Audit Adjustments

What is an audit adjustment? Known, estimated.

How does an auditor deal with audit adjustments?
- PAJE (aggregate)
- Tolerable misstatement, materiality
- Pass?
- Present to mgt (negotiations)
- Adjustment made?
- Reporting implications

All uncorrected audit adjustments, whether material or not, are supposed to be presented to the audit committee. Open book.

General

- Auditor is required to ensure that the audit committee receives information about the scope and results of the audit
- Communications documented

- Auditor should also provide the audit committee with information related to:
  - Disagreements with management
  - Issues with the quality of management's accounting practices
  - Items which may influence the reliability of the F/S
  - Difficulties encountered during the audit

- So, how can the audit committee ensure audit quality?