



# dronacharya

FOR  
**CA INTERMEDIATE**

2024

**Nature, Objectives  
and Scope of Audit**

**Auditing & Ethics**

**ONE SHOT**



**Ankit Mundra Sir**



# One Shots

I

Ch. 1 & 11

II

2 - 6 - 7 - 10

III

5 - 9 - 8

IV

3 - 4





## Topic: Introduction

Ch1



→ Business Environment → Complex



→ Money Lender → Credit Worthiness



→ Share holders → Financial Position of Co.



→ Bank → Credit Worthy



→ Government → Taxes



→ Insurance Co. → Settle Claims

RELIANCE ? ✓

CONFIDENCE? ✓

Financial Statements → True & Fair





## Topic: Origin of Auditing

**Auditing → Ancient Times → Many Societies**



**Kautilya's Arthshastra → 4<sup>th</sup> Century BC**

Focus

Fixed Accounting Year

Process of Closure of A/c.s

Auditing

Periodical Checking

Verification

Misstatement in F.S

Abuse of Power





## Topic: Origin of Auditing

Origin of the word 'Audit' → Latin → *Audire* → To HEAR

I Auditor General of India → 1860

Accounting

Auditing

Presently → Constitutional Authority

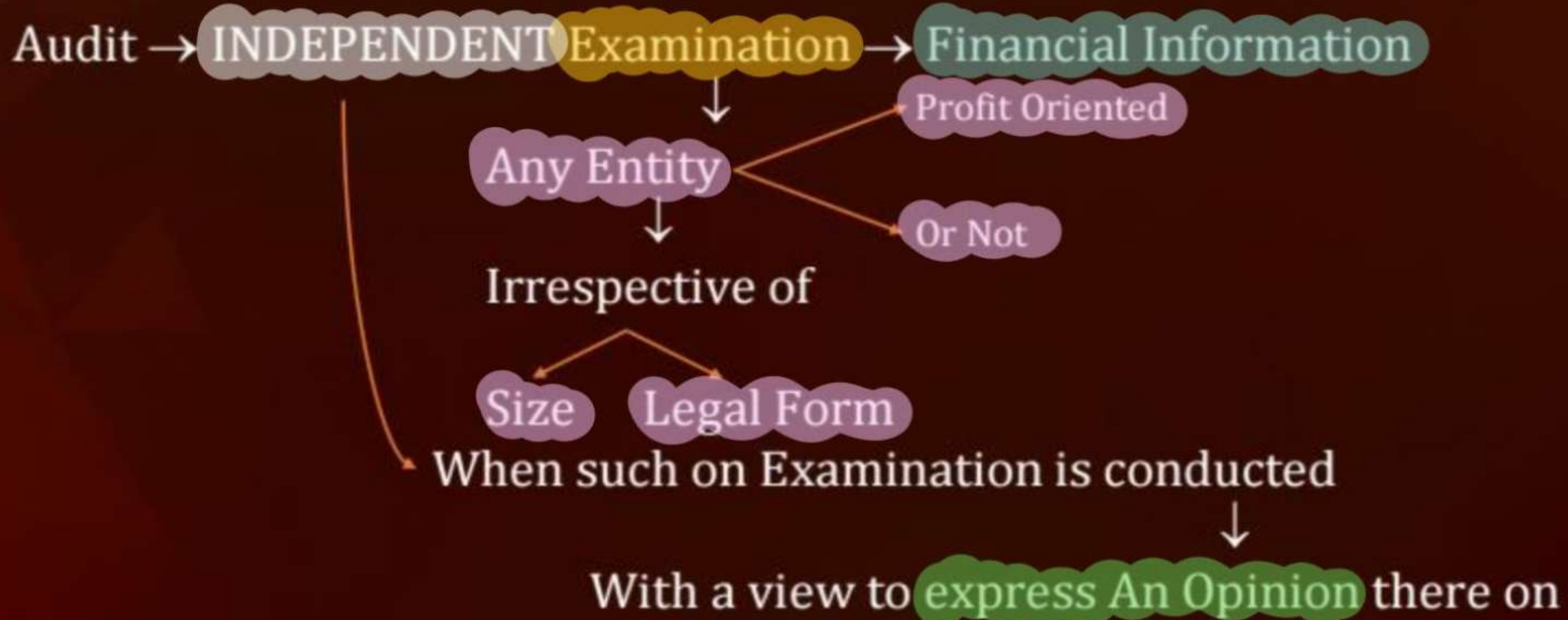
C & AG

ICAI → Statutory Body → Act of Parliament





# Topic: Meaning & Nature of Auditing





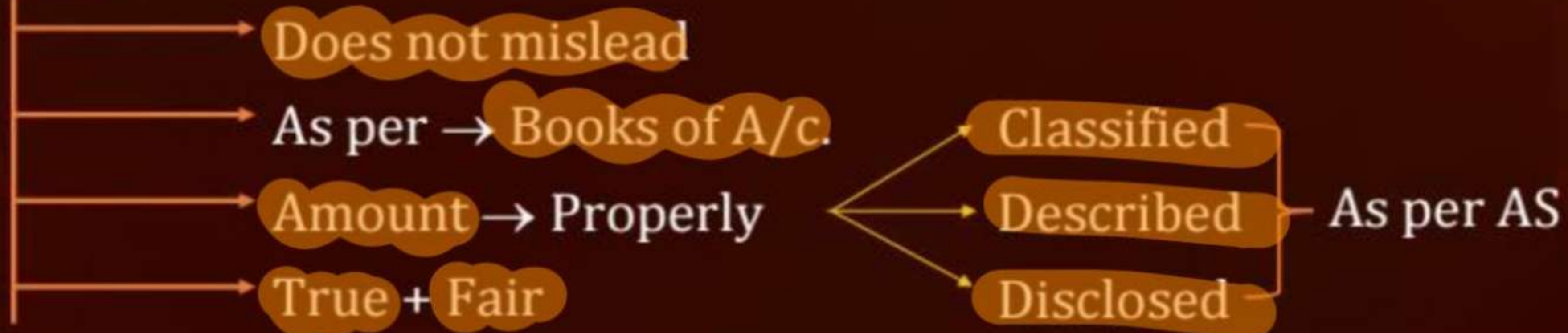


## Topic: Meaning & Nature of Auditing

### Auditor to Ensure:

(1)

F.S.



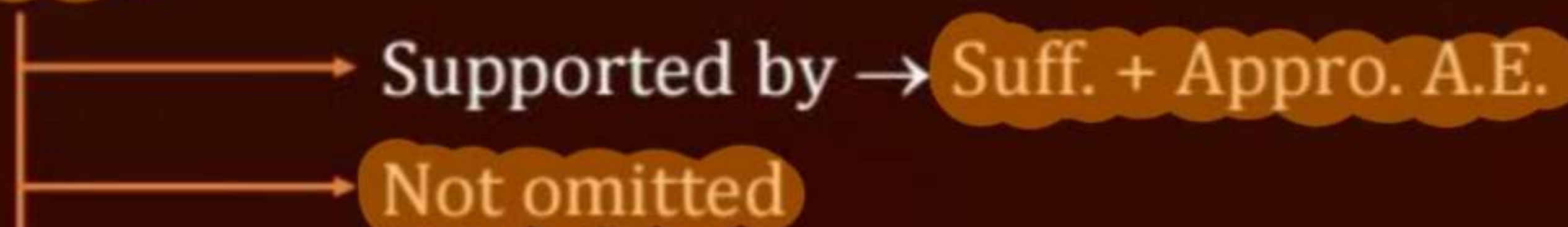




## Topic: Meaning & Nature of Auditing

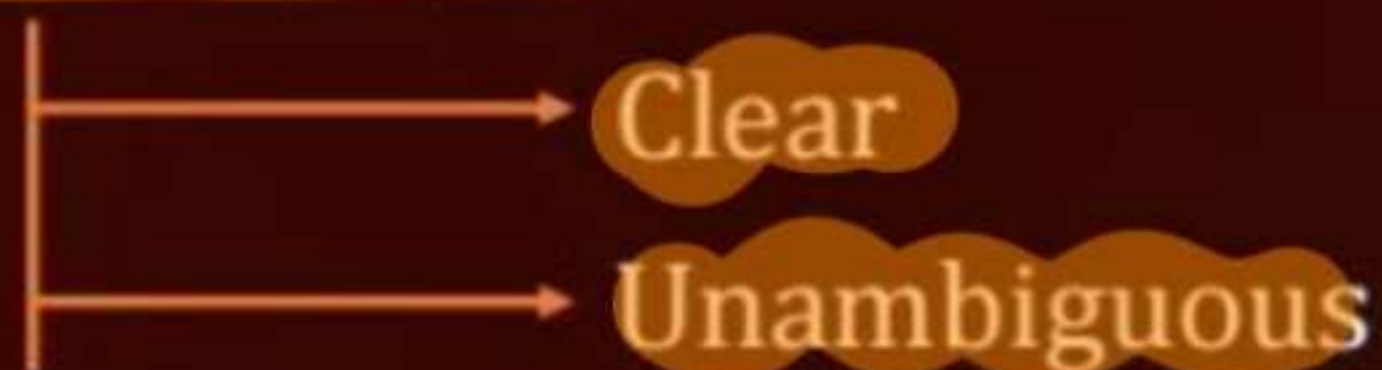
(2)

Entries



(3)

Information



Auditing → Provides → Assurance → To user → F.S.





# Topic: Interdisciplinary Relationship with Diverse Subject







## Topic: Objectives of Audit

As per SA 200 → "Overall OBJECTIVES of an Independent Auditor  
AND conduct of an Audit in accordance with SA"

↓  
Objective of Audit  
↓

To obtain R.A. → That the F.S. as a whole  
→ are Free from M.M.  
→ Due to F/E

↓  
Enabling the Auditor to Express an Opinion  
→ F.S. are Prepared

↓  
In accordance with App. F.R.F.

To Report on F.S

+  
Communicate as required by SA

↓  
In accordance with Auditor's  
Findings





## Topic: Objectives of Audit



Absolute Assurance = Guarantee

R.A.

≠ Not Guarantee

= High Level of Assurance





## Topic: Scope of Audit - What is Included

- Scope = Range or Reach
- Purpose of Audit = Enhance the degree of Confidence of the intended user of FS.



### ➤ Scope of Audit

(1) Cover adequately all ASPECTS of an enterprise

(2) Financial Information

Reliable  
Sufficient

Judgement

Study + Assess

Carryout

Underlying A/c  
records

Other Source of Data

A/c. Sys.

I.C.

Test

Enquiries

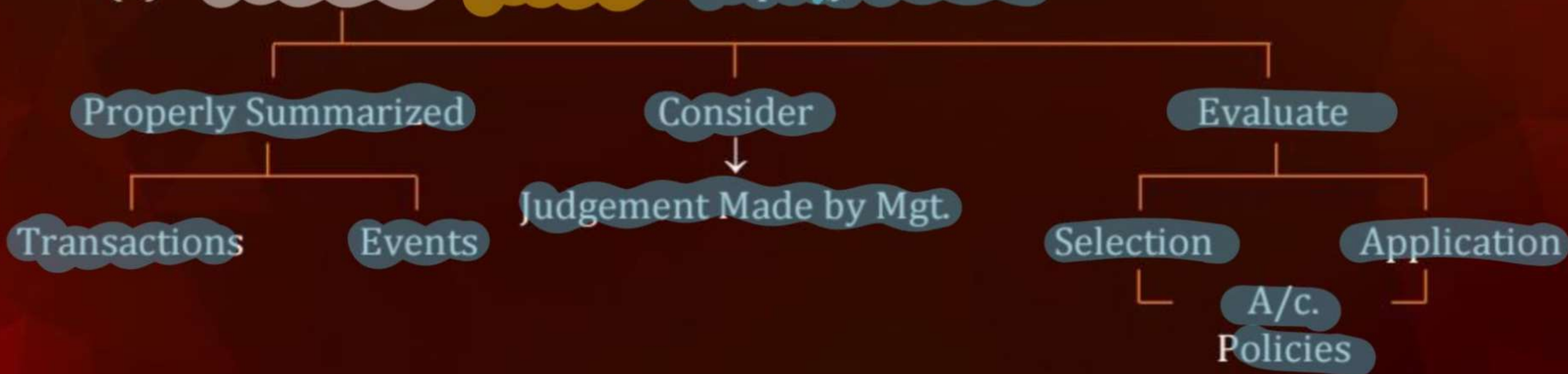
Procedures





## Topic: Scope of Audit -What is Included

(3) Information → Relevant ← Properly Disclosed





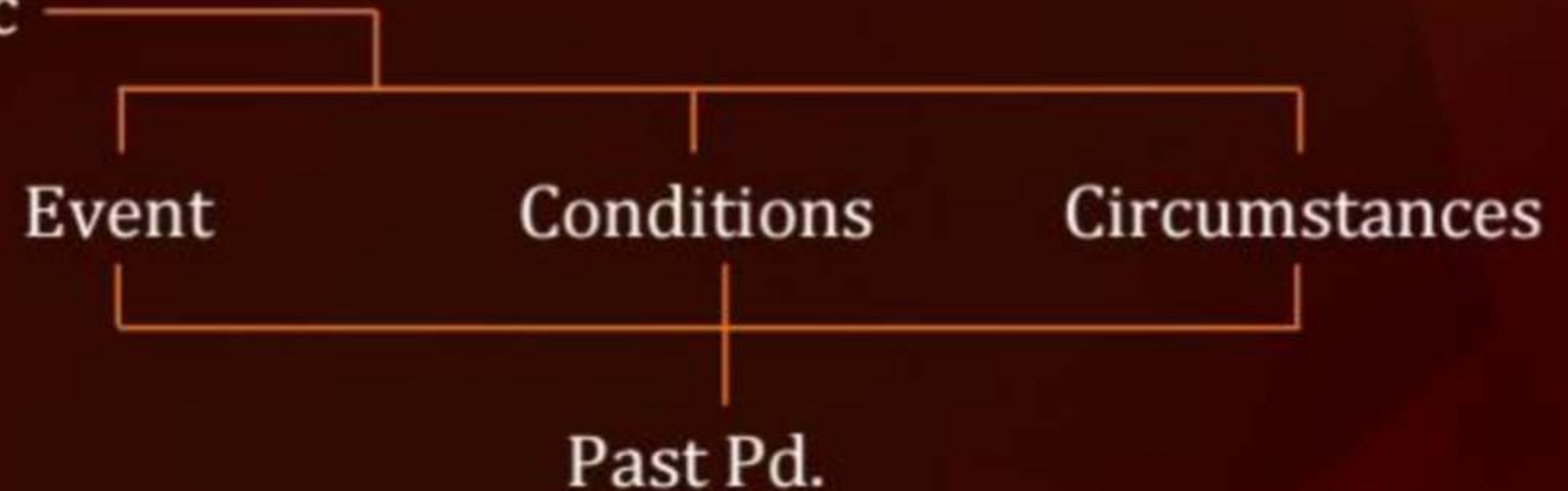


## Topic: Scope of Audit -What is Included

### (4) Expression of an opinion

#### ➤ Historical Financial Info.

- Financial Terms
- Relation to particular entity
- Derived from A/c. Sys.
- About Economic







## Topic: Scope of Audit - What is **NOT Included**

### Auditor is **NOT EXPECTED** to:-

(1) Perform duties



which fall outside the domain of his competence

(2) Determine suitability + Life of civil structures (Bldg.)

(3) Authenticate Documentation → Not on Expert

(4) Audit ≠ Not official investigation → Alleged wrongdoing

(5) Auditor ≠ specific legal power

(6) Audit ≠ Investigation



Obtain R.A.



F.S. as a whole are free from MM → Due to F/E

(7) Responsibility → Preparation → FS

Critical Examination of A/c.

With a special purpose





## Topic: Inherent Limitations of Audit

### Auditor

- NOT EXPECTED to Reduce the Audit Risk to ZERO
- CANNOT obtain ABSOLUTE ASSURANCE



That the F.S. as a whole



are FREE from MM



Due to F/E





## Topic: Inherent Limitations of Audit

### Factor

#### (1) Nature of Financial Reporting

Preparation of FS → Involves → Mgt. Judgement





## Topic: Inherent Limitations of Audit

### (2) Nature of Audit Procedures

Practical + Legal Limitations

Sampling Approach

① Mgt

Intentionally

Unintentionally

May not provide complete info

Sophisticated

Carefully Organised

Scheme

② → Fraud may involve

Fabricated Documents

③ → Related party transactions





## Topic: Inherent Limitations of Audit

### (3) Not in Nature of Investigation

Not official Investigation

### (4) Timeliness of Financial Reporting & Decrease in Relevance of Info. Over Time

Balance b/w. Reliability of Info  $\cong$  cost of obtaining it

### (5) Future Events

Entity' ability to continue as Going Concern





## Topic: What is an Engagement?

Arrangement to do something



Auditor agrees to provide Auditing Service

Engagement Letter (SA 210) (ch 11)





## Topic: External Audit Engagement / Reasonable Assurance Engagement



Purpose → Enhance the degree of confidence



of the intended user of F.S.





## Topic: Benefits of Audit / Why is Audit needed?



(1) Audited A/c. → provide → High Quality Info.

Give confidence to user of FS

(2) Interest of shareholders → safeguarded

(3) Moral Check on employees

(4) Helpful for Govt. → determine Tax Liabilities

(5) Relied upon by Bankers / Lenders

(6) Detection of F/E

(7) Review

Existence

Operation

I.C.





## Topic: Audit -Mandatory or Voluntary?

Mandatory

→ Companies

→ Entities



T/o > threshold limit as per Income Tax

→ Organization → Receiving Govt. Grants





## Topic: Who appoints an Auditor?

- Generally → Owners
- Constitutional/Govt. Authorities → As per Law/Regulation
- Companies (Non-Govt.) → Members (Shareholders) @ AGM
- Companies (Govt.) → C & AG
- Firms → Partners





## Topic: To Whom Report is Submitted by an Auditor?



- Report → Written
- Submitted → To the person → Making Appointment





## Topic: Meaning of Assurance Engagement

Practitioners expresses a conclusion → About the outcome of

Designed to enhance the degree of confidence

of the intended user  
(Other than the Responsible Party)

➤ Practitioner → Gives Opinion → About SPECIFIC INFO.

Due to which users make confident decisions

Knowing well → Chance of Incorrect info

DIMINISHED

Evaluation

OR

Measurement

Of a subject  
matters

Against Criteria





# Topic: Elements of an Assurance Engagement

(1) Provides Assurance

Broader than Auditor

CA  
Practitioner

Audit → Historical  
Assurance → ~~Historical~~  
or Present or Future

Person for whom an  
Assurance Report is prepared

Relation

Mgt.  
Responsible  
Party

Responsible for  
Preparation of Subject  
Matter

Bank  
Intended  
User





## Topic: Elements of an Assurance Engagement

(2) Appropriate Subject Matter

Info. To be examined by the practitioner

(3) Suitable criteria → Benchmarks → Used to evaluate the subject matter

Standards

Guidance

Laws

Rules

Regulations

(4) Suff. + Appro. Evidence → Conclusion → Opinion

Qty.

Quality





## Topic: Elements of an Assurance Engagement



(5) Written Assurance Report → in appropriate format



Outcome of an Assurance Engagement





## Topic: Audit vs. Review



### Audit

→ R.A. Engagement

→ Higher assurance

→ More Procedures

→ Scope of Conclusion is higher

v/s.

### Review

→ Limited Assurance Engagement

→ Lower level of assurance

→ Fewer Procedures

→ Limited Conclusion

Both are related to FS prepared on the basis of Historical Financial INFO.





## Topic: R.A. Engagement vs. L.A. Engagement

*Audit-*

*Review*

<b>Basis</b>	<b>R.A.E</b>	<b>L.A.E.</b>
Level	Higher	Lower
Audit Procedure	Elaborate & Extensive	Fewer Procedure as compared with RA
Conclusion	Reasonable	Limited
Example	Audit Engagement	Review Engagement





## Topic: Audit & Review vs. Prospective Financial Info



➤ Audit & Review → Historical Financial info.

Prospective Financial Info. → NOT Historical Financial Info.

① — Generally on I.C. of an entity

② — Based on Assumptions → About events



That may occur in the future

+

Possible Actions by an Entity

③ — In the form of  Forecast  
Projection





## Topic: Audit & Review vs. Prospective Financial Info



- ④ Obtains Suff. + Appro. A.E. → about Mgt.'s Assumptions



NOT Unreasonable

- ⑤ Financial Info. → Properly

Prepared

Presented

Disclosed

- ⑥ Moderate level of Assurance

- ⑦ Auditor → NOT in a position → to express an opinion



Results shown Will be achieved





## Topic: Audit & Review vs. Prospective Financial Info



⑧ Report :- Nothing has come to practitioner's attention



To suggest that these assumptions



DO NOT PROVIDE A REASONABLE BASIS FOR THE PROJECTION





## Topic: Qualities of an Auditor

- Tact, Caution, Firmness, Good Temper, Integrity, Discretion, Industry  
Judgement, Patience, Clear Headedness & Reliability
- Qualities of Good Businessman  $\Leftrightarrow$  Qualities of an Auditor
- Shine of culture for attaining great height
- Highest Degree of Integrity + Independence
- Basic Human Qualities
- Exhaustive Knowledge of Accounting is sine qua non
- Thoroughly known  $\rightarrow$  A/c. Principles  $\rightarrow$  Techniques

*must / compulsory*





# Topic: Engagement and Quality Control Standards

Engagement Standards → Issued under authority of → ICAI Council







## Topic: Engagement and Quality Control Standards



### ➤ Why are standards needed?

(1) Carrying Audit as per Global Practices & Benchmarks

(2) Improve → Quality of F.R

(3) Promote → Uniformity

(4) Equips → Professional

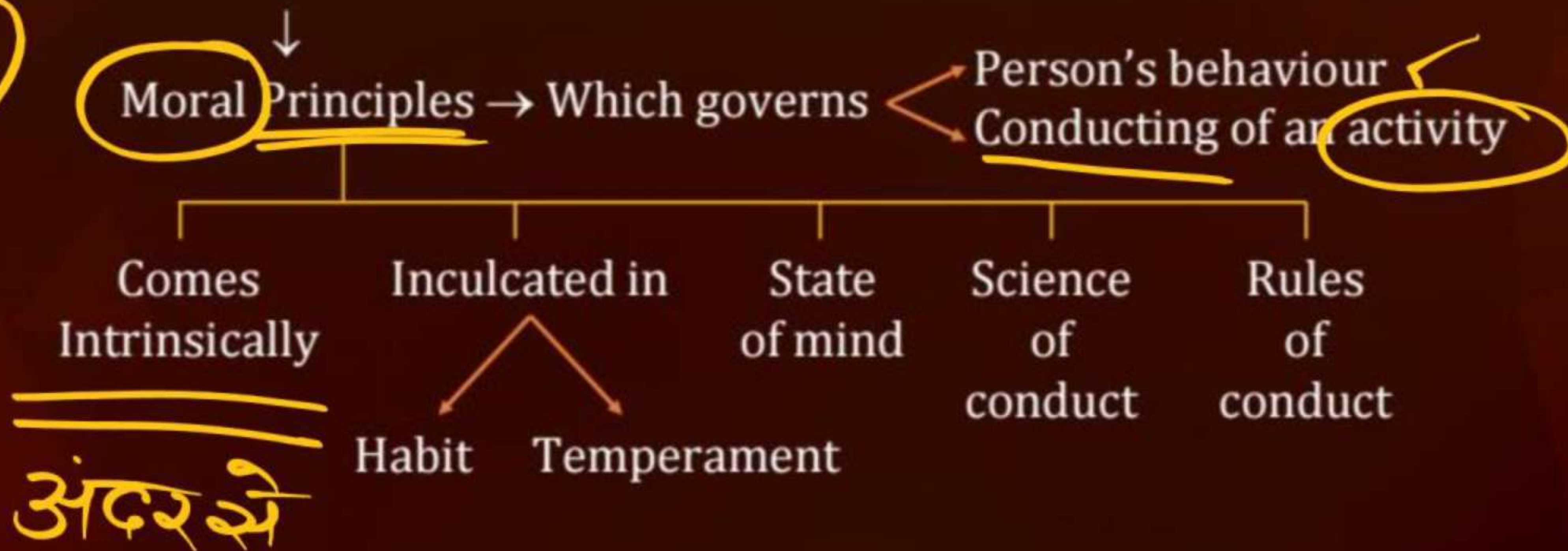
- Knowledge
- Skills

(5) Ensure → Audit Quality





## Topic: Meaning of Ethics –A State of Mind







## Topic: Need for Professional Ethics

2

A CA Practice Service Has to abide by ethical behaviours

→ option 1 & 2

↓  
ICAI → requires → members → comply with principles of ethics

codified

→ The CA Act, 1949

\* Deviation → Disciplinary Mechanism

Fines

Suspension

Removal

Other

membership





# Topic: Principles based approach vs rules based approach to ethics (ethical or legal)

Ethical guidance follow

## Principles Based Approach

(1) Essence = Requires compliance

With sprit of ethics

(2) Accountants → exercise

Every situation

Prof. Judgement

Based on

Prof. knowledge

skill

Expertise

Winner

## Rule Based Approach

(1) Strictly follows

Clearly established rules

(2) Narrow outlook

(3) Spirit of ethics

Overlooked

(4) Rigid

(5) May not possible

Every situation

कहीं लिखा है  
कहीं नहीं

→ किसी Act/Law में लिखा है

2





# Topic: Fundamental Principles of Professional Ethics



Establish → Expected → standard of behaviour

Integrity

- Straight forward
- Honest
- Fair dealing
- Truth fullness
- False + Misleading

St.

Shall not knowingly associate

Objectivity

- Bias
- Conflict of interest
- Undue influence
- ↓
- Prof judgement
- ↓
- Not compromised

Prof. competence

- Due care
- Attain + maintain
- ↓
- Prof. knowledge
- skills

Confidentiality

- Respect confidentiality of info
- ↓
- Unless

Req.

Permitted

By law

Authorised

Client Employer

Prof. Behaviour

- Comply
- Avoid conduct
- ↓
- Discredit profession
- Unknowingly engage

Law

Regulation

Prof Duty





→ Diligence = Responsibility to Act [carefully + Thoroughly + timely] *mca*





## Topic: Independence of auditors

Judgement of a person → Not subordinate

Wishes  
direction

Another person

Engaged

To own self interest

Interlinked Perspective of INDEPENDENT

Independence of Mind

State of mind that permits the provision of an opinion → without being affected by influences

Independence in Appearance

Avoidance of facts & circumstances

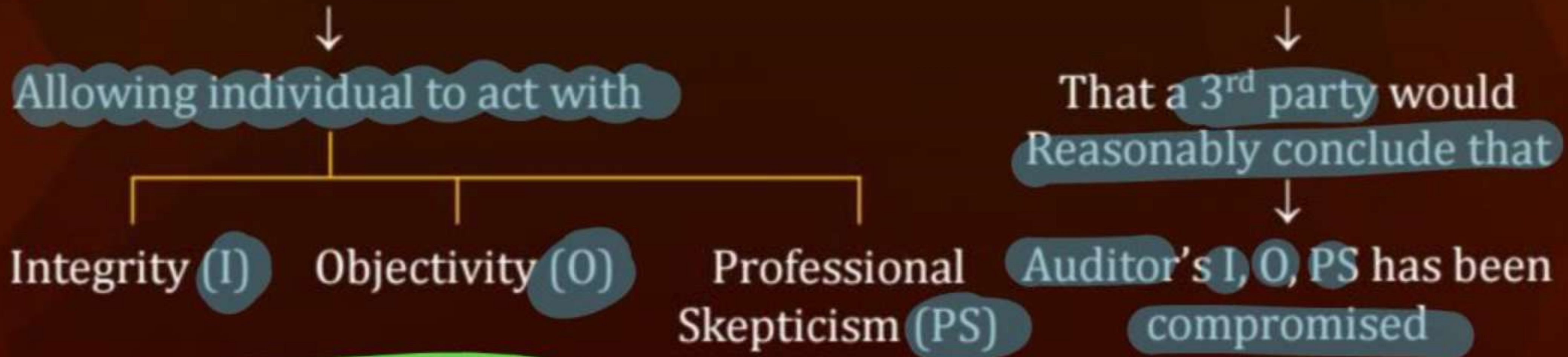
That are so Significant





← Business  
Person





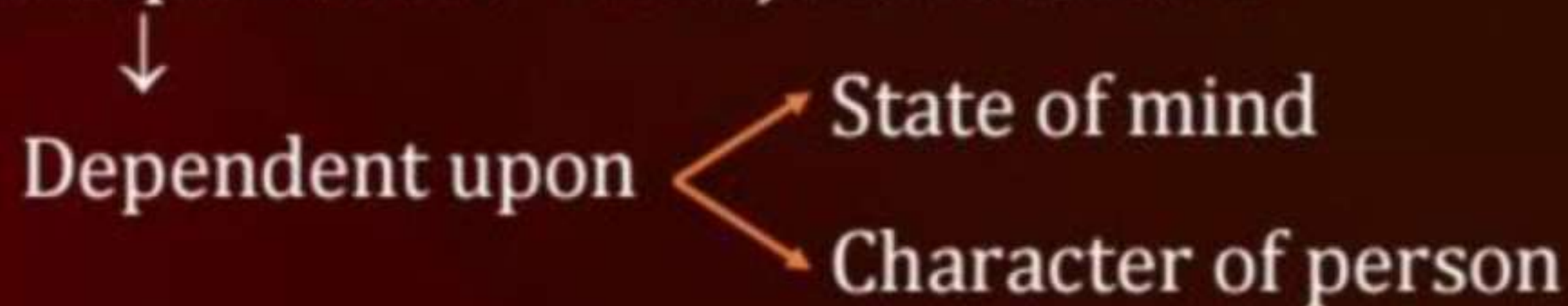
- (i) Auditor himself satisfied about his independence
- (ii) No unbiased person → would be forced to conclude

*Reasonable 3<sup>rd</sup> Party* ←

↓

Abridgement of Auditor's independence

\*Independence → subjective matter



2





## Topic: Threats To Independence

### Threats to Independence







## Topic: Safeguards to Independence

### Safeguards to Independence

- (i) Always be & appear to be Independent
- (ii) Have I, O, PS
- (iii) Consider threats to his Independence
- (iv) Desist from the task or put in place safeguards
- (v) If unable to fully implement safeguards → must not accept work





## Topic: Professional Skepticism



Professional Skepticism (PS) → Attitude involving

Questioning  
Mind

Alert to Conditions

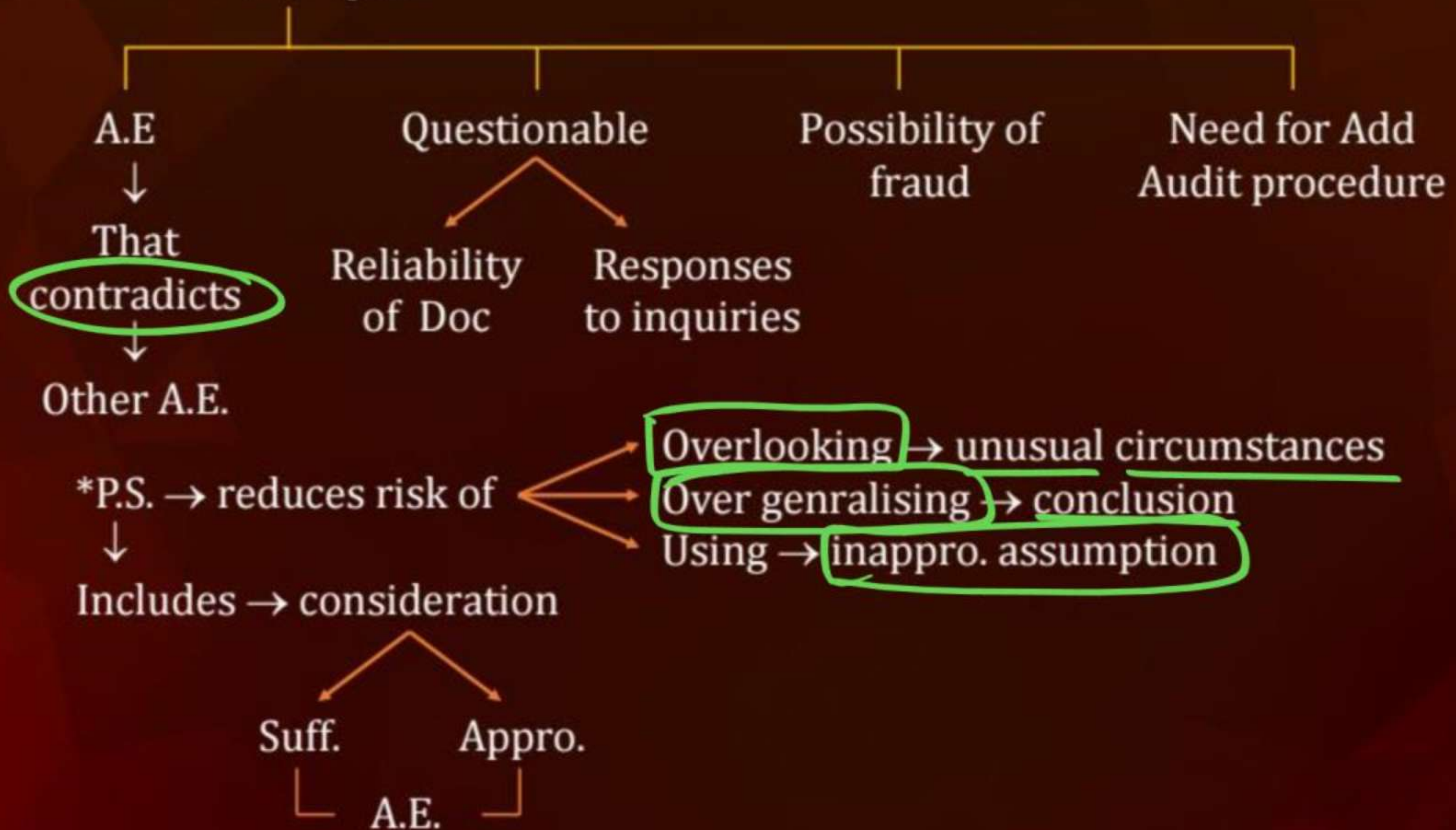
Critical Assessment  
of A.E

↓  
Indicating possible misstatement

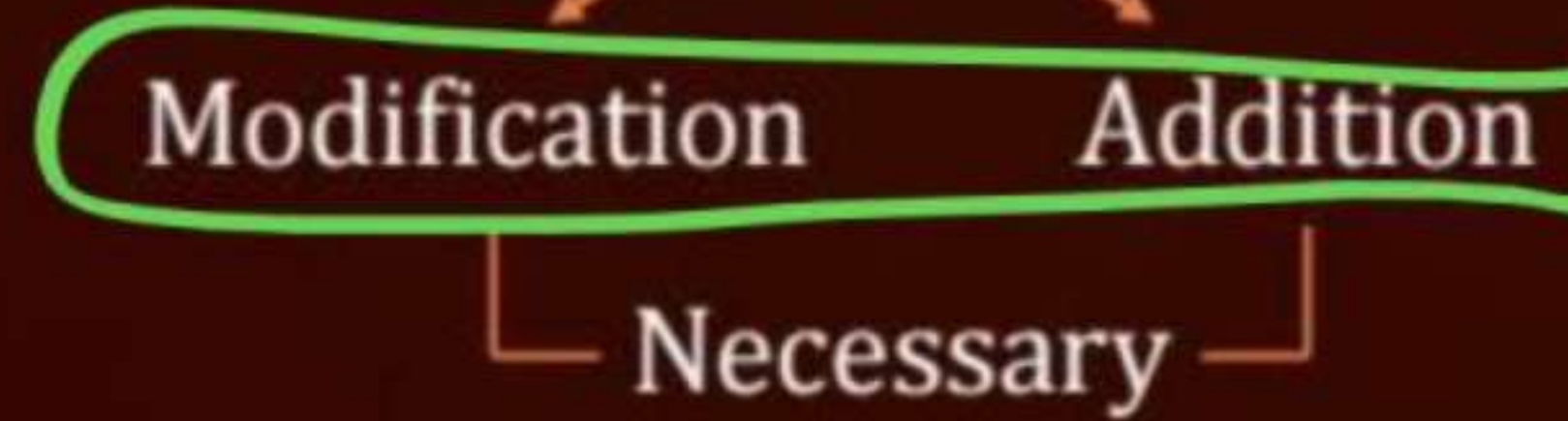
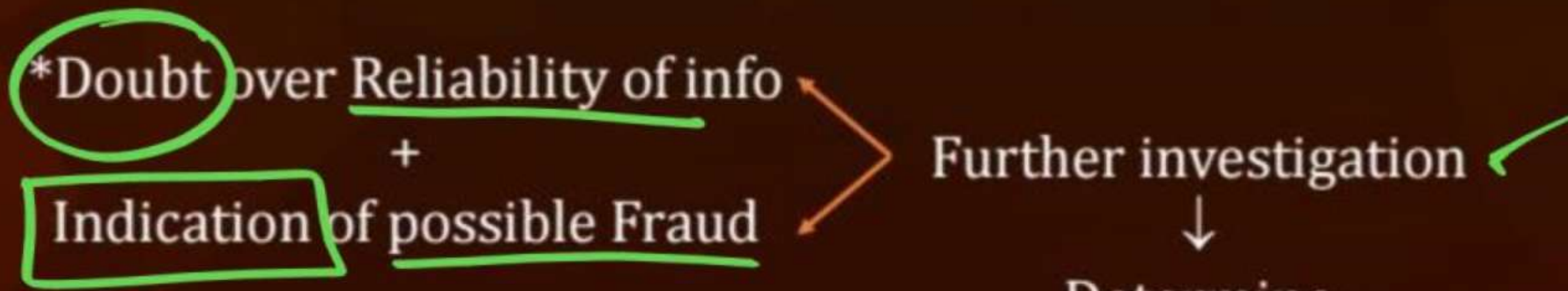
↓  
Due to F/E



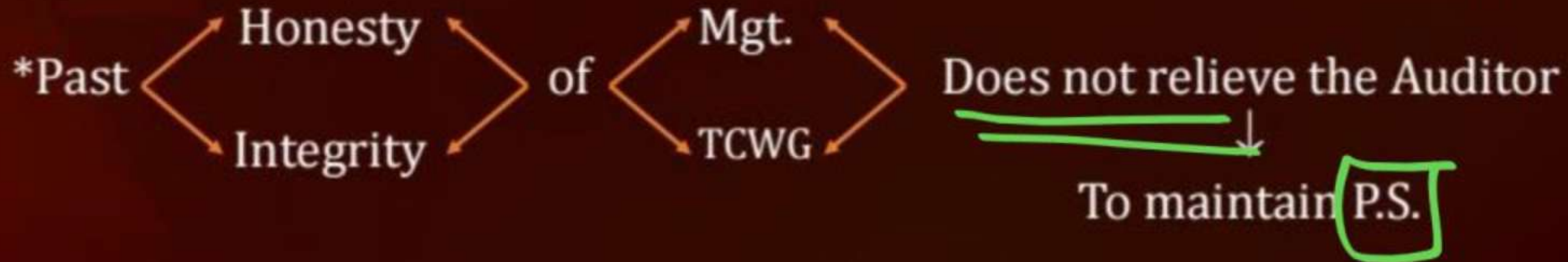
# Examples





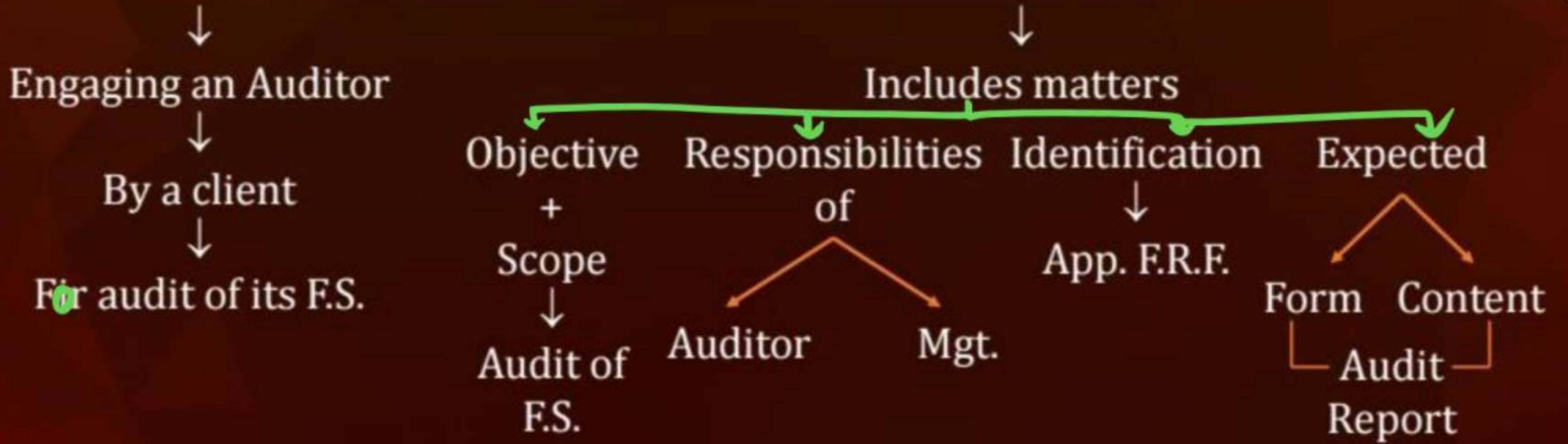


In  
Audit  
Procedures





Audit Engagement	And	Terms of Audit Engagement
------------------	-----	---------------------------







# Topic: Agreeing the Terms of Audit Engagements

## Agreement on Audit Engagement Terms



In writing → as per SA-210 "Agreeing to the Terms of Audit Engagements"



Auditor should agree to the Terms of Audit Engagement → With Mgt./TCWG



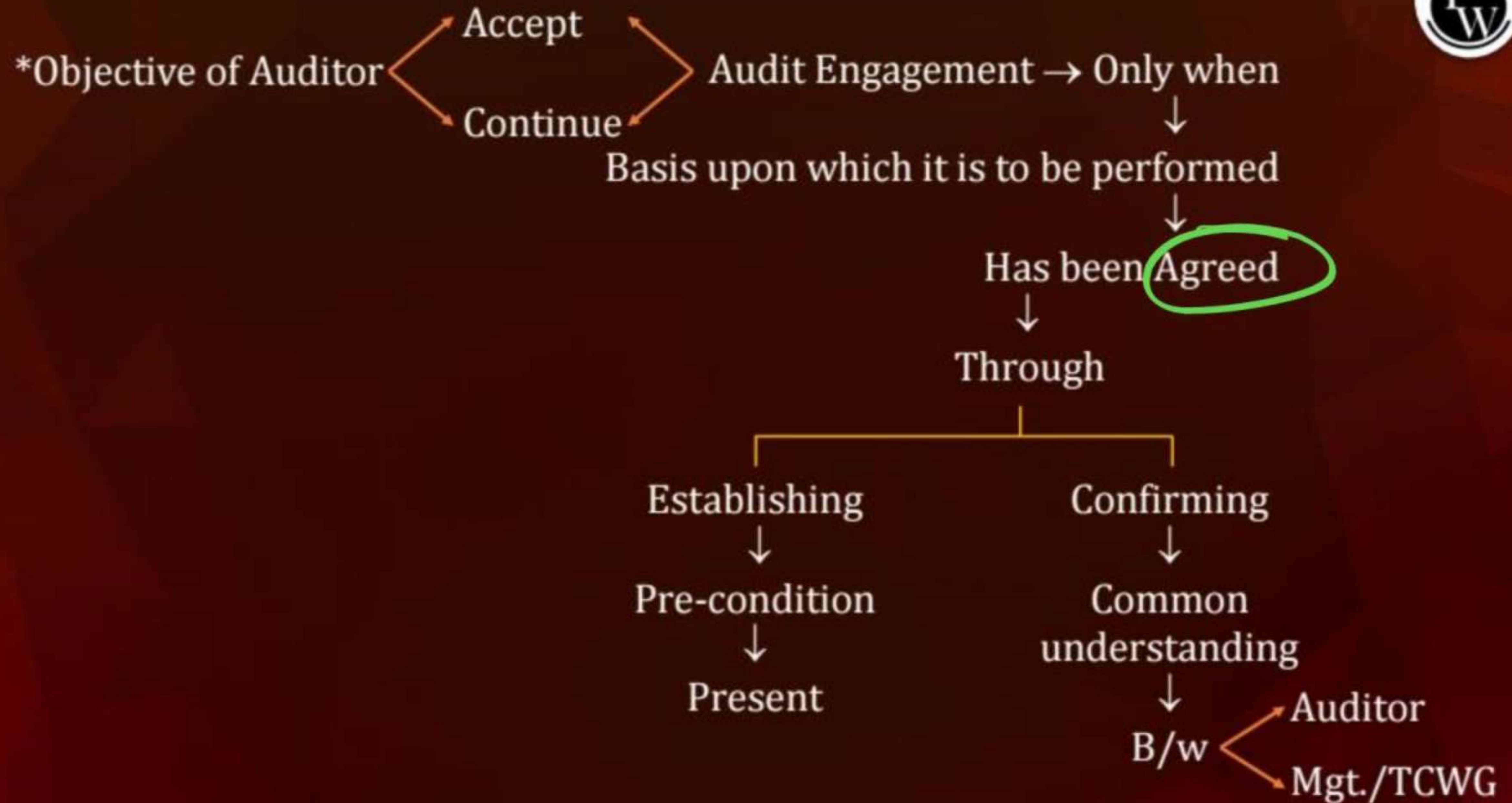
to include



Preconditions for an Audit 

```
graph LR; A[Preconditions for an Audit] --> B[Mgt.]; A --> C[TCWG]; B --> D[Responsibility]; C --> D;
```









## Topic: Pre-Conditions for an Audit

As per SA 210 "Agreeing to the terms of Audit Engagement"

Pre-Conditions for an Audit

Use by the Management

Agreement of Mgt. / TCWG

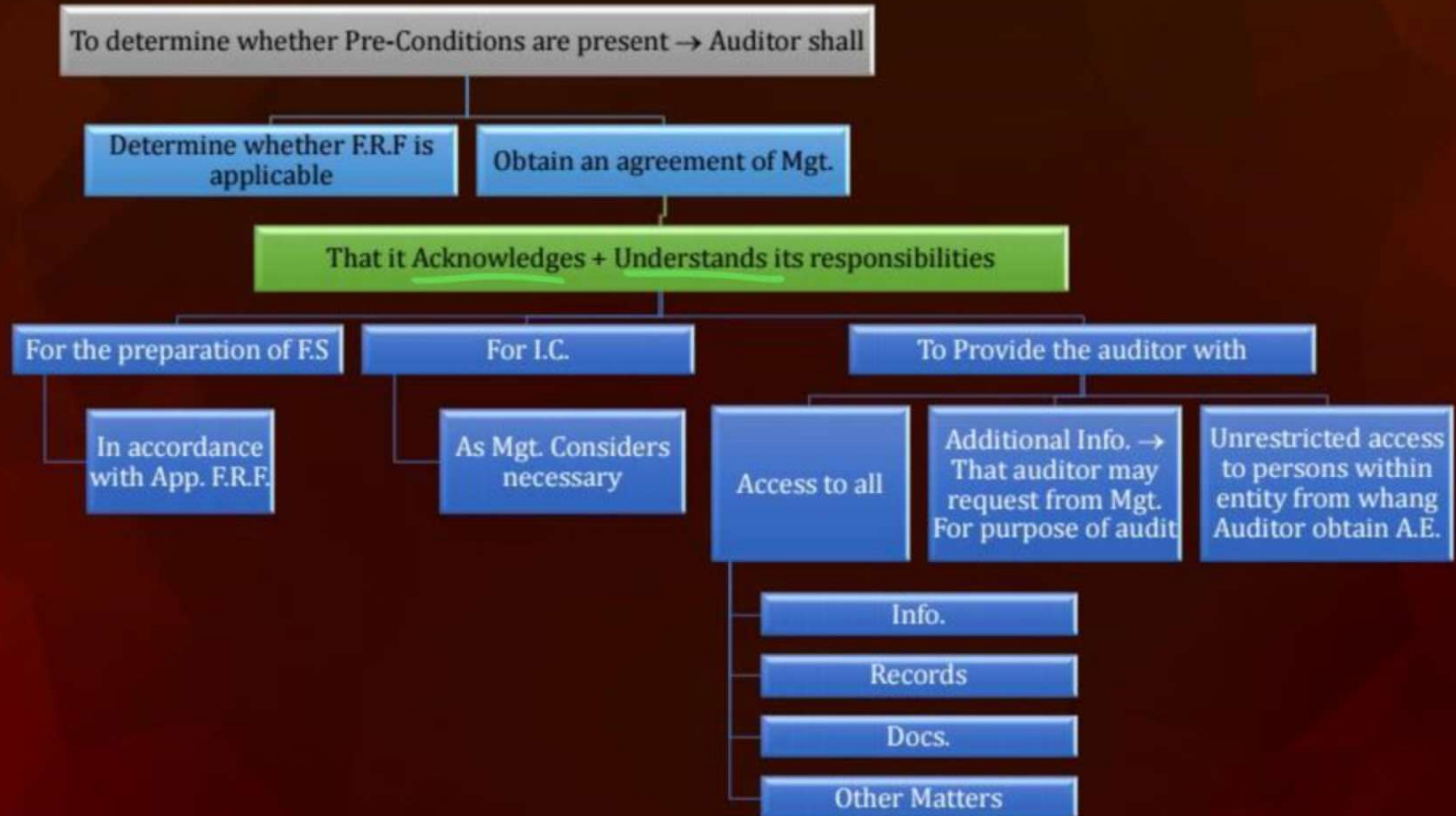
of an acceptable F.R.F

To the premise on which

In preparation of F.S

An audit is conducted

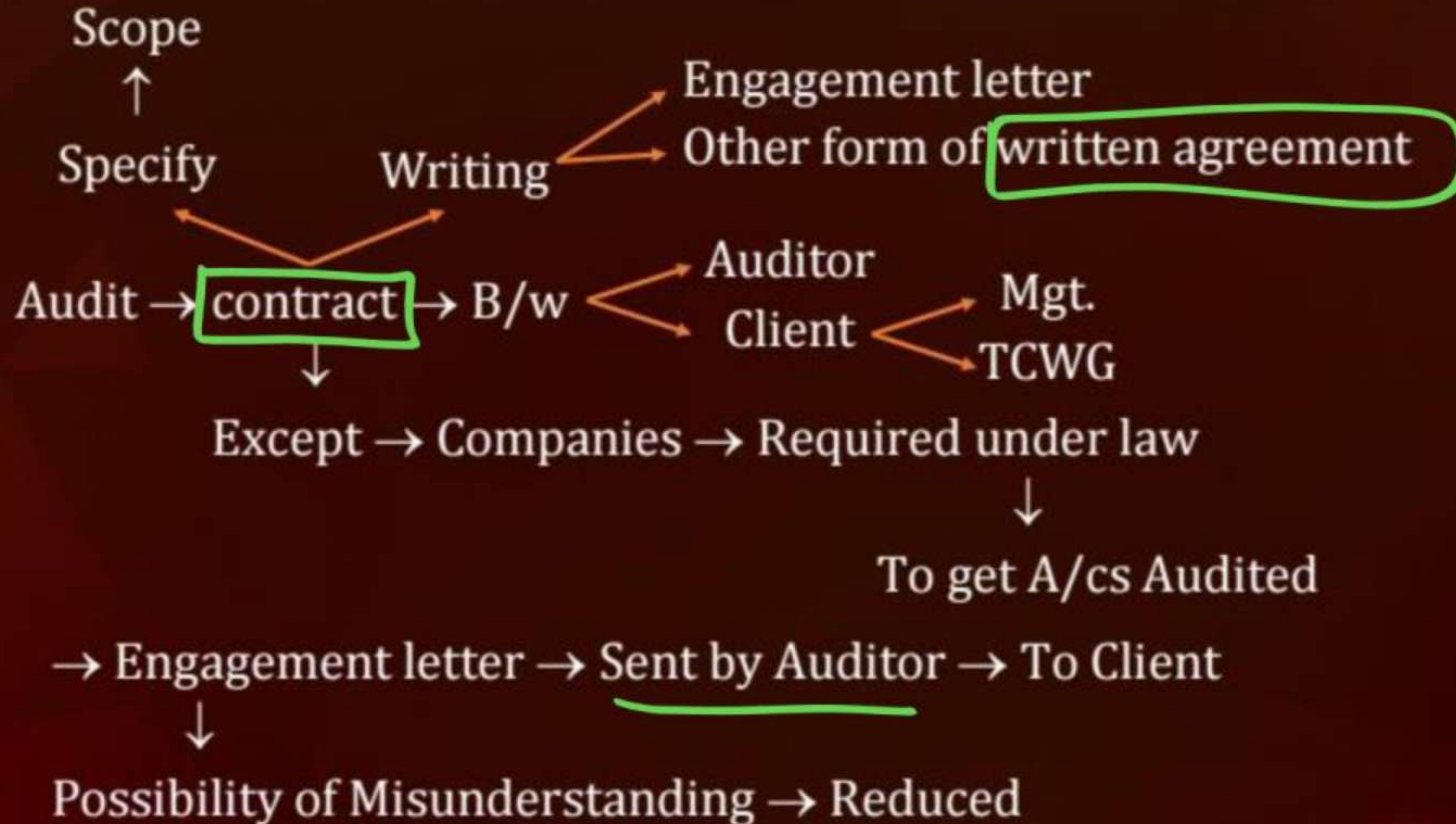








## Topic: Agreement on Audit Engagement Terms





- (i) Objective → Scope → of Auditor
- (ii) Responsibilities of Auditor
- (iii) Responsibilities of Mgt.
- (iv) Identification of app. F.R.F. → for proportion of F.S
- (v) Reference of any Expected → Form → Content → of any Report to be issued by the Auditor

+

Statement → that Report may differ from Expected → Form → Content



If → Law → Regulation → Prescribes → Sufficient Details



The Auditor NEED not Record them in writing



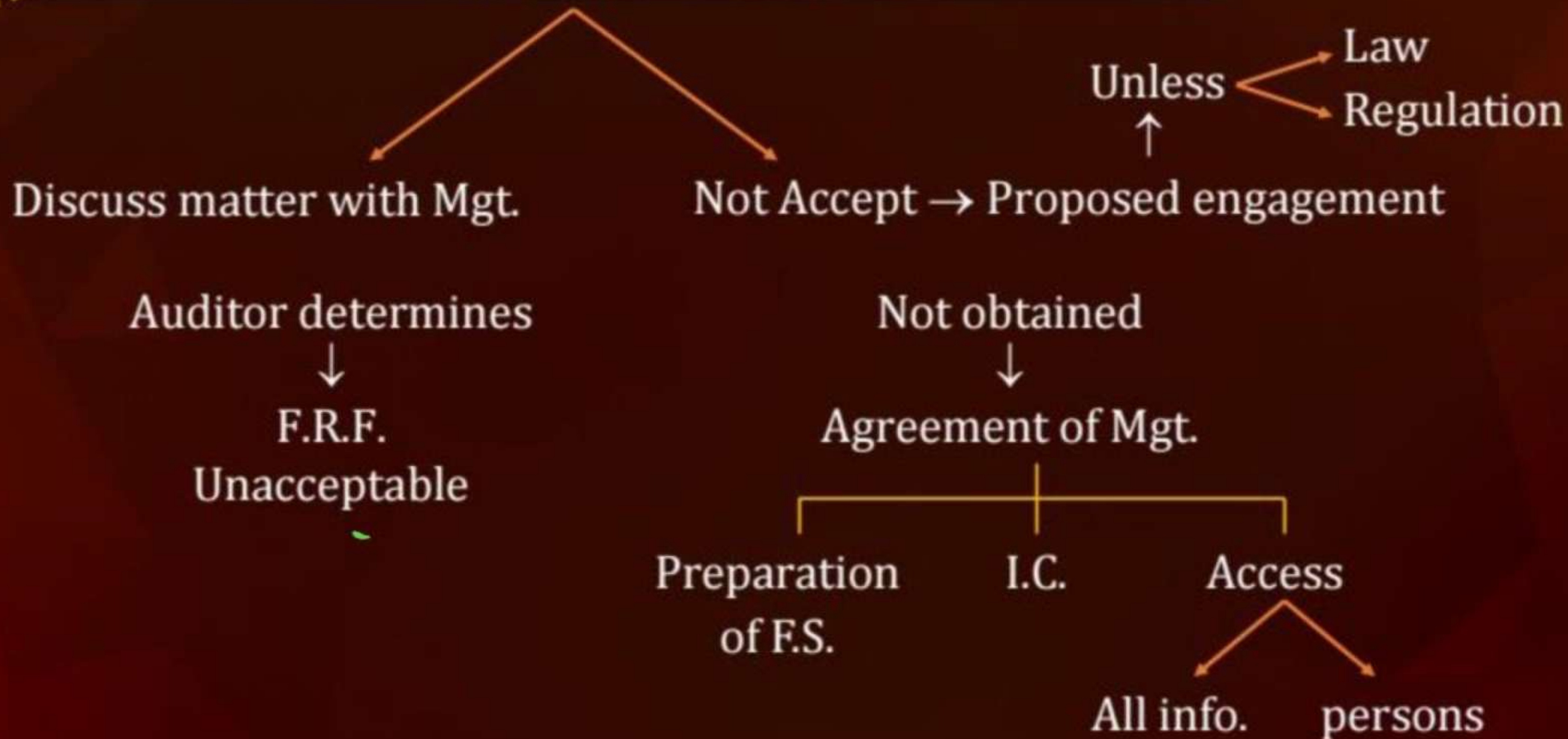








## Topic: What Happens if Preconditions for an Audit are not Present?







## Topic: Limitation on Scope **Prior** To Audit Engagement Acceptance



If Mgt./TCWG → Impose Limitations → On the Scope → Such that



Limitation would Result in → Auditor **Disclaiming an opinion**



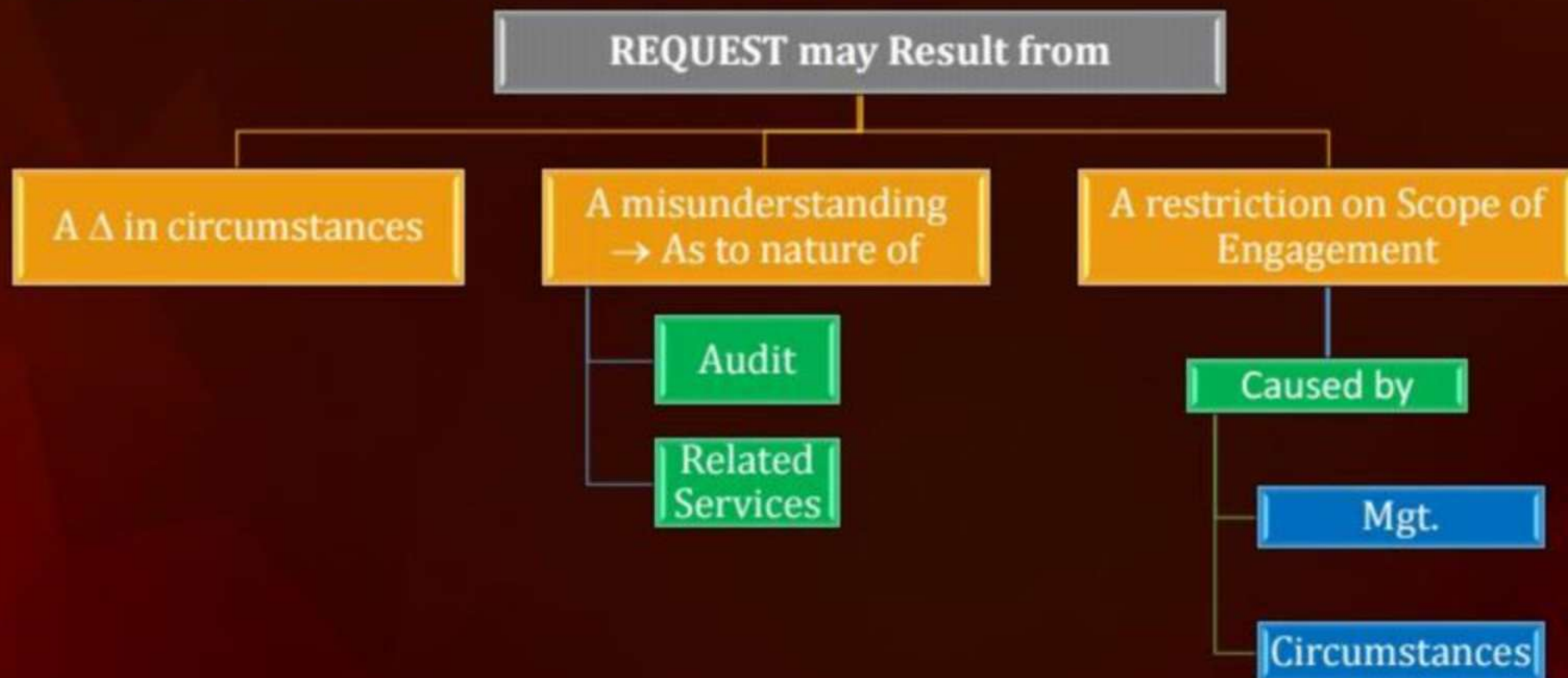
The Auditor shall **not accept** such a limited engagement





## Topic: Acceptance of a Change in the Terms of the Audit Engagement

**Request from Entity to change the Terms of Audit Engagement-  
When Reasonable Justification Exists?**





Auditor → Carefully Consider



Justification for Request → particularly → Implication of



A restriction on



The scope of Audit engagement

\*A  $\Delta$  in circumstances



affects entity's Requirement

Misunderstanding



Nature of service originally requested

Considered



Reasonable Basis





\*Unreasonable Basis  $\rightarrow$   $\Delta$  relate to into







## Topic: What should auditor consider before agreeing to change the audit engagement to the engagement providing **lower level of assurance**?



Prior Completion of Engagement → Auditor is REQUESTED by client



To change the Engagement → to one which provides



**A lower level of Assurance**

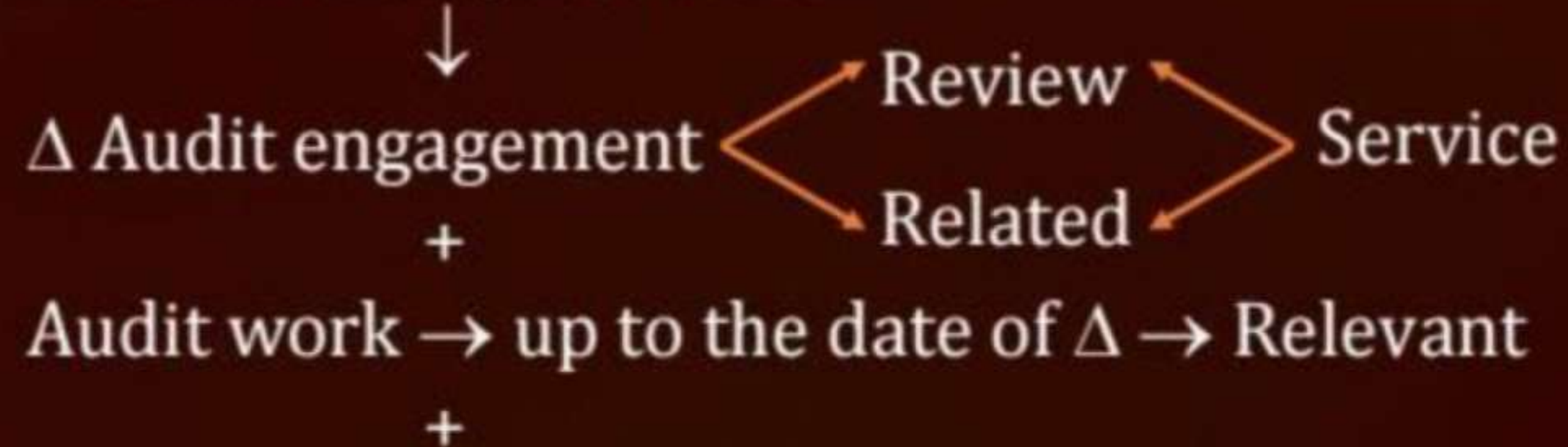


Auditor should **consider** the Reasonable justification of doing so





**\*Auditor concludes → Reasonable Justification**



Work → to be performed  
Report → to be issued

Appro. To revised engagement



\*Report → would not include → Reference

Original Engagement

Any procedure → that

May have been performed

Original engagement

EXCEPTION

Engagement Δ to under take → Agreed procedure

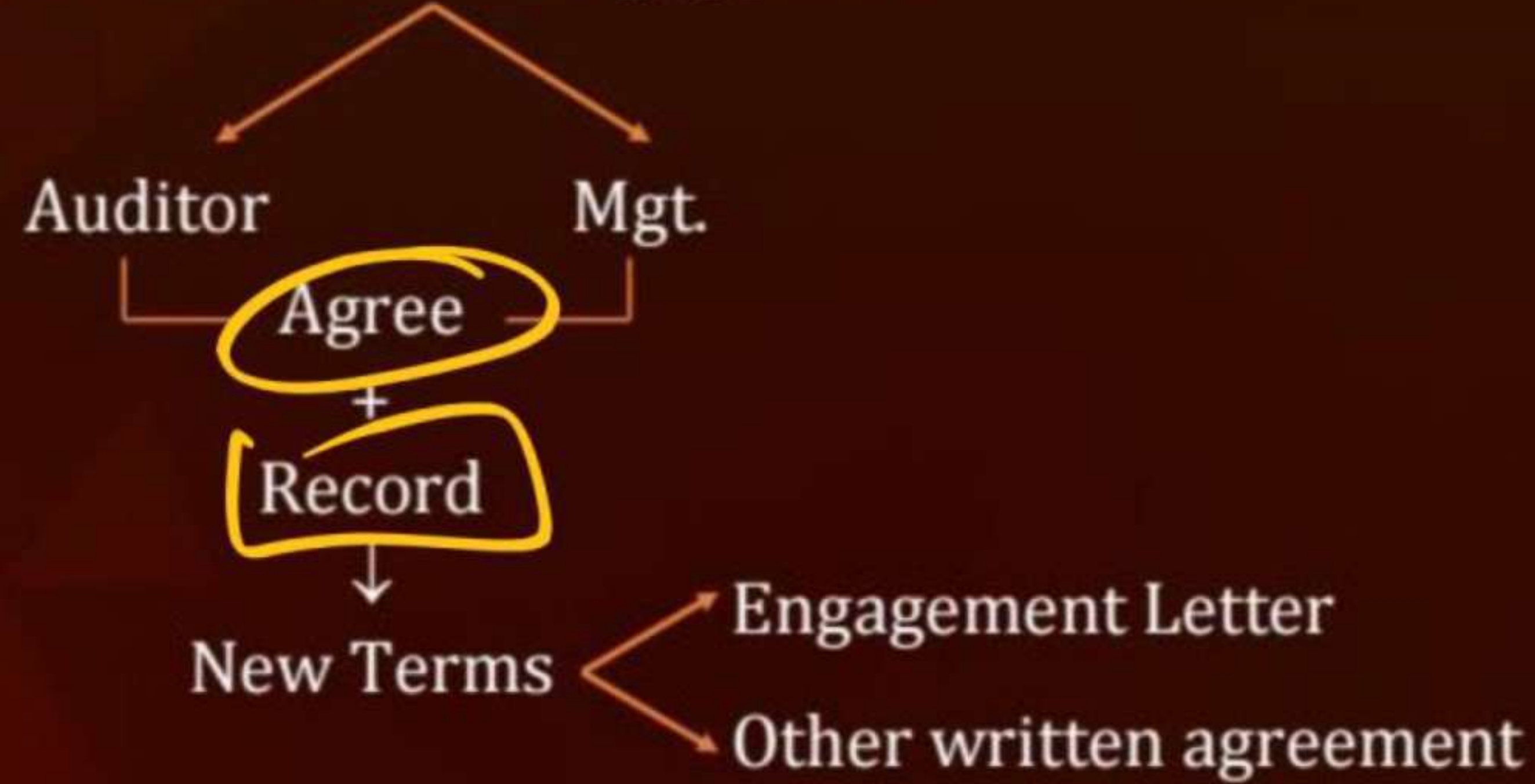
Reference is Normal part

Relevant-  
as per Δ agreement

\* Audit-  
\* Review  
\* Related Service



\* Δ Terms of Audit engagement





→ Options



**Topic: Recourse available to auditor in situation of non-agreement to a change in terms of engagement & lack of permission from management to continue original audit engagement**





Auditor → Unable to agree + not permitted to continue to original agreement

Shall

To Δ terms

By Mgt.

**Withdraw** from Audit  
Engagement

From where possible under  
→ Law → Regulation

**Determine whether**  
there is any obligation

**Contractual**  
**Otherwise**

**To Report** circumstances to Other Parties

TCWG

Owners

Regulators

For Eg.: अगर आप Company के Auditor हो तब Sec.140(2) के हिसाब से

Govt.

Non Govt.

C & AG

ROC

Co.

ROC

Co.

को inform हो करना होगा





## Topic: Terms of Engagement In Recurring Audits

An Audit → performed → over years

**Recurring Audit →**

Auditor shall assess

Circumstances

Whether there is a need to

Law That require the Terms  
of Audit Engagement

REMIND

To be REVISED

The Entity

of the existing Terms of Audit Engagements

**Auditor May decide → Not to send → A new → for each period →  
Audit Engagement Letter → written Agreement**



## Following Factors makes it appropriate to → Revise → Remind :

- (i) Any indication that Entity → Misunderstands → Objective → Scope
- (ii) Any → Revised → Special → Terms of Audit Engagement
- (iii) A recent Δ in senior Mgt.
- (iv) A significant Δ in ownership
- (v) A Significant Δ in → Nature → Size → of Entity Business
- (vi) A Δ in → Legal → Regulatory → Requirement
- (vii) A Δ in F.R.F.
- (viii) A Δ in other Reporting Requirement





## Topic: Audit quality

2



High Audit Quality → Essential → Maintain Confidence



Independent assurance



Provided by Auditor

Deals with Q.C.



- All engagements



- Audit engagements Only



- Entire Firm

- Particular Audit



# SQC 1 – “QUALITY CONTROL FOR FIRMS THAT PERFORM AUDITS AND REVIEWS OF HISTORICAL FINANCIAL INFORMATION, AND OTHER ASSURANCE AND RELATED SERVICES ENGAGEMENTS”

Requires the firm → To establish → Sys. Of Q.C.

Designed to provide R.A.







# Topic: Elements of system of quality control



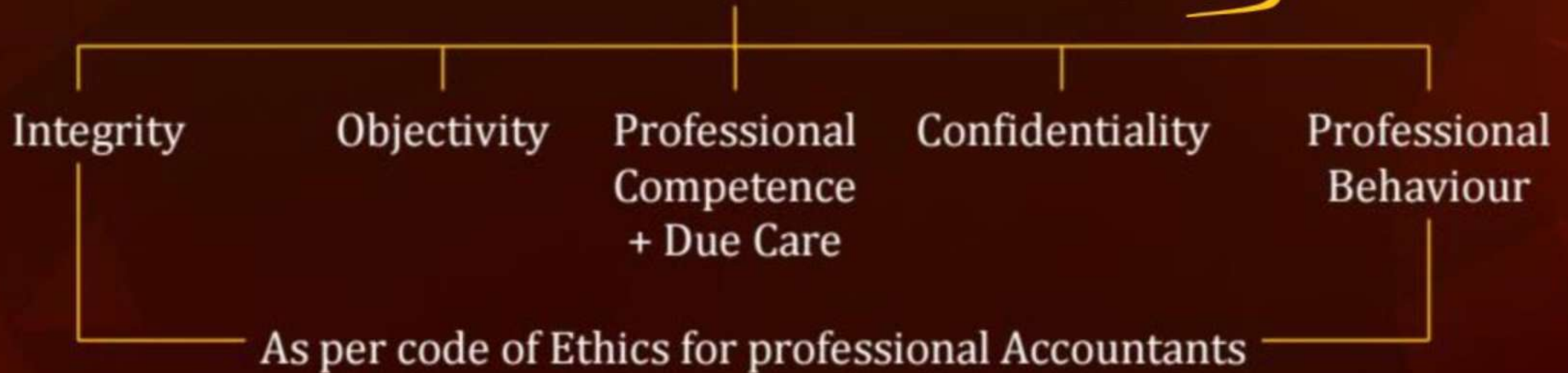


Should have  $\begin{cases} \text{Suff.} \\ \text{Appro.} \end{cases} \rightarrow \text{Experience + Ability + Authority}$



②

# Ethical requirements *[Same as fundamental Principles of Q.C.]*



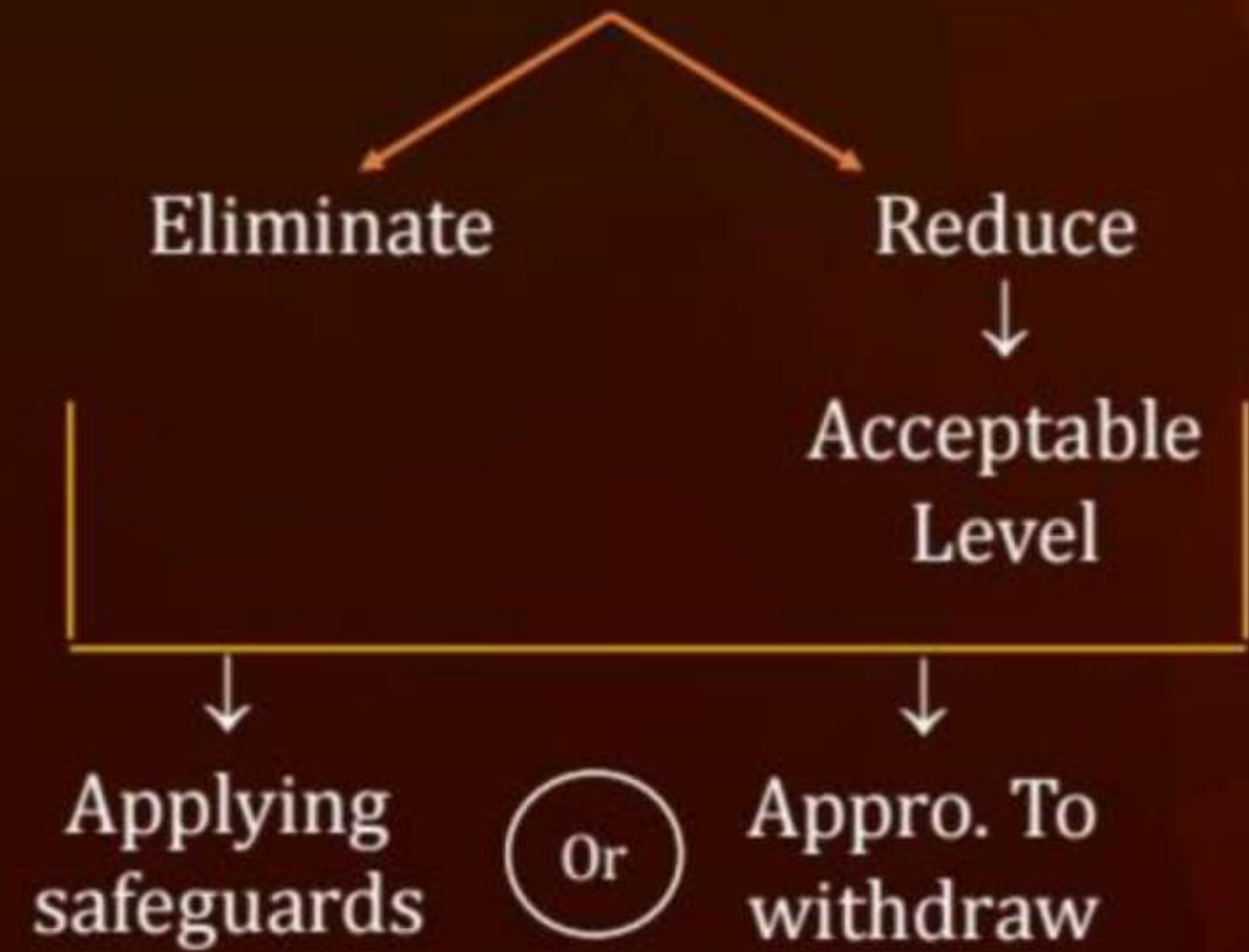
Observance of independence → Basic Req. → All engagements  
⇒ Firm should establish P & P → designed to provide it with R.A.



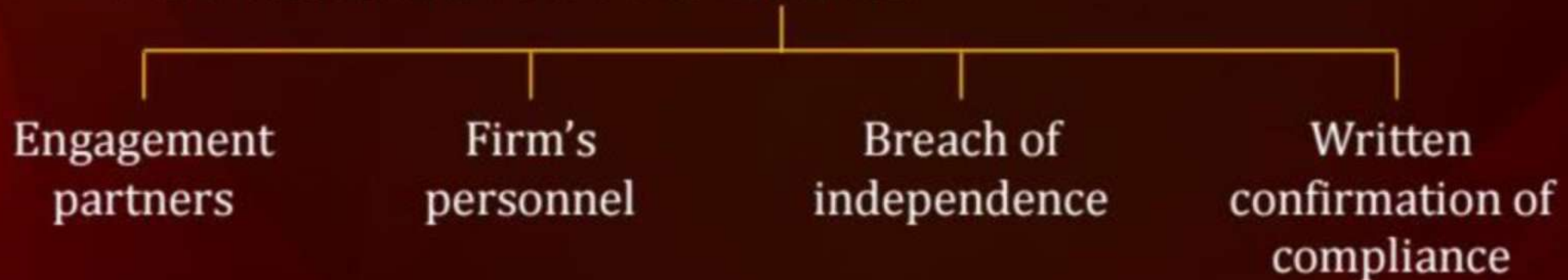








→ The firm should create a mechanism





↓  
Provide  
relevant info  
↓  
Client  
engagement

↓  
Notify  
↓  
That create  
threat

↗ Circumstances  
↘ relationships

↓  
Promptly  
notified

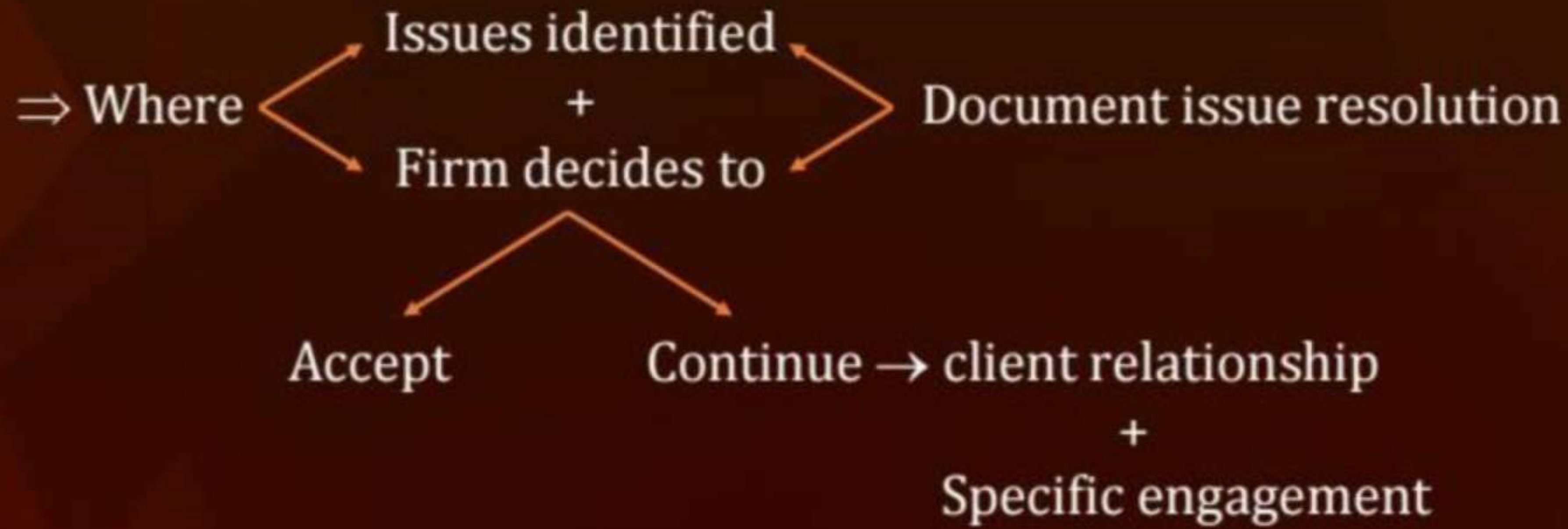
↓  
P & P  
↓  
At least  
annually



### ③ Acceptance and Continuance of Client Relationships and Specific Engagements











(4) Client → Aggressively concerned → ~~maintaining~~ Law firm's Fees

(5) Indication → Inappro. Limitation → scope of work

(6) Indication → client involved   
 ↗ Money laundering   
 ↘ Criminal activities

(7) Reason   
 ↗ Proposed appointment → of firm   
 ↘ Non - reappointment → previous firm

⇒ Any → conflict of interest   
 ↘ Firm   
 ↘ client

Properly Resolved → Before accepting



⇒ Firm obtains Info. → would have caused to decline



If info. had been obtained earlier



P & P should include consideration of





## ④ Human resources

Firm should establish P & P → Designed to provide it with R.A.



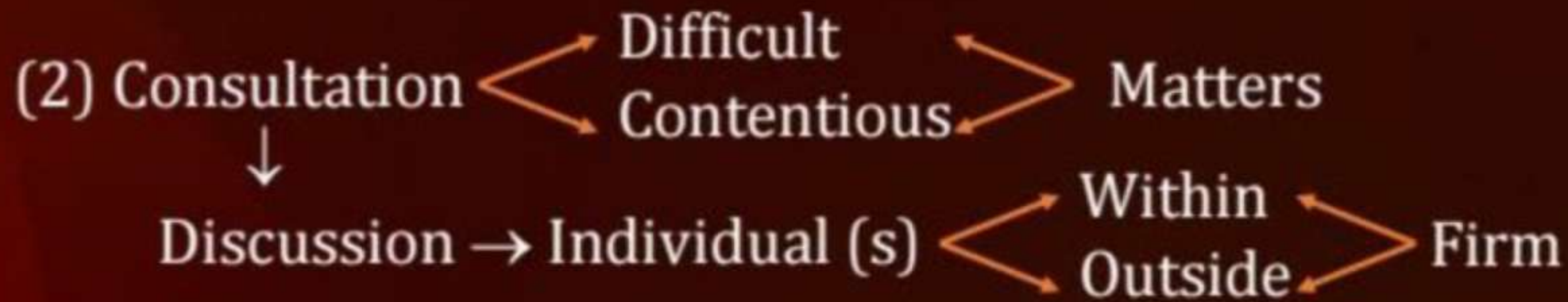
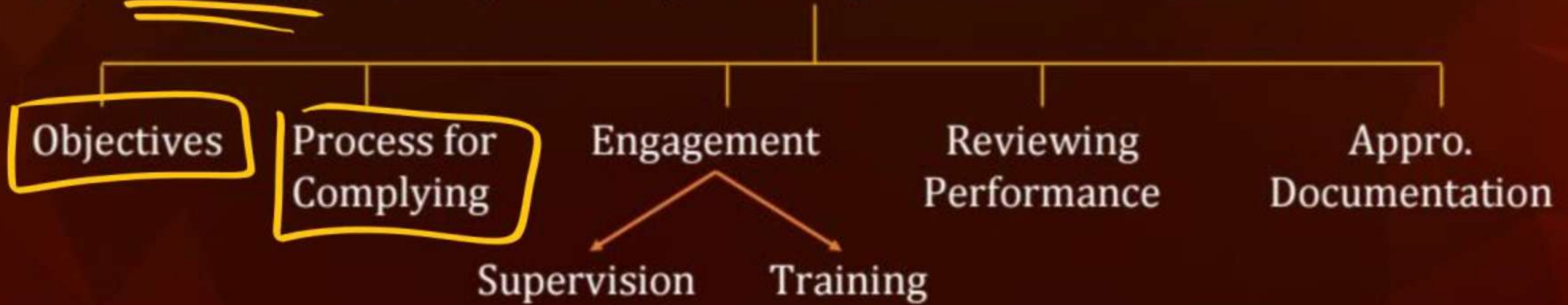
That it has suff. Personnel with





## ⑤ Engagement Performance

(1) Consistency in quality → through briefing of team



(3) Sig. Judgement → Reviewed by → Q.C. Review



→ Firm should establish P & P



To complete the assembly of **Final Engagement File**



On Timely Basis → **Generally  $\leq 60$  Days**



After the date of Auditor Report

→ Engagement Doc → Retained → Suff. Time pd.



No shorter than 7 years

## **⑥ Monitoring**

Firm should ensure that P & P → Related to Sys. of Q.C.

Relevant

Adequate

Operating effectively

Complied with

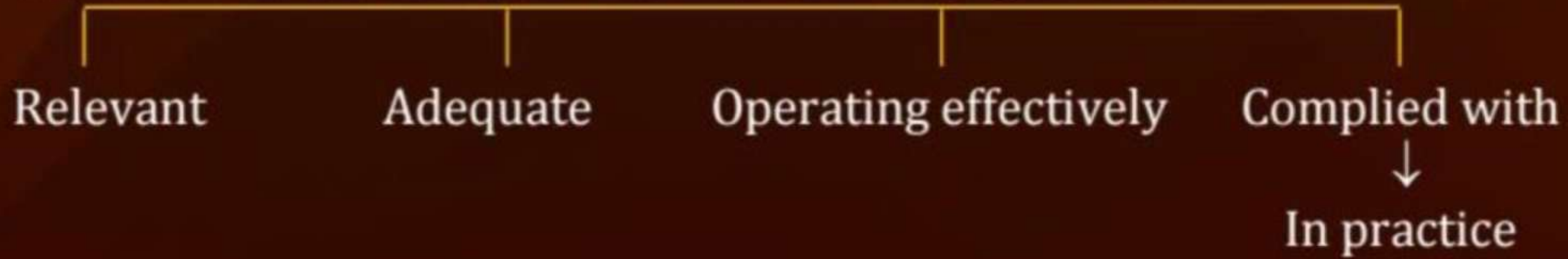


In practice



## Monitoring

Firm should ensure that P & P → Related to Sys. Of Q.C.







## Topic: SA 220-“Quality Control for an audit of financial statements”



Based on Q.C. Sys of a Firm (Previous Topic)

Q.C. policies pertaining to Audit engagements are decided by engagement teams

\*Engagement partner → Responsible for Q.C. → as per SA 220

\*As per SA 220 → Objective of Auditor → implement Q.C. policies



Provide him with R.A.

Audit complies with

Issue Appro.



Audit Report

Prof.  
Standards

Legal  
Requirement

Regulatory



SA 220 → modelled → on lines of SQC.1





# ① Leadership Responsibilities for quality within the firm on Audit

- As per SA 220 "Quality control for an Audit of F.S"

Engagement partner shall take responsibility

for overall quality of each audit engagement → to which he is assigned.

- Engagement partner's Actions + Messages to Engagement Team Members

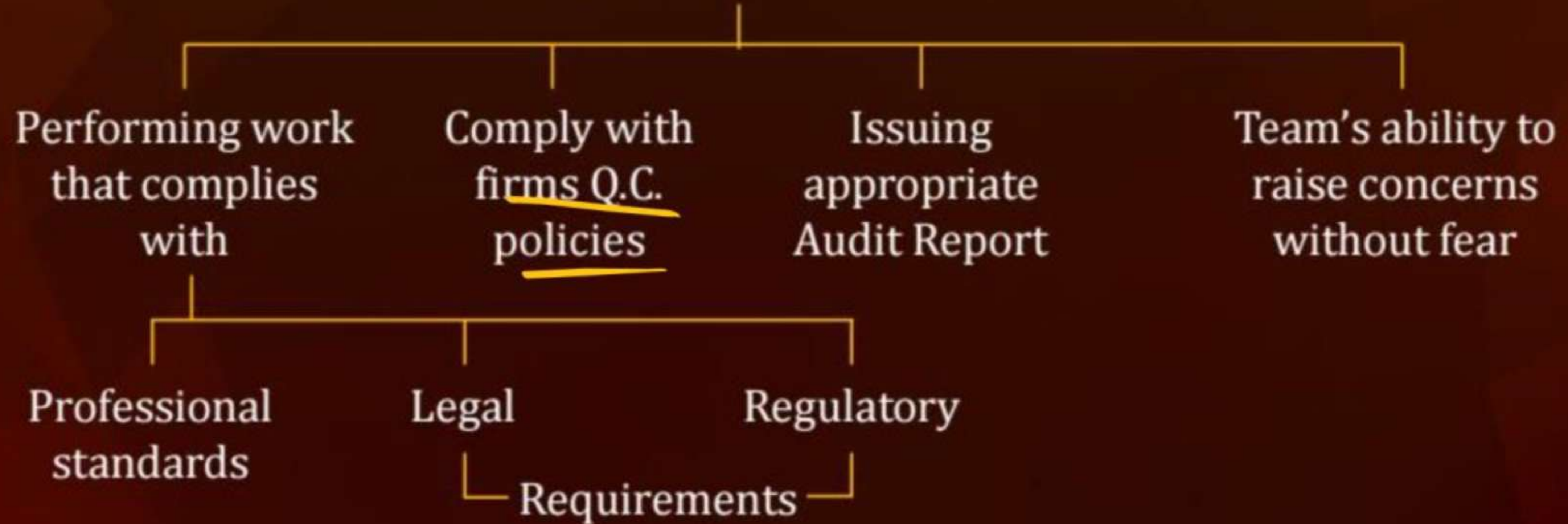
Should emphasize

Importance of  
Audit Quality of

Quality Is essential in  
performing audit engagement

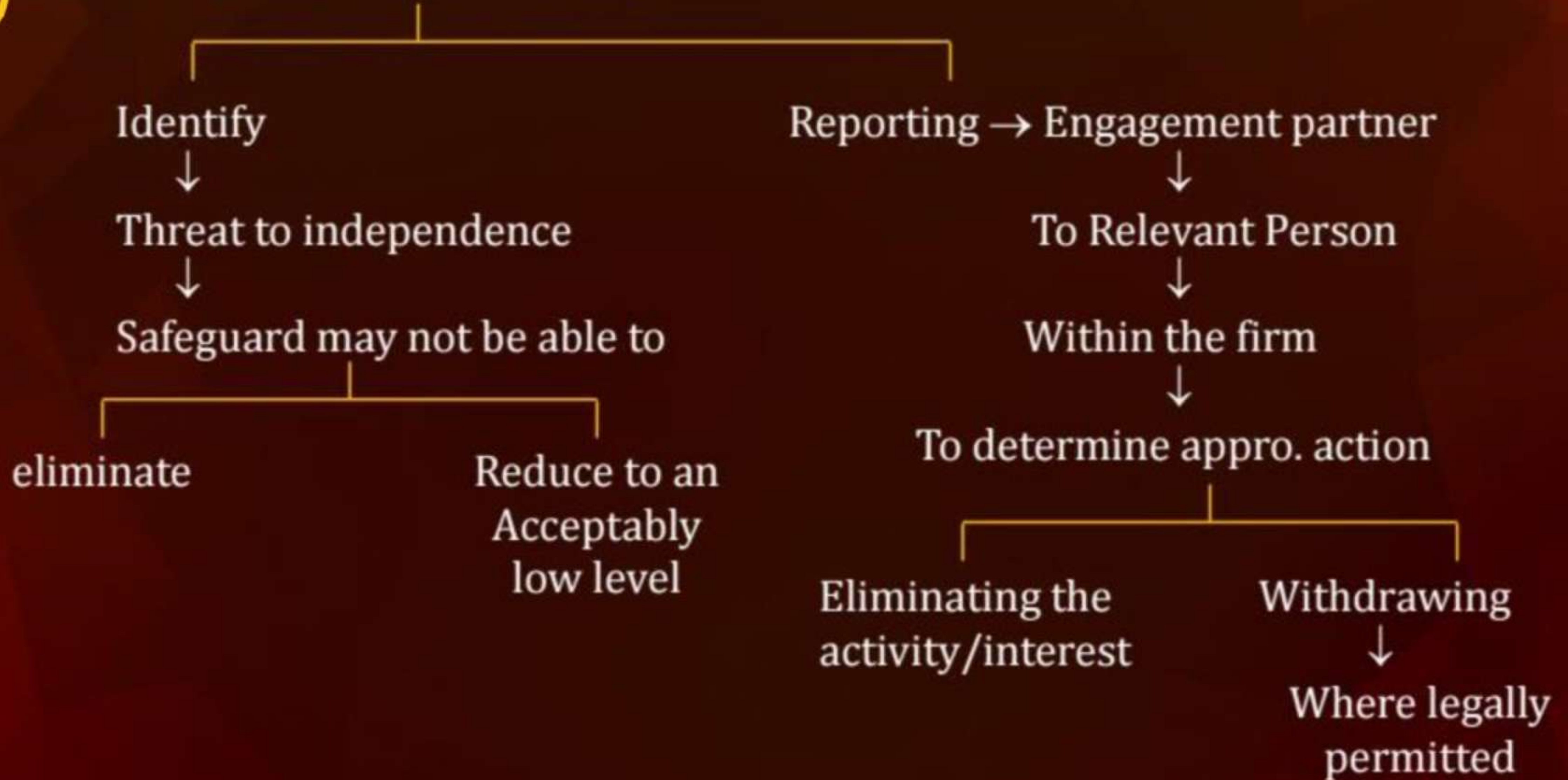


## Importance of Audit Quality of





## ② Relevant ethical requirements



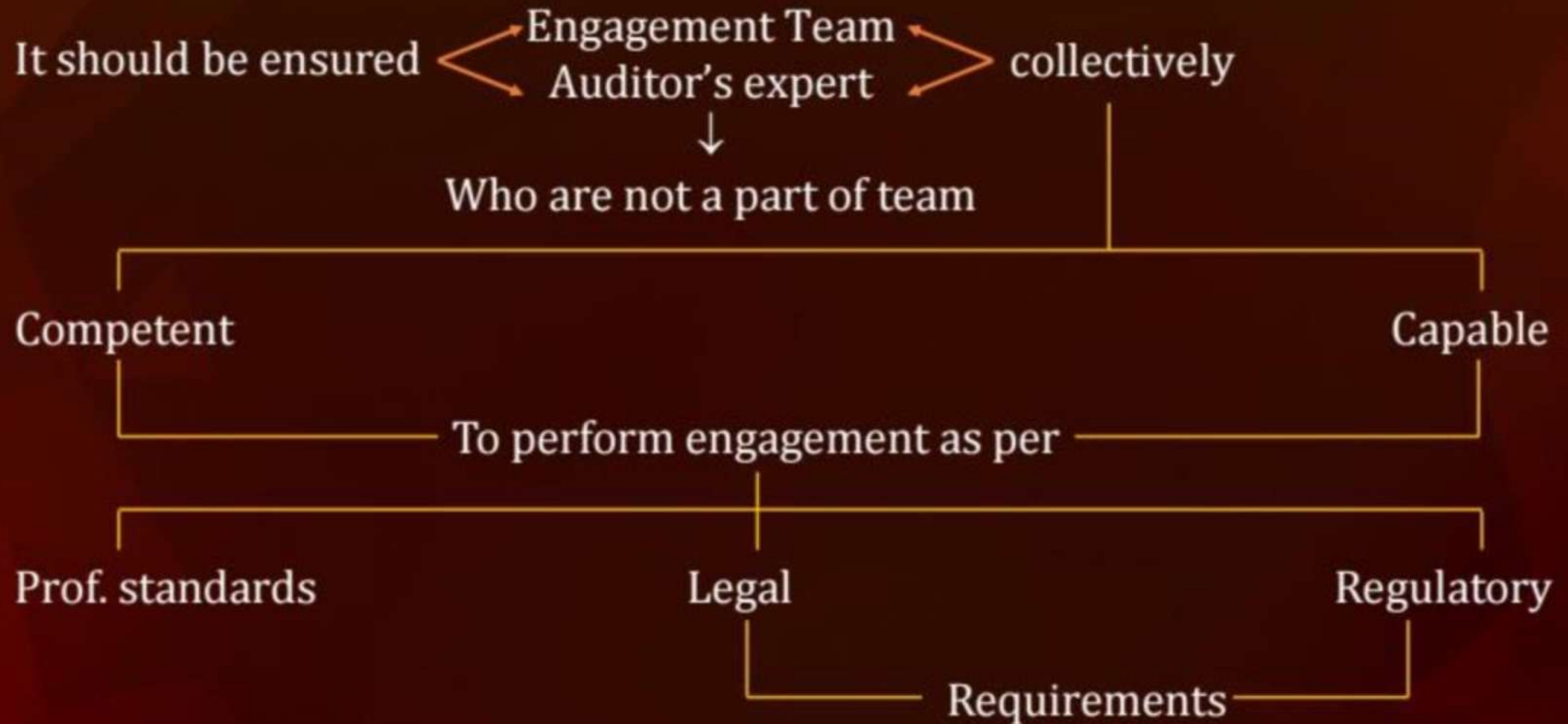


## ③ Acceptance and Continuance of Client Relationships and audit Engagements






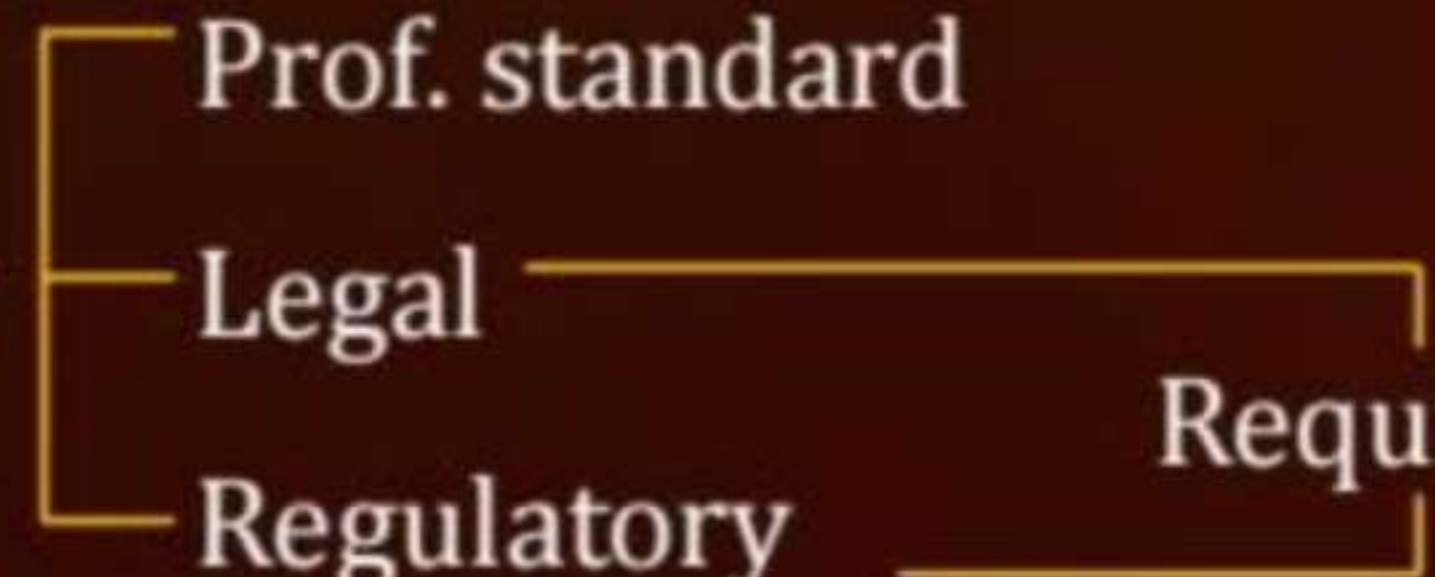
## ④ Assignment of engagement teams

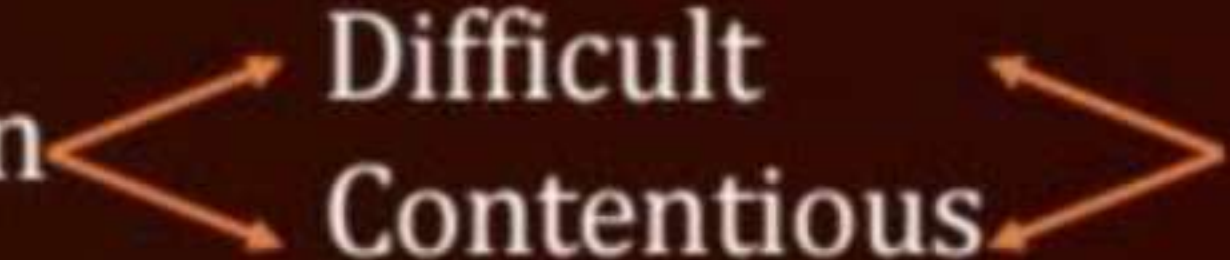




## ⑤ Engagement Performance

Responsibilities of engagement partner

- (1) Direction  
Supervision  
Performance       Audit → as per      
  - Prof. standard
  - Legal
  - Regulatory

Requirement
- (2) Appro. Audit Report
- (3) Review → Audit Doc → Before → Issue of Audit Report
- (4) Ensure → suff. + Appro. → A.E. → obtained
- (5) Undertaking → Appro. Consultation      
  - Difficult
  - Contentious

Matters
- (6) For → listed entities + where Q.C. Reviewer Required





→ If Difference of opinion arise → engagement team







## Monitoring



Firm should → P&P → design to provide it with  
R.A → that P & P relating to → System of Q.C

Relevant

Adequate

Operating  
Effectively

Complied with →  
In practice



## Engagement Partner → Document





Basis	SQC 1	SA 220
Applicable	<p style="text-align: center;">All engagement</p> <div style="text-align: center;">  </div>	Audit Engagement
Applies	Firms	Audit
Leadership Responsibility for Quality	<p style="text-align: center;">CEO + Managing Partner</p> <div style="text-align: center;">  </div>	<p style="text-align: center;">Engagement Partner</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Overall Resp.</p> <p style="text-align: center;">+</p> <p style="text-align: center;">Eng. Partner</p> <div style="text-align: center;">  </div>



Basis	SQC 1	SA 220
Leadership Responsibility for Quality		<p>→ Quality → Importance ↓</p> <p>(1) Complies</p> <p style="text-align: center;">┌───┴───┐ Prof. Legal Regulatory</p> <p>(2) Comply → Firm → Q.C. P &amp; P</p> <p>(3) Issue → Appro. Report</p> <p>(4) Team's ability to raise concern without fear</p>



Basis	SQC 1	SA 220
Ethical Req.	<p data-bbox="1136 193 2082 264">Code of Ethics → Issued by ICAI</p> <div data-bbox="743 305 2422 943"> <div data-bbox="743 380 2422 587"> Integrity   Objectivity   Prof. Competence + Due Care   Confidentiality   Prof. Behavior </div> <div data-bbox="962 624 2115 943"> <div data-bbox="962 774 1349 846">Independence</div> <div data-bbox="1382 624 2115 943"> +   Firms Personal   Experts   Network Firms Personal </div> </div> </div>	



Basis	SQC 1	SA 220
Ethical Req.	<p style="text-align: center;"><b>Independence</b></p> <pre> graph TD     A[Independence] --&gt; B[Communicate]     A --&gt; C[Identify + Evaluate]     B --&gt; D[Personnel]     C --&gt; E[Circumstances]     C --&gt; F[Relations]     E --&gt; G[Threat to Independence]     F --&gt; G     G --&gt; H[Eliminate]     G --&gt; I[Reduce Low Level]     H --&gt; J[Appro. Action]     I --&gt; K[Safeguard]     I --&gt; L[Withdraw]           </pre>	Same



Basis	SQC 1	SA 220
Ethical Req.	<p>(1) Mechanism → Relevant Info.</p> <p>(2) Promptly Notify → Threats</p> <p>(3) At least annually → Written Confirmation</p> <p style="text-align: center;">↑</p> <p style="text-align: center;">Independence</p>	Same
Acceptance & Continuance of Engagement	<p style="text-align: center;">Before accepting Engagement</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Obtain info. → Client</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>Integrity</p> </div> <div style="text-align: center;"> <p>Competence</p> <p>+</p> <p>Capability + Time</p> <p>+ Resources</p> </div> <div style="text-align: center;"> <p>Confidentiality</p> <p>↓</p> <p>Ethical Reg.</p> </div> </div>	Same



Basis	SQC 1	SA 220
Acceptance & Continuance of Engagement	<p>Issues → Identified ↓ Document → How they were Resolved</p> <p>⇒ Examples → Integrity of Client (1) Principal Owners + Related Parties + KMP + TCWG</p> <div style="text-align: center;">  <p>Identify                      Business Reputation</p> </div>	



Basis	SQC 1	SA 220
Acceptance & Continuance of Engagement	<p>(2) Nature</p> <pre> graph TD     Nature --&gt; Clients[Clients Operations]     Nature --&gt; Business[Business Practices]         </pre> <p>(3) Principal Owners + KMP + TCWG</p> <pre> graph TD     Owners[Principal Owners + KMP + TCWG] --&gt; Attitude[Attitude]     Attitude --&gt; AS[Aggressive Interpretation of AS]         </pre> <p>(4) Aggressively Concerned</p> <pre> graph TD     Concerned[Aggressively Concerned] --&gt; Maintaining[Maintaining]     Maintaining --&gt; Fees[Firms Fees → Low]         </pre> <p>(5) In appro. Limitation → Scope</p>	



Basis	SQC 1	SA 220
Acceptance & Continuance of Engagement	<p>(6) Involvement </p> <p>(7) Reason </p> <p>→ Conflict of Interest</p>  <pre> graph TD     Firm --- Client     Firm --- BeforeAccepting[Before Accepting]     Client --- AfterAccepting[After Accepting]     BeforeAccepting --&gt; ProperlyResolve[Properly Resolve]     AfterAccepting --&gt; ProfLegalResp[Prof. + Legal Resp.]     AfterAccepting --&gt; Withdrawal[Withdrawal]     ProfLegalResp --&gt; Report[Report]     Withdrawal --&gt; Client2[Client]     Withdrawal --&gt; Relation[Relation]     Report --&gt; Persons[Persons]     Report --&gt; PersonsAppoint[Persons who made appointment]     Report --&gt; Regulatory[Regulatory] </pre>	



Basis	SQC 1	SA 220
Human Resources	<p data-bbox="759 195 1202 258">Suff. Personnel</p> <div data-bbox="892 288 2292 1264">  <pre> graph TD     A[Suff. Personnel] --- B[Capable]     A --- C[Competence]     A --- D[Committed]     D --&gt; E[Ethical Principles]     B --&gt; F[+]     C --&gt; F     E --&gt; F     F --&gt; G[Perform Engagement]     G --- H[Prof. Standards]     G --- I[Legal Regulatory]     I --&gt; J[Requirement]     H --&gt; K[+]     J --&gt; K     K --&gt; L[Issue -&gt; Appro. Report]           </pre> </div>	Same



Basis	SQC 1	SA 220
Engagement Performance	<p>Quality → Consistent</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Briefing Engagement Team</p> <p style="text-align: center;">↓</p> <p>(1) Objective</p> <p>(2) Process — <span style="display: inline-block; vertical-align: middle; margin-left: 10px;"> <div style="display: inline-block; width: 10px; height: 10px; border-left: 1px solid black; border-right: 1px solid black; border-bottom: 1px solid black; margin-right: 5px;"></div> <div style="display: inline-block; vertical-align: middle;"> <div style="display: inline-block; width: 100%; border-bottom: 1px solid black; margin-bottom: 2px;"></div> <div style="display: inline-block; width: 80%; border-bottom: 1px solid black; margin-bottom: 2px;"></div> <div style="display: inline-block; width: 60%; border-bottom: 1px solid black;"></div> </div> </span> <span style="display: inline-block; vertical-align: middle; margin-left: 10px;"> <div>Complying → Standards</div> <div>Supervision</div> <div>Training</div> </span> </p> <p>(3) Performance Review → Method</p> <p>(4) Document → Work Performed</p>	



Basis	SQC 1	SA 220
Engagement Performance	<p>⇒ Consultation → Prof. Level</p> <pre> graph TD     A[Consultation → Prof. Level] --&gt; B[Difficult]     A --&gt; C[Contentious]     B --&gt; D[Matters]     C --&gt; D     A --&gt; E[Within]     A --&gt; F[Outside]     E --&gt; G[Entity]     F --&gt; G     G --&gt; H[With Expertise]         </pre> <p>⇒ Sig. Judgement → Review → Q.C. Reviewer</p> <p>⇒ Extent of Review — Complexity Risk</p>	



Basis	SQC 1	SA 220
Engagement Performance	<p>⇒ Review → Does Not Reduce ↓ Engagement Partner</p> <p>⇒ Q.C. Review</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>Listed Entities</p> <p>↑</p> <p>Mandatory</p> </div> <div style="text-align: center;"> <p>Other Entities</p> <p>↑</p> <p>Device Criteria</p> </div> </div>	<p>Engagement Partner Responsibilities</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>Listed Entity</p> <p>↑</p> <p>(1) Appoint → Q.C. Reviewer</p> <p>(2) Sig. Matter → Discuss</p> <p>(3) Date → Auditor Report</p> <p>↓</p> <p>After → Q.C. Review</p> </div> <div style="text-align: center;"> <p>Other Engagement</p> <p>↑</p> <p>After → Q.C. Review</p> </div> </div>



Basis	SQC 1	SA 220
Engagement Performance	<p>⇒ Q.C. Report → To be issued</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Only After → Resolution of Diff.</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">Eng. Team</div> <div style="text-align: center;">Those Consulted</div> <div style="text-align: center;">Eng. Partner</div> <div style="text-align: center;">Q.C. Reviewer</div> </div> <p>⇒ Q.C. Reviewer → Recommendation</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Not Accepted +</p> <p style="text-align: center;">Matter → Not Resolved</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Consult</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">Another Practitioner</div> <div style="text-align: center;">Firm</div> <div style="text-align: center;">Professional</div> <div style="text-align: center;">Regulatory</div> </div>	



Basis	SQC 1	SA 220
Engagement Performance	<p>⇒ Completion of Final Assembly</p> <pre> graph TD     A[⇒ Completion of Final Assembly] --&gt; B[≤ 60 days]     A --&gt; C[≤ Limits of Engagement]     B --&gt; D[AFTER]     D --&gt; E[Auditor's Report]     E --&gt; F[⇒ Engagement Documentation]     F --&gt; G[PROPERTY OF FIRM]     G --&gt; H[Unless Specified]     I[Law] --- H     J[Regulation] --- H     </pre>	



Basis	SQC 1	SA 220
Engagement Performance	<p>⇒ Firm → May make available</p> <pre> graph TD     A[⇒ Firm → May make available] --&gt; B[Portion]     A --&gt; C[Extracts]     B --&gt; D[Documentation]     C --&gt; D     D --&gt; E[To Client]     E --&gt; F[Provided]     F --&gt; G[Does not undermine]     G --&gt; H[Validity of Work Performed]     G --&gt; I[Independence]     I --&gt; J[Firm]     I --&gt; K[Personnel]           </pre>	



Basis	SQC 1	SA 220
Engagement Performance	<p>⇒ Retention Period ↑ Documentation</p> <pre> graph TD     Documentation --&gt; OtherEngagement[Other Engagement]     Documentation --&gt; AuditEngagement[Audit Engagement]     OtherEngagement --&gt; PeriodOfTime[Period of Time]     PeriodOfTime --&gt; ForMonitoring[For Monitoring Procedures]     PeriodOfTime --&gt; Longer[Longer]     Longer --&gt; Reg1[Reg.]     Reg1 --&gt; Law[Law]     Reg1 --&gt; Reg2[Reg.]     AuditEngagement --&gt; SevenYears[&gt; 7 Years]     SevenYears --&gt; DateOf[Date of]     DateOf --&gt; AuditReport[Audit Report]     DateOf --&gt; GroupAuditReport[Group Audit Report]           </pre>	



Basis	SQC 1	SA 220
Monitoring	<p>⇒ P &amp; P</p> <pre> graph TD     P[⇒ P &amp; P] --- Relevant[Relevant]     P --- Adequate[Adequate]     P --- Operating[Operating Effectively]     P --- Complied[Complied]     Complied --&gt; InPractice[In Practice]           </pre>	<p>Same</p> <p>⇒ Document</p> <pre> graph TD     Issues["(1) Issues"] --&gt; Identified[Identified]     Issues --&gt; Resolved[Resolved]     Ethical[Ethical Reg.] --&gt; Issues     Conclusions["(2) Conclusions Discussions"] --- Independence[Independence]     Conclusion["(3) Conclusion"] --&gt; Acceptance[Acceptance]     Continuation["+ Continuance"] --&gt; Client[Client Relation]     Nature["(4) Nature"] --- Audit[Audit]     Scope[Scope] --- Audit     Conclusion[Conclusion] --- Audit           </pre>



thank you