



Date: 27 August, 2010

Ref no: 14-2008-0111

Description of content of ISSAI 1265

Communicating Deficiencies in Internal Control to Those Charged with Governance and Management

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

ISSAI 1265 is comprised of International Standard on Auditing (ISA) 265 – Communicating Deficiencies in Internal Control to Those Charged with Governance and Management, 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 265 deals with the auditor's responsibility to communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements. ISA 260¹ 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 315² and ISA 330³. ISA 260⁴ establishes further requirements and provides guidance regarding the auditor's responsibility to communicate with those charged with governance in relation to the audit.

¹ ISA 260, Communication with Those Charged with Governance.

² ISA 315, Identifying and Assessing the Risks of Material Misstatement through understanding the Entity and Its Environment, paragraphs 4 and 12.

³ ISA 330, The Auditor's Responses to Assessed Risks.

⁴ ISA 260, Communication with Those Charged with Governance.

Objective of the auditor in terms of the ISA

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.

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

- a. The need for the auditor to communicate on a timely basis:
 - i. Significant deficiencies – in writing to those charged with governance and management, unless it is inappropriate to communicate directly to management;
 - ii. Other deficiencies – to management where they are of sufficient importance to merit management's attention (may be in writing or oral).
- b. The matters to be included in the written communication.

Description of the Practice Note

The Practice Note provides supplementary guidance for auditors applying ISA 265 when conducting financial audits of public sector entities.

Content of the Practice Note

This Practice Note Provides additional guidance to Public Sector auditors related to:

- a. Requirements relating to public sector auditors' additional responsibilities to communicate deficiencies in internal control.
- b. Identifying those charged with governance in the public sector.
- c. Determination of whether deficiencies in internal control have been identified.