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Description of content of ISSAI 1260

Communication with Those Charged with Governance

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

ISSAI 1260 is comprised of International Standard on Auditing (ISA) 260 – Communication with Those Charged with Governance, 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 260 deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. Although the 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. The 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.

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 ISA 260, are identified in

other ISAs (see Appendix 1 of the ISA). 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 ISA 260 precludes the auditor from communicating any other matters to those charged with governance.

Objective of the auditor in terms of the ISA

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.

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

- a. Determining the appropriate person(s) within the entity's governance structure with whom to communicate.
- b. The matters to be communicated (including a detailed Requirement relating to auditor independence).
- c. The communication process.
- d. Documentation.

Description of the Practice Note

The Practice Note provides supplementary guidance for auditors applying ISA 260 when conducting financial audits of public sector entities.

Content of the Practice Note

The Practice Note follows the headings of the ISA and provides additional guidance for public sector auditors related to:

- a. Overall considerations in relation to additional objectives or responsibilities concerning communication.
- b. Communication with those charged with governance.
- c. Matters to be communicated.
- d. The communication process.

¹ ISA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management.