



CEO, Partner, MO,

(a) The Leadership relationships for Quality within the firm

- (i) SOCs require the firm's CEO or managing partner to assume the ultimate ~~responsibility~~ responsibilities for the firm's system of quality control.
- (ii) Such leaders should have S & A experience <sup>Skill</sup> ability & authority to assume this responsibility.
- (iii) SOCs require the firm to promote quality as an internal culture to promote quality as an essential component for every component.

(b) ethical Requirements

- (i) Firm should established policy & procedure to comply with relevant ethical requirements contained in code of ethics issued by ICAI
- (ii) List down the fundamental principles as per code of ethics :-
  - Integrity
  - Objectivity
  - Professional Competence & due care
  - Confidentiality &
  - Professional behaviour.
- (iii) firm should also established policies & procedure to ensure that its personnel for all engagement maintain independence where required by a code.

(Note): Independence requirement is also relevant for the auditors or part experts hired by the firm & for people who are part of some network.

(iv) Such Quality control will help in communicating independence requirement to firm's personnel & in identifying & evaluating threats to independence so that appropriate actions can be taken

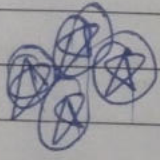
to eliminate the threat or to reduce the threat to an acceptable level or where appropriate to withdraw from the engagement.

(v) At least annually the firm should obtain written confirmation from all its personnel regarding compliance with independence requirements & other quality control policies of the firm.

(c) Acceptance & Continuance of client Relationship →

(i) Info or matter to perform A/C analysis in [same as note no. 3 of SA 220]

(ii) If any issues are identified & firm still decides to accept or continue then we should document <sup>How</sup> such issues were resolved.



(iii) To evaluate the integrity of client during "a/c" analysis firm should consider the following matters:-

- 1) The nature of client operation (including business practices)
- 2) Indication of an inappropriate limitation in scope of work.
- 3) Whether the client is aggressively concerned with maintaining its firm's fees as low as possible. m.c.s
- 4) Indication that the client might be involved in money laundering or other criminal activities. m.c.s
- 5) The reasons for the proposed appointment of the firm & non-reappointment of the previous firm.
- 6) The identity & business reputation of the client's principal owners, key mgmt, related parties & TCWG.
- 7) Info concerning attitude of the client's principal owners, key mgmt & TCWG towards (such matters as aggressive interpretation of AS's & the IC environment).

(d) Human Resources :->

(i) Firm should have appropriate policy & procedure to provide them with reasonable assurance that they are sufficient ~~Personnel~~ Personnel with appropriate competence, capabilities & commitment to ethical principles is necessary to perform all services or engagements in compliance, with professional standard & ~~high~~ L & R requirement & to enable to issue reports that are appropriate in the circumstances.

(ii) HR policy & procedure should address the following HR related issues :->

- Recruitment
- ~~compensation~~ compensation
- Training & development
- ~~career~~ development
- Performance evaluation

(e) Engagement Performance :->

(i) Appropriate consultation should be taken for difficult or contentious matters identified during the engagement.

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अनुभव प्राप्त कर  
अनुभव (compete)  
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(ii) In ~~case~~ case of audit listed entity's engagement Quality Control review is mandatory. The responsibility of engagement partner is not reduced just because the engagement is subject to quality control review.

(iii) The extent of review depends upon the complexity of the engagement & the audit risk that the report might not be appropriate in the circumstances. generally review should include those areas where significant judgement is involved.

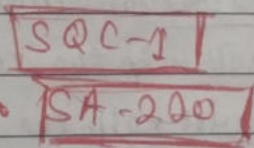
(iv) In case of difference of opinion (Refer <sup>pointe</sup> ~~note no. 5~~ under SA 230) of recommendation of quality control reviewers are not accepted by engagement partner, if the matter is not ~~immediately~~ resolved then they should follow the firm's established procedures such as consulting with another practitioner (or) with a professional (or) regulatory body. → ICAI

(v) SQCI cover retention period (7 years), assembly of trial audit file (60 days), ownership audit documentation for audit engagement [SA 230] → for details

⊕ Monitoring

The firm should ensure that policies & procedures (P's) relating to the system of Quality Control are relevant, adequate & are operating effectively. Ensure compliance of all such controls while practicing all such engagements

Audit Quality



Relation/ship betw<sup>n</sup>

1. The purpose of an independent audit is to provide confidence to users of audited FS. Therefore, high audit quality is essential to maintain confidence in the independent assurance provided by the auditor.
2. It is the responsibility of auditor to maintain high audit quality.
3. SQCI & SA 200 both deal with quality control.
4. Whereas SQCI deals with all engagements including audits, reviews & other assurance & related service engagements, SA 200 applies to audit engagements only.
5. Further, SQCI applies to entire firm. However, SA 200 applies to a particular audit engagement.

difference →