ISA 210. For such responsibilities that are equivalent, the auditor may use the wording of the law or regulation to describe them in the engagement letter or other suitable form of written agreement. In such cases, this wording may also be used in the auditor's report to describe management's responsibilities as required by paragraph 26. In other circumstances, including where the auditor decides not to use the wording of law or regulation as incorporated in the engagement letter, the wording of paragraph 26 is used.
- A23. In some jurisdictions, law or regulation prescribing management's responsibilities may specifically refer to a responsibility for the adequacy of accounting books and records, or accounting system. As books, records and systems are an integral part of internal control (as defined in ISA 315¹⁷), the descriptions in ISA 210 and in paragraph 26 do not make specific reference to them.

¹⁵ ISA 200, paragraph 13(j).

¹⁶ ISA 210, paragraph 6(b)(i)-(ii).

¹⁷ ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment," paragraph 4(c).

Auditor's Responsibility (Ref: Para. 29-30)

- A24. The auditor's report states that the auditor's responsibility is to express an opinion on the financial statements based on the audit in order to contrast it to management's responsibility for the preparation of the financial statements.
- A25. The reference to the standards used conveys to the users of the auditor's report that the audit has been conducted in accordance with established standards.
- A26. In accordance with ISA 200, the auditor does not represent compliance with ISAs in the auditor's report unless the auditor has complied with the requirements of ISA 200 and all other ISAs relevant to the audit.¹⁸

Auditor's Opinion (Ref: Para. 35-37)

Wording of the auditor's opinion prescribed by law or regulation

- A27. ISA 210 explains that, in some cases, law or regulation of the relevant jurisdiction prescribes the wording of the auditor's report (which in particular includes the auditor's opinion) in terms that are significantly different from the requirements of ISAs. In these circumstances, ISA 210 requires the auditor to evaluate:
- (a) Whether users might misunderstand the assurance obtained from the audit of the financial statements and, if so,
 - (b) Whether additional explanation in the auditor's report can mitigate possible misunderstanding.

If the auditor concludes that additional explanation in the auditor's report cannot mitigate possible misunderstanding, ISA 210 requires the auditor not to accept the audit engagement, unless required by law or regulation to do so. In accordance with ISA 210, an audit conducted in accordance with such law or regulation does not comply with ISAs. Accordingly, the auditor does not include any reference in the auditor's report to the audit having been conducted in accordance with International Standards on Auditing.¹⁹

“Present fairly, in all material respects” or “give a true and fair view”

- A28. Whether the phrase “present fairly, in all material respects,” or the phrase “give a true and fair view” is used in any particular jurisdiction is determined by the law or regulation governing the audit of financial statements in that jurisdiction, or by generally accepted practice in that jurisdiction. Where law or regulation requires the use of different wording, this does not affect the requirement in paragraph 14 of this ISA for the auditor to evaluate the fair presentation of financial statements prepared in accordance with a fair presentation framework.

¹⁸ ISA 200, paragraph 20.

¹⁹ ISA 210, paragraph 21.

Description of information that the financial statements present

A29. In the case of financial statements prepared in accordance with a fair presentation framework, the auditor's opinion states that the financial statements present fairly, in all material respects, or give a true and fair view of the information that the financial statements are designed to present, for example, in the case of many general purpose frameworks, the financial position of the entity as at the end of the period and the entity's financial performance and cash flows for the period then ended.

Description of the applicable financial reporting framework and how it may affect the auditor's opinion

A30. The identification of the applicable financial reporting framework in the auditor's opinion is intended to advise users of the auditor's report of the context in which the auditor's opinion is expressed; it is not intended to limit the evaluation required in paragraph 14. The applicable financial reporting framework is identified in such terms as:

“... in accordance with International Financial Reporting Standards” or

“... in accordance with accounting principles generally accepted in Jurisdiction X ...”

A31. When the applicable financial reporting framework encompasses financial reporting standards and legal or regulatory requirements, the framework is identified in such terms as “... in accordance with International Financial Reporting Standards and the requirements of Jurisdiction X Corporations Act.” ISA 210 deals with circumstances where there are conflicts between the financial reporting standards and the legislative or regulatory requirements.²⁰

A32. As indicated in paragraph A8, the financial statements may be prepared in accordance with two financial reporting frameworks, which are therefore both applicable financial reporting frameworks. Accordingly, each framework is considered separately when forming the auditor's opinion on the financial statements, and the auditor's opinion in accordance with paragraphs 35-36 refers to both frameworks as follows:

- (a) If the financial statements comply with each of the frameworks individually, two opinions are expressed: that is, that the financial statements are prepared in accordance with one of the applicable financial reporting frameworks (for example, the national framework) and an opinion that the financial statements are prepared in accordance with the other applicable financial reporting framework (for example, International Financial Reporting Standards). These opinions may be expressed separately or in a single sentence (for example, the financial

²⁰ ISA 210, paragraph 18.

statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in Jurisdiction X and with International Financial Reporting Standards).

- (b) If the financial statements comply with one of the frameworks but fail to comply with the other framework, an unmodified opinion can be given that the financial statements are prepared in accordance with the one framework (for example, the national framework) but a modified opinion given with regard to the other framework (for example, International Financial Reporting Standards) in accordance with ISA 705.

A33. As indicated in paragraph A10, the financial statements may represent compliance with the applicable financial reporting framework and, in addition, disclose the extent of compliance with another financial reporting framework. As explained in paragraph A46, such supplementary information is covered by the auditor's opinion as it cannot be clearly differentiated from the financial statements.

- (a) If the disclosure as to the compliance with the other framework is misleading, a modified opinion is expressed in accordance with ISA 705.
- (b) If the disclosure is not misleading, but the auditor judges it to be of such importance that it is fundamental to the users' understanding of the financial statements, an Emphasis of Matter paragraph is added in accordance with ISA 706, drawing attention to the disclosure.

Other Reporting Responsibilities (Ref: Para. 38-39)

A34. In some jurisdictions, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility under the ISAs to report on the financial statements. For example, the auditor may be asked to report certain matters if they come to the auditor's attention during the course of the audit of the financial statements. Alternatively, the auditor may be asked to perform and report on additional specified procedures, or to express an opinion on specific matters, such as the adequacy of accounting books and records. Auditing standards in the specific jurisdiction often provide guidance on the auditor's responsibilities with respect to specific additional reporting responsibilities in that jurisdiction.

A35. In some cases, the relevant law or regulation may require or permit the auditor to report on these other responsibilities within the auditor's report on the financial statements. In other cases, the auditor may be required or permitted to report on them in a separate report.

A36. These other reporting responsibilities are addressed in a separate section of the auditor's report in order to clearly distinguish them from the auditor's responsibility under the ISAs to report on the financial statements. Where

relevant, this section may contain sub-heading(s) that describe(s) the content of the other reporting responsibility paragraph(s).

Signature of the Auditor (Ref: Para. 40)

- A37. The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate for the particular jurisdiction. In addition to the auditor's signature, in certain jurisdictions, the auditor may be required to declare in the auditor's report the auditor's professional accountancy designation or the fact that the auditor or firm, as appropriate, has been recognized by the appropriate licensing authority in that jurisdiction.

Date of the Auditor's Report (Ref: Para. 41)

- A38. The date of the auditor's report informs the user of the auditor's report that the auditor has considered the effect of events and transactions of which the auditor became aware and that occurred up to that date. The auditor's responsibility for events and transactions after the date of the auditor's report is addressed in ISA 560.²¹
- A39. Since the auditor's opinion is provided on the financial statements and the financial statements are the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until evidence is obtained that all the statements that comprise the financial statements, including the related notes, have been prepared and management has accepted responsibility for them.
- A40. In some jurisdictions, the law or regulation identifies the individuals or bodies (for example, the directors) that are responsible for concluding that all the statements that comprise the financial statements, including the related notes, have been prepared, and specifies the necessary approval process. In such cases, evidence is obtained of that approval before dating the report on the financial statements. In other jurisdictions, however, the approval process is not prescribed in law or regulation. In such cases, the procedures the entity follows in preparing and finalizing its financial statements in view of its management and governance structures are considered in order to identify the individuals or body with the authority to conclude that all the statements that comprise the financial statements, including the related notes, have been prepared. In some cases, law or regulation identifies the point in the financial statement reporting process at which the audit is expected to be complete.
- A41. In some jurisdictions, final approval of the financial statements by shareholders is required before the financial statements are issued publicly. In these jurisdictions, final approval by shareholders is not necessary for the auditor to conclude that sufficient appropriate audit evidence has been obtained. The date

²¹ ISA 560, "Subsequent Events," paragraphs 10-17.

of approval of the financial statements for purposes of ISAs is the earlier date on which those with the recognized authority determine that all the statements that comprise the financial statements, including the related notes, have been prepared and that those with the recognized authority have asserted that they have taken responsibility for them.

Auditor's Report Prescribed by Law or Regulation (Ref: Para. 43)

- A42. ISA 200 explains that the auditor may be required to comply with legal or regulatory requirements in addition to ISAs.²² Where this is the case, the auditor may be obliged to use a layout or wording in the auditor's report that differs from that described in this ISA. As explained in paragraph 4, consistency in the auditor's report, when the audit has been conducted in accordance with ISAs, promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognized standards. When the differences between the legal or regulatory requirements and ISAs relate only to the layout and wording of the auditor's report and, at a minimum, each of the elements identified in paragraph 43(a)(i) are included in the auditor's report, the auditor's report may refer to International Standards on Auditing. Accordingly, in such circumstances the auditor is considered to have complied with the requirements of ISAs, even when the layout and wording used in the auditor's report are specified by legal or regulatory reporting requirements. Where specific requirements in a particular jurisdiction do not conflict with ISAs, adoption of the layout and wording used in this ISA assists users of the auditor's report more readily to recognize the auditor's report as a report on an audit conducted in accordance with ISAs. (ISA 210 deals with circumstances where law or regulation prescribes the layout or wording of the auditor's report in terms that are significantly different from the requirements of ISAs.)

Auditor's Report for Audits Conducted in Accordance with Both Auditing Standards of a Specific Jurisdiction and International Standards on Auditing (Ref: Para. 44)

- A43. The auditor may refer in the auditor's report to the audit having been conducted in accordance with both International Standards on Auditing as well as the national auditing standards when, in addition to complying with the relevant national auditing standards, the auditor complies with each of the ISAs relevant to the audit.²³
- A44. A reference to both International Standards on Auditing and the national auditing standards is not appropriate if there is a conflict between the requirements in ISAs and those in the national auditing standards that would lead the auditor to form a different opinion or not to include an Emphasis of

²² ISA 200, paragraph A55.

²³ ISA 200, paragraph A56.

Matter paragraph that, in the particular circumstances, is required by ISAs. For example, some national auditing standards prohibit the auditor from including an Emphasis of Matter paragraph to highlight a going concern problem, whereas ISA 570 requires the auditor to add an Emphasis of Matter paragraph in such circumstances.²⁴ In such a case, the auditor's report refers only to the auditing standards (either International Standards on Auditing or the national auditing standards) in accordance with which the auditor's report has been prepared.

Supplementary Information Presented with the Financial Statements (Ref: Para. 46-47)

- A45. In some circumstances, the entity may be required by law, regulation or standards, or may voluntarily choose, to present together with the financial statements supplementary information that is not required by the applicable financial reporting framework. For example, supplementary information might be presented to enhance a user's understanding of the applicable financial reporting framework or to provide further explanation of specific financial statement items. Such information is normally presented in either supplementary schedules or as additional notes.
- A46. The auditor's opinion covers supplementary information that cannot be clearly differentiated from the financial statements because of its nature and how it is presented. For example, this would be the case when the notes to the financial statements include an explanation of the extent to which the financial statements comply with another financial reporting framework. The auditor's opinion would also cover notes or supplementary schedules that are cross-referenced from the financial statements.
- A47. Supplementary information that is covered by the auditor's opinion does not need to be specifically referred to in the introductory paragraph of the auditor's report when the reference to the notes in the description of the statements that comprise the financial statements in the introductory paragraph is sufficient.
- A48. Law or regulation may not require that the supplementary information be audited, and management may decide not to ask the auditor to include the supplementary information within the scope of the audit of the financial statements.
- A49. The auditor's evaluation whether unaudited supplementary information is presented in a manner that could be construed as being covered by the auditor's opinion includes, for example, where that information is presented in relation to the financial statements and any audited supplementary information, and whether it is clearly labeled as "unaudited."

²⁴ ISA 570, "Going Concern," paragraph 19.

A50. Management could change the presentation of unaudited supplementary information that could be construed as being covered by the auditor's opinion, for example, by:

- Removing any cross references from the financial statements to unaudited supplementary schedules or unaudited notes so that the demarcation between the audited and unaudited information is sufficiently clear.
- Placing the unaudited supplementary information outside of the financial statements or, if that is not possible in the circumstances, at a minimum place the unaudited notes together at the end of the required notes to the financial statements and clearly label them as unaudited. Unaudited notes that are intermingled with the audited notes can be misinterpreted as being audited.

A51. The fact that supplementary information is unaudited does not relieve the auditor of the responsibility to read that information to identify material inconsistencies with the audited financial statements. The auditor's responsibilities with respect to unaudited supplementary information are consistent with those described in ISA 720.²⁵

²⁵ ISA 720, "The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements."

Appendix

(Ref: Para. A14)

Illustrations of Auditors' Reports on Financial Statements

- Illustration 1: An auditor's report on financial statements prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users (for example, International Financial Reporting Standards).
- Illustration 2: An auditor's report on financial statements prepared in accordance with a compliance framework designed to meet the common financial information needs of a wide range of users.
- Illustration 3: An auditor's report on consolidated financial statements prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users (for example, International Financial Reporting Standards).

Illustration 1:

Circumstances include the following:

- **Audit of a complete set of financial statements.**
- **The financial statements are prepared for a general purpose by management of the entity in accordance with International Financial Reporting Standards.**
- **The terms of the audit engagement reflect description of management's responsibility for the financial statements in ISA 210.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements²⁶

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's²⁷ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,²⁸ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

²⁶ The sub-title "Report on the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

²⁷ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

²⁸ Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ..."

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation²⁹ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.³⁰ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

²⁹ In the case of footnote 28, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

³⁰ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 28, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

Illustration 2:

Circumstances include the following:

- **Audit of a complete set of financial statements required by law or regulation.**
- **The financial statements are prepared for a general purpose by management of the entity in accordance with the Financial Reporting Framework (XYZ Law) of Jurisdiction X (that is, a financial reporting framework, encompassing law or regulation, designed to meet the common financial information needs of a wide range of users, but which is not a fair presentation framework).**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's³¹ Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with XYZ Law of Jurisdiction X, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

³¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.³² An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of ABC Company for the year ended December 31, 20X1 are prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

³² In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances."

Illustration 3:

Circumstances include the following:

- **Audit of consolidated financial statements prepared for a general purpose by management of the parent in accordance with International Financial Reporting Standards.**
- **The terms of the group audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.**
- **In addition to the audit of the group financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Consolidated Financial Statements³³

We have audited the accompanying consolidated financial statements of ABC Company and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 20X1, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s³⁴ Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards,³⁵ and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

³³ The sub-title “Report on the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

³⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

³⁵ Where management’s responsibility is to prepare financial statements that give a true and fair view, this may read: “Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ...”

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation³⁶ of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.³⁷ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company and its subsidiaries as at December 31, 20X1, and (of) their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

³⁶ In the case of footnote 35, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

³⁷ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the consolidated financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 35, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

ISSAI 1705

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información, visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

Modificaciones a la opinión en el informe del auditor independiente

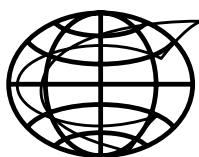
COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 705, “Modificaciones a la opinión en el informe del auditor independiente”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1705

NOTA DE PRÁCTICA PARA LA NIA 705

Párrafo

Fundamentos

Introducción a la NIA	
Contenido de la Nota de Práctica.....	P1

Aplicabilidad de la NIA en la auditoría del sector público	P2

Orientaciones adicionales sobre cuestiones ligadas al sector público	P3

Consideraciones generales	P4–P5
Circunstancias que obligan a modificar la opinión de auditoría	P6
Elección del tipo de modificación a la opinión de auditoría	P7
Naturaleza de las incorrecciones materiales.....	P8
Naturaleza de la imposibilidad de obtener evidencia de auditoría suficiente y apropiada	P9–P10
Formato y contenido del informe de auditoría en caso de modificación de la opinión	P11–P12
Comunicación con los encargados de la gobernanza	P13

NORMA INTERNACIONAL DE AUDITORÍA 705

Introducción

Alcance de la NIA.....	1
Tipos de opinión modificada.....	2
Fecha de entrada en vigor	3

Objetivo.....	4

Definiciones.....	5

Exigencias

Circunstancias que obligan a modificar la opinión de auditoría	6
Elección del tipo de modificación a la opinión de auditoría.....	7–15
Formato y contenido del informe de auditoría en caso de modificación de la opinión	16–27
Comunicación con los encargados de la gobernanza	28

Disposiciones de aplicación y otras disposiciones explicativas

Tipos de opinión modificada.....	A1
Naturaleza de las incorrecciones materiales.....	A2–A7
Naturaleza de la imposibilidad de obtener evidencia de auditoría suficiente y apropiada	A8–A12
Consecuencias de la imposibilidad de obtener evidencia de auditoría suficiente y apropiada debido a limitaciones impuestas por la dirección una vez aceptado el encargo por el auditor	A13–A15
Otras consideraciones referentes a las opiniones adversas o a la abstención de opinión	A16
Formato y contenido del informe de auditoría en caso de modificación de la opinión	A17–A24
Comunicación con los encargados de la gobernanza	A25

Apéndice: Ejemplos de informes de auditoría con opiniones modificadas

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 705

Modificaciones a la opinión en el informe del auditor independiente

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 705, “Modificaciones a la opinión en el informe del auditor independiente”, y debe leerse conjuntamente con ella. La NIA 705 entra en vigor para las auditorías de estados financieros correspondientes a períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 705 establece la obligación del auditor de presentar un informe adecuado cuando, al haberse formado una opinión con arreglo a la NIA 700², llega a la conclusión de que es necesario modificar la opinión de auditoría sobre los estados financieros.

Tipos de opinión modificada

La NIA 705 establece tres tipos de opinión modificada, es decir opinión con reservas, opinión adversa y abstención de opinión. La decisión sobre cuál de estos tipos es el adecuado dependerá de:

- a) La naturaleza del asunto que dé lugar a la modificación, es decir si los estados financieros contienen incorrecciones materiales o, si no resulta posible obtener evidencia de auditoría suficiente y apropiada, pueden contener incorrecciones materiales.
- b) El juicio del auditor sobre si el asunto incide de forma predominante, o de forma posiblemente predominante, en los estados financieros.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Circunstancias que obligan a modificar la opinión de auditoría.
 - c) Elección del tipo de modificación a la opinión de auditoría.
 - d) Naturaleza de las incorrecciones materiales.
 - e) Naturaleza de la imposibilidad de obtener evidencia de auditoría suficiente y apropiada.
 - f) Formato y contenido del informe de auditoría en caso de modificación de la opinión.
 - g) Comunicación con los encargados de la gobernanza.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las Directrices de auditoría financiera de la INTOSAI.”

² NIA 700, “Formación de una opinión y elaboración del informe sobre los estados financieros.”

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 705 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 705 contiene disposiciones de aplicación y otras disposiciones explicativas con consideraciones específicas a las entidades del sector público en el párrafo A14.

Consideraciones generales

- P4. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría o las obligaciones para las entidades del sector público, que se derivan de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo, pueden contener objetivos adicionales que revistan la misma importancia para la opinión sobre los estados financieros, entre ellos obligaciones de auditoría o de información, cuando por ejemplo los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden esperar de los auditores del sector público que informen de cualquier caso de falta de conformidad con las normas que hayan detectado durante la auditoría o que informen sobre la eficacia del control interno. Los auditores del sector público con obligaciones en relación con la falta de conformidad con las normas tendrán en cuenta las Directrices para las auditorías de cumplimiento de la INTOSAI (ISSAI 4000³ y 4200⁴).
- P5. Teniendo en cuenta el cuadro del párrafo A1 de la NIA, los auditores del sector público que deban informar de la conformidad o falta de conformidad con las normas pueden necesitar recurrir a las orientaciones facilitadas en la ISSAI 4200⁴ acerca de la influencia que, a juicio del auditor, puede tener la naturaleza de los asuntos que dan lugar a una modificación, y la incidencia predominante, de sus efectos, en el tipo de opinión expresada sobre la falta de conformidad con las normas. Los auditores del sector público podrán aplicar la ISAE 3000⁵ así como la ISSAI 4100⁶ para otros encargos de aseguramiento.

3 ISSAI 4000, "Directrices para la auditoría de cumplimiento - Introducción General."

4 ISSAI 4200, "Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros."

5 ISAE 3000, "Encargos para atestiguar distintos a las auditorías o las revisiones de información financiera histórica."

6 ISSAI 4100, "Directrices para las auditorías de cumplimiento realizadas separadamente de la auditoría de estados financieros."

Circunstancias que obligan a modificar la opinión de auditoría

- P6. Además de las exigencias establecidas en el párrafo 6 de la NIA, los auditores del sector público con obligaciones en relación con la falta de conformidad con las normas, tendrán presente que una opinión sobre falta de conformidad no lleva aparejada necesariamente una opinión modificada en los estados financieros. Los auditores del sector público examinarán si el asunto relacionado con el incumplimiento:
- a) Se ha reflejado adecuadamente en los estados financieros de acuerdo con el marco de información financiera.
 - b) Se ha registrado adecuadamente en los estados financieros por lo que se refiere a sus consecuencias financieras.
 - c) Si su incidencia resulta significativa y predominante hasta el punto de que resulte necesario emitir una opinión modificada en los estados financieros.

Elección del tipo de modificación a la opinión de auditoría

- P7. Además de las respuestas exigidas en el subpárrafo 13 b) de la NIA, los auditores del sector público pueden tener la obligación de informar al poder legislativo o a los órganos reguladores, o bien tomar la decisión de hacerlo en relación con los casos en que la dirección se niegue a eliminar las restricciones al acceso a la evidencia de auditoría.

Naturaleza de las incorrecciones materiales

- P8. Al aplicar el párrafo A3 de la NIA, los auditores del sector público pueden encontrar orientaciones suplementarias en el párrafo P14 de la ISSAI 1450⁷.

Naturaleza de la imposibilidad de obtener evidencia de auditoría suficiente y apropiada

- P9. Otros ejemplos de circunstancias fuera del control de la entidad descritas en el párrafo A10 de la NIA pueden consistir en el sector público en limitaciones impuestas por:
- Los encargados de la gobernanza o integrantes del poder legislativo.
 - Las regulaciones sobre información reservada por razones de seguridad nacional y de información protegida por derechos de autor.
- P10. Otros ejemplos de circunstancias relacionadas con la naturaleza o el calendario del trabajo del auditor descritas en el párrafo A11 de la NIA pueden consistir en el sector público en modificaciones legislativas, catástrofes nacionales y decisiones políticas como operaciones militares o una reorganización de operaciones del sector público de amplias proporciones.

7 ISSAI 1450, "Valoración de las incorrecciones detectadas durante la auditoría."

Formato y contenido del informe de auditoría en caso de modificación de la opinión

- P11. En el sector público no siempre es pertinente cuantificar los efectos en el impuesto sobre la renta, la renta previa a la imposición y el resultado y el patrimonio netos, según se establece en el párrafo A18 de la NIA. En cambio es probable que los auditores del sector público cuantifiquen los efectos para los estados financieros en otros términos como gastos brutos o bien renta, deuda interna o excedente brutos.
- P12. Los ejemplos facilitados en el apéndice de la NIA y en los apéndices 8, 9 y 10 de la ISSAI 4200⁸ pueden ayudar a los auditores del sector público a formular una opinión de auditoría modificada.

Comunicación con los encargados de la gobernanza

- P13. Los auditores del sector público pueden tener la obligación o tomar la decisión de comunicar no sólo con los encargados de la gobernanza sino también con otras instancias como el poder legislativo, según se establece en el párrafo 28 de la NIA.

8 ISSAI 4200, "Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros."

International Standard on Auditing

Modifications to the Opinion in the Independent Auditor's Report



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

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INTERNATIONAL STANDARD ON AUDITING 705

MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraphs
Introduction	
Scope of this ISA	1
Types of Modified Opinions	2
Effective Date	3
Objective	4
Definitions	5
Requirements	
Circumstances When a Modification to the Auditor's Opinion is Required	6
Determining the Type of Modification to the Auditor's Opinion	7–15
Form and Content of the Auditor's Report When the Opinion is Modified	16–27
Communication with Those Charged with Governance	28
Application and Other Explanatory Material	
Types of Modified Opinions	A1
Nature of Material Misstatements	A2–A7
Nature of an Inability to Obtain Sufficient Appropriate Audit Evidence	A8–A12
Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation after the Auditor Has Accepted the Engagement	A13–A15
Other Considerations Relating to an Adverse Opinion or Disclaimer of Opinion	A16
Form and Content of the Auditor's Report When the Opinion is Modified	A17–A24

Communication with Those Charged with Governance A25

Appendix: Illustrations of Auditors’ Reports with Modifications
to the Opinion

International Standard on Auditing (ISA) 705 “Modifications to the Opinion in the Independent Auditor’s Report” should be read in conjunction with ISA 200 “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to issue an appropriate report in circumstances when, in forming an opinion in accordance with ISA 700,¹ the auditor concludes that a modification to the auditor's opinion on the financial statements is necessary.

Types of Modified Opinions

2. This ISA establishes three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon:
 - (a) The nature of the matter giving rise to the modification, that is, whether the financial statements are materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and
 - (b) The auditor's judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements. (Ref: Para. A1)

Effective Date

3. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

4. The objective of the auditor is to express clearly an appropriately modified opinion on the financial statements that is necessary when:
 - (a) The auditor concludes, based on the audit evidence obtained, that the financial statements as a whole are not free from material misstatement; or
 - (b) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.

Definitions

5. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Pervasive – A term used, in the context of misstatements, to describe the effects on the financial statements of misstatements or the

¹ ISA 700, "Forming an Opinion and Reporting on Financial Statements."

possible effects on the financial statements of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence. Pervasive effects on the financial statements are those that, in the auditor's judgment:

- (i) Are not confined to specific elements, accounts or items of the financial statements;
 - (ii) If so confined, represent or could represent a substantial proportion of the financial statements; or
 - (iii) In relation to disclosures, are fundamental to users' understanding of the financial statements.
- (b) Modified opinion – A qualified opinion, an adverse opinion or a disclaimer of opinion.

Requirements

Circumstances When a Modification to the Auditor's Opinion Is Required

6. The auditor shall modify the opinion in the auditor's report when:
- (a) The auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or (Ref: Para. A2-A7)
 - (b) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. (Ref: Para. A8-A12)

Determining the Type of Modification to the Auditor's Opinion

Qualified Opinion

7. The auditor shall express a qualified opinion when:
- (a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or
 - (b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

Adverse Opinion

8. The auditor shall express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

Disclaimer of Opinion

9. The auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.
10. The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation after the Auditor Has Accepted the Engagement

11. If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the scope of the audit that the auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor shall request that management remove the limitation.
12. If management refuses to remove the limitation referred to in paragraph 11, the auditor shall communicate the matter to those charged with governance, unless all of those charged with governance are involved in managing the entity,² and determine whether it is possible to perform alternative procedures to obtain sufficient appropriate audit evidence.
13. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall determine the implications as follows:
 - (a) If the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive, the auditor shall qualify the opinion; or
 - (b) If the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive so that a qualification of the opinion would be inadequate to communicate the gravity of the situation, the auditor shall:
 - (i) Withdraw from the audit, where practicable and possible under applicable law or regulation; or (Ref: Para. A13-A14)
 - (ii) If withdrawal from the audit before issuing the auditor's report is not practicable or possible, disclaim an opinion on the financial statements.

² ISA 260, "Communication with Those Charged with Governance," paragraph 13.

14. If the auditor withdraws as contemplated by paragraph 13(b)(i), before withdrawing, the auditor shall communicate to those charged with governance any matters regarding misstatements identified during the audit that would have given rise to a modification of the opinion. (Ref: Para. A15)

Other Considerations Relating to an Adverse Opinion or Disclaimer of Opinion

15. When the auditor considers it necessary to express an adverse opinion or disclaim an opinion on the financial statements as a whole, the auditor's report shall not also include an unmodified opinion with respect to the same financial reporting framework on a single financial statement or one or more specific elements, accounts or items of a financial statement. To include such an unmodified opinion in the same report³ in these circumstances would contradict the auditor's adverse opinion or disclaimer of opinion on the financial statements as a whole. (Ref: Para. A16)

Form and Content of the Auditor's Report When the Opinion Is Modified

Basis for Modification Paragraph

16. When the auditor modifies the opinion on the financial statements, the auditor shall, in addition to the specific elements required by ISA 700, include a paragraph in the auditor's report that provides a description of the matter giving rise to the modification. The auditor shall place this paragraph immediately before the opinion paragraph in the auditor's report and use the heading "Basis for Qualified Opinion," "Basis for Adverse Opinion," or "Basis for Disclaimer of Opinion," as appropriate. (Ref: Para. A17)
17. If there is a material misstatement of the financial statements that relates to specific amounts in the financial statements (including quantitative disclosures), the auditor shall include in the basis for modification paragraph a description and quantification of the financial effects of the misstatement, unless impracticable. If it is not practicable to quantify the financial effects, the auditor shall so state in the basis for modification paragraph. (Ref: Para. A18)
18. If there is a material misstatement of the financial statements that relates to narrative disclosures, the auditor shall include in the basis for modification paragraph an explanation of how the disclosures are misstated.
19. If there is a material misstatement of the financial statements that relates to the non-disclosure of information required to be disclosed, the auditor shall:
 - (a) Discuss the non-disclosure with those charged with governance;

³ ISA 805, "Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement," deals with circumstances where the auditor is engaged to express a separate opinion on one or more specific elements, accounts or items of a financial statement.

- (b) Describe in the basis for modification paragraph the nature of the omitted information; and
 - (c) Unless prohibited by law or regulation, include the omitted disclosures, provided it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information. (Ref: Para. A19)
20. If the modification results from an inability to obtain sufficient appropriate audit evidence, the auditor shall include in the basis for modification paragraph the reasons for that inability.
21. Even if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, the auditor shall describe in the basis for modification paragraph the reasons for any other matters of which the auditor is aware that would have required a modification to the opinion, and the effects thereof. (Ref: Para. A20)

Opinion Paragraph

22. When the auditor modifies the audit opinion, the auditor shall use the heading “Qualified Opinion,” “Adverse Opinion,” or “Disclaimer of Opinion,” as appropriate, for the opinion paragraph. (Ref: Para. A21, A23-A24)
23. When the auditor expresses a qualified opinion due to a material misstatement in the financial statements, the auditor shall state in the opinion paragraph that, in the auditor’s opinion, except for the effects of the matter(s) described in the Basis for Qualified Opinion paragraph:
- (a) The financial statements present fairly, in all material respects (or give a true and fair view) in accordance with the applicable financial reporting framework when reporting in accordance with a fair presentation framework; or
 - (b) The financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework when reporting in accordance with a compliance framework.

When the modification arises from an inability to obtain sufficient appropriate audit evidence, the auditor shall use the corresponding phrase “except for the possible effects of the matter(s) ...” for the modified opinion. (Ref: Para. A22)

24. When the auditor expresses an adverse opinion, the auditor shall state in the opinion paragraph that, in the auditor’s opinion, because of the significance of the matter(s) described in the Basis for Adverse Opinion paragraph:
- (a) The financial statements do not present fairly (or give a true and fair view) in accordance with the applicable financial reporting framework when reporting in accordance with a fair presentation framework; or

- (b) The financial statements have not been prepared, in all material respects, in accordance with the applicable financial reporting framework when reporting in accordance with a compliance framework.
- 25. When the auditor disclaims an opinion due to an inability to obtain sufficient appropriate audit evidence, the auditor shall state in the opinion paragraph that:
 - (a) Because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion paragraph, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion; and, accordingly,
 - (b) The auditor does not express an opinion on the financial statements.

Description of Auditor's Responsibility When the Auditor Expresses a Qualified or Adverse Opinion

- 26. When the auditor expresses a qualified or adverse opinion, the auditor shall amend the description of the auditor's responsibility to state that the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's modified audit opinion.

Description of Auditor's Responsibility When the Auditor Disclaims an Opinion

- 27. When the auditor disclaims an opinion due to an inability to obtain sufficient appropriate audit evidence, the auditor shall amend the introductory paragraph of the auditor's report to state that the auditor was engaged to audit the financial statements. The auditor shall also amend the description of the auditor's responsibility and the description of the scope of the audit to state only the following: "Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matter(s) described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion."

Communication with Those Charged with Governance

- 28. When the auditor expects to modify the opinion in the auditor's report, the auditor shall communicate with those charged with governance the circumstances that led to the expected modification and the proposed wording of the modification. (Ref: Para. A25)

Application and Other Explanatory Material

Types of Modified Opinions (Ref: Para. 2)

- A1. The table below illustrates how the auditor's judgment about the nature of the matter giving rise to the modification, and the pervasiveness of its effects or possible effects on the financial statements, affects the type of opinion to be expressed.

<i>Nature of Matter Giving Rise to the Modification</i>	<i>Auditor's Judgment about the Pervasiveness of the Effects or Possible Effects on the Financial Statements</i>	
	<i>Material but Not Pervasive</i>	<i>Material and Pervasive</i>
Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

Nature of Material Misstatements (Ref: Para. 6(a))

- A2. ISA 700 requires the auditor, in order to form an opinion on the financial statements, to conclude as to whether reasonable assurance has been obtained about whether the financial statements as a whole are free from material misstatement.⁴ This conclusion takes into account the auditor's evaluation of uncorrected misstatements, if any, on the financial statements in accordance with ISA 450.⁵
- A3. ISA 450 defines a misstatement as a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Accordingly, a material misstatement of the financial statements may arise in relation to:
- (a) The appropriateness of the selected accounting policies;
 - (b) The application of the selected accounting policies; or
 - (c) The appropriateness or adequacy of disclosures in the financial statements.

⁴ ISA 700, paragraph 11.

⁵ ISA 450, "Evaluation of Misstatements Identified during the Audit," paragraph 4(a).

Appropriateness of the Selected Accounting Policies

- A4. In relation to the appropriateness of the accounting policies management has selected, material misstatements of the financial statements may arise when:
- (a) The selected accounting policies are not consistent with the applicable financial reporting framework; or
 - (b) The financial statements, including the related notes, do not represent the underlying transactions and events in a manner that achieves fair presentation.
- A5. Financial reporting frameworks often contain requirements for the accounting for, and disclosure of, changes in accounting policies. Where the entity has changed its selection of significant accounting policies, a material misstatement of the financial statements may arise when the entity has not complied with these requirements.

Application of the Selected Accounting Policies

- A6. In relation to the application of the selected accounting policies, material misstatements of the financial statements may arise:
- (a) When management has not applied the selected accounting policies consistently with the financial reporting framework, including when management has not applied the selected accounting policies consistently between periods or to similar transactions and events (consistency in application); or
 - (b) Due to the method of application of the selected accounting policies (such as an unintentional error in application).

Appropriateness or Adequacy of Disclosures in the Financial Statements

- A7. In relation to the appropriateness or adequacy of disclosures in the financial statements, material misstatements of the financial statements may arise when:
- (a) The financial statements do not include all of the disclosures required by the applicable financial reporting framework;
 - (b) The disclosures in the financial statements are not presented in accordance with the applicable financial reporting framework; or
 - (c) The financial statements do not provide the disclosures necessary to achieve fair presentation.

Nature of an Inability to Obtain Sufficient Appropriate Audit Evidence (Ref: Para. 6(b))

- A8. The auditor's inability to obtain sufficient appropriate audit evidence (also referred to as a limitation on the scope of the audit) may arise from:
- (a) Circumstances beyond the control of the entity;
 - (b) Circumstances relating to the nature or timing of the auditor's work; or
 - (c) Limitations imposed by management.
- A9. An inability to perform a specific procedure does not constitute a limitation on the scope of the audit if the auditor is able to obtain sufficient appropriate audit evidence by performing alternative procedures. If this is not possible, the requirements of paragraphs 7(b) and 10 apply as appropriate. Limitations imposed by management may have other implications for the audit, such as for the auditor's assessment of fraud risks and consideration of engagement continuance.
- A10. Examples of circumstances beyond the control of the entity include when:
- The entity's accounting records have been destroyed.
 - The accounting records of a significant component have been seized indefinitely by governmental authorities.
- A11. Examples of circumstances relating to the nature or timing of the auditor's work include when:
- The entity is required to use the equity method of accounting for an associated entity, and the auditor is unable to obtain sufficient appropriate audit evidence about the latter's financial information to evaluate whether the equity method has been appropriately applied.
 - The timing of the auditor's appointment is such that the auditor is unable to observe the counting of the physical inventories.
 - The auditor determines that performing substantive procedures alone is not sufficient, but the entity's controls are not effective.
- A12. Examples of an inability to obtain sufficient appropriate audit evidence arising from a limitation on the scope of the audit imposed by management include when:
- Management prevents the auditor from observing the counting of the physical inventory.
 - Management prevents the auditor from requesting external confirmation of specific account balances.

Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation after the Auditor Has Accepted the Engagement (Ref: Para. 13(b)-14)

- A13. The practicality of withdrawing from the audit may depend on the stage of completion of the engagement at the time that management imposes the scope limitation. If the auditor has substantially completed the audit, the auditor may decide to complete the audit to the extent possible, disclaim an opinion and explain the scope limitation in the Basis for Disclaimer of Opinion paragraph prior to withdrawing.
- A14. In certain circumstances, withdrawal from the audit may not be possible if the auditor is required by law or regulation to continue the audit engagement. This may be the case for an auditor that is appointed to audit the financial statements of public sector entities. It may also be the case in jurisdictions where the auditor is appointed to audit the financial statements covering a specific period, or appointed for a specific period and is prohibited from withdrawing before the completion of the audit of those financial statements or before the end of that period, respectively. The auditor may also consider it necessary to include an Other Matter paragraph in the auditor's report.⁶
- A15. When the auditor concludes that withdrawal from the audit is necessary because of a scope limitation, there may be a professional, legal or regulatory requirement for the auditor to communicate matters relating to the withdrawal from the engagement to regulators or the entity's owners.

Other Considerations Relating to an Adverse Opinion or Disclaimer of Opinion (Ref: Para. 15)

- A16. The following are examples of reporting circumstances that would not contradict the auditor's adverse opinion or disclaimer of opinion:
- The expression of an unmodified opinion on financial statements prepared under a given financial reporting framework and, within the same report, the expression of an adverse opinion on the same financial statements under a different financial reporting framework.⁷
 - The expression of a disclaimer of opinion regarding the results of operations, and cash flows, where relevant, and an unmodified opinion regarding the financial position (see ISA 510⁸). In this case, the auditor has not expressed a disclaimer of opinion on the financial statements as a whole.

⁶ ISA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report," paragraph A5.

⁷ See paragraph A32 of ISA 700 for a description of this circumstance.

⁸ ISA 510, "Initial Audit Engagements—Opening Balances," paragraph 10.

Form and Content of the Auditor's Report When the Opinion Is Modified

Basis for Modification Paragraph (Ref: Para. 16-17, 19, 21)

- A17. Consistency in the auditor's report helps to promote users' understanding and to identify unusual circumstances when they occur. Accordingly, although uniformity in the wording of a modified opinion and in the description of the basis for the modification may not be possible, consistency in both the form and content of the auditor's report is desirable.
- A18. An example of the financial effects of material misstatements that the auditor may describe in the basis for modification paragraph in the auditor's report is the quantification of the effects on income tax, income before taxes, net income and equity if inventory is overstated.
- A19. Disclosing the omitted information in the basis for modification paragraph would not be practicable if:
 - (a) The disclosures have not been prepared by management or the disclosures are otherwise not readily available to the auditor; or
 - (b) In the auditor's judgment, the disclosures would be unduly voluminous in relation to the auditor's report.
- A20. An adverse opinion or a disclaimer of opinion relating to a specific matter described in the basis for qualification paragraph does not justify the omission of a description of other identified matters that would have otherwise required a modification of the auditor's opinion. In such cases, the disclosure of such other matters of which the auditor is aware may be relevant to users of the financial statements.

Opinion Paragraph (Ref: Para. 22-23)

- A21. Inclusion of this paragraph heading makes it clear to the user that the auditor's opinion is modified and indicates the type of modification.
- A22. When the auditor expresses a qualified opinion, it would not be appropriate to use phrases such as "with the foregoing explanation" or "subject to" in the opinion paragraph as these are not sufficiently clear or forceful.

Illustrative Auditors' Reports

- A23. Illustrations 1 and 2 in the Appendix contain auditors' reports with qualified and adverse opinions, respectively, as the financial statements are materially misstated.
- A24. Illustration 3 in the Appendix contains an auditor's report with a qualified opinion as the auditor is unable to obtain sufficient appropriate audit evidence. Illustration 4 contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about a single element of the

financial statements. Illustration 5 contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements. In each of the latter two cases, the possible effects on the financial statements of the inability are both material and pervasive.

Communication with Those Charged with Governance (Ref: Para. 28)

- A25. Communicating with those charged with governance the circumstances that lead to an expected modification to the auditor's opinion and the proposed wording of the modification enables:
- (a) The auditor to give notice to those charged with governance of the intended modification(s) and the reasons (or circumstances) for the modification(s);
 - (b) The auditor to seek the concurrence of those charged with governance regarding the facts of the matter(s) giving rise to the expected modification(s), or to confirm matters of disagreement with management as such; and
 - (c) Those charged with governance to have an opportunity, where appropriate, to provide the auditor with further information and explanations in respect of the matter(s) giving rise to the expected modification(s).

Appendix

(Ref: Para. A23-24)

Illustrations of Auditors' Reports with Modifications to the Opinion

- Illustration 1: An auditor's report containing a qualified opinion due to a material misstatement of the financial statements.
- Illustration 2: An auditor's report containing an adverse opinion due to a material misstatement of the financial statements.
- Illustration 3: An auditor's report containing a qualified opinion due to the auditor's inability to obtain sufficient appropriate audit evidence.
- Illustration 4: An auditor's report containing a disclaimer of opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about a single element of the financial statements.
- Illustration 5: An auditor's report containing a disclaimer of opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements.

Illustration 1:

Circumstances include the following:

- **Audit of a complete set of general purpose financial statements prepared by management of the entity in accordance with International Financial Reporting Standards.**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.⁹**
- **Inventories are misstated. The misstatement is deemed to be material but not pervasive to the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements¹⁰

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's¹¹ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,¹² and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan

⁹ ISA 210, "Agreeing the Terms of Audit Engagements."

¹⁰ The sub-title "Report on the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

¹¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹² Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ..."

and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation¹³ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹⁴ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The company's inventories are carried in the balance sheet at xxx. Management has not stated the inventories at the lower of cost and net realizable value but has stated them solely at cost, which constitutes a departure from International Financial Reporting Standards. The company's records indicate that had management stated the inventories at the lower of cost and net realizable value, an amount of xxx would have been required to write the inventories down to their net realizable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

¹³ In the case of footnote 12, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

¹⁴ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 12, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 2:

Circumstances include the following:

- **Audit of consolidated general purpose financial statements prepared by management of the parent in accordance with International Financial Reporting Standards.**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.**
- **The financial statements are materially misstated due to the non-consolidation of a subsidiary. The material misstatement is deemed to be pervasive to the financial statements. The effects of the misstatement on the financial statements have not been determined because it was not practicable to do so.**
- **In addition to the audit of the consolidated financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Consolidated Financial Statements¹⁵

We have audited the accompanying consolidated financial statements of ABC Company and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 20X1, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s¹⁶ Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards,¹⁷ and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

¹⁵ The sub-title “Report on the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

¹⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹⁷ Where management’s responsibility is to prepare consolidated financial statements that give a true and fair view, this may read: “Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ...”

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation¹⁸ of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹⁹ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As explained in Note X, the company has not consolidated the financial statements of subsidiary XYZ Company it acquired during 20X1 because it has not yet been able to ascertain the fair values of certain of the subsidiary's material assets and liabilities at the acquisition date. This investment is therefore accounted for on a cost basis. Under International Financial Reporting Standards, the subsidiary should have been consolidated because it is controlled by the company. Had XYZ been consolidated, many elements in the accompanying financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

¹⁸ In the case of footnote 17, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

¹⁹ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the consolidated financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 17, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the consolidated financial statements do not present fairly (or *do not give a true and fair view of*) the financial position of ABC Company and its subsidiaries as at December 31, 20X1, and (*of*) their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 3:

Circumstances include the following:

- **Audit of a complete set of general purpose financial statements prepared by management of the entity in accordance with International Financial Reporting Standards.**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.**
- **The auditor was unable to obtain sufficient appropriate audit evidence regarding an investment in a foreign affiliate. The possible effects of the inability to obtain sufficient appropriate audit evidence are deemed to be material but not pervasive to the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Financial Statements²⁰

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s²¹ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,²² and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on

²⁰ The sub-title “Report on the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

²¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

²² Where management’s responsibility is to prepare financial statements that give a true and fair view, this may read: “Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ...”

Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation²³ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.²⁴ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

ABC Company's investment in XYZ Company, a foreign associate acquired during the year and accounted for by the equity method, is carried at xxx on the balance sheet as at December 31, 20X1, and ABC's share of XYZ's net income of xxx is included in ABC's income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC's investment in XYZ as at December 31, 20X1 and ABC's share of XYZ's net income for the year because we were denied access to the financial information, management, and the auditors of XYZ. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material

²³ In the case of footnote 22, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

²⁴ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 22, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

respects, (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 4:

Circumstances include the following:

- **Audit of a complete set of general purpose financial statements prepared by management of the entity in accordance with International Financial Reporting Standards.**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.**
- **The auditor was unable to obtain sufficient appropriate audit evidence about a single element of the financial statements. That is, the auditor was also unable to obtain audit evidence about the financial information of a joint venture investment that represents over 90% of the company’s net assets. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be both material and pervasive to the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Financial Statements²⁵

We were engaged to audit the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s²⁶ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,²⁷ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

²⁵ The sub-title “Report on the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

²⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

²⁷ Where management’s responsibility is to prepare financial statements that give a true and fair view, this may read: “Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ...”

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The company's investment in its joint venture XYZ (Country X) Company is carried at xxx on the company's balance sheet, which represents over 90% of the company's net assets as at December 31, 20X1. We were not allowed access to the management and the auditors of XYZ, including XYZ's auditors' audit documentation. As a result, we were unable to determine whether any adjustments were necessary in respect of the company's proportional share of XYZ's assets that it controls jointly, its proportional share of XYZ's liabilities for which it is jointly responsible, its proportional share of XYZ's income and expenses for the year, and the elements making up the statement of changes in equity and cash flow statement.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 5:

Circumstances include the following:

- **Audit of a complete set of general purpose financial statements prepared by management of the entity in accordance with International Financial Reporting Standards.**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.**
- **The auditor was unable to obtain sufficient appropriate audit evidence about multiple elements of the financial statements. That is, the auditor was unable to obtain audit evidence about the entity's inventories and accounts receivable. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be both material and pervasive to the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements²⁸

We were engaged to audit the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's²⁹ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,³⁰ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

²⁸ The sub-title "Report on the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

²⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

³⁰ Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ..."

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were not appointed as auditors of the company until after December 31, 20X1 and thus did not observe the counting of physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at December 31, 20X0 and 20X1 which are stated in the balance sheet at xxx and xxx, respectively. In addition, the introduction of a new computerized accounts receivable system in September 20X1 resulted in numerous errors in accounts receivable. As of the date of our audit report, management was still in the process of rectifying the system deficiencies and correcting the errors. We were unable to confirm or verify by alternative means accounts receivable included in the balance sheet at a total amount of xxx as at December 31, 20X1. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and accounts receivable, and the elements making up the income statement, statement of changes in equity and cash flow statement.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

ISSAI 1706

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información, visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

Párrafos de énfasis y párrafos sobre otros asuntos en el informe del auditor independiente

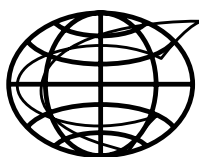
COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 706, “Párrafos de énfasis y párrafos sobre otros asuntos en el informe del auditor independiente”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1706

NOTA DE PRÁCTICA PARA LA NIA 706	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	
Párrafos de énfasis en el informe del auditor	P3–P4
Párrafos sobre otros asuntos en el informe del auditor	P5–P6
Comunicación con los encargados de la gobernanza	P7–P8
NORMA INTERNACIONAL DE AUDITORÍA 706	
Introducción	
Alcance de la NIA	1–2
Fecha de entrada en vigor	3
Objetivo	4
Definiciones	5
Exigencias	
Párrafos de énfasis en el informe del auditor	6–7
Párrafos sobre otros asuntos en el informe del auditor	8
Comunicación con los encargados de la gobernanza	9
Disposiciones de aplicación y otras disposiciones explicativas	
Párrafos de énfasis en el informe del auditor	A1–A4
Párrafos sobre otros asuntos en el informe del auditor	A5–A11
Comunicación con los encargados de la gobernanza	A12
Apéndice 1: Lista de NIA que contienen exigencias para los párrafos de énfasis	
Apéndice 2: Lista de NIA que contienen exigencias para los párrafos sobre otros asuntos	
Apéndice 3: Ejemplo de informe del auditor con un párrafo de énfasis	

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 706

Párrafos de énfasis y párrafos sobre otros asuntos en el informe del auditor independiente

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 706, “Párrafos de énfasis y párrafos sobre otros asuntos en el informe del auditor independiente”, y debe leerse conjuntamente con ella. La NIA 706 entra en vigor para las auditorías de estados financieros correspondientes a períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 706 trata de las comunicaciones adicionales en el informe de auditoría cuando el auditor considera necesario:

- a) Llamar la atención de los usuarios sobre asuntos presentados o revelados en los estados financieros de importancia fundamental para ayudarles a comprender dichos estados financieros.
- b) Llamar la atención de los usuarios sobre asuntos distintos a los presentados o revelados en los estados financieros de utilidad para ayudarles a comprender la auditoría y las obligaciones o el informe del auditor.

Los apéndices 1 y 2 identifican las NIA que exigen expresamente al auditor incluir en su informe párrafo de énfasis y párrafos sobre otros asuntos. En esos casos, se aplicarán los requisitos contenidos en esta NIA sobre la forma que han de adoptar dichos párrafos y su colocación.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Párrafos de énfasis en el informe del auditor.
 - b) Párrafos sobre otros asuntos en el informe de auditoría.
 - c) Comunicación con los encargados de la gobernanza.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las Directrices de auditoría financiera de la INTOSAI.”

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 706 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

Orientaciones adicionales sobre cuestiones ligadas al sector público

Párrafos de énfasis en el informe del auditor

- P3. En el sector público los mandatos o las expectativas en relación con la auditoría pueden ampliar el número de circunstancias pertinentes para su inclusión por los auditores del sector público en un párrafo de énfasis. A continuación se enumeran otros ejemplos de circunstancias, además de los expuestos en el párrafo A1 de la NIA, que puede ser pertinente incluir para su adecuada presentación en los estados financieros:
- Actuaciones legislativas en relación con programas o con el presupuesto.
 - Leyes, reglamentos o directivas contradictorios con repercusiones significativas en la entidad.
 - Fraude, abusos o pérdidas.
 - Operaciones importantes.
 - Insuficiencias significativas del control interno.
 - Prácticas comerciales cuestionables.
 - Operaciones realizadas sin la debida atención al principio de economía.
 - Actualizaciones de periodos anteriores.
 - Falta de sostenibilidad fiscal.
 - Consecuencias para el medio ambiente.
 - Cuestiones ligadas a la responsabilidad social de la entidad.
 - Cuestiones deontológicas (comportamiento esperado de los funcionarios públicos).
 - Empleo ineficaz y antieconómico de los bienes públicos.
- P4. Los auditores del sector público pueden también decidir incluir un párrafo de énfasis por una falta de conformidad con las normas que ha sido convenientemente registrada o revelada en los estados financieros, como puede ser el uso indebido de fondos. Ahora bien ese tipo de párrafo de énfasis ligado a una posible falta de conformidad sólo será pertinente si no existe la obligación de emitir una opinión separada sobre el cumplimiento de las normas.

Párrafos sobre otros asuntos en el informe del auditor

- P5. Los ejemplos citados en el párrafo P3 pueden aplicarse a los párrafos sobre otros asuntos, según se expone en el párrafo 8 de la NIA, cuando esa información no se revele en los estados financieros.
- P6. Es posible que la restricción de la distribución o del uso del informe de auditoría, contemplada en el párrafo A9 de la NIA no constituya una opción en el sector público. El párrafo P12 de la ISSAI 1800² ofrece orientaciones suplementarias sobre dicha restricción.

2 ISSAI 1800, "Consideraciones específicas sobre Auditorías de estados financieros elaborados de acuerdo con un marco con finalidades especiales."

Comunicación con los encargados de la gobernanza

- P7. El párrafo 9 de la NIA requiere que el auditor se ponga en comunicación con los encargados de la gobernanza si tiene previsto incluir en su informe un párrafo de énfasis o un párrafo sobre otros asuntos. Los auditores del sector público pueden tener la obligación o tomar la decisión de dirigirse no sólo a los encargados de la gobernanza sino también a otras partes interesadas, como el poder legislativo.
- P8. Al remitirse al párrafo A12 de la NIA, puede que los auditores del sector público deban dirigirse a los encargados de la gobernanza para todas las cuestiones incluidas en un párrafo sobre otros asuntos, incluso cuando tengan carácter recurrente, y decidan comunicar estas cuestiones recurrentes a otras partes interesadas como el poder legislativo.

International Standard on Auditing

**Emphasis of Matter
Paragraphs and Other Matter
Paragraphs in the
Independent Auditor's Report**



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

This International Standard on Auditing (ISA) 706, “Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 706

EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR’S REPORT

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1–2
Effective Date	3
Objective	4
Definitions	5
Requirements	
Emphasis of Matter Paragraphs in the Auditor’s Report	6–7
Other Matter Paragraphs in the Auditor’s Report	8
Communication with Those Charged with Governance	9
Application and Other Explanatory Material	
Emphasis of Matter Paragraphs in the Auditor’s Report	A1–A4
Other Matter Paragraphs in the Auditor’s Report	A5–A11
Communication with Those Charged with Governance	A12
Appendix 1: List of ISAs Containing Requirements for Emphasis of Matter Paragraphs	
Appendix 2: List of ISAs Containing Requirements for Other Matter Paragraphs	
Appendix 3: Illustration of an Auditor’s Report that Includes an Emphasis of Matter Paragraph	

International Standard on Auditing (ISA) 706, “Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with additional communication in the auditor's report when the auditor considers it necessary to:
 - (a) Draw users' attention to a matter or matters presented or disclosed in the financial statements that are of such importance that they are fundamental to users' understanding of the financial statements; or
 - (b) Draw users' attention to any matter or matters other than those presented or disclosed in the financial statements that are relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.
2. Appendices 1 and 2 identify ISAs that contain specific requirements for the auditor to include Emphasis of Matter paragraphs or Other Matter paragraphs in the auditor's report. In those circumstances, the requirements in this ISA regarding the form and placement of such paragraphs apply.

Effective Date

3. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

4. The objective of the auditor, having formed an opinion on the financial statements, is to draw users' attention, when in the auditor's judgment it is necessary to do so, by way of clear additional communication in the auditor's report, to:
 - (a) A matter, although appropriately presented or disclosed in the financial statements, that is of such importance that it is fundamental to users' understanding of the financial statements; or
 - (b) As appropriate, any other matter that is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

Definitions

5. For the purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Emphasis of Matter paragraph – A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment,

is of such importance that it is fundamental to users' understanding of the financial statements.

- (b) Other Matter paragraph – A paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

Requirements

Emphasis of Matter Paragraphs in the Auditor's Report

- 6. If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the auditor shall include an Emphasis of Matter paragraph in the auditor's report provided the auditor has obtained sufficient appropriate audit evidence that the matter is not materially misstated in the financial statements. Such a paragraph shall refer only to information presented or disclosed in the financial statements. (Ref: Para. A1-A2)
- 7. When the auditor includes an Emphasis of Matter paragraph in the auditor's report, the auditor shall:
 - (a) Include it immediately after the Opinion paragraph in the auditor's report;
 - (b) Use the heading "Emphasis of Matter," or other appropriate heading;
 - (c) Include in the paragraph a clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the financial statements; and
 - (d) Indicate that the auditor's opinion is not modified in respect of the matter emphasized. (Ref: Para. A3-A4)

Other Matter Paragraphs in the Auditor's Report

- 8. If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report and this is not prohibited by law or regulation, the auditor shall do so in a paragraph in the auditor's report, with the heading "Other Matter," or other appropriate heading. The auditor shall include this paragraph immediately after the Opinion paragraph and any Emphasis of Matter paragraph, or elsewhere in the auditor's report

if the content of the Other Matter paragraph is relevant to the Other Reporting Responsibilities section. (Ref: Para. A5-A11)

Communication with Those Charged with Governance

9. If the auditor expects to include an Emphasis of Matter or an Other Matter paragraph in the auditor's report, the auditor shall communicate with those charged with governance regarding this expectation and the proposed wording of this paragraph. (Ref: Para. A12)

Application and Other Explanatory Material

Emphasis of Matter Paragraphs in the Auditor's Report

Circumstances in Which an Emphasis of Matter Paragraph May Be Necessary (Ref: Para. 6)

- A1. Examples of circumstances where the auditor may consider it necessary to include an Emphasis of Matter paragraph are:
 - An uncertainty relating to the future outcome of exceptional litigation or regulatory action.
 - Early application (where permitted) of a new accounting standard (for example, a new International Financial Reporting Standard) that has a pervasive effect on the financial statements in advance of its effective date.
 - A major catastrophe that has had, or continues to have, a significant effect on the entity's financial position.
- A2. A widespread use of Emphasis of Matter paragraphs diminishes the effectiveness of the auditor's communication of such matters. Additionally, to include more information in an Emphasis of Matter paragraph than is presented or disclosed in the financial statements may imply that the matter has not been appropriately presented or disclosed; accordingly, paragraph 6 limits the use of an Emphasis of Matter paragraph to matters presented or disclosed in the financial statements.

Including an Emphasis of Matter Paragraph in the Auditor's Report (Ref: Para. 7)

- A3. The inclusion of an Emphasis of Matter paragraph in the auditor's report does not affect the auditor's opinion. An Emphasis of Matter paragraph is not a substitute for either:

- (a) The auditor expressing a qualified opinion or an adverse opinion, or disclaiming an opinion, when required by the circumstances of a specific audit engagement (see ISA 705¹); or
 - (b) Disclosures in the financial statements that the applicable financial reporting framework requires management to make.
- A4. The illustrative report in Appendix 3 includes an Emphasis of Matter paragraph in an auditor's report that contains a qualified opinion.

Other Matter Paragraphs in the Auditor's Report (Ref: Para. 8)

Circumstances in Which an Other Matter Paragraph May Be Necessary

Relevant to Users' Understanding of the Audit

- A5. In the rare circumstance where the auditor is unable to withdraw from an engagement even though the possible effect of an inability to obtain sufficient appropriate audit evidence due to a limitation on the scope of the audit imposed by management is pervasive,² the auditor may consider it necessary to include an Other Matter paragraph in the auditor's report to explain why it is not possible for the auditor to withdraw from the engagement.

Relevant to Users' Understanding of the Auditor's Responsibilities or the Auditor's Report

- A6. Law, regulation or generally accepted practice in a jurisdiction may require or permit the auditor to elaborate on matters that provide further explanation of the auditor's responsibilities in the audit of the financial statements or of the auditor's report thereon. Where relevant, one or more sub-headings may be used that describe the content of the Other Matter paragraph.
- A7. An Other Matter paragraph does not deal with circumstances where the auditor has other reporting responsibilities that are in addition to the auditor's responsibility under the ISAs to report on the financial statements (see "Other Reporting Responsibilities" section in ISA 700³), or where the auditor has been asked to perform and report on additional specified procedures, or to express an opinion on specific matters.

Reporting on more than one set of financial statements

- A8. An entity may prepare one set of financial statements in accordance with a general purpose framework (for example, the national framework) and another set of financial statements in accordance with another general

¹ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

² See paragraph 13(b)(ii) of ISA 705 for a discussion of this circumstance.

³ ISA 700, "Forming an Opinion and Reporting on Financial Statements," paragraphs 38-39.

purpose framework (for example, International Financial Reporting Standards), and engage the auditor to report on both sets of financial statements. If the auditor has determined that the frameworks are acceptable in the respective circumstances, the auditor may include an Other Matter paragraph in the auditor's report, referring to the fact that another set of financial statements has been prepared by the same entity in accordance with another general purpose framework and that the auditor has issued a report on those financial statements.

Restriction on distribution or use of the auditor's report

- A9. Financial statements prepared for a specific purpose may be prepared in accordance with a general purpose framework because the intended users have determined that such general purpose financial statements meet their financial information needs. Since the auditor's report is intended for specific users, the auditor may consider it necessary in the circumstances to include an Other Matter paragraph, stating that the auditor's report is intended solely for the intended users, and should not be distributed to or used by other parties.

Including an Other Matter Paragraph in the Auditor's Report

- A10. The content of an Other Matter paragraph reflects clearly that such other matter is not required to be presented and disclosed in the financial statements. An Other Matter paragraph does not include information that the auditor is prohibited from providing by law, regulation or other professional standards, for example, ethical standards relating to confidentiality of information. An Other Matter paragraph also does not include information that is required to be provided by management.
- A11. The placement of an Other Matter paragraph depends on the nature of the information to be communicated. When an Other Matter paragraph is included to draw users' attention to a matter relevant to their understanding of the audit of the financial statements, the paragraph is included immediately after the Opinion paragraph and any Emphasis of Matter paragraph. When an Other Matter paragraph is included to draw users' attention to a matter relating to Other Reporting Responsibilities addressed in the auditor's report, the paragraph may be included in the section subtitled "Report on Other Legal and Regulatory Requirements." Alternatively, when relevant to all the auditor's responsibilities or users' understanding of the auditor's report, the Other Matter paragraph may be included as a separate section following the Report on the Financial Statements and the Report on Other Legal and Regulatory Requirements.

Communication with Those Charged with Governance (Ref. Para. 9)

- A12. Such communication enables those charged with governance to be made aware of the nature of any specific matters that the auditor intends to highlight in the auditor's report, and provides them with an opportunity to obtain further clarification from the auditor where necessary. Where the inclusion of an Other Matter paragraph on a particular matter in the auditor's report recurs on each successive engagement, the auditor may determine that it is unnecessary to repeat the communication on each engagement.

Appendix 1

(Ref: Para. 2)

List of ISAs Containing Requirements for Emphasis of Matter Paragraphs

This appendix identifies paragraphs in other ISAs in effect for audits of financial statements for periods beginning on or after December 15, 2009, that require the auditor to include an Emphasis of Matter paragraph in the auditor's report in certain circumstances. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISA 210, "Agreeing the Terms of Audit Engagements" – paragraph 19(b)
- ISA 560, "Subsequent Events" – paragraphs 12(b) and 16
- ISA 570, "Going Concern" – paragraph 19
- ISA 800, "Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks" – paragraph 14

Appendix 2

(Ref: Para. 2)

List of ISAs Containing Requirements for Other Matter Paragraphs

This appendix identifies paragraphs in other ISAs in effect for audits of financial statements for periods beginning on or after December 15, 2009, that require the auditor to include an Other Matter paragraph in the auditor's report in certain circumstances. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISA 560, "Subsequent Events" – paragraphs 12(b) and 16
- ISA 710, "Comparative Information—Corresponding Figures and Comparative Financial Statements" – paragraphs 13-14, 16-17 and 19
- ISA 720, "The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements" – paragraph 10(a)

Appendix 3

(Ref: Para. A4)

Illustration of an Auditor's Report that Includes an Emphasis of Matter Paragraph

Circumstances include the following:

- **Audit of a complete set of general purpose financial statements prepared by management of the entity in accordance with International Financial Reporting Standards.**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.¹**
- **There is uncertainty relating to a pending exceptional litigation matter.**
- **A departure from the applicable financial reporting framework resulted in a qualified opinion.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements²

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's³ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,⁴ and for such internal control as management determines is necessary to enable the

¹ ISA 210, "Agreeing the Terms of Audit Engagements."

² The subtitle "Report on the Financial Statements" is unnecessary in circumstances when the second subtitle "Report on Other Legal and Regulatory Requirements" is not applicable.

³ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁴ Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ..."

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation⁵ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.⁶ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The company's short-term marketable securities are carried in the balance sheet at xxx. Management has not marked these securities to market but has instead stated them at cost, which constitutes a departure from International Financial Reporting Standards. The company's records indicate that had management marked the marketable securities to market, the company would have recognized an unrealized loss of xxx in the income statement for the year. The carrying amount of the securities in the balance sheet would have been reduced by the same amount at

⁵ In the case of footnote 7, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

⁶ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 7, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

December 31, 20X1, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note X to the financial statements which describes the uncertainty⁷ related to the outcome of the lawsuit filed against the company by XYZ Company. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

⁷ In highlighting the uncertainty, the auditor uses the same terminology that is used in the note to the financial statements.

ISSAI 1710

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información, visite www.issai.org.

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Directriz de auditoría financiera

*Información comparativa:
cifras correspondientes y estados
financieros comparativos*

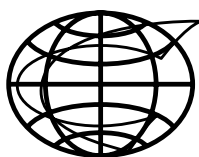
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 710, “Información comparativa: cifras correspondientes y estados financieros comparativos”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1710

NOTA DE PRÁCTICA PARA LA NIA 505	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica.....	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	
Alcance de la NIA.....	P3
Presentación de la información de auditoría	P4–P5
NORMA INTERNACIONAL DE AUDITORÍA 710	
Introducción	
Alcance de la NIA.....	1
Naturaleza de la información comparativa.....	2–3
Fecha de entrada en vigor	4
Objetivos	5
Definiciones.....	6
Exigencias	
Procedimientos de auditoría	7–9
Presentación de la información de auditoría	10–19
Disposiciones de aplicación y otras disposiciones explicativas	
Procedimientos de auditoría	A1
Presentación de la información de auditoría	A2–A11
Apéndice: Ejemplos de informes de auditoría	

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 710

Información comparativa: cifras correspondientes y estados financieros comparativos

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 710, “Información comparativa”, y debe leerse conjuntamente con ella. La NIA 710 entra en vigor para las auditorías de estados financieros correspondientes a períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 710 aborda las obligaciones del auditor en relación con la información comparativa en una auditoría de estados financieros. Cuando los estados financieros del ejercicio anterior hayan sido sometidos a revisión por otro auditor o no hayan sido auditados en absoluto, se aplicarán además las exigencias y orientaciones contenidas en la NIA 510² en relación con los saldos de apertura.

Naturaleza de la información comparativa

La naturaleza de la información comparativa que se presenta en los estados financieros de una entidad depende de las exigencias contempladas en el marco de información financiera aplicable. Hay dos enfoques distintos de carácter general en torno a las obligaciones de comunicación por el auditor de dicha información comparativa: cifras correspondientes y estados financieros comparativos. El enfoque que debe adoptarse se establece con frecuencia en leyes y regulaciones, pero también puede especificarse en el contrato de auditoría.

Las diferencias esenciales entre los dos enfoques respecto de la comunicación de información de auditoría son las siguientes:

- a) Para las cifras correspondientes, la opinión de auditoría sobre los estados financieros se refiere al ejercicio actual.
- b) Para los estados financieros comparativos, la opinión de auditoría se refiere a cada ejercicio por el que se presentan los estados financieros.

La NIA 710 expone separadamente las obligaciones de comunicación del auditor para cada enfoque.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las Directrices de auditoría financiera de la INTOSAI.”

² NIA 510, “Encargos iniciales de auditoría: saldos de apertura.”

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Alcance de la NIA.
 - b) Presentación de la información de auditoría.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 710 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

Orientaciones adicionales sobre cuestiones ligadas al sector público

Alcance de la NIA

- P3. Según se señala en el párrafo 2 de la NIA, el enfoque que ha de adoptarse respecto de las obligaciones de comunicación de información comparativa suele establecerse en leyes y regulaciones, por lo que los auditores del sector público deberán tener presente el contenido del mandato de auditoría y no sólo los términos del contrato.

Presentación de la información de auditoría

- P4. Es menos probable por lo general que las situaciones descritas en los párrafos 13, 17 y 18 de la NIA tengan lugar en el sector público dado que el cometido de auditar los estados financieros puede estar atribuido a la Entidad Fiscalizadora Superior (EFS) en virtud de su mandato. Las situaciones en las que puede aplicarse el concepto del auditor anterior son las de nacionalización y privatización. Este concepto no se aplica cuando los auditores del sector público contratan con terceros la ejecución de una auditoría de estados financieros, pero la responsabilidad de la auditoría sigue recayendo en la EFS. Es menos probable todavía que tengan lugar las situaciones descritas en los párrafos 14 y 19 de la NIA, es decir que no se haya auditado el período anterior.
- P5. Si las cifras correspondientes son objeto de modificación, como se expone en el párrafo A3 de la NIA, el auditor no está obligado a hacer referencia a ellas en su informe, pero puede resultar conveniente incluir un párrafo sobre otros asuntos con arreglo a la NIA 706³.

3 NIA 706, "Párrafos de énfasis y párrafos sobre otros asuntos en el informe del auditor independiente."

International Standard on Auditing

**Comparative Information—
Corresponding Figures and
Comparative Financial
Statements**



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
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This International Standard on Auditing (ISA) 710, “Comparative Information—Corresponding Figures and Comparative Financial Statements” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

This publication may be downloaded free of charge from the IFAC website: <http://www.ifac.org>. The approved text is published in the English language.

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INTERNATIONAL STANDARD ON AUDITING 710

COMPARATIVE INFORMATION— CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

Introduction

Scope of this ISA	1
The Nature of Comparative Information	2-3
Effective Date	4

Objectives	5

Definitions	6

Requirements

Audit Procedures	7-9
Audit Reporting	10-19

Application and Other Explanatory Material

Audit Procedures	A1
Audit Reporting	A2-A11

Appendix: Illustrations of Auditors' Reports

International Standard on Auditing (ISA) 710, “Comparative Information—Corresponding Figures and Comparative Financial Statements” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to comparative information in an audit of financial statements. When the financial statements of the prior period have been audited by a predecessor auditor or were not audited, the requirements and guidance in ISA 510¹ regarding opening balances also apply.

The Nature of Comparative Information

2. The nature of the comparative information that is presented in an entity's financial statements depends on the requirements of the applicable financial reporting framework. There are two different broad approaches to the auditor's reporting responsibilities in respect of such comparative information: corresponding figures and comparative financial statements. The approach to be adopted is often specified by law or regulation but may also be specified in the terms of engagement.
3. The essential audit reporting differences between the approaches are:
 - (a) For corresponding figures, the auditor's opinion on the financial statements refers to the current period only; whereas
 - (b) For comparative financial statements, the auditor's opinion refers to each period for which financial statements are presented.

This ISA addresses separately the auditor's reporting requirements for each approach.

Effective Date

4. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objectives

5. The objectives of the auditor are:
 - (a) To obtain sufficient appropriate audit evidence about whether the comparative information included in the financial statements has been presented, in all material respects, in accordance with the requirements for comparative information in the applicable financial reporting framework; and
 - (b) To report in accordance with the auditor's reporting responsibilities.

¹ ISA 510, "Initial Audit Engagements—Opening Balances."

Definitions

6. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Comparative information – The amounts and disclosures included in the financial statements in respect of one or more prior periods in accordance with the applicable financial reporting framework.
 - (b) Corresponding figures – Comparative information where amounts and other disclosures for the prior period are included as an integral part of the current period financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as “current period figures”). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures.
 - (c) Comparative financial statements – Comparative information where amounts and other disclosures for the prior period are included for comparison with the financial statements of the current period but, if audited, are referred to in the auditor’s opinion. The level of information included in those comparative financial statements is comparable with that of the financial statements of the current period.

For purposes of this ISA, references to “prior period” should be read as “prior periods” when the comparative information includes amounts and disclosures for more than one period.

Requirements

Audit Procedures

7. The auditor shall determine whether the financial statements include the comparative information required by the applicable financial reporting framework and whether such information is appropriately classified. For this purpose, the auditor shall evaluate whether:
 - (a) The comparative information agrees with the amounts and other disclosures presented in the prior period or, when appropriate, have been restated; and
 - (b) The accounting policies reflected in the comparative information are consistent with those applied in the current period or, if there have been changes in accounting policies, whether those changes have been properly accounted for and adequately presented and disclosed.
8. If the auditor becomes aware of a possible material misstatement in the comparative information while performing the current period audit, the auditor shall perform such additional audit procedures as are necessary in the circumstances to obtain sufficient appropriate audit evidence to

determine whether a material misstatement exists. If the auditor had audited the prior period's financial statements, the auditor shall also follow the relevant requirements of ISA 560.² If the prior period financial statements are amended, the auditor shall determine that the comparative information agrees with the amended financial statements.

9. As required by ISA 580,³ the auditor shall request written representations for all periods referred to in the auditor's opinion. The auditor shall also obtain a specific written representation regarding any restatement made to correct a material misstatement in prior period financial statements that affect the comparative information. (Ref: Para. A1)

Audit Reporting

Corresponding Figures

10. When corresponding figures are presented, the auditor's opinion shall not refer to the corresponding figures except in the circumstances described in paragraphs 11, 12, and 14. (Ref: Para. A2)
11. If the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved, the auditor shall modify the auditor's opinion on the current period's financial statements. In the Basis for Modification paragraph in the auditor's report, the auditor shall either:
 - (a) Refer to both the current period's figures and the corresponding figures in the description of the matter giving rise to the modification when the effects or possible effects of the matter on the current period's figures are material; or
 - (b) In other cases, explain that the audit opinion has been modified because of the effects or possible effects of the unresolved matter on the comparability of the current period's figures and the corresponding figures. (Ref: Para. A3-A5)
12. If the auditor obtains audit evidence that a material misstatement exists in the prior period financial statements on which an unmodified opinion has been previously issued, and the corresponding figures have not been properly restated or appropriate disclosures have not been made, the auditor shall express a qualified opinion or an adverse opinion in the auditor's report on the current period financial statements, modified with respect to the corresponding figures included therein. (Ref: Para. A6)

² ISA 560, "Subsequent Events," paragraphs 14-17.

³ ISA 580, "Written Representations," paragraph 14.

Prior Period Financial Statements Audited by a Predecessor Auditor

13. If the financial statements of the prior period were audited by a predecessor auditor and the auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and decides to do so, the auditor shall state in an Other Matter paragraph in the auditor's report:
 - (a) That the financial statements of the prior period were audited by the predecessor auditor;
 - (b) The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
 - (c) The date of that report. (Ref: Para. A7)

Prior Period Financial Statements Not Audited

14. If the prior period financial statements were not audited, the auditor shall state in an Other Matter paragraph in the auditor's report that the corresponding figures are unaudited. Such a statement does not, however, relieve the auditor of the requirement to obtain sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements.⁴

Comparative Financial Statements

15. When comparative financial statements are presented, the auditor's opinion shall refer to each period for which financial statements are presented and on which an audit opinion is expressed. (Ref: Para. A8-A9)
16. When reporting on prior period financial statements in connection with the current period's audit, if the auditor's opinion on such prior period financial statements differs from the opinion the auditor previously expressed, the auditor shall disclose the substantive reasons for the different opinion in an Other Matter paragraph in accordance with ISA 706.⁵ (Ref: Para. A10)

Prior Period Financial Statements Audited by a Predecessor Auditor

17. If the financial statements of the prior period were audited by a predecessor auditor, in addition to expressing an opinion on the current period's financial statements, the auditor shall state in an Other Matter paragraph:
 - (a) that the financial statements of the prior period were audited by a predecessor auditor;

⁴ ISA 510, paragraph 6.

⁵ ISA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report," paragraph 8.

(b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and

(c) the date of that report,

unless the predecessor auditor's report on the prior period's financial statements is reissued with the financial statements.

18. If the auditor concludes that a material misstatement exists that affects the prior period financial statements on which the predecessor auditor had previously reported without modification, the auditor shall communicate the misstatement with the appropriate level of management and, unless all of those charged with governance are involved in managing the entity,⁶ those charged with governance and request that the predecessor auditor be informed. If the prior period financial statements are amended, and the predecessor auditor agrees to issue a new auditor's report on the amended financial statements of the prior period, the auditor shall report only on the current period. (Ref: Para. A11)

Prior Period Financial Statements Not Audited

19. If the prior period financial statements were not audited, the auditor shall state in an Other Matter paragraph that the comparative financial statements are unaudited. Such a statement does not, however, relieve the auditor of the requirement to obtain sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements.⁷

Application and Other Explanatory Material

Audit Procedures

Written Representations (Ref: Para. 9)

- A1. In the case of comparative financial statements, the written representations are requested for all periods referred to in the auditor's opinion because management needs to reaffirm that the written representations it previously made with respect to the prior period remain appropriate. In the case of corresponding figures, the written representations are requested for the financial statements of the current period only because the auditor's opinion is on those financial statements, which include the corresponding figures. However, the auditor requests a specific written representation regarding

⁶ ISA 260, "Communication with Those Charged with Governance," paragraph 13.

⁷ ISA 510, paragraph 6.

any restatement made to correct a material misstatement in the prior period financial statements that affect the comparative information.

Audit Reporting

Corresponding Figures

No Reference in Auditor's Opinion (Ref: Para. 10)

- A2. The auditor's opinion does not refer to the corresponding figures because the auditor's opinion is on the current period financial statements as a whole, including the corresponding figures.

Modification in Auditor's Report on the Prior Period Unresolved (Ref: Para. 11)

- A3. When the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modified opinion is resolved and properly accounted for or disclosed in the financial statements in accordance with the applicable financial reporting framework, the auditor's opinion on the current period need not refer to the previous modification.
- A4. When the auditor's opinion on the prior period, as previously expressed, was modified, the unresolved matter that gave rise to the modification may not be relevant to the current period figures. Nevertheless, a qualified opinion, a disclaimer of opinion, or an adverse opinion (as applicable) may be required on the current period's financial statements because of the effects or possible effects of the unresolved matter on the comparability of the current and corresponding figures.
- A5. Illustrative examples of the auditor's report if the auditor's report on the prior period included a modified opinion and the matter giving rise to the modification is unresolved are contained in Illustrations 1 and 2 of the Appendix.

Misstatement in Prior Period Financial Statements (Ref: Para. 12)

- A6. When the prior period financial statements that are misstated have not been amended and an auditor's report has not been reissued, but the corresponding figures have been properly restated or appropriate disclosures have been made in the current period financial statements, the auditor's report may include an Emphasis of Matter paragraph describing the circumstances and referring to, where relevant, disclosures that fully describe the matter that can be found in the financial statements (see ISA 706).

Prior Period Financial Statements Audited by a Predecessor Auditor (Ref: Para. 13)

- A7. An illustrative example of the auditor's report if the prior period financial statements were audited by a predecessor auditor and the auditor is not

prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures is contained in Illustration 3 of the Appendix.

Comparative Financial Statements

Reference in Auditor's Opinion (Ref: Para. 15)

- A8. Because the auditor's report on comparative financial statements applies to the financial statements for each of the periods presented, the auditor may express a qualified opinion or an adverse opinion, disclaim an opinion, or include an Emphasis of Matter paragraph with respect to one or more periods, while expressing a different auditor's opinion on the financial statements of the other period.
- A9. An illustrative example of the auditor's report if the auditor is required to report on both the current and the prior period financial statements in connection with the current year's audit and the prior period included a modified opinion and the matter giving rise to the modification is unresolved, is contained in Illustration 4 of the Appendix.

Opinion on Prior Period Financial Statements Different from Previous Opinion (Ref: Para. 16)

- A10. When reporting on the prior period financial statements in connection with the current period's audit, the opinion expressed on the prior period financial statements may be different from the opinion previously expressed if the auditor becomes aware of circumstances or events that materially affect the financial statements of a prior period during the course of the audit of the current period. In some jurisdictions, the auditor may have additional reporting responsibilities designed to prevent future reliance on the auditor's previously issued report on the prior period financial statements.

Prior Period Financial Statements Audited by a Predecessor Auditor (Ref: Para. 18)

- A11. The predecessor auditor may be unable or unwilling to reissue the auditor's report on the prior period financial statements. An Other Matter paragraph of the auditor's report may indicate that the predecessor auditor reported on the financial statements of the prior period before amendment. In addition, if the auditor is engaged to audit and obtains sufficient appropriate audit evidence to be satisfied as to the appropriateness of the amendment, the auditor's report may also include the following paragraph:

As part of our audit of the 20X2 financial statements, we also audited the adjustments described in Note X that were applied to amend the 20X1 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 20X1 financial statements of the company other than with respect to

the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 20X1 financial statements taken as a whole.

Appendix

Illustrations of Auditors' Reports

Illustration 1 – Corresponding Figures (Ref: Para. A5)

Report illustrative of the circumstances described in paragraph 11(a), as follows:

- **The auditor's report on the prior period, as previously issued, included a qualified opinion.**
- **The matter giving rise to the modification is unresolved.**
- **The effects or possible effects of the matter on the current period's figures are material and require a modification to the auditor's opinion regarding the current period figures.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements⁸

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's⁹ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,¹⁰ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on

⁸ The sub-title "Report on the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹⁰ Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ..."

Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation¹¹ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹² An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from International Financial Reporting Standards. This is the result of a decision taken by management at the start of the preceding financial year and caused us to qualify our audit opinion on the financial statements relating to that year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by xxx in 20X1 and xxx in 20X0, property, plant and equipment should be reduced by accumulated depreciation of xxx in 20X1 and xxx in 20X0, and the accumulated loss should be increased by xxx in 20X1 and xxx in 20X0.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company as

¹¹ In the case of footnote 10, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

¹² In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 10, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

at December 31, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 2 – Corresponding Figures (Ref: Para. A5)

Report illustrative of the circumstances described in paragraph 11(b), as follows:

- **The auditor’s report on the prior period, as previously issued, included a qualified opinion.**
- **The matter giving rise to the modification is unresolved.**
- **The effects or possible effects of the matter on the current period’s figures are immaterial but require a modification to the auditor’s opinion because of the effects or possible effects of the unresolved matter on the comparability of the current period’s figures and the corresponding figures.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Financial Statements¹³

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s¹⁴ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,¹⁵ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

¹³ The sub-title “Report on the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

¹⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹⁵ Where management’s responsibility is to prepare financial statements that give a true and fair view, this may read: “Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ...”

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation¹⁶ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹⁷ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Because we were appointed auditors of ABC Company during 20X0, we were not able to observe the counting of the physical inventories at the beginning of that period or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for 20X0. Our audit opinion on the financial statements for the period ended December 31, 20X0 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified Opinion

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

¹⁶ In the case of footnote 15, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

¹⁷ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 15, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 3 – Corresponding Figures (Ref: Para. A7)

Report illustrative of the circumstances described in paragraph 13, as follows:

- **The prior period’s financial statements were audited by a predecessor auditor.**
- **The auditor is not prohibited by law or regulation from referring to the predecessor auditor’s report on the corresponding figures and decides to do so.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Financial Statements¹⁸

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s¹⁹ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,²⁰ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

¹⁸ The sub-title “Report on the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

¹⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

²⁰ Where management’s responsibility is to prepare financial statements that give a true and fair view, this may read: “Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ...”

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation²¹ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.²² An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of ABC Company for the year ended December 31, 20X0, were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 20X1.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

²¹ In the case of footnote 20, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

²² In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 20, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

Illustration 4 – Comparative Financial Statements (Ref: Para. A9)

Report illustrative of the circumstances described in paragraph 15, as follows:

- **Auditor is required to report on both the current period financial statements and the prior period financial statements in connection with the current year’s audit.**
- **The auditor’s report on the prior period, as previously issued, included a qualified opinion.**
- **The matter giving rise to the modification is unresolved.**
- **The effects or possible effects of the matter on the current period’s figures are material to both the current period financial statements and prior period financial statements and require a modification to the auditor’s opinion.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Financial Statements²³

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheets as at December 31, 20X1 and 20X0, and the income statements, statements of changes in equity and cash flow statements for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management’s²⁴ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,²⁵ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan

²³ The sub-title “Report on the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

²⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

²⁵ Where management’s responsibility is to prepare financial statements that give a true and fair view, this may read: “Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ...”

and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation²⁶ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.²⁷ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from International Financial Reporting Standards. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by xxx in 20X1 and xxx in 20X0, property, plant and equipment should be reduced by accumulated depreciation of xxx in 20X1 and xxx in 20X0, and the accumulated loss should be increased by xxx in 20X1 and xxx in 20X0.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1 and 20X0 and (of) its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

²⁶ In the case of footnote 25, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

²⁷ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 25, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

ISSAI 1720

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información, visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

La responsabilidad del auditor en relación con otra información en documentos que contienen estados financieros auditados

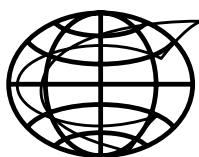
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 720, “La responsabilidad del auditor en relación con otra información en documentos que contienen estados financieros auditados”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1720

NOTA DE PRÁCTICA PARA LA NIA 720	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	P3
Definición de otra información	P4
Discrepancias significativas	P5
Información con errores materiales respecto de los hechos	P6
NORMA INTERNACIONAL DE AUDITORÍA 720	
Introducción	
Alcance de la NIA	1–2
Fecha de entrada en vigor	3
Objetivo	4
Definiciones	5
Exigencias	
Lectura de otra información	6–7
Discrepancias significativas	8–13
Información con errores materiales respecto de los hechos	14–16
Disposiciones de aplicación y otras disposiciones explicativas	
Alcance de la NIA	A1–A2
Definición de otra información	A3–A4
Lectura de otra información	A5
Discrepancias significativas	A6–A9
Información con errores materiales respecto de los hechos	A10–A11

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 720

La responsabilidad del auditor en relación con otra información en documentos que contienen estados financieros auditados

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 720, *La responsabilidad del auditor en relación con otra información en documentos que contienen estados financieros auditados*, y debe leerse conjuntamente con ella. La NIA 720 entra en vigor para las auditorías de estados financieros correspondientes a períodos que comiencen a partir del 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 720 aborda la responsabilidad del auditor en relación con otra información que figure en documentos de estados financieros auditados y su comunicación. En ausencia de una exigencia concreta motivada por circunstancias especiales del encargo de auditoría, la opinión de auditoría no abarcará otra información y el auditor no tiene expresamente que pronunciarse sobre si esa otra información está presentada de forma idónea o no. No obstante, el auditor la examinará porque si contradice de forma significativa los estados financieros, la credibilidad de estos puede verse afectada.

En la NIA 720 la expresión *documentos que contienen estados financieros auditados* se refiere a los informes anuales (o documentos similares), destinados a propietarios (o personas con similar interés), que incluyen estados financieros auditados y la opinión de auditoría sobre ellos. La NIA puede también aplicarse, y adaptarse en función de las circunstancias si es necesario, a otros documentos que incluyan estados financieros auditados, como los utilizados en las ofertas de acciones.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Definición de otra información.
 - b) Discrepancias significativas.
 - c) Información con errores materiales respecto de los hechos.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 "Introducción general a las Directrices de auditoría financiera" de la INTOSAI."

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 720 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

Orientaciones adicionales sobre cuestiones ligadas al sector público

- P3. La NIA 720 contiene disposiciones de aplicación y otras disposiciones explicativas con consideraciones específicas a las entidades del sector público en el párrafo A7.

Definición de otra información

- P4. El párrafo A3 de la NIA ofrece ejemplos de otra información en documentos que contienen estados financieros auditados. Otros ejemplos propios del sector público pueden ser manifestaciones sobre control interno o información sobre resultados como los siguientes:
- Cotejo de resultados con la información financiera.
 - Calidad de los servicios.
 - Volumen de trabajo.
 - Objetivos de eficiencia y otros instrumentos de medición.

Discrepancias significativas

- P5. El párrafo 13 de la NIA exige al auditor manifestar a los encargados de la gobernanza su preocupación cuando la dirección de la entidad se niega a que se realice una revisión necesaria de otra información. Los auditores del sector público pueden tener la obligación o tomar la decisión de comunicar no sólo con los encargados de la gobernanza sino con otras partes interesadas como el poder legislativo.

Información con errores materiales respecto de los hechos

- P6. El párrafo 16 de la NIA exige al auditor manifestar a los encargados de la gobernanza su preocupación cuando ha señalado a la dirección de la entidad la existencia de errores materiales respecto a los hechos que aquélla se niega a corregir. Los auditores del sector público pueden tener la obligación o tomar la decisión de comunicar no sólo con los encargados de la gobernanza sino con otras partes interesadas como el poder legislativo.

International Standard on Auditing

**The Auditor's
Responsibilities Relating to
Other Information in
Documents Containing
Audited Financial Statements**



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

This International Standard on Auditing (ISA) 720, “The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 720

THE AUDITOR’S RESPONSIBILITIES RELATING TO OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1-2
Effective Date	3
Objective	4
Definitions	5
Requirements	
Reading Other Information	6-7
Material Inconsistencies	8-13
Material Misstatements of Fact	14-16
Application and Other Explanatory Material	
Scope of this ISA	A1-A2
Definition of Other Information	A3-A4
Reading Other Information	A5
Material Inconsistencies	A6-A9
Material Misstatements of Fact	A10-A11

International Standard on Auditing (ISA) 720, “The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to other information in documents containing audited financial statements and the auditor's report thereon. In the absence of any separate requirement in the particular circumstances of the engagement, the auditor's opinion does not cover other information and the auditor has no specific responsibility for determining whether or not other information is properly stated. However, the auditor reads the other information because the credibility of the audited financial statements may be undermined by material inconsistencies between the audited financial statements and other information. (Ref: Para. A1)
2. In this ISA "documents containing audited financial statements" refers to annual reports (or similar documents), that are issued to owners (or similar stakeholders), containing audited financial statements and the auditor's report thereon. This ISA may also be applied, adapted as necessary in the circumstances, to other documents containing audited financial statements, such as those used in securities offerings.¹ (Ref: Para. A2)

Effective Date

3. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

4. The objective of the auditor is to respond appropriately when documents containing audited financial statements and the auditor's report thereon include other information that could undermine the credibility of those financial statements and the auditor's report.

Definitions

5. For purposes of the ISAs the following terms have the meanings attributed below:
 - (a) Other information – Financial and non-financial information (other than the financial statements and the auditor's report thereon) which is included, either by law, regulation or custom, in a document containing audited financial statements and the auditor's report thereon. (Ref: Para. A3-A4)
 - (b) Inconsistency – Other information that contradicts information contained in the audited financial statements. A material inconsistency

¹ See ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph 2.

may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for the auditor's opinion on the financial statements.

- (c) Misstatement of fact – Other information that is unrelated to matters appearing in the audited financial statements that is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the document containing audited financial statements.

Requirements

Reading Other Information

- 6. The auditor shall read the other information to identify material inconsistencies, if any, with the audited financial statements.
- 7. The auditor shall make appropriate arrangements with management or those charged with governance to obtain the other information prior to the date of the auditor's report. If it is not possible to obtain all the other information prior to the date of the auditor's report, the auditor shall read such other information as soon as practicable. (Ref: Para. A5)

Material Inconsistencies

- 8. If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall determine whether the audited financial statements or the other information needs to be revised.

Material Inconsistencies Identified in Other Information Obtained Prior to the Date of the Auditor's Report

- 9. If revision of the audited financial statements is necessary and management refuses to make the revision, the auditor shall modify the opinion in the auditor's report in accordance with ISA 705.²
- 10. If revision of the other information is necessary and management refuses to make the revision, the auditor shall communicate this matter to those charged with governance, unless all of those charged with governance are involved in managing the entity;³ and
 - (a) Include in the auditor's report an Other Matter(s) paragraph describing the material inconsistency in accordance with ISA 706;⁴ or

² ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

³ ISA 260, "Communication with Those Charged with Governance," paragraph 13.

⁴ ISA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report," paragraph 8.

- (b) Withhold the auditor's report; or
- (c) Withdraw from the engagements, where withdrawal is possible under applicable law or regulation. (Ref: Para. A6-A7)

Material Inconsistencies Identified in Other Information Obtained Subsequent to the Date of the Auditor's Report

- 11. If revision of the audited financial statements is necessary, the auditor shall follow the relevant requirements in ISA 560.⁵
- 12. If revision of the other information is necessary and management agrees to make the revision, the auditor shall carry out the procedures necessary under the circumstances. (Ref: Para. A8)
- 13. If revision of the other information is necessary, but management refuses to make the revision, the auditor shall notify those charged with governance, unless all of those charged with governance are involved in managing the entity, of the auditor's concern regarding the other information and take any further appropriate action. (Ref: Para. A9)

Material Misstatements of Fact

- 14. If, on reading the other information for the purpose of identifying material inconsistencies, the auditor becomes aware of an apparent material misstatement of fact, the auditor shall discuss the matter with management. (Ref: Para. A10)
- 15. If, following such discussions, the auditor still considers that there is an apparent material misstatement of fact, the auditor shall request management to consult with a qualified third party, such as the entity's legal counsel, and the auditor shall consider the advice received.
- 16. If the auditor concludes that there is a material misstatement of fact in the other information which management refuses to correct, the auditor shall notify those charged with governance, unless all of those charged with governance are involved in managing the entity, of the auditor's concern regarding the other information and take any further appropriate action. (Ref: Para. A11)

⁵ ISA 560, "Subsequent Events," paragraphs 10-17.

Application and Other Explanatory Material

Scope of this ISA

Additional Responsibilities, through Statutory or Other Regulatory Requirements, in Relation to Other Information (Ref: Para. 1)

- A1. The auditor may have additional responsibilities, through statutory or other regulatory requirements, in relation to other information that are beyond the scope of this ISA. For example, some jurisdictions may require the auditor to apply specific procedures to certain of the other information such as required supplementary data or to express an opinion on the reliability of performance indicators described in the other information. Where there are such obligations, the auditor's additional responsibilities are determined by the nature of the engagement and by law, regulation and professional standards. If such other information is omitted or contains deficiencies, the auditor may be required by law or regulation to refer to the matter in the auditor's report.

Documents Containing Audited Financial Statements (Ref: Para. 2)

Considerations Specific to Smaller Entities

- A2. Unless required by law or regulation, smaller entities are less likely to issue documents containing audited financial statements. However, an example of such a document would be where a legal requirement exists for an accompanying report by those charged with governance. Examples of other information that may be included in a document containing the audited financial statements of a smaller entity are a detailed income statement and a management report.

Definition of Other Information (Ref: Para. 5(a))

- A3. Other information may comprise, for example:
- A report by management or those charged with governance on operations.
 - Financial summaries or highlights.
 - Employment data.
 - Planned capital expenditures.
 - Financial ratios.
 - Names of officers and directors.
 - Selected quarterly data.
- A4. For purposes of the ISAs, other information does not encompass, for example:

- A press release or a transmittal memorandum, such as a covering letter, accompanying the document containing audited financial statements and the auditor's report thereon.
- Information contained in analyst briefings.
- Information contained on the entity's website.

Reading Other Information (Ref: Para. 7)

- A5. Obtaining the other information prior to the date of the auditor's report enables the auditor to resolve possible material inconsistencies and apparent material misstatements of fact with management on a timely basis. An agreement with management as to when the other information will be available may be helpful.

Material Inconsistencies

Material Inconsistencies Identified in Other Information Obtained Prior to the Date of the Auditor's Report (Ref: Para. 10)

- A6. When management refuses to revise the other information, the auditor may base any decision on what further action to take on advice from the auditor's legal counsel.

Considerations Specific to Public Sector Entities

- A7. In the public sector, withdrawal from the engagement or withholding the auditor's report may not be options. In such cases, the auditor may issue a report to the appropriate statutory body giving details of the inconsistency.

Material Inconsistencies Identified in Other Information Obtained Subsequent to the Date of the Auditor's Report (Ref: Para. 12-13)

- A8. When management agrees to revise the other information, the auditor's procedures may include reviewing the steps taken by management to ensure that individuals in receipt of the previously issued financial statements, the auditor's report thereon, and the other information are informed of the revision.
- A9. When management refuses to make the revision of such other information that the auditor concludes is necessary, appropriate further actions by the auditor may include obtaining advice from the auditor's legal counsel.

Material Misstatements of Fact (Ref: Para. 14-16)

- A10. When discussing an apparent material misstatement of fact with management, the auditor may not be able to evaluate the validity of some disclosures included within the other information and management's responses to the auditor's inquiries, and may conclude that valid differences of judgment or opinion exist.

- A11. When the auditor concludes that there is a material misstatement of fact that management refuses to correct, appropriate further actions by the auditor may include obtaining advice from the auditor's legal counsel.

ISSAI 1800

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INTOSAI



Directriz de auditoría financiera

*Consideraciones específicas:
Auditorías de estados financieros
elaborados de acuerdo con un
marco con finalidades especiales*

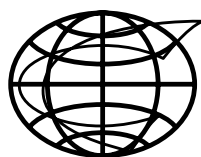
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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 800 “Consideraciones específicas. Auditorías de estados financieros elaborados de acuerdo con un marco con finalidades especiales”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1800

NOTA DE PRÁCTICA PARA LA NIA 800	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	
Consideraciones generales	P3
Definiciones de marcos de finalidad especial	P4–P6
Consideraciones al aceptar el encargo	P7
Formación de una opinión y consideraciones en materia de elaboración de informes	P8–P11
NORMA INTERNACIONAL DE AUDITORÍA 800	
Introducción	
Alcance de la NIA	1–3
Fecha de entrada en vigor	4
Objetivo	5
Definiciones	6–7
Exigencias	
Consideraciones al aceptar el encargo	8
Consideraciones al planificar y ejecutar la auditoría	9–10
Formación de una opinión y consideraciones en materia de elaboración de informes	11–14
Disposiciones de aplicación y otras disposiciones explicativas	
Definición de marco de finalidad especial	A1–A4
Consideraciones al aceptar el encargo	A5–A8
Consideraciones al planificar y ejecutar la auditoría	A9–A12
Formación de una opinión y consideraciones en materia de elaboración de informes	A13–A15
Apéndice: Ejemplos de informes de auditoría de estados financieros de finalidad especial	

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 800

Consideraciones específicas: Auditorías de estados financieros elaborados de acuerdo con un marco con finalidades especiales

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 800 “Consideraciones específicas: Auditorías de estados financieros elaborados de acuerdo con un marco con finalidades especiales”, y debe leerse conjuntamente con ella. La NIA 800 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

Las NIA de la serie 100 a 700 son aplicables a auditorías de estados financieros. La NIA 800 plantea consideraciones específicas cuando dichas NIA se aplican a una auditoría de estados financieros preparados con arreglo a un marco de finalidad especial.

La NIA 800 está escrita en el contexto de una serie completa de estados financieros preparados con arreglo a un marco de finalidad especial. La NIA 805² plantea consideraciones específicas cuando se trata de una auditoría de un único estado financiero o de un elemento, cuenta, o partida específicos de un estado financiero.

La NIA 800 no elude las exigencias de las demás NIA ni pretende tratar todas las consideraciones específicas que puedan ser pertinentes en las circunstancias del encargo.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Definiciones de marcos de finalidad especial.
 - c) Consideraciones al aceptar el encargo.
 - d) Formación de una opinión y consideraciones en materia de elaboración de informes.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI”.

² NIA 805, “Consideraciones específicas. Auditoría de un estado financiero individual o de cuentas, partidas o elementos concretos de un estado financiero”.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 800 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de estados financieros elaborados de acuerdo con un marco con finalidades especiales.

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales

- P3. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría, o las obligaciones para las entidades del sector público derivadas de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo pueden suponer objetivos adicionales, entre ellos obligaciones de auditoría o de información, cuando los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. Los encargos para informar sobre estados financieros preparados con arreglo a marcos de finalidad especial también pueden incluir este tipo de objetivos adicionales. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden esperar de los auditores del sector público que notifiquen cualquier caso de falta de conformidad con las normas que hayan detectado durante la auditoría o informen sobre la eficacia del control interno. Así pues, los auditores del sector público han de tomar en consideración estas expectativas y mantenerse atentos a cualquier extremo que pueda dar lugar a falta de conformidad con las normas o de eficacia del control interno al ejecutar auditorías de estados financieros elaborados de acuerdo con un marco con finalidades especiales.

Definiciones de marcos de finalidad especial

- P4. Como señala el subpárrafo 6 b) de la NIA, los estados financieros de finalidad especial son estados financieros preparados con arreglo a un marco concebido para satisfacer las necesidades de información de usuarios específicos.
- P5. Además de preparar los estados financieros de finalidad general, una entidad del sector público puede preparar estados financieros para terceros (como órganos reguladores, el poder legislativo u otras partes que ejerzan funciones de supervisión) que estén en condiciones de exigir unos estados a la medida de sus necesidades particulares de información. En algunos entornos, éstos son los únicos estados financieros que elabora la entidad del sector público. Sobre la base del párrafo A4 de la NIA, incluso en el caso en que dichos estados financieros sean los únicos elaborados por la entidad, se considerarán de finalidad especial. Así pues, los auditores del sector público examinarán minuciosamente si el marco de información financiera está concebido para cubrir las necesidades de información financiera de una amplia variedad de usuarios (“marco de finalidad general”) o de usuarios específicos.

- P6. El párrafo A1 de la NIA ofrece ejemplos de marcos de finalidad especial. Entre otros ejemplos pueden mencionarse las disposiciones en materia de información financiera de un mecanismo de subvención o de un programa específico del sector público.

Consideraciones al aceptar el encargo

- P7. El párrafo 8 de la NIA explica que la comprensión de las medidas adoptadas por la dirección para determinar que el marco de información financiera es aceptable en las circunstancias puede servir al auditor para determinar la admisibilidad de dicho marco con arreglo a las disposiciones de la NIA 210³. No obstante, en el sector público, el marco puede estar impuesto por la normativa. El párrafo A6 de la NIA explica que, cuando la normativa establece el marco de información financiera que ha de utilizar la dirección en la preparación de estados financieros de finalidad especial, se presumirá salvo indicación contraria, que dicho marco es aceptable.

Formación de una opinión y consideraciones en materia de elaboración de informes

- P8. El párrafo 11 de la NIA indica que el auditor debe aplicar las disposiciones de la NIA 700⁴ al formarse una opinión. En el sector público, la legislación que rige el mandato de auditoría puede precisar el formato o el contenido que han de utilizarse en el informe del auditor. Cuando los auditores del sector público redacten su informe con arreglo a tal formato o contenido, podrán indicar que la auditoría se ha llevado a cabo de conformidad con las NIA y con la legislación que rige el mandato de auditoría, siempre que el informe incluya, como mínimo, cada uno de los elementos señalados en los subpárrafos 43 a) a i) de la NIA 700⁴.
- P9. Además de informar sobre si los estados financieros de finalidad especial han sido elaborados de conformidad con el marco de información financiera aplicable, el informe del auditor puede reflejar una obligación adicional de información. En tal caso, el auditor describirá en su informe, en una sección separada, las exigencias de la legislación pertinente o del mandato de auditoría. Asimismo, los auditores del sector público utilizarán para dicha sección el formato o la formulación establecidos si la legislación pertinente o el mandato de auditoría así lo disponen.
- P10. Cuando la dirección pueda optar entre distintos marcos de información financiera, el subpárrafo 13 b) de la NIA prescribe que, en la declaración de las obligaciones de la dirección con respecto a los estados financieros de finalidad especial se extienda la referencia al marco aplicable de información financiera para incluir la obligación de determinar que dicho marco es aplicable en las circunstancias del encargo. Como se señala en el párrafo P7, es poco probable que en el sector público la dirección tenga esta opción. En cualquier caso, los auditores del sector público decidirán si extienden la declaración de las obligaciones de la dirección con respecto a los estados financieros de finalidad especial para mencionar la fuente que determina el marco de información financiera aplicado.

3 NIA 210, "Acuerdo sobre los términos del contrato de auditoría," subpárrafo 6 a).

4 NIA 700, "Formación de una opinión y elaboración del informe sobre los estados financieros."

- P11. El párrafo 14 de la NIA establece que el informe del auditor incluya un párrafo de énfasis advirtiendo a los usuarios de que los estados financieros están elaborados con arreglo a un marco de finalidad especial y que en consecuencia los estados financieros pueden no resultar adecuados para otros propósitos. El párrafo A15 de la NIA explica que el auditor también puede plantearse incluir una declaración en su informe en la que conste que éste está destinado únicamente a usuarios específicos y que, dependiendo de la normativa, esto sólo puede conseguirse restringiendo la distribución o el uso del informe. En el sector público esta opción puede no ser posible, puesto que el informe del auditor suele ser un documento público. No obstante, para evitar equívocos a los usuarios del informe, los auditores del sector público incluirán en el mismo la declaración de que los estados financieros se han elaborado con arreglo a un marco de finalidad especial.

International Standard on Auditing

**Special Considerations—
Audits of Financial
Statements Prepared in
Accordance with Special
Purpose Frameworks**



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INTERNATIONAL STANDARD ON AUDITING 800

SPECIAL CONSIDERATIONS—AUDITS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1-3
Effective Date	4
Objective	5
Definitions	6-7
Requirements	
Considerations When Accepting the Engagement	8
Considerations When Planning and Performing the Audit	9-10
Forming an Opinion and Reporting Considerations	11-14
Application and Other Explanatory Material	
Definition of Special Purpose Framework	A1-A4
Considerations When Accepting the Engagement	A5-A8
Considerations When Planning and Performing the Audit	A9-A12
Forming an Opinion and Reporting Considerations	A13-A15
Appendix: Illustrations of Auditors' Reports on Special Purpose Financial Statements	

International Standard on Auditing (ISA) 800, “Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. The International Standards on Auditing (ISAs) in the 100-700 series apply to an audit of financial statements. This ISA deals with special considerations in the application of those ISAs to an audit of financial statements prepared in accordance with a special purpose framework.
2. This ISA is written in the context of a complete set of financial statements prepared in accordance with a special purpose framework. ISA 805¹ deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement.
3. This ISA does not override the requirements of the other ISAs; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

4. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

5. The objective of the auditor, when applying ISAs in an audit of financial statements prepared in accordance with a special purpose framework, is to address appropriately the special considerations that are relevant to:
 - (a) The acceptance of the engagement;
 - (b) The planning and performance of that engagement; and
 - (c) Forming an opinion and reporting on the financial statements.

Definitions

6. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Special purpose financial statements – Financial statements prepared in accordance with a special purpose framework. (Ref: Para. A4)
 - (b) Special purpose framework – A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.² (Ref: Para. A1-A4)

¹ ISA 805, “Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement.”

² ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing,” paragraph 13(a).

7. Reference to “financial statements” in this ISA means “a complete set of special purpose financial statements, including the related notes.” The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine the form and content of the financial statements, and what constitutes a complete set of financial statements.

Requirements

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework

8. ISA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statements.³ In an audit of special purpose financial statements, the auditor shall obtain an understanding of: (Ref: Para. A5-A8)
 - (a) The purpose for which the financial statements are prepared;
 - (b) The intended users; and
 - (c) The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances.

Considerations When Planning and Performing the Audit

9. ISA 200 requires the auditor to comply with all ISAs relevant to the audit.⁴ In planning and performing an audit of special purpose financial statements, the auditor shall determine whether application of the ISAs requires special consideration in the circumstances of the engagement. (Ref: Para. A9-A12)
10. ISA 315 requires the auditor to obtain an understanding of the entity’s selection and application of accounting policies.⁵ In the case of financial statements prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that management made in the preparation of those financial statements. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial statements.

³ ISA 210, “Agreeing the Terms of Audit Engagements,” paragraph 6(a).

⁴ ISA 200, paragraph 18.

⁵ ISA 315, “Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment,” paragraph 11(c).

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on special purpose financial statements, the auditor shall apply the requirements in ISA 700.⁶ (Ref: Para. A13)

Description of the Applicable Financial Reporting Framework

12. ISA 700 requires the auditor to evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework.⁷ In the case of financial statements prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the financial statements adequately describe any significant interpretations of the contract on which the financial statements are based.
13. ISA 700 deals with the form and content of the auditor's report. In the case of an auditor's report on special purpose financial statements:
 - (a) The auditor's report shall also describe the purpose for which the financial statements are prepared and, if necessary, the intended users, or refer to a note in the special purpose financial statements that contains that information; and
 - (b) If management has a choice of financial reporting frameworks in the preparation of such financial statements, the explanation of management's⁸ responsibility for the financial statements shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

Alerting Readers that the Financial Statements Are Prepared in Accordance with a Special Purpose Framework

14. The auditor's report on special purpose financial statements shall include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose. The auditor shall include this paragraph under an appropriate heading. (Ref: Para. A14-A15)

⁶ ISA 700, "Forming an Opinion and Reporting on Financial Statements."

⁷ ISA 700, paragraph 15.

⁸ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Application and Other Explanatory Material

Definition of Special Purpose Framework (Ref: Para. 6)

- A1. Examples of special purpose frameworks are:
- A tax basis of accounting for a set of financial statements that accompany an entity's tax return;
 - The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors;
 - The financial reporting provisions established by a regulator to meet the requirements of that regulator; or
 - The financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.
- A2. There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorized or recognized standards setting organization or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires financial statements to be prepared in accordance with most, but not all, of the Financial Reporting Standards of Jurisdiction X. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial statements to imply full compliance with the financial reporting framework established by the authorized or recognized standards setting organization or by law or regulation. In the above example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make any reference to the Financial Reporting Standards of Jurisdiction X.
- A3. In the circumstances described in paragraph A2, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorized or recognized standards setting organization or by law or regulation that are necessary to achieve fair presentation of the financial statements.
- A4. Financial statements prepared in accordance with a special purpose framework may be the only financial statements an entity prepares. In such circumstances, those financial statements may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial statements in those circumstances, the financial statements are still considered to be special purpose financial

statements for purposes of the ISAs. The requirements in paragraphs 13-14 are designed to avoid misunderstandings about the purpose for which the financial statements are prepared.

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A5. In the case of special purpose financial statements, the financial information needs of the intended users are a key factor in determining the acceptability of the financial reporting framework applied in the preparation of the financial statements.
- A6. The applicable financial reporting framework may encompass the financial reporting standards established by an organization that is authorized or recognized to promulgate standards for special purpose financial statements. In that case, those standards will be presumed acceptable for that purpose if the organization follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in the preparation of special purpose financial statements for a certain type of entity. For example, a regulator may establish financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for special purpose financial statements prepared by such entity.
- A7. Where the financial reporting standards referred to in paragraph A6 are supplemented by legislative or regulatory requirements, ISA 210 requires the auditor to determine whether any conflicts between the financial reporting standards and the additional requirements exist, and prescribes actions to be taken by the auditor if such conflicts exist.⁹
- A8. The applicable financial reporting framework may encompass the financial reporting provisions of a contract, or sources other than those described in paragraphs A6 and A7. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of ISA 210. In the case of a special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional judgment. For example, for purposes of establishing the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable

⁹ ISA 210, paragraph 18.

are appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework.

Considerations When Planning and Performing the Audit (Ref: Para. 9)

- A9. ISA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements, and (b) all ISAs relevant to the audit. It also requires the auditor to comply with each requirement of an ISA unless, in the circumstances of the audit, the entire ISA is not relevant or the requirement is not relevant because it is conditional and the condition does not exist. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA by performing alternative audit procedures to achieve the aim of that requirement.¹⁰
- A10. Application of some of the requirements of the ISAs in an audit of special purpose financial statements may require special consideration by the auditor. For example, in ISA 320, judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group.¹¹ In the case of an audit of special purpose financial statements, however, those judgments are based on a consideration of the financial information needs of the intended users.
- A11. In the case of special purpose financial statements, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. The existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with ISA 320 for purposes of planning and performing the audit of the special purpose financial statements.
- A12. Communication with those charged with governance in accordance with ISAs is based on the relationship between those charged with governance and the financial statements subject to audit, in particular, whether those charged with governance are responsible for overseeing the preparation of those financial statements. In the case of special purpose financial statements, those charged with governance may not have such a responsibility; for example, when the financial information is prepared solely for management's use. In such cases, the requirements of ISA 260¹² may not be relevant to the audit of the special purpose financial statements, except when the auditor is also responsible for the audit of the entity's general purpose financial statements or, for example,

¹⁰ ISA 200, paragraphs 14, 18 and 22-23.

¹¹ ISA 320, "Materiality in Planning and Performing an Audit," paragraph 2.

¹² ISA 260, "Communication with Those Charged with Governance."

has agreed with those charged with governance of the entity to communicate to them relevant matters identified during the audit of the special purpose financial statements.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A13. The Appendix to this ISA contains illustrations of auditors' reports on special purpose financial statements.

Alerting Readers that the Financial Statements Are Prepared in Accordance with a Special Purpose Framework (Ref: Para. 14)

- A14. The special purpose financial statements may be used for purposes other than those for which they were intended. For example, a regulator may require certain entities to place the special purpose financial statements on public record. To avoid misunderstandings, the auditor alerts users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose.

Restriction on Distribution or Use (Ref: Para. 14)

- A15. In addition to the alert required by paragraph 14, the auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the auditor's report. In these circumstances, the paragraph referred to in paragraph 14 may be expanded to include these other matters, and the heading modified accordingly.

Appendix

(Ref: Para. A13)

Illustrations of Auditors' Reports on Special Purpose Financial Statements

- Illustration 1: An auditor's report on a complete set of financial statements prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).
- Illustration 2: An auditor's report on a complete set of financial statements prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).
- Illustration 3: An auditor's report on a complete set of financial statements prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

Illustration 1:

Circumstances include the following:

- **The financial statements have been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework) to comply with the provisions of that contract. Management does not have a choice of financial reporting frameworks.**
- **The applicable financial reporting framework is a compliance framework.**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.**
- **Distribution and use of the auditor's report are restricted.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of ABC Company based on the financial reporting provisions of Section Z of the contract dated January 1, 20X1 between ABC Company and DEF Company ("the contract").

Management's¹³ Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of Section Z of the contract, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

¹³ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of ABC Company for the year ended December 31, 20X1 are prepared, in all material respects, in accordance with the financial reporting provisions of Section Z of the contract.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC Company to comply with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ABC Company and DEF Company and should not be distributed to or used by parties other than ABC Company or DEF Company.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 2:

Circumstances include the following:

- **The financial statements have been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist the partners in preparing their individual income tax returns. Management does not have a choice of financial reporting frameworks.**
- **The applicable financial reporting framework is a compliance framework.**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.**
- **Distribution of the auditor's report is restricted.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Partnership, which comprise the balance sheet as at December 31, 20X1 and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management using the tax basis of accounting in Jurisdiction X.

Management's¹⁴ Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the tax basis of accounting in Jurisdiction X, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

¹⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the partnership's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of ABC Partnership for the year ended December 31, 20X1 are prepared, in all material respects, in accordance with [describe the applicable income tax law] of Jurisdiction X.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the partners of ABC Partnership in preparing their individual income tax returns. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ABC Partnership and its partners and should not be distributed to parties other than ABC Partnership or its partners.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 3:

Circumstances include the following:

- **The financial statements have been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator (that is, a special purpose framework) to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.**
- **The applicable financial reporting framework is a fair presentation framework.**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.**
- **Distribution or use of the auditor's report is not restricted.**
- **The Other Matter paragraph refers to the fact that the auditor has also issued an auditor's report on financial statements prepared by ABC Company for the same period in accordance with a general purpose framework.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of Section Y of Regulation Z.

Management's¹⁵ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section Y of Regulation Z,¹⁶ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

¹⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹⁶ Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting provisions of section Y of Regulation Z, and for such ..."

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation¹⁷ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹⁸ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with the financial reporting provisions of Section Y of Regulation Z.

Basis of Accounting

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC Company to meet the requirements of Regulator DEF. As a result, the financial statements may not be suitable for another purpose.

¹⁷ In the case of footnote 16, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

¹⁸ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 16, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

Other Matter

ABC Company has prepared a separate set of financial statements for the year ended December 31, 20X1 in accordance with International Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of ABC Company dated March 31, 20X2.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

ISSAI 1805

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

*Consideraciones específicas.
Auditoría de un estado
financiero individual o de
cuentas, partidas o elementos
concretos de un estado
financiero*

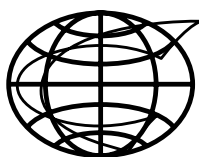
COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 805 “Consideraciones específicas. Auditoría de un estado financiero individual o de cuentas, partidas o elementos concretos de un estado financiero”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1805

NOTA DE PRÁCTICA PARA LA NIA 805

Párrafo

Fundamentos

Introducción a la NIA

Contenido de la Nota de Práctica P1

Aplicabilidad de la NIA en la auditoría del sector público P2

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales P2

Consideraciones al aceptar el encargo P3–P6

Formación de una opinión y consideraciones en materia de elaboración de informes P7–P9

NORMA INTERNACIONAL DE AUDITORÍA 805

Introducción

Alcance de la NIA 1–3

Fecha de entrada en vigor 4

Objetivo 5

Definiciones 6

Exigencias

Consideraciones al aceptar el encargo 7–9

Consideraciones al planificar y ejecutar la auditoría 10

Formación de una opinión y consideraciones en materia de elaboración de informes 11–17

Disposiciones de aplicación y otras disposiciones explicativas

Alcance de la NIA A1–A4

Consideraciones al aceptar el encargo A5–A9

Consideraciones al planificar y ejecutar la auditoría A10–A14

Formación de una opinión y consideraciones en materia de elaboración de informes A15–A18

Apéndice 1: Ejemplos de cuentas, partidas o elementos concretos de un estado financiero

Apéndice 2: Ejemplos de informes de auditores sobre un estado financiero individual o un elemento concreto de un estado financiero

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 805

Consideraciones específicas. Auditoría de un estado financiero individual o de cuentas, partidas o elementos concretos de un estado financiero

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 805 “Consideraciones específicas. Auditoría de un estado financiero individual o de cuentas, partidas o elementos concretos de un estado financiero”, y debe leerse conjuntamente con ella. La NIA 805 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. En el caso de auditorías de estados financieros individuales o de cuentas, partidas o elementos concretos preparados en una fecha específica, la NIA 805 entra en vigor para las auditorías de este tipo de información preparada a 14 de diciembre de 2010 o posteriormente. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

Las NIA de la serie 100 a 700 son aplicables a auditorías de estados financieros y deben adaptarse en función de las circunstancias cuando se aplican a auditorías de otra información financiera histórica. La NIA 805 plantea consideraciones específicas cuando dichas NIA se aplican a una auditoría de un único estado financiero o de una cuenta, partida o elemento concretos que pueden estar preparados con arreglo a un marco de finalidad general o bien a un marco de finalidad especial. En este último caso también es aplicable a la auditoría la NIA 800². La NIA 805 no se aplica al informe del auditor de un componente, emitido como resultado del trabajo realizado sobre la información financiera de dicho componente a petición de un equipo auditor en el contexto de una auditoría de estados financieros correspondientes a un grupo (véase la NIA 600³). La NIA 805 no elude las exigencias de las otras NIA ni pretende tratar todas las consideraciones específicas que puedan ser pertinentes en las circunstancias del encargo.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI”.

² NIA 800, “Consideraciones específicas: Auditorías de estados financieros elaborados de acuerdo con un marco con finalidades especiales.”

³ NIA 600, “Consideraciones específicas - Auditorías de estados financieros correspondientes a un grupo (incluido el trabajo de los auditores de los componentes).”

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Consideraciones generales.
 - b) Consideraciones al aceptar el encargo.
 - c) Formación de una opinión y consideraciones en materia de elaboración de informes.

Aplicabilidad de la NIA en la auditoría del sector público

- P1. La NIA 805 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de un estado financiero individual o de cuentas, partidas o elementos concretos de un estado financiero.

Orientaciones adicionales sobre cuestiones ligadas al sector público

Consideraciones generales

- P2. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría, o las obligaciones para las entidades del sector público derivadas de leyes, reglamentos, órdenes ministeriales, exigencias de política pública o resoluciones del poder legislativo pueden suponer objetivos adicionales, entre ellos obligaciones de auditoría o de información, cuando los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. Los encargos para informar sobre un estado financiero individual o una cuenta, partida o elemento concretos de un estado financiero pueden incluir también estos objetivos adicionales. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden esperar de los auditores del sector público que notifiquen cualquier caso de falta de conformidad con las normas que hayan detectado durante la auditoría o informen sobre la eficacia del control interno. Así pues, los auditores del sector público han de tomar en consideración estas expectativas y mantenerse atentos a cualquier extremo que pueda dar lugar a falta de conformidad con las normas o de eficacia del control interno al ejecutar auditorías de un estado financiero individual o una cuenta, partida o elemento concretos de un estado financiero.

Consideraciones al aceptar el encargo

- P3. Al considerar el párrafo 7 de la NIA, los auditores del sector público pueden tener el encargo de auditar estados financieros individuales, cuentas, partidas o elementos concretos de proyectos de auditoría de financiación pública en organizaciones en las que no están encargados de auditar la serie completa de estados financieros. Las orientaciones expuestas en el párrafo A6 de la

NIA, que recomiendan discutir con la dirección si algún otro tipo de encargo no se considera practicable en una auditoría de conformidad con la NIA, no suele ser una opción para los auditores del sector público. Estos pueden verse en la necesidad de determinar y acordar este tipo de cuestiones con el poder legislativo o con quienes estén facultados para dirigir la organización de auditoría.

- P4. Una entidad del sector público puede preparar información financiera, incluidos estados financieros individuales y cuentas, partidas o elementos concretos de un estado financiero para terceros (como órganos reguladores, el poder legislativo u otras partes que ejerzan funciones de supervisión). Esta información puede estar dentro del alcance del mandato de auditoría de una organización de auditoría del sector público. En tales casos, los auditores del sector público que realicen estas auditorías tendrán muy en cuenta las orientaciones de los párrafos A5 a A9 de la NIA.
- P5. Cuando los auditores del sector público tengan el encargo de informar sobre unos estados financieros individuales o cuentas, partidas o elementos concretos de un estado financiero conjuntamente con una auditoría de los estados financieros de la entidad, determinarán si las leyes, reglamentos o el mandato de auditoría pueden prescribir una formulación de la opinión en el informe del auditor que difiera significativamente de las orientaciones proporcionadas en los párrafos A8 y A9 de la NIA. Los párrafos 18 a 21 de la NIA 210⁴ tratan de las consideraciones adicionales del auditor al aceptar el encargo.
- P6. El párrafo 6 de la NIA explica que la comprensión de las medidas adoptadas por la dirección para determinar que el marco de información financiera es aceptable en las circunstancias puede servir al auditor para determinar la admisibilidad de dicho marco. No obstante, en el sector público, el marco puede estar impuesto por la normativa.

Formación de una opinión y consideraciones en materia de elaboración de informes

- P7. En el sector público, la legislación que rige el mandato de auditoría puede precisar el formato o el contenido que han de utilizarse en el informe del auditor. Cuando los auditores del sector público redacten su informe con arreglo a tal formato o contenido, podrán indicar que la auditoría se ha llevado a cabo de conformidad con las NIA y con la legislación que rige el mandato de auditoría, siempre que el informe incluya, como mínimo, cada uno de los elementos señalados en los subpárrafos 43 a) a i) de la NIA 700⁵.
- P8. Además de informar sobre si el estado financiero individual o el elemento concreto de un estado financiero han sido elaborados de acuerdo con el marco de información financiera aplicable (o con la modalidad de opinión acordada), el informe del auditor puede reflejar una obligación adicional de información. En tal caso, el auditor describirá las exigencias de la legislación o del mandato de auditoría correspondientes.

4 NIA 210, "Acuerdo sobre los términos del contrato de auditoría."

5 NIA 700, "Formación de una opinión y elaboración del informe sobre los estados financieros."

- P9. El párrafo 14 de la NIA señala que el auditor debe plantearse modificar el informe sobre un elemento concreto de manera similar al informe sobre los estados financieros de la entidad. Los auditores del sector público también estudiarán la posibilidad de modificar el informe sobre un elemento basado en opiniones modificadas en el informe del auditor sobre los estados financieros de la entidad que se refieran a un objetivo adicional. Aun en el caso de que la opinión modificada no se refiera al elemento auditado, los auditores del sector público se plantearán hacer una referencia a tal opinión en el informe sobre el elemento concreto. Entre los factores que pueden afectar la consideración que realice el auditor del sector público se encuentran las exigencias de la legislación o del mandato de auditoría correspondientes, otras disposiciones específicas del encargo, y el hecho de que la omisión de tal referencia en el informe del auditor sobre el elemento concreto pueda conducir a equívocos.

International Standard on Auditing

**Special Considerations—
Audits of Single Financial
Statements and Specific
Elements, Accounts or Items
of a Financial Statement**



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
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This International Standard on Auditing (ISA) 805, “Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 805

SPECIAL CONSIDERATIONS—AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

(Effective for audits for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1-3
Effective Date	4
Objective	5
Definitions	6
Requirements	
Considerations When Accepting the Engagement	7-9
Considerations When Planning and Performing the Audit	10
Forming an Opinion and Reporting Considerations	11-17
Application and Other Explanatory Material	
Scope of this ISA	A1-A4
Considerations When Accepting the Engagement	A5-A9
Considerations When Planning and Performing the Audit	A10-A14
Forming an Opinion and Reporting Considerations	A15-A18
Appendix 1: Examples of Specific Elements, Accounts or Items of a Financial Statement	
Appendix 2: Illustrations of Auditors' Reports on a Single Financial Statement and on a Specific Element of a Financial Statement	

International Standard on Auditing (ISA) 805, “Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

1. The International Standards on Auditing (ISAs) in the 100-700 series apply to an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This ISA deals with special considerations in the application of those ISAs to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, ISA 800¹ also applies to the audit. (Ref: Para. A1-A4)
2. This ISA does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of group financial statements (see ISA 600²).
3. This ISA does not override the requirements of the other ISAs; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

4. This ISA is effective for audits of single financial statements or of specific elements, accounts or items for periods beginning on or after December 15, 2009. In the case of audits of single financial statements or of specific elements, accounts or items of a financial statement prepared as at a specific date, this ISA is effective for audits of such information prepared as at a date on or after December 14, 2010.

Objective

5. The objective of the auditor, when applying ISAs in an audit of a single financial statement or of a specific element, account or item of a financial statement, is to address appropriately the special considerations that are relevant to:
 - (a) The acceptance of the engagement;
 - (b) The planning and performance of that engagement; and
 - (c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.

¹ ISA 800, “Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks.”

² ISA 600, “Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors).”

Definitions

6. For purposes of this ISA, reference to:
 - (a) “Element of a financial statement” or “element” means an “element, account or item of a financial statement;”
 - (b) “International Financial Reporting Standards” means the International Financial Reporting Standards issued by the International Accounting Standards Board; and
 - (c) A single financial statement or to a specific element of a financial statement includes the related notes. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information relevant to the financial statement or to the element.

Requirements

Considerations When Accepting the Engagement

Application of ISAs

7. ISA 200 requires the auditor to comply with all ISAs relevant to the audit.³ In the case of an audit of a single financial statement or of a specific element of a financial statement, this requirement applies irrespective of whether the auditor is also engaged to audit the entity’s complete set of financial statements. If the auditor is not also engaged to audit the entity’s complete set of financial statements, the auditor shall determine whether the audit of a single financial statement or of a specific element of those financial statements in accordance with ISAs is practicable. (Ref: Para. A5-A6)

Acceptability of the Financial Reporting Framework

8. ISA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statements.⁴ In the case of an audit of a single financial statement or of a specific element of a financial statement, this shall include whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element. (Ref: Para. A7)

³ ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing,” paragraph 18.

⁴ ISA 210, “Agreeing the Terms of Audit Engagements,” paragraph 6(a).

Form of Opinion

9. ISA 210 requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor.⁵ In the case of an audit of a single financial statement or of a specific element of a financial statement, the auditor shall consider whether the expected form of opinion is appropriate in the circumstances. (Ref: Para. A8-A9)

Considerations When Planning and Performing the Audit

10. ISA 200 states that ISAs are written in the context of an audit of financial statements; they are to be adapted as necessary in the circumstances when applied to audits of other historical financial information.^{6 7} In planning and performing the audit of a single financial statement or of a specific element of a financial statement, the auditor shall adapt all ISAs relevant to the audit as necessary in the circumstances of the engagement. (Ref: Para. A10-A14)

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ISA 700,⁸ adapted as necessary in the circumstances of the engagement. (Ref: Para. A15-A16)

Reporting on the Entity's Complete Set of Financial Statements and on a Single Financial Statement or on a Specific Element of Those Financial Statements

12. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's complete set of financial statements, the auditor shall express a separate opinion for each engagement.
13. An audited single financial statement or an audited specific element of a financial statement may be published together with the entity's audited complete set of financial statements. If the auditor concludes that the presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the complete set of financial statements, the auditor shall ask management to rectify the situation. Subject to paragraphs 15 and 16, the auditor shall also differentiate the opinion on the single financial statement or on the specific element of a financial statement from the opinion on the complete set of financial

⁵ ISA 210, paragraph 10(e).

⁶ ISA 200, paragraph 2.

⁷ ISA 200, paragraph 13(f), explains that the term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework.

⁸ ISA 700, "Forming an Opinion and Reporting on Financial Statements."

statements. The auditor shall not issue the auditor's report containing the opinion on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.

Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Complete Set of Financial Statements

14. If the opinion in the auditor's report on an entity's complete set of financial statements is modified, or that report includes an Emphasis of Matter paragraph or an Other Matter paragraph, the auditor shall determine the effect that this may have on the auditor's report on a single financial statement or on a specific element of those financial statements. When deemed appropriate, the auditor shall modify the opinion on the single financial statement or on the specific element of a financial statement, or include an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor's report, accordingly. (Ref: Para. A17)
15. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's complete set of financial statements as a whole, ISA 705 does not permit the auditor to include in the same auditor's report an unmodified opinion on a single financial statement that forms part of those financial statements or on a specific element that forms part of those financial statements.⁹ This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity's complete set of financial statements as a whole. (Ref: Para. A18)
16. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's complete set of financial statements as a whole but, in the context of a separate audit of a specific element that is included in those financial statements, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:
 - (a) The auditor is not prohibited by law or regulation from doing so;
 - (b) That opinion is expressed in an auditor's report that is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion; and
 - (c) The specific element does not constitute a major portion of the entity's complete set of financial statements.
17. The auditor shall not express an unmodified opinion on a single financial statement of a complete set of financial statements if the auditor has expressed an adverse opinion or disclaimed an opinion on the complete set of financial statements as a whole. This is the case even if the auditor's

⁹ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report," paragraph 15.

report on the single financial statement is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of those financial statements.

Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1)

- A1. ISA 200 defines the term “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.¹⁰
- A2. ISA 200 defines the term “financial statements” as a structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework.¹¹
- A3. ISAs are written in the context of an audit of financial statements;¹² they are to be adapted as necessary in the circumstances when applied to an audit of other historical financial information, such as a single financial statement or a specific element of a financial statement. This ISA assists in this regard. (Appendix 1 lists examples of such other historical financial information.)
- A4. A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with International Standard on Assurance Engagements (ISAE) 3000.¹³

Considerations When Accepting the Engagement

Application of ISAs (Ref: Para. 7)

- A5. ISA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements, and (b) all ISAs relevant to the audit. It also requires the auditor to comply with each requirement of an ISA

¹⁰ ISA 200, paragraph 13(g).

¹¹ ISA 200, paragraph 13(f).

¹² ISA 200, paragraph 2.

¹³ ISAE 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information.”

unless, in the circumstances of the audit, the entire ISA is not relevant or the requirement is not relevant because it is conditional and the condition does not exist. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA by performing alternative audit procedures to achieve the aim of that requirement.¹⁴

- A6. Compliance with the requirements of ISAs relevant to the audit of a single financial statement or of a specific element of a financial statement may not be practicable when the auditor is not also engaged to audit the entity's complete set of financial statements. In such cases, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's complete set of financial statements. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's complete set of financial statements. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain ISAs require audit work that may be disproportionate to the element being audited. For example, although the requirements of ISA 570¹⁵ are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with ISAs may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A7. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorized or recognized standards setting organization for the preparation of a complete set of financial statements (for example, International Financial Reporting Standards). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

¹⁴ ISA 200, paragraphs 14, 18 and 22-23.

¹⁵ ISA 570, "Going Concern."

Form of Opinion (Ref: Para. 9)

- A8. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations.¹⁶ In accordance with ISA 700:¹⁷
- (a) When expressing an unmodified opinion on a complete set of financial statements prepared in accordance with a fair presentation framework, the auditor's opinion, unless otherwise required by law or regulation, uses one of the following phrases: (i) the financial statements present fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or (ii) the financial statements give a true and fair view in accordance with [the applicable financial reporting framework]; and
 - (b) When expressing an unmodified opinion on a complete set of financial statements prepared in accordance with a compliance framework, the auditor's opinion states that the financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework].
- A9. In the case of a single financial statement or of a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or of the element. This may be the case when the applicable financial reporting framework is based on a financial reporting framework established by an authorized or recognized standards setting organization for the preparation of a complete set of financial statements (for example, International Financial Reporting Standards). The auditor therefore considers whether the expected form of opinion is appropriate in the light of the applicable financial reporting framework. Factors that may affect the auditor's consideration as to whether to use the phrases "presents fairly, in all material respects," or "gives a true and fair view" in the auditor's opinion include:
- Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a complete set of financial statements.
 - Whether the single financial statement or the specific element of a financial statement will:
 - Comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element, and the presentation of the financial statement or the element include the related notes.

¹⁶ ISA 200, paragraph 8.

¹⁷ ISA 700, paragraphs 35-36.

- If necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework.

The auditor's decision as to the expected form of opinion is a matter of professional judgment. It may be affected by whether use of the phrases "presents fairly, in all material respects," or "gives a true and fair view" in the auditor's opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework is generally accepted in the particular jurisdiction.

Considerations When Planning and Performing the Audit (Ref: Para. 10)

- A10. The relevance of each of the ISAs requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, ISAs such as ISA 240,¹⁸ ISA 550¹⁹ and ISA 570 are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern assumption under the applicable financial reporting framework.
- A11. Furthermore, ISAs are written in the context of an audit of financial statements; they are to be adapted as necessary in the circumstances when applied to the audit of a single financial statement or of a specific element of a financial statement.²⁰ For example, written representations from management about the complete set of financial statements would be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.
- A12. When auditing a single financial statement or a specific element of a financial statement in conjunction with the audit of the entity's complete set of financial statements, the auditor may be able to use audit evidence obtained as part of the audit of the entity's complete set of financial statements in the audit of the financial statement or the element. ISAs, however, require the auditor to plan and perform the audit of the financial statement or element to obtain sufficient appropriate audit evidence on which to base the opinion on the financial statement or on the element.
- A13. The individual financial statements that comprise a complete set of financial statements, and many of the elements of those financial statements, including their related notes, are interrelated. Accordingly, when auditing a single financial statement or a specific element of a financial statement, the auditor may not be able to consider the financial statement or the element in isolation. Consequently, the auditor may need to perform procedures in

¹⁸ ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements."

¹⁹ ISA 550, "Related Parties."

²⁰ ISA 200, paragraph 2.

relation to the interrelated items to meet the objective of the audit.

- A14. Furthermore, the materiality determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality determined for the entity's complete set of financial statements; this will affect the nature, timing and extent of the audit procedures and the evaluation of uncorrected misstatements.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A15. ISA 700 requires the auditor, in forming an opinion, to evaluate whether the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements.²¹ In the case of a single financial statement or of a specific element of a financial statement, it is important that the financial statement or the element, including the related notes, in view of the requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element.
- A16. Appendix 2 of this ISA contains illustrations of auditors' reports on a single financial statement and on a specific element of a financial statement.

Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Complete Set of Financial Statements (Ref: Para. 14-15)

- A17. Even when the modified opinion on the entity's complete set of financial statements, Emphasis of Matter paragraph or Other Matter paragraph does not relate to the audited financial statement or the audited element, the auditor may still deem it appropriate to refer to the modification in an Other Matter paragraph in an auditor's report on the financial statement or on the element because the auditor judges it to be relevant to the users' understanding of the audited financial statement or the audited element or the related auditor's report (see ISA 706).²²
- A18. In the auditor's report on an entity's complete set of financial statements, the expression of a disclaimer of opinion regarding the results of operations and cash flows, where relevant, and an unmodified opinion regarding the financial position is permitted since the disclaimer of opinion is being issued in respect of the results of operations and cash flows only and not in respect of the financial statements as a whole.²³

²¹ ISA 700, paragraph 13(e).

²² ISA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report," paragraph 6.

²³ ISA 510, "Initial Audit Engagements—Opening Balances," paragraph A8, and ISA 705, paragraph A16.

Appendix 1

(Ref: Para. A3)

Examples of Specific Elements, Accounts or Items of a Financial Statement

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a private pension plan, the recorded value of identified intangible assets, or the liability for “incurred but not reported” claims in an insurance portfolio, including related notes.
- A schedule of externally managed assets and income of a private pension plan, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

Appendix 2

(Ref: Para. A16)

Illustrations of Auditors' Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- Illustration 1: An auditor's report on a single financial statement prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: An auditor's report on a specific element, account or item of a financial statement prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

Illustration 1:

Circumstances include the following:

- **Audit of a balance sheet (that is, a single financial statement).**
- **The balance sheet has been prepared by management of the entity in accordance with the requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing a balance sheet.**
- **The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.**
- **The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects,” in the auditor’s opinion.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying balance sheet of ABC Company as at December 31, 20X1 and a summary of significant accounting policies and other explanatory information (together “the financial statement”).

Management’s²⁴ Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the

²⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.²⁵ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of ABC Company as at December 31, 20X1 in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

²⁵ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances."

Illustration 2:

Circumstances include the following:

- **Audit of a statement of cash receipts and disbursements (that is, a single financial statement).**
- **The financial statement has been prepared by management of the entity in accordance with the cash receipts and disbursements basis of accounting to respond to a request for cash flow information received from a creditor. Management has a choice of financial reporting frameworks.**
- **The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.²⁶**
- **The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects,” in the auditor’s opinion.**
- **Distribution or use of the auditor’s report is not restricted.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying statement of cash receipts and disbursements of ABC Company for the year ended December 31, 20X1 and a summary of significant accounting policies and other explanatory information (together “the financial statement”). The financial statement has been prepared by management using the cash receipts and disbursements basis of accounting described in Note X.

Management’s²⁷ Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

²⁶ ISA 800 contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

²⁷ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the cash receipts and disbursements of ABC Company for the year ended December 31, 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X.

Basis of Accounting

Without modifying our opinion, we draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the statement may not be suitable for another purpose.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 3:

Circumstances include the following:

- **Audit of the liability for “incurred but not reported” claims in an insurance portfolio (that is, element, account or item of a financial statement).**
- **The financial information has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.**
- **The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.²⁸**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.**
- **Distribution of the auditor’s report is restricted.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying schedule of the liability for “incurred but not reported” claims of ABC Insurance Company as at December 31, 20X1 (“the schedule”). The schedule has been prepared by management based on [describe the financial reporting provisions established by the regulator].

Management’s²⁹ Responsibility for the Schedule

Management is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulator], and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

²⁸ ISA 800 contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

²⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information in the schedule of the liability for "incurred but not reported" claims of ABC Insurance Company as at December 31, 20X1 is prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulator].

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the schedule, which describes the basis of accounting. The schedule is prepared to assist ABC Insurance Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for ABC Insurance Company and Regulator DEF and should not be distributed to parties other than ABC Insurance Company or Regulator DEF.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

ISSAI 1810

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información visite www.issai.org.

INTOSAI



Directriz de auditoría financiera

Encargos para informar sobre estados financieros resumidos

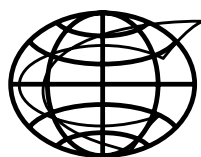
COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

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La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 810 “Encargos para informar sobre estados financieros resumidos”, formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1810

NOTA DE PRÁCTICA PARA LA NIA 810	Párrafo
Fundamentos	
Introducción a la NIA	
Contenido de la Nota de Práctica	P1
Aplicabilidad de la NIA en la auditoría del sector público	P2
Orientaciones adicionales sobre cuestiones ligadas al sector público	
Informe del auditor sobre estados financieros resumidos	P3–P5
Restricción sobre la distribución o la utilización, o advertencia a los lectores sobre los principios de la contabilidad	P6
Asociación del auditor	P7
NORMA INTERNACIONAL DE AUDITORÍA 810	
Introducción	
Alcance de la NIA	1
Fecha de entrada en vigor	2
Objetivos	3
Definiciones	4
Exigencias	
Aceptación del encargo	5–7
Naturaleza de los procedimientos	8
Modalidad de la opinión	9–11
Calendario de trabajo y hechos posteriores a la fecha del informe del auditor sobre los estados financieros auditados	12–13
Informe del auditor sobre estados financieros resumidos	14–19
Restricción sobre la distribución o la utilización, o advertencia a los lectores sobre los principios de la contabilidad	20
Datos comparativos	21–22
Información complementaria no auditada presentada con estados financieros resumidos	23
Otra información en documentos que contienen estados financieros resumidos	24
Asociación del auditor	25–26

Disposiciones de aplicación y otras disposiciones explicativas	Párrafo
Aceptación del encargo	A1–A7
Evaluación de la disponibilidad de los estados financieros auditados	A8
Forma de opinión	A9
Calendario de trabajo y hechos posteriores a la fecha del informe del auditor sobre los estados financieros auditados	A10
Informe del auditor sobre estados financieros resumidos	A11–A15
Datos comparativos	A16–A17
Información complementaria no auditada presentada con estados financieros resumidos	A18
Otra información en documentos que contienen estados financieros resumidos	A19
Asociación del auditor	A20

Apéndice: Ejemplos de informes sobre estados financieros resumidos

Nota de Práctica¹ para la Norma Internacional de Auditoría (NIA) 810

Encargos para informar sobre estados financieros resumidos

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales sobre la NIA 810 “Encargos para informar sobre estados financieros resumidos”, y debe leerse conjuntamente con ella. La NIA 810 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 810 establece las obligaciones del auditor cuando tiene el encargo de informar sobre estados financieros resumidos derivados de estados financieros auditados por el mismo auditor de conformidad con las NIA.

Contenido de la Nota de Práctica

- P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
- a) Informe del auditor sobre estados financieros resumidos.
 - b) Restricción sobre la distribución o la utilización, o advertencia a los lectores sobre los principios de la contabilidad.
 - c) Asociación del auditor.

Aplicabilidad de la NIA en la auditoría del sector público

- P2. La NIA 810 es aplicable a los auditores de entidades del sector público cuando tengan el encargo de informar sobre estados financieros resumidos.

¹ Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 “Introducción general a las directrices de auditoría financiera de la INTOSAI”.

Orientaciones adicionales sobre cuestiones ligadas al sector público

Informe del auditor sobre estados financieros resumidos

- P3. Al informar sobre los estados financieros de los que se derivan los estados financieros resumidos, los auditores del sector público pueden haber expresado una opinión adicional a la de si estos han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable. Por ejemplo, pueden haber informado de si han detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o expresado una opinión sobre la eficacia del control interno. En tales casos, además de las exigencias expuestas en el párrafo 14 de la NIA, los auditores del sector público incluirán una referencia a dicha opinión adicional en el informe sobre los estados financieros resumidos.
- P4. En el sector público, la normativa o el mandato de auditoría pueden definir elementos del informe del auditor, incluidos el formato y el contenido. En estas circunstancias, los auditores aplicarán la formulación prescrita, teniendo en cuenta el párrafo 10 de la NIA.
- P5. El párrafo 17 de la NIA también es aplicable cuando el informe del auditor del sector público sobre los estados financieros, del cual se derivan los estados financieros resumidos, contiene una opinión con reservas, un párrafo de énfasis o un párrafo sobre otros asuntos relativos a los objetivos adicionales.

Restricción sobre la distribución o la utilización, o advertencia a los lectores sobre los principios de la contabilidad

- P6. Teniendo en cuenta el párrafo 20 de la NIA, la restricción de la distribución o de la utilización de un informe de un auditor del sector público no suele ser una opción, puesto que el informe generalmente es un documento público.

Asociación del auditor

- P7. Los párrafos 25 y 26 de la NIA instan al auditor a tomar medidas para evitar que se le asocie con estados financieros resumidos sobre los cuales no ha informado. Los auditores del sector público también pueden adoptar otras medidas dependiendo de la legislación aplicable y del mandato de auditoría, que pueden incluir la transmisión de informes oficiales al poder legislativo.

International Standard on Auditing

Engagements to Report on Summary Financial Statements



**International Federation
of Accountants**

International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
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This International Standard on Auditing (ISA) 810, “Engagements to Report on Summary Financial Statements” was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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INTERNATIONAL STANDARD ON AUDITING 810

ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

(Effective for engagements for periods
beginning on or after December 15, 2009)

CONTENTS

	Paragraph
Introduction	
Scope of this ISA	1
Effective Date	2
Objectives	3
Definitions	4
Requirements	
Engagement Acceptance	5-7
Nature of Procedures	8
Form of Opinion	9-11
Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Statements	12-13
Auditor's Report on Summary Financial Statements	14-19
Restriction on Distribution or Use or Alerting Readers to the Basis of Accounting	20
Comparatives	21-22
Unaudited Supplementary Information Presented with Summary Financial Statements	23
Other Information in Documents Containing Summary Financial Statements	24
Auditor Association	25-26
Application and Other Explanatory Material	
Engagement Acceptance	A1-A7
Evaluating the Availability of the Audited Financial Statements	A8
Form of Opinion	A9

Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Statements	A10
Auditor's Report on Summary Financial Statements	A11-A15
Comparatives	A16-A17
Unaudited Supplementary Information Presented with Summary Financial Statements	A18
Other Information in Documents Containing Summary Financial Statements	A19
Auditor Association	A20
Appendix: Illustrations of Reports on Summary Financial Statements	

International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements" should be read in conjunction with ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing."

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by that same auditor.

Effective Date

2. This ISA is effective for engagements for periods beginning on or after December 15, 2009.

Objectives

3. The objectives of the auditor are:
 - (a) To determine whether it is appropriate to accept the engagement to report on summary financial statements; and
 - (b) If engaged to report on summary financial statements:
 - (i) To form an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and
 - (ii) To express clearly that opinion through a written report that also describes the basis for that opinion.

Definitions

4. For purposes of this ISA, the following terms have the meanings attributed below:
 - (a) Applied criteria – The criteria applied by management in the preparation of the summary financial statements.
 - (b) Audited financial statements – Financial statements¹ audited by the auditor in accordance with ISAs, and from which the summary financial statements are derived.
 - (c) Summary financial statements – Historical financial information that is derived from financial statements but that contains less detail than the financial statements, while still providing a structured representation consistent with that provided by the financial statements of the entity's economic resources or obligations at a point in time or the changes therein for a period of time.² Different

¹ ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph 13(f), defines the term "financial statements."

² ISA 200, paragraph 13(f).

jurisdictions may use different terminology to describe such historical financial information.

Requirements

Engagement Acceptance

5. The auditor shall accept an engagement to report on summary financial statements in accordance with this ISA only when the auditor has been engaged to conduct an audit in accordance with ISAs of the financial statements from which the summary financial statements are derived. (Ref: Para. A1)
6. Before accepting an engagement to report on summary financial statements, the auditor shall: (Ref: Para. A2)
 - (a) Determine whether the applied criteria are acceptable; (Ref: Para. A3-A7)
 - (b) Obtain the agreement of management that it acknowledges and understands its responsibility:
 - (i) For the preparation of the summary financial statements in accordance with the applied criteria;
 - (ii) To make the audited financial statements available to the intended users of the summary financial statements without undue difficulty (or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, to describe that law or regulation in the summary financial statements); and
 - (iii) To include the auditor's report on the summary financial statements in any document that contains the summary financial statements and that indicates that the auditor has reported on them.
 - (c) Agree with management the form of opinion to be expressed on the summary financial statements (see paragraphs 9-11).
7. If the auditor concludes that the applied criteria are unacceptable or is unable to obtain the agreement of management set out in paragraph 6(b), the auditor shall not accept the engagement to report on the summary financial statements, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this ISA. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this ISA. The auditor shall include appropriate reference to

this fact in the terms of the engagement. The auditor shall also determine the effect that this may have on the engagement to audit the financial statements from which the summary financial statements are derived.

Nature of Procedures

8. The auditor shall perform the following procedures, and any other procedures that the auditor may consider necessary, as the basis for the auditor's opinion on the summary financial statements:
 - (a) Evaluate whether the summary financial statements adequately disclose their summarized nature and identify the audited financial statements.
 - (b) When summary financial statements are not accompanied by the audited financial statements, evaluate whether they describe clearly:
 - (i) From whom or where the audited financial statements are available; or
 - (ii) The law or regulation that specifies that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements.
 - (c) Evaluate whether the summary financial statements adequately disclose the applied criteria.
 - (d) Compare the summary financial statements with the related information in the audited financial statements to determine whether the summary financial statements agree with or can be recalculated from the related information in the audited financial statements.
 - (e) Evaluate whether the summary financial statements are prepared in accordance with the applied criteria.
 - (f) Evaluate, in view of the purpose of the summary financial statements, whether the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
 - (g) Evaluate whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary financial statements. (Ref: Para. A8)

Form of Opinion

9. When the auditor has concluded that an unmodified opinion on the summary financial statements is appropriate, the auditor's opinion shall,

unless otherwise required by law or regulation, use one of the following phrases: (Ref: Para. A9)

- (a) The summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with [the applied criteria]; or
 - (b) The summary financial statements are a fair summary of the audited financial statements, in accordance with [the applied criteria].
10. If law or regulation prescribes the wording of the opinion on summary financial statements in terms that are different from those described in paragraph 9, the auditor shall:
- (a) Apply the procedures described in paragraph 8 and any further procedures necessary to enable the auditor to express the prescribed opinion; and
 - (b) Evaluate whether users of the summary financial statements might misunderstand the auditor's opinion on the summary financial statements and, if so, whether additional explanation in the auditor's report on the summary financial statements can mitigate possible misunderstanding.
11. If, in the case of paragraph 10(b), the auditor concludes that additional explanation in the auditor's report on the summary financial statements cannot mitigate possible misunderstanding, the auditor shall not accept the engagement, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this ISA. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this ISA.

Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Statements

12. The auditor's report on the summary financial statements may be dated later than the date of the auditor's report on the audited financial statements. In such cases, the auditor's report on the summary financial statements shall state that the summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements that may require adjustment of, or disclosure in, the audited financial statements. (Ref: Para. A10)
13. The auditor may become aware of facts that existed at the date of the auditor's report on the audited financial statements, but of which the auditor previously was unaware. In such cases, the auditor shall not issue the auditor's report on the summary financial statements until the auditor's

consideration of such facts in relation to the audited financial statements in accordance with ISA 560³ has been completed.

Auditor's Report on Summary Financial Statements

Elements of the Auditor's Report

14. The auditor's report on summary financial statements shall include the following elements:⁴ (Ref: Para. A15)
 - (a) A title clearly indicating it as the report of an independent auditor. (Ref: Para. A11)
 - (b) An addressee. (Ref: Para. A12)
 - (c) An introductory paragraph that:
 - (i) Identifies the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements; (Ref: Para. A13)
 - (ii) Identifies the audited financial statements;
 - (iii) Refers to the auditor's report on the audited financial statements, the date of that report, and, subject to paragraphs 17-18, the fact that an unmodified opinion is expressed on the audited financial statements;
 - (iv) If the date of the auditor's report on the summary financial statements is later than the date of the auditor's report on the audited financial statements, states that the summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements; and
 - (v) A statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial statements, and that reading the summary financial statements is not a substitute for reading the audited financial statements.
 - (d) A description of management's⁵ responsibility for the summary financial statements, explaining that management⁶ is responsible for

³ ISA 560, "Subsequent Events."

⁴ Paragraphs 17-18, which deal with circumstances where the auditor's report on the audited financial statements has been modified, require additional elements to those listed in this paragraph.

⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

the preparation of the summary financial statements in accordance with the applied criteria.

- (e) A statement that the auditor is responsible for expressing an opinion on the summary financial statements based on the procedures required by this ISA.
 - (f) A paragraph clearly expressing an opinion (see paragraphs 9-11).
 - (g) The auditor's signature.
 - (h) The date of the auditor's report. (Ref: Para. A14)
 - (i) The auditor's address.
15. If the addressee of the summary financial statements is not the same as the addressee of the auditor's report on the audited financial statements, the auditor shall evaluate the appropriateness of using a different addressee. (Ref: Para. A12)
16. The auditor shall date the auditor's report on the summary financial statements no earlier than: (Ref: Para. A14)
- (a) The date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion, including evidence that the summary financial statements have been prepared and those with the recognized authority have asserted that they have taken responsibility for them; and
 - (b) The date of the auditor's report on the audited financial statements.

Modifications to the Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Audited Financial Statements (Ref: Para. A15)

17. When the auditor's report on the audited financial statements contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter paragraph, but the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial statements, in accordance with the applied criteria, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 14:
- (a) State that the auditor's report on the audited financial statements contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter paragraph; and
 - (b) Describe:
 - (i) The basis for the qualified opinion on the audited financial statements, and that qualified opinion; or the Emphasis of

Matter or the Other Matter paragraph in the auditor's report on the audited financial statements; and

(ii) The effect thereof on the summary financial statements, if any.

18. When the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 14:
 - (a) State that the auditor's report on the audited financial statements contains an adverse opinion or disclaimer of opinion;
 - (b) Describe the basis for that adverse opinion or disclaimer of opinion; and
 - (c) State that, as a result of the adverse opinion or disclaimer of opinion, it is inappropriate to express an opinion on the summary financial statements.

Modified Opinion on the Summary Financial Statements

19. If the summary financial statements are not consistent, in all material respects, with or are not a fair summary of the audited financial statements, in accordance with the applied criteria, and management does not agree to make the necessary changes, the auditor shall express an adverse opinion on the summary financial statements. (Ref: Para. A15)

Restriction on Distribution or Use or Alerting Readers to the Basis of Accounting

20. When distribution or use of the auditor's report on the audited financial statements is restricted, or the auditor's report on the audited financial statements alerts readers that the audited financial statements are prepared in accordance with a special purpose framework, the auditor shall include a similar restriction or alert in the auditor's report on the summary financial statements.

Comparatives

21. If the audited financial statements contain comparatives, but the summary financial statements do not, the auditor shall determine whether such omission is reasonable in the circumstances of the engagement. The auditor shall determine the effect of an unreasonable omission on the auditor's report on the summary financial statements. (Ref: Para. A16)
22. If the summary financial statements contain comparatives that were reported on by another auditor, the auditor's report on the summary financial statements shall also contain the matters that ISA 710) requires the auditor to include in the auditor's report on the audited financial statements.⁷ (Ref: Para. A17)

⁷ ISA 710, "Comparative Information—Corresponding Figures and Comparative Financial Statements."

Unaudited Supplementary Information Presented with Summary Financial Statements

23. The auditor shall evaluate whether any unaudited supplementary information presented with the summary financial statements is clearly differentiated from the summary financial statements. If the auditor concludes that the entity's presentation of the unaudited supplementary information is not clearly differentiated from the summary financial statements, the auditor shall ask management to change the presentation of the unaudited supplementary information. If management refuses to do so, the auditor shall explain in the auditor's report on the summary financial statements that such information is not covered by that report. (Ref: Para. A18)

Other Information in Documents Containing Summary Financial Statements

24. The auditor shall read other information included in a document containing the summary financial statements and related auditor's report to identify material inconsistencies, if any, with the summary financial statements. If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall determine whether the summary financial statements or the other information needs to be revised. If, on reading the other information, the auditor becomes aware of an apparent material misstatement of fact, the auditor shall discuss the matter with management. (Ref: Para. A19)

Auditor Association

25. If the auditor becomes aware that the entity plans to state that the auditor has reported on summary financial statements in a document containing the summary financial statements, but does not plan to include the related auditor's report, the auditor shall request management to include the auditor's report in the document. If management does not do so, the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately associating the auditor with the summary financial statements in that document. (Ref: Para. A20)
26. The auditor may be engaged to report on the financial statements of an entity, while not engaged to report on the summary financial statements. If, in this case, the auditor becomes aware that the entity plans to make a statement in a document that refers to the auditor and the fact that summary financial statements are derived from the financial statements audited by the auditor, the auditor shall be satisfied that:
- (a) The reference to the auditor is made in the context of the auditor's report on the audited financial statements; and
 - (b) The statement does not give the impression that the auditor has reported on the summary financial statements.

If (a) or (b) are not met, the auditor shall request management to change the statement to meet them, or not to refer to the auditor in the document. Alternatively, the entity may engage the auditor to report on the summary financial statements and include the related auditor's report in the document. If management does not change the statement, delete the reference to the auditor, or include an auditor's report on the summary financial statements in the document containing the summary financial statements, the auditor shall advise management that the auditor disagrees with the reference to the auditor, and the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately referring to the auditor. (Ref: Para. A20)

Application and Other Explanatory Material

Engagement Acceptance (Ref: Para. 5-6)

- A1. The audit of the financial statements from which the summary financial statements are derived provides the auditor with the necessary knowledge to discharge the auditor's responsibilities in relation to the summary financial statements in accordance with this ISA. Application of this ISA will not provide sufficient appropriate evidence on which to base the opinion on the summary financial statements if the auditor has not also audited the financial statements from which the summary financial statements are derived.
- A2. Management's agreement with the matters described in paragraph 6 may be evidenced by its written acceptance of the terms of the engagement.

Criteria (Ref: Para. 6(a))

- A3. The preparation of summary financial statements requires management to determine the information that needs to be reflected in the summary financial statements so that they are consistent, in all material respects, with or represent a fair summary of the audited financial statements. Because summary financial statements by their nature contain aggregated information and limited disclosure, there is an increased risk that they may not contain the information necessary so as not to be misleading in the circumstances. This risk increases when established criteria for the preparation of summary financial statements do not exist.
- A4. Factors that may affect the auditor's determination of the acceptability of the applied criteria include:
 - The nature of the entity;
 - The purpose of the summary financial statements;

- The information needs of the intended users of the summary financial statements; and
 - Whether the applied criteria will result in summary financial statements that are not misleading in the circumstances.
- A5. The criteria for the preparation of summary financial statements may be established by an authorized or recognized standards setting organization or by law or regulation. Similar to the case of financial statements, as explained in ISA 210,⁸ in many such cases, the auditor may presume that such criteria are acceptable.
- A6. Where established criteria for the preparation of summary financial statements do not exist, criteria may be developed by management, for example, based on practice in a particular industry. Criteria that are acceptable in the circumstances will result in summary financial statements that:
- (a) Adequately disclose their summarized nature and identify the audited financial statements;
 - (b) Clearly describe from whom or where the audited financial statements are available or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, that law or regulation;
 - (c) Adequately disclose the applied criteria;
 - (d) Agree with or can be recalculated from the related information in the audited financial statements; and
 - (e) In view of the purpose of the summary financial statements, contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- A7. Adequate disclosure of the summarized nature of the summary financial statements and the identity of the audited financial statements, as referred to in paragraph A6(a), may, for example, be provided by a title such as “Summary Financial Statements Prepared from the Audited Financial Statements for the Year Ended December 31, 20X1.”

Evaluating the Availability of the Audited Financial Statements (Ref: Para. 8(g))

- A8. The auditor’s evaluation whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty is affected by factors such as whether:

⁸ ISA 210, “Agreeing the Terms of Audit Engagements,” paragraphs A3 and A8-A9.

- The summary financial statements describe clearly from whom or where the audited financial statements are available;
- The audited financial statements are on public record; or
- Management has established a process by which the intended users of the summary financial statements can obtain ready access to the audited financial statements.

Form of Opinion (Ref: Para. 9)

- A9. A conclusion, based on an evaluation of the evidence obtained by performing the procedures in paragraph 8, that an unmodified opinion on the summary financial statements is appropriate enables the auditor to express an opinion containing one of the phrases in paragraph 9. The auditor's decision as to which of the phrases to use may be affected by generally accepted practice in the particular jurisdiction.

Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Statements (Ref: Para. 12)

- A10. The procedures described in paragraph 8 are often performed during or immediately after the audit of the financial statements. When the auditor reports on the summary financial statements after the completion of the audit of the financial statements, the auditor is not required to obtain additional audit evidence on the audited financial statements, or report on the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements since the summary financial statements are derived from the audited financial statements and do not update them.

Auditor's Report on Summary Financial Statements

Elements of the Auditor's Report

Title (Ref: Para. 14(a))

- A11. A title indicating the report is the report of an independent auditor, for example, "Report of the Independent Auditor," affirms that the auditor has met all of the relevant ethical requirements regarding independence. This distinguishes the report of the independent auditor from reports issued by others.

Addressee (Ref: Para. 14(b), 15)

- A12. Factors that may affect the auditor's evaluation of the appropriateness of the addressee of the summary financial statements include the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

Introductory Paragraph (Ref: Para. 14(c)(i))

- A13. When the auditor is aware that the summary financial statements will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the summary financial statements are presented. This helps readers to identify the summary financial statements to which the auditor's report relates.

Date of the Auditor's Report (Ref: Para. 14(h), 16)

- A14. The person or persons with recognized authority to conclude that the summary financial statements have been prepared and take responsibility for them depend on the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

Illustrations (Ref: Para. 14. 17-18, 19)

- A15. The Appendix to this ISA contains illustrations of auditors' reports on summary financial statements that:
- (a) Contain unmodified opinions;
 - (b) Are derived from audited financial statements on which the auditor issued modified opinions; and
 - (c) Contain a modified opinion.

Comparatives (Ref: Para. 21-22)

- A16. If the audited financial statements contain comparatives, there is a presumption that the summary financial statements also would contain comparatives. Comparatives in the audited financial statements may be regarded as corresponding figures or as comparative financial information. ISA 710 describes how this difference affects the auditor's report on the financial statements, including, in particular, reference to other auditors who audited the financial statements for the prior period.
- A17. Circumstances that may affect the auditor's determination whether an omission of comparatives is reasonable include the nature and objective of the summary financial statements, the applied criteria, and the information needs of the intended users of the summary financial statements.

Unaudited Supplementary Information Presented with Summary Financial Statements (Ref: Para. 23)

- A18. ISA 700⁹ contains requirements and guidance to be applied when unaudited supplementary information is presented with audited financial statements that,

⁹ ISA 700, "Forming an Opinion and Reporting on Financial Statements," paragraphs 46-47.

adapted as necessary in the circumstances, may be helpful in applying the requirement in paragraph 23.

Other Information in Documents Containing Summary Financial Statements

(Ref: Para. 24)

- A19. ISA 720¹⁰ contains requirements and guidance relating to reading other information included in a document containing the audited financial statements and related auditor's report, and responding to material inconsistencies and material misstatements of fact. Adapted as necessary in the circumstances, they may be helpful in applying the requirement in paragraph 24.

Auditor Association (Ref: Para. 25-26)

- A20. Other appropriate actions the auditor may take when management does not take the requested action may include informing the intended users and other known third-party users of the inappropriate reference to the auditor. The auditor's course of action depends on the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

¹⁰ ISA 720, "The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements."

Appendix

(Ref: Para. A15)

Illustrations of Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which summary financial statements are derived.
- Illustration 2: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An unmodified opinion is expressed on the audited financial statements.
- Illustration 3: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. A qualified opinion is expressed on the audited financial statements.
- Illustration 4: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An adverse opinion is expressed on the audited financial statements.
- Illustration 5: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.

Illustration 1:

Circumstances include the following:

- **An unmodified opinion is expressed on the audited financial statements.**
- **Established criteria for the preparation of summary financial statements exist.**
- **The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which the summary financial statements are derived.**

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY
FINANCIAL STATEMENTS**

[Appropriate Addressee]

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X2. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

Management's¹¹ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are consistent,

¹¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

in all material respects, with (or *a fair summary of*) those financial statements, in accordance with [describe established criteria].

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 2:

Circumstances include the following:

- **An unmodified opinion is expressed on the audited financial statements.**
- **Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.**

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X2.¹²

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

Management's¹³ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are consistent,

¹² When the auditor's report on the summary financial statements is dated later than the date of the auditor's report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: "Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements."

¹³ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

in all material respects, with (or *a fair summary of*) those financial statements, on the basis described in Note X.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 3:

Circumstances include the following:

- **A qualified opinion is expressed on the audited financial statements.**
- **Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.**

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1.¹⁴ We expressed a qualified audit opinion on those financial statements in our report dated February 15, 20X2 (see below).

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

Management's¹⁵ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are consistent,

¹⁴ When the auditor's report on the summary financial statements is dated later than the date of the auditor's report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: "Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements."

¹⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

in all material respects, with (or *a fair summary of*) those financial statements, on the basis described in Note X. However, the summary financial statements are misstated to the equivalent extent as the audited financial statements of ABC Company for the year ended December 31, 20X1.

The misstatement of the audited financial statements is described in our qualified audit opinion in our report dated February 15, 20X2. Our qualified audit opinion is based on the fact that the company's inventories are carried in the balance sheet in those financial statements at xxx. Management has not stated the inventories at the lower of cost and net realizable value but has stated them solely at cost, which constitutes a departure from International Financial Reporting Standards. The company's records indicate that had management stated the inventories at the lower of cost and net realizable value, an amount of xxx would have been required to write the inventories down to their net realizable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively. Our qualified audit opinion states that, except for the effects of the described matter, those financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 4:**Circumstances include the following:**

- **An adverse opinion is expressed on the audited financial statements.**
- **Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.**

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1.¹⁶

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

Management's¹⁷ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Denial of Opinion

In our report dated February 15, 20X2, we expressed an adverse audit opinion on the financial statements of ABC Company for the year ended December 31, 20X1. The basis for our adverse audit opinion was [describe basis for adverse audit opinion]. Our adverse audit opinion stated that [describe adverse audit opinion].

¹⁶ When the auditor's report on the summary financial statements is dated later than the date of the auditor's report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: "Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements."

¹⁷ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Because of the significance of the matter discussed above, it is inappropriate to express an opinion on the summary financial statements of ABC Company for the year ended December 31, 20X1.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 5:

Circumstances include the following:

- **An unmodified opinion is expressed on the audited financial statements.**
- **Established criteria for the preparation of summary financial statements exist.**
- **The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.**

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X2.¹⁸

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

Management's¹⁹ Responsibility for the Summary Audited Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Basis for Adverse Opinion

[Describe matter that caused the summary financial statements not to be consistent,

¹⁸ When the auditor's report on the summary financial statements is dated later than the date of the auditor's report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: "Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements."

¹⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

in all material respects, with (or *a fair summary of*) the audited financial statements, in accordance with the applied criteria.]

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the summary financial statements referred to above are not consistent with (or *a fair summary of*) the audited financial statements of ABC Company for the year ended December 31, 20X1, in accordance with [describe established criteria].

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]