

PROPOSED REDRAFTED ISA 210 TERMS OF AUDIT ENGAGEMENTS (mark-up)

Legend:

Shaded text	indicates Elevations
Extant	indicates the Close off ISA 210

Paragraph in Extant ISA 210	Redrafted ISA 210
	INTERNATIONAL STANDARD ON AUDIT 210 TERMS OF AUDIT ENGAGEMENTS
	Introduction
	<u>Scope of this ISA</u>
1	1 <u>This</u> The purpose of this International Standard on Auditing (ISA) <u>deals with the auditor's responsibilities in</u> is to establish standards and provide guidance on: (a) Agreeing the terms of the <u>audit</u> engagement with the <u>entity client</u> ; and (b) <u>Responding</u> The auditor's response to a request by an <u>entity client</u> to change the terms of an <u>audit</u> engagement to one that provides a lower level of assurance.
	<u>Effective Date</u>
	2 <u>This ISA is effective for audits of financial statements for periods beginning on or after [date]</u>
	<u>Objective</u>
Clarity Objective (extant 3)	3 <u>The objective of the auditor is to accept an engagement only when the basis upon which it is to be performed has been agreed, through:</u>

		<p>(a) <u>Establishing whether necessary preconditions for an audit are present; and</u></p> <p>(b) <u>Confirming that there is a common understanding between the auditor and the entity of the terms of the audit engagement and of the respective responsibilities of the auditor, management and those charged with governance</u></p>
	4	<u>Other aspects of engagement acceptance and continuance are dealt with in [proposed] ISA 220 (Redrafted), “Quality Control for Audits of Historical Financial Information”</u>
		<u>Requirements</u>
		<u>Agreement on Audit Engagement Terms</u>
2	5	The auditor <u>shall agree with the entity and the client should agree</u> on the terms of the engagement. <u>Unless sufficiently specified by law or regulation, The the agreed terms of the audit engagement shall would need to</u> be recorded in an audit engagement letter or other suitable form of contract.
5, 9 & 13	6	<p>The form and content of audit engagement letters <u>shall may vary for each client, but they would generally include reference to:</u></p> <p>(a) The objective <u>and scope</u> of the audit of financial statements.</p> <p>(b) <u>The auditor’s responsibilities:</u></p> <p>—(c) Management’s responsibilities (see paragraph 7) for the financial statements as described in ISA 200.</p> <p>—(d) Identification of the applicable The financial reporting framework for the preparation and presentation of the entity’s adopted by management in preparing the financial statements, and i.e., the applicable financial reporting framework.</p> <p>•The scope of the audit, including reference to applicable legislation, regulations, or pronouncements of professional bodies to which the auditor adheres.</p> <p>(e) <u>The form of any reports to be issued by the auditor or other communication of results of the engagement.</u></p> <p>•The fact that because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that even some material misstatement may remain undiscovered; and</p> <p>•Unrestricted access to whatever records, documentation and other information requested in connection with the audit.</p> <p>• <u>Management’s responsibility for establishing and maintaining effective internal control.</u></p>

		<p>(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.</p> <p>(13) The terms of the engagement should identify the applicable financial reporting framework.</p>
6 & 9	7	<p><u>The auditor shall obtain through the audit engagement letter, or otherwise, written acknowledgement and agreement of the responsibilities of management, and where appropriate, those charged with governance, for:</u></p> <p><u>(a) Preparing and presenting the financial statements, including selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances;</u></p> <p><u>(b) Designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; and</u></p> <p><u>(c) Providing complete information to the auditor including granting unrestricted access to records, documentation and other information that is requested by the auditor in connection with the audit of the entity. (Ref: Para. A7-A9)</u></p> <p>(6) The auditor should obtain the acknowledgement and agreement of management and, where appropriate, those charged with governance that they understand their responsibilities for:</p> <ul style="list-style-type: none"> •Preparing and presenting the financial statements •Designing, implementing, and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error •Providing complete information to the auditor <p>(9)</p> <ul style="list-style-type: none"> •Unrestricted access to whatever records, documentation and other information requested in connection with the audit. •Management's responsibility for establishing and maintaining effective internal control.

	<u>Acceptability of the Applicable Financial Reporting Framework</u>
14	8 Subject to paragraph 9, the The auditor shall <u>should</u> accept an <u>audit</u> engagement to audit <u>the entity's</u> financial statements only when the auditor <u>has determined</u> 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.
	<u>Financial Reporting Framework Prescribed by Law and Regulation</u>
14 & 25	<p>9 <u>If the auditor has determined that the financial reporting framework for the preparation and presentation of the entity's financial statements as prescribed by law or regulation is unacceptable, the auditor is not prohibited by paragraph 8 from accepting the audit engagement but shall do so only if:</u></p> <p><u>(a) management agrees to provide additional disclosures in the entity's financial statements, to avoid users of the financial statements being misled; and</u></p> <p><u>(b) it is recognized in the terms of the audit engagement that:</u></p> <p><u>(i) The auditor's report on the entity's financial statements will incorporate in accordance with [proposed] ISA 706 (Revised and Redrafted), "Emphasis of Matter Paragraphs or Other Matter(s) Paragraphs in the Independent Auditor's Report", an Emphasis of Matter paragraph, drawing users' attention to the additional disclosures; and</u></p> <p><u>(ii) Unless the auditor is required by law or regulation to express the auditor's opinion on the entity's financial statements by 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 auditor's opinion on the entity's financial statements will not include such phrases. (Ref: Para. A16)</u></p> <p>(14) 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</p> <p>(25) 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</p>

		report in accordance with ISA 706, “Emphasis of Matter Paragraphs or Other Matter(s) Paragraphs in the Independent Auditor’s Report.” 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.
26	10	<p>If management refuses to provide additional disclosures, and <u>the auditor is prohibited by law or regulation prohibits the auditor</u> from refusing <u>to undertake</u> the <u>audit</u> engagement, the auditor <u>shall</u>:</p> <p class="list-item-l1">(a) <u>Evaluate should consider</u> the effect of the misleading nature of the financial statements on the auditor’s report, and</p> <p class="list-item-l1">(b) <u>include appropriate in the terms of engagement an appropriate</u> reference to <u>this the</u> matter <u>in the terms of the audit engagement</u>.</p>
		<u>Financial Reporting Standards Supplemented by Law or Regulation</u>
23	11	<p>Where financial reporting standards established by an authorized or recognized standards setting organization are supplemented by <u>law legislative</u> or <u>regulation regulatory requirements</u>, the auditor <u>shall</u> determines whether there are any conflicts between the financial reporting standards and the additional requirements. Where such conflicts exist, the auditor <u>shall</u> discusses the nature of the additional requirements with management <u>the nature of the additional requirements</u> and whether:</p> <p class="list-item-l1">(a) <u>T</u>he additional requirements can be met through additional disclosures in the financial statements, or</p> <p class="list-item-l1">(b) <u>T</u>he description of the applicable financial reporting framework in the financial statements can be amended accordingly.</p> <p>If <u>neither of the above actions this is not</u> possible, the auditor <u>shall determine considers</u> whether it is necessary to modify the opinion in the auditor’s report in accordance with <u>[proposed] ISA 705 (Revised and Redrafted)</u>, “Modifications to the Opinion in the Independent Auditor’s Report.”</p>
		Wording Used to Express the Opinion
28	12	<p><u>In some cases, When</u> law or regulation prescribes <u>the wording of the audit for the</u> opinion in <u>terms that are the auditor’s report that differs</u> significantly <u>different</u> from the <u>requirements prescribed wording described</u> in the ISAs. <u>In these circumstances,</u> the auditor <u>shall evaluate</u>:</p>

		<p>(a) Whether considers whether there may be a risk that users might misunderstand the assurance obtained from in the audit of the <u>entity's</u> financial statements; <u>and if so</u></p> <p>(b) .Whether additional 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) <u>can mitigate possible misunderstanding.</u></p> <p>If the auditor concludes that <u>additional the risk of misunderstanding cannot be mitigated through appropriate</u> explanation in the auditor's report <u>cannot mitigate possible misunderstanding</u>, the auditor <u>shall should</u> not accept the engagement, <u>unless prohibited by law or regulation from doing so. An audit which the auditor is thereby required to accept does not comply with the ISAs..</u></p>
		Recurring Audits
30	13	On recurring audits, the auditor <u>shall should</u> consider whether circumstances require the terms of the engagement to be revised and whether there is a need to remind the <u>entity client</u> of the existing terms of the <u>audit</u> engagement.
		Acceptance of a Change in Engagement
32	14	<u>If prior to completing the audit engagement, the</u> An auditor who, before the completion of the engagement, is requested to change the <u>terms of the audit</u> engagement to one which provides a lower level of assurance, <u>the auditor shall determine whether it is appropriate to do so.</u> should consider the appropriateness of doing so.
38	15	The auditor <u>shall should</u> not agree to a change <u>in the terms</u> of <u>the audit</u> engagement where there is no reasonable justification for doing so
37	16	Where the terms of the engagement are changed, the auditor and the <u>entity client</u> <u>shall should</u> agree on <u>and record</u> the new terms <u>of the engagement in an audit engagement letter or other suitable form of contract.</u>
39	<u>(i)17</u>	<p>If the auditor is unable to agree to a change of the audit engagement and is not permitted to continue the original engagement, the auditor shall <u>should</u>:</p> <p><u>(a)</u> Wwithdraw from the audit engagement; and</p> <p><u>(b)</u> Determine 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 from the audit engagement to other parties, such as those charged with governance or shareholders..</p>

	Limitation on Scope prior to Engagement Acceptance
41	18 If management imposes a limitation on the scope of the auditor's work in the terms of a proposed <u>audit</u> 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.
	<u>Application and Other Explanatory Material</u>
	Agreement on Audit Engagement Terms
	<u>Audit Engagement Letter</u>
5 & 4	<p>A1 It is in the interest of both <u>entity client</u> and auditor that the auditor sends an engagement letter, preferably before the commencement of the <u>audit</u> engagement, to help in avoiding misunderstandings with respect to the <u>audit</u> 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.</p> <p>In some countries, <u>however</u>, the objective and scope of an audit and the auditor's obligations are <u>sufficiently</u> established by law, <u>that is, they describe the matters described in paragraphs 6 and 7</u>. Even in those situations the auditor may still find audit engagement letters informative for <u>these entities</u>their clients</p>
	A2 <u>Agreeing the terms of audit engagement complements the requirements established by [proposed] ISA 220 (Redrafted) in relation to acceptance and continuance of audit engagements</u>
	<u>Consideration Specific to Audits of Public Sector Entities</u>
PSP 1	<p>A3 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 <u>legislation and regulations 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 audit engagement letters. When law or regulation does not prescribe in sufficient detail the terms of the audit engagement, a letter or other suitable form of contract setting out 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 is required in accordance with paragraph 5 of this ISA, may be useful to both parties. Public sector auditors have to give serious consideration to issuing audit engagement letters when undertaking an audit.</u></p>

	<u>Audits of Components</u>
12	<p>A4 When the auditor of a parent entity is also the auditor of its subsidiary, branch or division (component), the factors that <u>may</u> influence the decision whether to send a separate engagement letter to the component include the following:</p> <ul style="list-style-type: none"> • Who appoints the auditor of the component. • Whether a separate auditor's report is to be issued on the component. • Legal requirements. • The extent of any work performed by other auditors. • Degree of ownership by parent. (e)• Degree of independence of the component's management
	<u>Form and Content of the Audit Engagement Letter</u>
9 & 10	<p>A5 The form and content of audit engagement letters may vary for each entity<u>client</u>. <u>Information in the engagement letter on the auditor's responsibilities and managements responsibilities may be based on [proposed] ISA 200 (Revised and Redrafted), "Overall Objective of the Independent Auditor, and Concepts Relevant to an Audit of Financial Statements."</u> In addition to including the matters required by paragraph 6, <u>an engagement letter may make</u>, but they would generally include reference to, <u>for example</u>:</p> <ul style="list-style-type: none"> —The objective of the audit of financial statements. •Management's responsibility for the financial statements as described in ISA 200. •The financial reporting framework adopted by management in preparing the financial statements, i.e., the applicable financial reporting framework. • <u>Elaboration of the</u> The scope of the audit, including reference to applicable legislation, regulations, <u>ISAS and ethical and other</u> or pronouncements of professional bodies to which the auditor adheres. • The form of any reports or other communication of results of the <u>audit</u> engagement. • The fact that because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that even some material misstatement may remain undiscovered; and •Unrestricted access to whatever records, documentation and other information requested in connection with the audit. <p>Management's responsibility for establishing and maintaining effective internal control.</p> <p>The auditor may also wish to include in the letter:</p>

	<ul style="list-style-type: none"> • Arrangements regarding the planning and performance of the audit. • <u>The expectation of receiving from management written confirmation concerning representations made in connection with the audit. (see also A8)</u> • <u>The basis on which fees are computed and any billing arrangements</u> • <u>A request for the client to confirm the terms of the engagement by acknowledging receipt of the engagement letter.</u> • Description of any other letters or reports the auditor expects to issue to the client. • Basis on which fees are computed and any billing arrangements.
11	<p>A6 When relevant, the following points could also be made:</p> <ul style="list-style-type: none"> • Arrangements concerning the involvement of other auditors and experts in some aspects of the audit. • Arrangements concerning the involvement of internal auditors and other <u>staff of the entity-client staff.</u> • 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 <u>entity-client.</u> • 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. <p>An example of an audit engagement letter is set out in Appendix 1.</p>
7	<p>A7 <u>[Proposed] ISA 200 (Revised and Redrafted), "Objective and General Principles Governing an Audit of Financial Statements"</u> states that audits are conducted on the premises that <u>management and, where appropriate those charged with governance, these responsibilities are acknowledged and understood and the responsibilities set out in paragraph 7 of this ISA. by management and, where appropriate, those charged with governance.</u> 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 <u>and recording the</u> terms of engagement.</p>

7	A8	Since [proposed] ISA 580 (Revised and Redrafted), “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.
8	A9	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 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 <u>audit</u> 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.
		<u>Acceptability of the Applicable Financial Reporting Framework</u>
		<i><u>Acceptability of the Applicable Financial Reporting Framework</u></i>
15	A10	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. 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	A11	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 <u>A1220</u> and <u>A1421</u> of this ISA.
17	A12	Factors that may affect the auditor’s determination of the acceptability of the applicable financial reporting framework include: <ul style="list-style-type: none"> • The nature of the entity (for example, whether it is a business enterprise, a public

	<p>sector entity or a not for profit organization);</p> <ul style="list-style-type: none"> • 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 applicable legislative and regulatory requirements prescribe the applicable financial reporting framework.
18	<p>A13 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>
19	<p>A14 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.”² The financial information needs of the intended users will determine the applicable financial reporting framework in these circumstances. <u>Proposed</u> ISA 800 (Revised <u>and Redrafted</u>), “Special Considerations—Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement” discusses the acceptability of financial reporting frameworks designed to meet the financial information needs of specific users.</p>
	<p><u>General Purpose Framework</u></p>
20	<p>A15 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"> • International Financial Reporting Standards (IFRSs) promulgated by the International Accounting Standards Board; • International Public Sector Accounting Standards (IPSASs) promulgated by the

	<p>International Public Sector Accounting Standards Board; and</p> <ul style="list-style-type: none"> Accounting principles promulgated by an authorized or recognized standards setting organization in a particular jurisdiction. <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>
	<u>Financial Reporting Frameworks Prescribed by Law or Regulation</u>
21	<p>A16 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. <u>(In the event that the framework is not considered to be acceptable, paragraphs 9 and 10 apply).</u></p>
	<u>Financial Reporting Standards Supplemented by Law or Regulation</u>
22	<p>A17 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 reporting standards.</p>
	<u>Jurisdiction that Do Not Have Authorized or Recognized Standard Setting Organizations or Financial Reporting Framework prescribed by Law or Regulation</u>
24	<p>A18 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 circumstances.</p>
	<i>Deficiencies in the Applicable Financial Reporting Framework</i>
27	<p>A19 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 <u>requirements of auditor meets the requirements of</u> paragraphs <u>925</u> and <u>1026</u> <u>apply</u>.</p>

	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, <u>new terms of the auditor engagement may need to be agreed to reflect</u> agrees the change in the framework <u>as the previously agreed terms may no longer be accurate in</u> new terms of engagement.
	Recurring Audits
31	<p>A20 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"> • Any indication that the <u>entity client</u> misunderstands the objective and scope of the audit. • Any revised or special terms of the engagement. • A recent change of senior management or those charged with governance. • A significant change in ownership. • A significant change in nature or size of the <u>entity client</u>'s business. • Legal or regulatory requirements. • A change in the financial reporting framework adopted by management in preparing the <u>entity's</u> financial statements
	<u>Acceptance of a Change in Engagement</u>
	<u>Requests to Change the terms of the Audit Engagement</u>
33	<p>A21 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 <u>as originally requested</u> or related service originally requested or a restriction on the scope of the engagement, whether imposed by management or caused by circumstances. The auditor, <u>as required by the paragraph 14,</u> would <u>considers</u> carefully the reason given for the request, particularly the implications of a restriction on the scope of the <u>audit</u> engagement.</p>
	<u>Reasonable Justification</u>
34	<p>A22 A change in circumstances that affects the entity's requirements or a misunderstanding concerning the nature of service originally requested <u>may</u> would ordinarily be considered a reasonable basis for requesting a change in the <u>audit</u> engagement.- In contrast, a change <u>may</u> would not be considered reasonable if it appeared that the change relates to information that is incorrect, incomplete or otherwise unsatisfactory.</p>
38	<p>A23 An example <u>of an unjustified change in the</u> might be an audit engagement <u>might be</u> where the auditor is unable to obtain sufficient appropriate audit evidence regarding</p>

		receivables and the entity <u>client</u> asks for the <u>audit</u> engagement to be changed to a review engagement to avoid a qualified audit opinion or a disclaimer of opinion.
35	A24	Before agreeing to change an audit engagement to a related service, an auditor who was engaged to perform an audit in accordance with the ISAs <u>may need to assess</u> would consider , in addition to the above matters, any legal or contractual implications of the change.
36	A25	If the auditor concludes that there is reasonable justification to change the <u>audit</u> engagement <u>to a related services, and if</u> the audit work performed complies with the ISAs applicable to the <u>date of change may be relevant to the changed engagement; however, the work required to be performed and changed engagement</u> , the report <u>to be</u> issued would be <u>those at</u> appropriate <u>to the for the</u> revised terms of engagement. In order to avoid confusing the reader, the report would <u>ordinarily</u> not include reference to: <ul style="list-style-type: none"> (a) The original <u>audit</u> 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.
40	A26	A limitation on the scope of the auditor's work may sometimes be imposed by management prior to engagement acceptance (for example, when the <u>proposed</u> terms of the <u>audit</u> engagement specify that the auditor will not carry out an audit procedure that the auditor believes is necessary).
		<u>Considerations Specific to Audits of Public Sector Entities</u>
PSP.2	A27	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.