

This draft Auditing  
Standard incorporates  
ED comments

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Marked Up Version

**ASA 265**  
(July 2009)

# ***Auditing Standard ASA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management***

Issued by the **Auditing and Assurance Standards Board**

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**Auditing and Assurance Standards Board**

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## PREFACE

### **Reasons for Issuing Auditing Standard ASA 265** ***Communicating Deficiencies in Internal Control to Those Charged with Governance and Management***

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory board of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Australian Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the ISAs and to make appropriate consequential amendments to the Australian Auditing Standards. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

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## **Main Features**

This Auditing Standard establishes mandatory Requirements and provides Application and Other Explanatory Material regarding 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 a financial report.

This Auditing Standard:

- (a) Requires the auditor to determine if, on the basis of the work performed, they have identified any deficiencies in internal control;
- (b) Requires the auditor, for identified deficiencies to assess if, individually or in combination they constitute significant deficiencies;
- (c) Requires the auditor to communicate, in writing, all significant deficiencies and their potential effects, to those charged with governance, and where appropriate management;
- (d) Requires the auditor to communicate any other deficiencies, and their potential effects, that the auditor assesses are of sufficient importance to merit management's attention; and
- (e) Requires the auditor to explain to those charged with governance, and where appropriate, management, that any deficiencies identified and communicated have been identified through the process of auditing the financial report, which does not ordinarily include an audit of the effectiveness of internal control.

### **AUASB Information Note**

The IAASB has announced completion of the "Clarity" project. While all currently known conforming amendments are incorporated into this Exposure Draft, readers are advised that the AUASB may decide to make further conforming amendments, and other editorial changes.

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**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied.

## AUDITING STANDARD ASA 265

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

#### Application

- Aus 0.1 This Auditing Standard applies to:
- (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with [Part 2M.3 of the Corporations Act 2001](#); and
  - (b) an audit of a financial report, [or a complete set of financial statements](#) for any other purpose.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

#### Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods commencing on or after 1 January 2010.

#### Introduction

##### Scope of this ASA

1. This Auditing Standard deals with the auditor's responsibility to communicate appropriately to those charged with governance and management deficiencies in internal control<sup>1</sup> that the auditor has identified in an audit of ~~a financial statements report~~. This ~~Auditing Standard SA~~ 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 ~~ASA 315 (Revised and Redrafted)~~<sup>1</sup> and ~~ASA 330~~

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<sup>1</sup> See ~~ASA 315 (Redrafted)~~ [\(Revised and Redrafted\)](#), "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment,"<sup>2</sup> paragraphs 4 and 12.

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- (~~Revised and Redrafted~~).<sup>2</sup> ~~ISA~~ISA 260 (Revised and Redrafted)<sup>3</sup> establishes further requirements and provides guidance regarding the auditor's responsibility to communicate with those charged with governance in relation to the audit.
2. The auditor is required to obtain an understanding of internal control relevant to the audit when identifying and assessing the risks of material misstatement.<sup>4</sup> In making those risk assessments, the auditor considers internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The auditor may identify deficiencies in internal control not only during this risk assessment process but also at any other stage of the audit. This ~~ISA~~ISA Auditing Standard specifies which identified deficiencies the auditor is required to communicate to those charged with governance and management.
3. Nothing in this ~~ISA~~ISA Auditing Standard precludes the auditor from communicating to those charged with governance and management other internal control matters that the auditor has identified during the audit.

**Effective Date**

4. [Deleted by the AUASB. Refer Aus 0.3]

**Objective**

5. 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.

**Definitions**

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<sup>2</sup> See ~~ISA~~ISA 330 (~~Redrafted~~)(Revised and Redrafted), "The Auditor's Responses to Assessed Risks."  
<sup>3</sup> See ~~ISA~~ISA 260 (Revised and Redrafted), "Communication with Those Charged with Governance."  
<sup>4</sup> See ~~ISA~~ISA 315 (~~Redrafted~~)(Revised and Redrafted), paragraph 12. Paragraphs A60-A65 provide guidance on controls relevant to the audit.

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6. For the purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:
- (a) Deficiency in internal control ~~—means~~ This exists when:
    - (i) A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial ~~statements-report~~ statements-report on a timely basis; or
    - (ii) A control necessary to prevent, or detect and correct, misstatements in the financial ~~statements-report~~ statements-report on a timely basis is missing.
  - (b) Significant deficiency in internal control ~~—means~~ A deficiency or combination of deficiencies in internal control that, in the auditor's professional ~~judgment~~ judgement, is of sufficient importance to merit the attention of those charged with governance. (Ref: Para. A5)

### **Requirements**

7. The auditor shall determine whether, on the basis of the audit work performed, the auditor has identified one or more deficiencies in internal control. (Ref: Para. A1-A4)
8. If the auditor has identified one or more deficiencies in internal control, the auditor shall determine, on the basis of the audit work performed, whether, individually or in combination, they constitute significant deficiencies. (Ref: Para. A5-A11)
9. The auditor shall communicate in writing significant deficiencies in internal control identified during the audit to those charged with governance on a timely basis. (Ref: Para. A12-A18, A27)
10. The auditor shall also communicate to management at an appropriate level of responsibility on a timely basis: (Ref: Para. A19, A27)
- (a) In writing, significant deficiencies in internal control that the auditor has communicated or intends to communicate to those charged with governance, unless it would be inappropriate to communicate directly to management in the circumstances; and (Ref: Para. A14, A20-A21)

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- (b) Other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in the auditor's professional ~~judgment~~judgement, are of sufficient importance to merit management's attention. (Ref: Para. A22-A26)

11. The auditor shall include in the written communication of significant deficiencies in internal control:

- (a) A description of the deficiencies and an explanation of their potential effects; and (Ref: Para. A28)
- (b) Sufficient information to enable those charged with governance and management to understand the context of the communication. In particular, the auditor shall explain that: (Ref: Para. A29-A30)
  - (i) The purpose of the audit was for the auditor to express an opinion on the financial ~~statements~~report;
  - (ii) The audit included consideration of internal control relevant to the preparation of the financial ~~statements-report~~ in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control; or

Aus 11.1 In circumstances when the auditor has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control; and

Added in as a  
result of ACAG  
comment

- (iii) The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance.

\* \* \*

## **Application and Other Explanatory Material**

### **Determination of Whether Deficiencies in Internal Control Have Been Identified** (Ref: Para. 7)

- A1. In determining whether the auditor has identified one or more deficiencies in internal control, the auditor may discuss the relevant facts and circumstances of the auditor's findings with the appropriate level of management. This discussion provides an opportunity for the auditor to alert management on a timely basis to the existence of deficiencies of which management may not have been previously aware. The level of management with whom it is appropriate to discuss the findings is one that is familiar with the internal control area concerned and that has the authority to take remedial action on any identified deficiencies in internal control. In some circumstances, it may not be appropriate for the auditor to discuss the auditor's findings directly with management, for example, if the findings appear to call management's integrity or competence into question (see paragraph A20).
- A2. In discussing the facts and circumstances of the auditor's findings with management, the auditor may obtain other relevant information for further consideration, such as:
- Management's understanding of the actual or suspected causes of the deficiencies.
  - Exceptions arising from the deficiencies that management may have noted, for example, misstatements that were not prevented by the relevant information technology (IT) controls.
  - A preliminary indication from management of its response to the findings.

#### *Considerations Specific to Smaller Entities*

- A3. While the concepts underlying control activities in smaller entities are likely to be similar to those in larger entities, the formality with which they operate will vary. Further, smaller entities may find that certain types of control activities are not necessary because of controls applied by management. For example, management's sole authority for granting credit to customers and approving significant purchases can provide effective control over important account

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balances and transactions, lessening or removing the need for more detailed control activities.

- A4. Also, smaller entities often have fewer employees which may limit the extent to which segregation of duties is practicable. However, in a small owner-managed entity, the owner-manager may be able to exercise more effective oversight than in a larger entity. This higher level of management oversight needs to be balanced against the greater potential for management override of controls.

**Significant Deficiencies in Internal Control** (Ref: Para. 6(b), 8)

- A5. The significance of a deficiency or a combination of deficiencies in internal control depends not only on whether a misstatement has actually occurred, but also on the likelihood that a misstatement could occur and the potential magnitude of the misstatement. Significant deficiencies may therefore exist even though the auditor has not identified misstatements during the audit.

- A6. Examples of matters that the auditor may consider in determining whether a deficiency or combination of deficiencies in internal control constitutes a significant deficiency include:

- The likelihood of the deficiencies leading to material misstatements in the financial statements-report in the future.
- The susceptibility to loss or fraud of the related asset or liability.
- The subjectivity and complexity of determining estimated amounts, such as fair value accounting estimates.
- The financial statement-report amounts exposed to the deficiencies.
- The volume of activity that has occurred or could occur in the account balance or class of transactions exposed to the deficiency or deficiencies.
- The importance of the controls to the financial reporting process; for example:
  - General monitoring controls (such as oversight of management).

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- | ○ Controls over the prevention and detection of fraud.
- | ○ Controls over the selection and application of significant accounting policies.
- | ○ Controls over significant transactions with related parties.
- | ○ Controls over significant transactions outside the entity's normal course of business.
- | ○ Controls over the period-end financial reporting process (such as controls over non-recurring journal entries).
- The cause and frequency of the exceptions detected as a result of the deficiencies in the controls.
- The interaction of the deficiency with other deficiencies in internal control.
- A7. Indicators of significant deficiencies in internal control include, for example:
  - Evidence of ineffective aspects of the control environment, such as:
    - | ○ Indications that significant transactions in which management is financially interested are not being appropriately scrutinized by those charged with governance.
    - | ○ Identification of management fraud, whether or not material, that was not prevented by the entity's internal control.
    - | ○ Management's failure to implement appropriate remedial action on significant deficiencies previously communicated.
  - Absence of a risk assessment process within the entity where such a process would ordinarily be expected to have been established.

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- Evidence of an ineffective entity risk assessment process, such as management's failure to identify a risk of material misstatement that the auditor would expect the entity's risk assessment process to have identified.
- Evidence of an ineffective response to identified significant risks (e.g., absence of controls over such a risk).
- Misstatements detected by the auditor's procedures that were not prevented, or detected and corrected, by the entity's internal control.
- Restatement of a previously issued financial ~~statements~~ report to reflect the correction of a material misstatement due to error or fraud.
- Evidence of management's inability to oversee the preparation of the financial ~~statements~~ reports.

A8. Controls may be designed to operate individually or in combination to effectively prevent, or detect and correct, misstatements.<sup>5</sup> For example, controls over accounts receivable may consist of both automated and manual controls designed to operate together to prevent, or detect and correct, misstatements in the account balance. A deficiency in internal control on its own may not be sufficiently important to constitute a significant deficiency. However, a combination of deficiencies affecting the same account balance or disclosure, relevant assertion, or component of internal control may increase the risks of misstatement to such an extent as to give rise to a significant deficiency.

A9. Law or regulation in some jurisdictions may establish a requirement (particularly for audits of listed entities) for the auditor to communicate to those charged with governance or to other relevant parties (such as regulators) one or more specific types of deficiency in internal control that the auditor has identified during the audit. Where law or regulation has established specific terms and definitions for these types of deficiency and requires the auditor to use these terms and definitions for the purpose of the communication, the auditor uses such terms and definitions when communicating in accordance with the legal or regulatory requirement.

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<sup>5</sup> See ~~ASA 315 (Redrafted)~~ ASA 315 (Revised and Redrafted), paragraph A66.

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- A10. Where the jurisdiction has established specific terms for the types of deficiency in internal control to be communicated but has not defined such terms, it may be necessary for the auditor to use ~~judgment~~**judgement** to determine the matters to be communicated further to the legal or regulatory requirement. In doing so, the auditor may consider it appropriate to have regard to the requirements and guidance in this ~~ISA~~**ISA Auditing Standard**. For example, if the purpose of the legal or regulatory requirement is to bring to the attention of those charged with governance certain internal control matters of which they should be aware, it may be appropriate to regard such matters as being generally equivalent to the significant deficiencies required by this ~~ISA~~**ISA Auditing Standard** to be communicated to those charged with governance.
- A11. The requirements of this ~~ISA~~**ISA Auditing Standard** remain applicable notwithstanding that law or regulation may require the auditor to use specific terms or definitions.

**Communication of Deficiencies in Internal Control**

*Communication of Significant Deficiencies in Internal Control to Those Charged with Governance* (Ref: Para. 9)

- A12. Communicating significant deficiencies in writing to those charged with governance reflects the importance of these matters, and assists those charged with governance in fulfilling their oversight responsibilities. ~~A~~**ISA** 260 (Revised and Redrafted) establishes relevant considerations regarding communication with those charged with governance when all of them are involved in managing the entity.<sup>6</sup>
- A13. In determining when to issue the written communication, the auditor may consider whether receipt of such communication would be an important factor in enabling those charged with governance to discharge their oversight responsibilities. In addition, for listed entities ~~in certain jurisdictions~~, those charged with governance may need to receive the auditor's written communication before the date of approval of the financial ~~statements~~ report in order to discharge specific responsibilities in relation to internal control for regulatory or other purposes. For other entities, the auditor may issue the written communication at a later date. Nevertheless, in the latter case, as the auditor's written communication of significant

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<sup>6</sup> See ~~A~~**ISA** 260 (Revised and Redrafted), paragraph 13.

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deficiencies forms part of the final audit file, the written communication is subject to the overriding requirement<sup>7</sup> for the auditor to complete the assembly of the final audit file on a timely basis. ~~ISA~~ISA 230 (Revised and Redrafted) states that an appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.<sup>8</sup>

A14. Regardless of the timing of the written communication of significant deficiencies, the auditor may communicate these orally in the first instance to management and, when appropriate, to those charged with governance to assist them in taking timely remedial action to ~~minimize~~ ~~minimise~~ the risks of material misstatement. Doing so, however, does not relieve the auditor of the responsibility to communicate the significant deficiencies in writing, as this ~~ISA~~ **Auditing Standard** requires.

A15. The level of detail at which to communicate significant deficiencies is a matter of the auditor's professional ~~judgment~~ **judgement** in the circumstances. Factors that the auditor may consider in determining an appropriate level of detail for the communication include, for example:

- The nature of the entity. For instance, the communication required for a public interest entity may be different from that for a non-public interest entity.
- The size and complexity of the entity. For instance, the communication required for a complex entity may be different from that for an entity operating a simple business.
- The nature of significant deficiencies that the auditor has identified.
- The entity's governance composition. For instance, more detail may be needed if those charged with governance include members who do not have significant experience in the entity's industry or in the affected areas.

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<sup>7</sup> ~~See ISA 230 (Redrafted)~~ (Revised and Redrafted), "Audit Documentation," paragraph 14.

<sup>8</sup> ~~See ISA 230 (Redrafted)~~ (Revised and Redrafted), paragraph A21.

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- Legal or regulatory requirements regarding the communication of specific types of deficiency in internal control.

A16. Management and those charged with governance may already be aware of significant deficiencies that the auditor has identified during the audit and may have chosen not to remedy them because of cost or other considerations. The responsibility for evaluating the costs and benefits of implementing remedial action rests with management and those charged with governance. Accordingly, the requirement in paragraph 9 applies regardless of cost or other considerations that management and those charged with governance may consider relevant in determining whether to remedy such deficiencies.

A17. The fact that the auditor communicated a significant deficiency to those charged with governance and management in a previous audit does not eliminate the need for the auditor to repeat the communication if remedial action has not yet been taken. If a previously communicated significant deficiency remains, the current year's communication may repeat the description from the previous communication, or simply reference the previous communication. The auditor may ask management or, where appropriate, those charged with governance, why the significant deficiency has not yet been remedied. A failure to act, in the absence of a rational explanation, may in itself represent a significant deficiency.

**Considerations Specific to Smaller Entities**

A18. In the case of audits of smaller entities, the auditor may communicate in a less structured manner with those charged with governance than in the case of larger entities.

***Communication of Deficiencies in Internal Control to Management*** (Ref: Para. 10)

A19. Ordinarily, the appropriate level of management is the one that has responsibility and authority to evaluate the deficiencies in internal control and to take the necessary remedial action. For significant deficiencies, the appropriate level is likely to be the chief executive officer or chief financial officer (or equivalent) as these matters are also required to be communicated to those charged with governance. For other deficiencies in internal control, the appropriate level may be operational management with more direct involvement in the

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control areas affected and with the authority to take appropriate remedial action.

Communication of Significant Deficiencies in Internal Control to Management (Ref: Para. 10(a))

- A20. Certain identified significant deficiencies in internal control may call into question the integrity or competence of management. For example, there may be evidence of fraud or intentional non-compliance with laws and regulations by management, or management may exhibit an inability to oversee the preparation of an adequate financial ~~statements-report~~ that may raise doubt about management's competence. Accordingly, it may not be appropriate to communicate such deficiencies directly to management.
- A21. ~~ISA~~ 250 (~~Revised and Redrafted~~) establishes requirements and provides guidance on the reporting of identified or suspected non-compliance with laws and regulations, including when those charged with governance are themselves involved in such non-compliance.<sup>9</sup> ~~ISA~~ 240 (~~Revised and Redrafted~~) establishes requirements and provides guidance regarding communication to those charged with governance when the auditor has identified fraud or suspected fraud involving management.<sup>10</sup>

Communication of Other Deficiencies in Internal Control to Management (Ref: Para. 10(b))

- A22. During the audit, the auditor may identify other deficiencies in internal control that are not significant deficiencies but that may be of sufficient importance to merit management's attention. The determination as to which other deficiencies in internal control merit management's attention is a matter of professional ~~judgment~~ ~~judgment~~ in the circumstances, taking into account the likelihood and potential magnitude of misstatements that may arise in the financial ~~statements-report~~ as a result of those deficiencies.
- A23. The communication of other deficiencies in internal control that merit management's attention need not be in writing but may be oral. Where the auditor has discussed the facts and circumstances of the auditor's findings with management, the auditor may consider an

<sup>9</sup> See ~~ISA~~ 250 (~~Redrafted~~) (~~Revised and Redrafted~~), "Consideration of Laws and Regulations in an Audit of a Financial ~~Report~~ ~~Statements~~," paragraphs 22-28.

<sup>10</sup> See ~~ISA~~ 240 (~~Redrafted~~) (~~Revised and Redrafted~~), "The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial ~~Report~~ ~~Statements~~," paragraph 41.

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oral communication of the other deficiencies to have been made to management at the time of these discussions. Accordingly, a formal communication need not be made subsequently.

Aus A23.1 ASA 230 (Revised and Redrafted) requires discussions of significant matters discussed with those charged with governance, management and others to be documented.\*

Added in as a result of ACAG comment

A24. If the auditor has communicated deficiencies in internal control other than significant deficiencies to management in a prior period and management has chosen not to remedy them for cost or other reasons, the auditor need not repeat the communication in the current period. The auditor is also not required to repeat information about such deficiencies if it has been previously communicated to management by other parties, such as internal auditors or regulators. It may, however, be appropriate for the auditor to re-communicate these other deficiencies if there has been a change of management, or if new information has come to the auditor's attention that alters the prior understanding of the auditor and management regarding the deficiencies. Nevertheless, the failure of management to remedy other deficiencies in internal control that were previously communicated may become a significant deficiency requiring communication with those charged with governance. Whether this is the case depends on the auditor's ~~judgment~~judgement in the circumstances.

A25. In some circumstances, those charged with governance may wish to be made aware of the details of other deficiencies in internal control the auditor has communicated to management, or be briefly informed of the nature of the other deficiencies. Alternatively, the auditor may consider it appropriate to inform those charged with governance of the communication of the other deficiencies to management. In either case, the auditor may report orally or in writing to those charged with governance as appropriate.

A26. ~~ASA~~ASA 260 (Revised and Redrafted) establishes relevant considerations regarding communication with those charged with governance when all of them are involved in managing the entity.<sup>11</sup>

*Considerations Specific to Public Sector Entities* (Ref: Para. 9-10)

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\* See ASA 230 (Revised and Redrafted), paragraph 10.

<sup>11</sup> See ~~ASA~~ASA 260 (Revised and Redrafted), paragraph 9.

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A27. Public sector auditors may have additional responsibilities to communicate deficiencies in internal control that the auditor has identified during the audit, in ways, at a level of detail and to parties not envisaged in this [ISA Auditing Standard](#). For example, significant deficiencies may have to be communicated to the legislature or other governing body. Law, regulation or other authority may also mandate that public sector auditors report deficiencies in internal control, irrespective of the significance of the potential effects of those deficiencies. Further, legislation may require public sector auditors to report on broader internal control-related matters than the deficiencies in internal control required to be communicated by this [ISA Auditing Standard](#), for example, controls related to compliance with legislative authorities, regulations, or provisions of contracts or grant agreements.

*Content of Written Communication of Significant Deficiencies in Internal Control* (Ref: Para. 11)

A28. In explaining the potential effects of the significant deficiencies, the auditor need not quantify those effects. The significant deficiencies may be grouped together for reporting purposes where it is appropriate to do so. The auditor may also include in the written communication suggestions for remedial action on the deficiencies, management's actual or proposed responses, and a statement as to whether or not the auditor has undertaken any steps to verify whether management's responses have been implemented.

A29. The auditor may consider it appropriate to include the following information as additional context for the communication:

- An indication that if the auditor had performed more extensive procedures on internal control, the auditor might have identified more deficiencies to be reported, or concluded that some of the reported deficiencies need not, in fact, have been reported.
- An indication that such communication has been provided for the purposes of those charged with governance, and that it may not be suitable for other purposes.

A30. Law or regulation may require the auditor or management to furnish a copy of the auditor's written communication on significant deficiencies to appropriate regulatory authorities. Where this is the case, the auditor's written communication may identify such regulatory authorities.

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**Conformity with International Standards on Auditing**

This Auditing Standard conforms with International Standard on Auditing ISA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

Compliance with this Auditing Standard enables compliance with ISA 265.