

## ICPAS Technical Group Discussion: Practical Challenges - SSAs 230, 510, 560, 570

The Technical Group Discussion (TGD) on the Practical Challenges involved in the application of Singapore Standards on Auditing (SSAs) was conducted by Mr Shariq Barmaky, Professional Practice Director for Deloitte Singapore and Deloitte Southeast Asia, on 8 September 2011, at the Singapore Management University. Covering four SSAs, which comprised SSA 230 *Audit Documentation*, SSA 510 *Initial Audit Engagements- Opening Balances*, SSA 560 *Subsequent Events* and SSA 570 *Going Concern*, the TGD was attended by an audience of more than 60 participants.

### SSA 230 Audit Documentation

Warming up the audience with the common saying, “If it is not documented, it is not done”, Mr Barmaky stressed the importance of audit documentation as it provides sufficient and appropriate record of basis for the auditor’s report and evidence that the audit was planned and performed in accordance with the SSAs and applicable legal and regulatory requirements. Mr Barmaky proceeded to give practical examples on how auditors may be able to provide sufficient documentation. These include:



- Documenting the identifying characteristics of specific items or matters tested, in order to provide details of nature, timing and extent of audit procedures performed;
- Maintaining correspondences or e-mails concerning significant matters to adequately document results of audit procedures performed; and
- Identifying critical instances whereby documentation of significant matters, conclusions reached, and significant professional judgements made in reaching those conclusions are required.

Mr Barmaky rounded up discussion on SSA 230 by sharing the common findings on areas where there had been a lack of documentation by auditors.

### SSA 510 Opening Balances

Mr Barmaky shared that one objective of the auditor with respect to opening balances is to obtain appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period’s financial statements. Another objective would be to check whether appropriate accounting policies reflected in the opening balances have been consistently applied in the current period’s financial statements, or changes thereto are appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.

Mr Barmaky highlighted the following factors to consider when obtaining appropriate audit evidence about whether opening balances contain material misstatements:

- The entity’s accounting policies;
- The nature and risks in the current period;
- The significance of the opening balances relative to the current period’s financial statements; and
- Whether prior period were audited and if the predecessor’s audit opinion was modified.

Mr Barmaky further highlighted that when the accounting policies of the opening balances were not consistently applied in the current period’s financial statements or changes in accounting policies were not appropriately accounted for or adequately presented or disclosed, the auditor should consider issuing either a qualified or adverse opinion.

### SSA 560 Subsequent Events

Through the use of interesting examples, Mr Barmaky led the audience through the different auditing requirements when there were a) events occurring between the date of the financial statements and date of auditor's report; b) facts become known to the auditors after the date of the auditor's report but before the financial statements have been issued; and c) facts become known to the auditors after the financial statements have been issued.

To further enhance the participants' understanding of SSA 560, Mr Barmaky shared some common findings on documentation of subsequent events, which included little or no work being documented on working papers, and audit procedures on subsequent events not being updated to the date of the auditor's report.

### SSA 570 Going Concern

Mr Barmaky initiated discussion on SSA 570 by presenting an overview of the standard, which requires auditors to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern.

Running through the different follow-up audit procedures when events or conditions that may cast significant doubts on the entity's ability to continue as a going concern were identified, Mr Barmaky stressed the importance of the exercise of professional judgement by the auditors in assessing the assumptions provided by the management based on best-case and worst-case scenarios.

The session was lively and interactive, with the audience contributing their views and raising queries and sharing their own experiences with the participants.