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## Description of content of ISSAI 1210

### *Agreeing the Terms of Audit Engagements*

Reading this description is not a substitute for reading the ISA or ISSAI itself.

ISSAI 1210 is comprised of International Standard on Auditing (ISA) 210 – Agreeing the Terms of Audit Engagements, and a corresponding Practice Note. The ISA and the Practice Note are read together.

### *Authority*

Public Sector auditors using the ISAs or ISSAIs as the authoritative standard shall comply with all ISAs or ISSAIs relevant to the audit. An ISA or ISSAI is relevant to the audit when the ISA or ISSAI is in effect and the circumstances addressed by the ISA or ISSAI exist. The auditor shall not represent compliance with ISAs or ISSAIs in the auditor's report unless the auditor has complied with the requirements of all ISAs or ISSAIs relevant to the audit.

### *Description of the ISA*

ISA 210 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 220<sup>1</sup> deals with those aspects of engagement acceptance that are within the control of the auditor.

### *Objective of the auditor in terms of the ISA*

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

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<sup>1</sup> ISA 220, Quality Control for an Audit of Financial Statements.

- 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.

Among other matters, the requirements in this ISA deal with:

- a. Establishing whether the preconditions of an audit are present. The preconditions of an audit are: the use of an acceptable financial reporting framework in the preparation of the financial statements and the agreement of those charged with governance to the premise on which an audit is conducted. This means that the auditor must:
  - i. Determine whether the framework is acceptable; and
  - ii. Obtain the agreement of those charged with governance that they acknowledge and understand their responsibility: (a) for the preparation of the financial statements in accordance with the financial reporting framework, (b) for such internal control as considered 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 access to all relevant information, additional information that the auditor may request and unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.
- b. Agreement on engagement terms – this must be in an audit engagement letter or other suitable form of written agreement.
- c. A client request for a change in the terms of an engagement.
- d. Situations where the financial reporting framework and/or the audit report is prescribed by law or regulation.

#### *Description of the Practice Note*

The Practice Note provides supplementary guidance for auditors applying ISA 210 when conducting financial audits of public sector entities.

#### *Content of the Practice Note*

The Practice Note provides additional guidance for public sector auditors related to:

- a. Preconditions for an audit when framework is prescribed by law and regulations and the need to consider that responsibilities of management and those charged with governance in the public sector may be broader than those responsibilities reflected in the ISA.
- b. Agreement on audit engagement terms.
- c. Acceptance of a change in the terms of the audit engagement.
- d. Appendix 1 – example of an audit engagement letter in the public sector.