

## MAPPING DOCUMENT

This mapping document demonstrates how the material in Close-Off ISA 210, the Extant (Column 1 and Column 2), has been reflected in the proposed Redrafted ISA 210 (Column 3). Brief explanations of the proposed changes are provided (Column 4).

Extant Para. Ref	Extant ISA (Close-Off ISA 210)	New para. ref.	Comments on proposed deletion of highlighted material, significant edits and other notes
	<b>Introduction</b>		
1	<p>The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on:</p> <ul style="list-style-type: none"> <li>(a) Agreeing the terms of the engagement with the client; and</li> <li>(b) The auditor's response to a request by a client to change the terms of an engagement to one that provides a lower level of assurance.</li> </ul>	1	<p>Essentially retained in Redrafted ISA 210 as the scope of the ISA.</p> <p>Reference to changing the engagement to a lower level of assurance had been deleted (see explanation in covering memo to this agenda item).</p>
2	<b>The auditor and the client should agree on the terms of the engagement.</b> The agreed terms would need to be recorded in an audit engagement letter or other suitable form of contract.	5	Retained as requirement. Elevated former explanatory guidance about the need to record in writing (i.e. in the audit engagement letter or other suitable form of contract), the agreed terms, unless sufficiently specified by law or regulation.
3	This ISA is intended to assist the auditor in the preparation of engagement letters relating to audits of financial statements.	3	Deleted, though substance of the paragraph is reflected in the stated Objective of the

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			redrafted standard and the requirements and application material.
4	In some countries, the objective and scope of an audit and the auditor's obligations are established by law. Even in those situations the auditor may still find audit engagement letters informative for their clients.	A1	Essentially retained as application material.
	<b>Audit Engagement Letters</b>		
5	It is in the interest of both client and auditor that the auditor sends an engagement letter, preferably before the commencement of the engagement, to help in avoiding misunderstandings with respect to the engagement. The engagement letter documents and confirms the auditor's acceptance of the appointment, the objective and scope of the audit, the extent of the auditor's responsibilities to the client and the form of any reports.	A1  6	Retained first sentence as application material.  Second sentence essentially subsumed (elevated) into a new requirement.
	<b>Agreement on Written Representations</b>		
6	<b>The auditor should obtain the acknowledgement and agreement of management and, where appropriate, those charged with governance that they understand their responsibilities for:</b> <ul style="list-style-type: none"> <li>• <b>Preparing and presenting the financial statements</b></li> <li>• <b>Designing, implementing, and maintaining internal control relevant to the preparation and presentation of</b></li> </ul>	7	Retained as requirement—subsumed into new paragraph that expands on the areas of responsibility described in the 3 dot points.

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	<p><b>financial statements that are free from material misstatement, whether due to fraud or error</b></p> <ul style="list-style-type: none"> <li><b>• Providing complete information to the auditor</b></li> </ul>		
7	<p>ISA 200, “Objective and General Principles Governing an Audit of Financial Statements” states that audits are conducted on the premises that these responsibilities are acknowledged and understood by management and, where appropriate, those charged with governance. These premises are fundamental to the ability to conduct an effective independent audit, but there may be a risk that these premises may not be understood by management or those charged with governance. To avoid misunderstanding, agreement is reached with management and, where appropriate, those charged with governance about their responsibilities as part of agreeing the terms of engagement. Since [proposed] ISA 580, “Written Representations” requires the auditor to obtain written representations about the validity of these premises, it may also be appropriate to make management aware that receipt of such representations from relevant persons will be expected together with, where appropriate, specific written representations. It also may be useful to agree with management or those charged with governance who the relevant persons are expected to be.</p>	A7 & A8	Subject to minor amendment, retained as application material. Lengthy paragraph split into two.
8	<p>Where management or those charged with governance will not make the necessary acknowledgements and agreements, or will not provide the necessary general written representations, the auditor will be unable to obtain sufficient appropriate audit evidence. In such</p>	A9	Retained as application material.

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	circumstances, it may not be appropriate for the auditor to accept the engagement. In some cases, however, law or regulation prevents the auditor from refusing an engagement. In these cases, the auditor may need to explain to management and those charged with governance the importance of these matters, and the implications for the auditor's report.		
	<b><i>PRINCIPAL CONTENTS</i></b>		
9	<p>The form and content of audit engagement letters may vary for each client, but they would generally include reference to:</p> <ul style="list-style-type: none"> <li>• The objective of the audit of financial statements.</li> <li>• Management's responsibility for the financial statements as described in ISA 200.</li> <li>• The financial reporting framework adopted by management in preparing the financial statements, i.e., the applicable financial reporting framework.</li> <li>• The scope of the audit, including reference to applicable legislation, regulations, or pronouncements of professional bodies to which the auditor adheres.</li> <li>• The form of any reports or other communication of results of the engagement.</li> <li>• The fact that because of the test nature and other inherent limitations of an audit, together with the inherent</li> </ul>	6, 7 & A5	<p>While subject to minor amendment, content distributed between elevated requirements (i.e. dot points 1, 2, 3, 4, 5, &amp; 7), and dot point 6 that has been retained as application material (A5).</p> <p>Dot point 8 has been deleted because coverage now in paragraph 7(b) albeit relating to controls over the preparation and presentation of the financial statements.</p>

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	<p>limitations of internal control, there is an unavoidable risk that even some material misstatement may remain undiscovered; and</p> <ul style="list-style-type: none"> <li>• Unrestricted access to whatever records, documentation and other information requested in connection with the audit.</li> <li>• Management's responsibility for establishing and maintaining effective internal control.</li> </ul>		
10	<p>The auditor may also wish to include in the letter:</p> <ul style="list-style-type: none"> <li>• Arrangements regarding the planning and performance of the audit.</li> <li>• Expectation of receiving from management written confirmation concerning representations made in connection with the audit.</li> <li>• Request for the client to confirm the terms of the engagement by acknowledging receipt of the engagement letter.</li> <li>• Description of any other letters or reports the auditor expects to issue to the client.</li> <li>• Basis on which fees are computed and any billing arrangements.</li> </ul>	A5	Retained as application material.

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11	<p>When relevant, the following points could also be made:</p> <ul style="list-style-type: none"> <li>• Arrangements concerning the involvement of other auditors and experts in some aspects of the audit.</li> <li>• Arrangements concerning the involvement of internal auditors and other client staff.</li> <li>• Arrangements to be made with the predecessor auditor, if any, in the case of an initial audit.</li> <li>• Any restriction of the auditor's liability when such possibility exists.</li> <li>• A reference to any further agreements between the auditor and the client.</li> <li>• 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.</li> </ul> <p>An example of an audit engagement letter is set out in Appendix 1.</p>	A6	Retained as application material.
	<b><i>AUDITS OF COMPONENTS</i></b>		
12	When the auditor of a parent entity is also the auditor of its subsidiary, branch or division (component), the factors that influence the decision whether to send a separate engagement letter to the component include	A4	Retained as application material.

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	<p>the following:</p> <ul style="list-style-type: none"> <li>• Who appoints the auditor of the component.</li> <li>• Whether a separate auditor's report is to be issued on the component.</li> <li>• Legal requirements.</li> <li>• The extent of any work performed by other auditors.</li> <li>• Degree of ownership by parent.</li> <li>• Degree of independence of the component's management</li> </ul>		
	<b>Agreement on the Applicable Financial Reporting Framework</b>		
13	<b>The terms of the engagement should identify the applicable financial reporting framework.</b>	6(d)	Retained as a requirement in revisions relating to essential matters to be covered in an audit engagement letter.
14	<b>The auditor should accept an engagement to audit financial statements only when the auditor concludes that the applicable financial reporting framework is acceptable or, subject to paragraph 25, when law or regulation prescribes the use of the financial reporting framework.</b>	8 & 9	Retained as a requirement but subject to amendment
15	A condition for acceptance of an assurance engagement is that the criteria referred to in the definition of an assurance engagement are	A10	Retained as application material.

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	suitable and available to intended users. Criteria are the benchmarks used to evaluate or measure the subject matter including, where relevant, benchmarks for presentation and disclosure. Suitable criteria are required for 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 evaluate or measure the preparation and presentation of the financial statements.		
16	Without an acceptable financial reporting framework management does not have an appropriate basis for preparing and presenting the financial statements and the auditor does not have suitable criteria for evaluating the entity's financial statements. In many cases the auditor may presume that the financial reporting framework is acceptable, as described in paragraphs 20 and 21 of this ISA.	A11	Retained as application material.
	<b><i>DETERMINING THE ACCEPTABILITY OF THE APPLICABLE FINANCIAL REPORTING FRAMEWORK</i></b>		
17	Factors that may affect the auditor's determination of the acceptability of the applicable financial reporting framework include: <ul style="list-style-type: none"> <li>The nature of the entity (for example, whether it is a business enterprise, a public sector entity or a not for profit organization);</li> <li>The purpose of the financial statements (for example, whether they are prepared to meet the common financial</li> </ul>	A12	Retained as application material.



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	<p>information needs of a wide range of users or the financial information needs of specific users);</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Whether applicable legislative and regulatory requirements prescribe the applicable financial reporting framework.</li> </ul>		
18	<p>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 and presented 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.”</p>	A13	Retained as application material.
19	<p>In some cases, the financial statements will be prepared and presented 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 (Revised), “Special Considerations—Audits of Special Purpose Financial Statements and Specific Elements, Accounts or</p>	A14	Retained as application material.

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	Items of a Financial Statement” discusses the acceptability of financial reporting frameworks designed to meet the financial information needs of specific users.		
	<i>General Purpose Frameworks</i>		
	Financial Reporting Standards		
20	<p>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 and presented by such entities provided the organizations follow an established and transparent process involving deliberation and consideration of the views of a wide range of stakeholders. Examples of such financial reporting standards include:</p> <ul style="list-style-type: none"> <li>• International Financial Reporting Standards (IFRSs) promulgated by the International Accounting Standards Board;</li> <li>• International Public Sector Accounting Standards (IPSASs) promulgated by the International Public Sector Accounting Standards Board; and</li> <li>• Accounting principles promulgated by an authorized or</li> </ul>	A15	Retained as application material.

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	<p>recognized standards setting organization in a particular jurisdiction.</p> <p>These financial reporting standards are often identified as the applicable financial reporting framework in legislative and regulatory requirements governing the preparation and presentation of general purpose financial statements.</p>		
	Financial Reporting Frameworks Prescribed by Law or Regulation		
21	In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in preparing and presenting 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 and presented by such entities.	A16	Retained as application material.
	Financial Reporting Standards Supplemented by Law or Regulation		
22	In some jurisdictions, legislative or regulatory requirements may supplement the financial reporting standards established by an authorized or recognized standards setting organization with additional requirements relating to preparing and presenting financial statements. This may, for example, be the case when legislative or regulatory requirements prescribe 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	A17	Retained as application material.

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	reporting standards.		
23	Where financial reporting standards established by an authorized or recognized standards setting organization are supplemented by legislative or regulatory requirements, the auditor determines whether there are any conflicts between the financial reporting standards and the additional requirements. Where such conflicts exist, the auditor discusses the nature of the additional requirements with management and 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 this is not possible, the auditor considers whether it is necessary to modify the opinion in the auditor's report in accordance with ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."	11	Elevated to a Requirement.
	Jurisdictions that Do Not Have Authorized or Recognized Standards Setting Organizations or Financial Reporting Frameworks Prescribed by Law or Regulation		
24	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. Appendix 2 contains guidance on determining the acceptability of financial reporting frameworks in such	A18	Retained as application material.

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	circumstances.		
	Deficiencies in the Applicable Financial Reporting Framework		
25	<b>When law or regulation prescribes the use of a financial reporting framework that the auditor concludes is unacceptable, the auditor should undertake the engagement only if management agrees to provide disclosures in the financial statements beyond the specific requirements of the framework to avoid misleading users of the financial statements. In addition, the auditor should include in the terms of engagement the fact that an Emphasis of Matter paragraph, drawing users' attention to the additional disclosures, will be included in the auditor's report in accordance with ISA 706, "Emphasis of Matter Paragraphs or Other Matter(s) Paragraphs in the Independent Auditor's Report."</b> Unless the auditor is required by law or regulation to express the opinion on the financial statements using the phrases "give a true and fair view" or "present fairly, in all material respects," in accordance with the applicable financial reporting framework, the terms of engagement also state that the opinion on the financial statements will not include such phrases.	9	Retained as Requirement, subject to editorial and format amendments.  The accompanying explanatory guidance in the extant ISA 210 has been elevated and incorporated within this Requirement.
26	<b>If management refuses to provide additional disclosures, and law or regulation prohibits the auditor from refusing the engagement, the auditor should consider the effect of the misleading nature of the financial statements on the auditor's report, and include in the</b>	10	Retained as a requirement, subject to editorial and format amendments.

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	<b>terms of engagement an appropriate reference to the matter</b>		
27	Deficiencies in the applicable financial reporting framework that indicate that the framework is not acceptable may be encountered after the engagement has been accepted. When use of that framework is prescribed by law or regulation, the auditor meets the requirements of paragraphs 25 and 26. 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, the auditor agrees the change in framework in new terms of engagement.	A19	Retained as application material. Subject to editorial amendment
	<b>Wording Used to Express the Opinion</b>		
28	When law or regulation prescribes wording for the opinion in the auditor's report that differs significantly from the wording described in the ISAs, the auditor considers whether there may be a risk that users might misunderstand the assurance obtained in the audit of the financial statements. In such circumstances, the auditor considers whether the risk of misunderstanding can be mitigated through appropriate explanation in the auditor's report (see ISA 706). <b>If the auditor concludes that the risk of misunderstanding cannot be mitigated through appropriate explanation in the auditor's report, the auditor should not accept the engagement.</b>	12	Extant requirement retained as a requirement, subject to editorial and format amendments.  Accompanying explanatory guidance in the extant ISA 210, elevated to be incorporated within the revised requirement.
29	Law or regulation, however, may prohibit the auditor from refusing the engagement. An audit conducted in accordance with such law or	10 & 12	Reference to prohibition from refusing an engagement now covered by requirements in paragraph 10. Last sentence covered by

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	regulation does not comply with the ISAs.		requirements in paragraph 12.
	<b>Recurring Audits</b>		
30	<b>On recurring audits, the auditor should consider whether circumstances require the terms of the engagement to be revised and whether there is a need to remind the client of the existing terms of the engagement.</b>	13	Retained as a requirement.
31	<p>The auditor may decide not to send a new engagement letter each period. However, the following factors may make it appropriate to send a new letter:</p> <ul style="list-style-type: none"> <li>• Any indication that the client misunderstands the objective and scope of the audit.</li> <li>• Any revised or special terms of the engagement.</li> <li>• A recent change of senior management or those charged with governance.</li> <li>• A significant change in ownership.</li> <li>• A significant change in nature or size of the client's business.</li> <li>• Legal or regulatory requirements.</li> <li>• A change in the financial reporting framework adopted by management in preparing the financial statements</li> </ul>	A20	Retained as application material.

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	<b>Acceptance of a Change in Engagement</b>		
32	<b>An auditor who, before the completion of the engagement, is requested to change the engagement to one which provides a lower level of assurance, should consider the appropriateness of doing so.</b>	14	Retained as a requirement.  Subject to revision, including deletion of the reference to changing the engagement to one that provides a lower level of assurance
33	A request from the client for the auditor to change the engagement may result from a change in circumstances affecting the need for the service, a misunderstanding as to the nature of an audit or related service originally requested or a restriction on the scope of the engagement, whether imposed by management or caused by circumstances. The auditor would consider carefully the reason given for the request, particularly the implications of a restriction on the scope of the engagement	A21	Retained as application material.
34	A change in circumstances that affects the entity's requirements or a misunderstanding concerning the nature of service originally requested would ordinarily be considered a reasonable basis for requesting a change in the engagement. In contrast a change would not be considered reasonable if it appeared that the change relates to information that is incorrect, incomplete or otherwise unsatisfactory	A22	Retained as application material.
35	Before agreeing to change an audit engagement to a related service, an auditor who was engaged to perform an audit in accordance with the	A24	Retained as application material.



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	ISAs would consider, in addition to the above matters, any legal or contractual implications of the change.		
36	If the auditor concludes that there is reasonable justification to change the engagement and if the audit work performed complies with the ISAs applicable to the changed engagement, the report issued would be that appropriate for the revised terms of engagement. In order to avoid confusing the reader, the report would not include reference to:  (a) The original engagement; or  (b) Any procedures that may have been performed in the original engagement, except where the 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.	A25	Retained as application material.
37	<b>Where the terms of the engagement are changed, the auditor and the client should agree on the new terms.</b>	16	Retained as a requirement. Subject to minor amendment.
38	<b>The auditor should not agree to a change of engagement where there is no reasonable justification for doing so.</b> An example might be an audit engagement where the auditor is unable to obtain sufficient appropriate audit evidence regarding receivables and the client asks for the engagement to be changed to a review engagement to avoid a qualified audit opinion or a disclaimer of opinion	15 A23	Retained as a requirement.  Retained as application material. Subject to minor amendment.

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39	<b>If the auditor is unable to agree to a change of the engagement and is not permitted to continue the original engagement, the auditor should withdraw and consider whether there is any obligation, either contractual or otherwise, to report to other parties, such as those charged with governance or shareholders, the circumstances necessitating the withdrawal</b>	17	Retained as a requirement. Subject to minor amendment.
	<b>Limitation on Scope Prior to Engagement Acceptance</b>		
40	A limitation on the scope of the auditor's work may sometimes be imposed by management prior to engagement acceptance (for example, when the terms of the engagement specify that the auditor will not carry out an audit procedure that the auditor believes is necessary).	A26	Retained as application material.
41	<b>If management imposes a limitation on the scope of the auditor's work in the terms of a proposed engagement such that the auditor believes the limitation will result in the auditor disclaiming an opinion on the financial statements, the auditor should not accept such a limited engagement as an audit engagement, unless required by law or regulation to do so.</b>	18	Retained as Requirement.
	<b>Effective Date</b>		
42	This ISA is effective for audits of financial statements for periods beginning on or after [date].	2	No comment.

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	<b>Public Sector Perspective</b> [The Public Sector Perspective is not amended.]		
	<i>The purpose of the engagement letter is to inform the auditee of the nature of the engagement and to clarify the responsibilities of the parties involved. The legislation and regulations governing the operations of public sector audits generally mandate the appointment of a public sector auditor and the use of audit engagement letters may not be a widespread practice. Nevertheless, a letter setting out the nature of the engagement or recognizing an engagement not indicated in the legislative mandate may be useful to both parties. Public sector auditors have to give serious consideration to issuing audit engagement letters when undertaking an audit.</i>	A3	Retained as application material. Subject to minor amendment.
	<i>Paragraphs 32-39 of this ISA deal with the action a private sector auditor may take when there are attempts to change an audit engagement to one which provides a lower level of assurance. 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 management (including the department head) attempts to limit the scope of the audit.</i>	A27	Retained as application material. Subject to minor amendment.

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