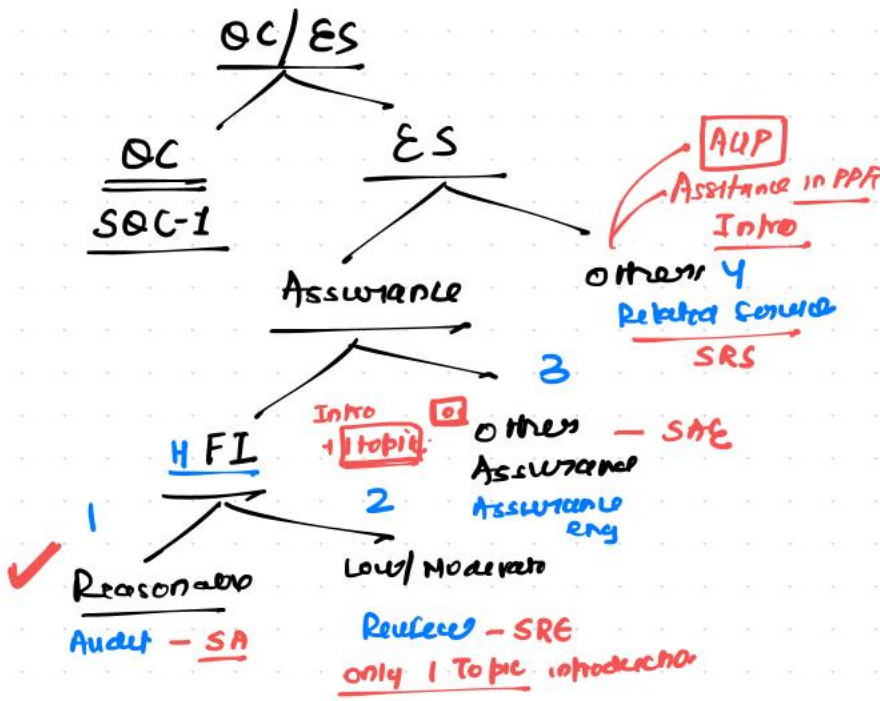
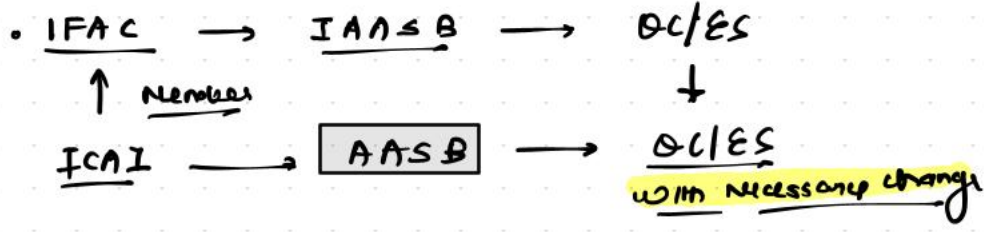


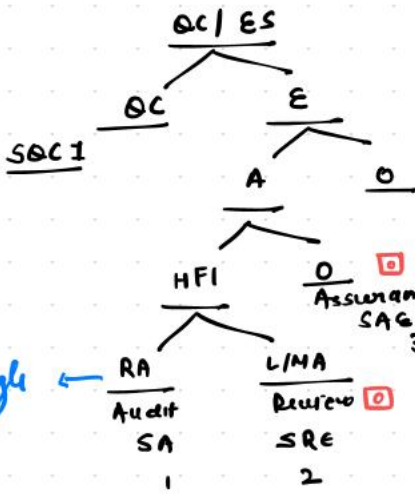
Guidelines | BENCHMARK • QC/ES • Quality Control Engagement Std

Advantage

Standards - why?

- .) work → As per Global Standards
- .) Uniformity
- .) Increase in FR Quality
- .) Accountant - Skill/Knowledge - Enhance
- .) Audit/Engagement Quality Increase

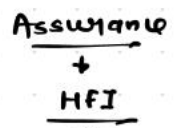




- Compilation
- Agreed upon Procedures

PFI
IC

High ←



A E I O U R e E C



Enquiry, AD

Prospective Financial Information

PFI

o FI

SAE

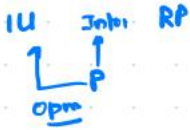
o Based on

About

o Assumptions \uparrow Events that may occur in future

o Possible Actions by Entity.

o Can be forecast / Projection / or Both.



o Practitioner obtains SAE

o Assumptions not unreasonable

o PFI properly Prepared as per Assumption

o PFI Properly Presented

o Material Assumption Properly Disclosed

SAE - in this case is future Oriented

Risk

audit

The auditor is therefore not in a position to express an opinion as to whether the results shown in the prospective financial information will be achieved.

Language of opinion.

Nothing has come to practitioners attention to suggest that the assumptions do not provide reasonable basis for projection

Lowest/Moderate

SOC 1 → Responsibilities of firms w.r.t. Quality
CII — Control

↓
which are conducting
1 2 3 4

SOC 1 — Requires firms to establish QC
to ensure

1) Compliance with Standards S.
Regulatory R. } Requirements
Legal L. }

2) Reports are Appropriate

SRS → Engagement

- A.) Agreed upon Procedures on FI
 - B.) Compilation engagement
- } NO Assurance

→ SRS → Duties of Practitioner w.r.t. A or B

→ Agreed upon Procedures example — Perform certain
Procedures on Individual items of financial data
For example — Accounts Receivable.

→ Another example — Engaging Practitioner to
Assist Mgt in PPS

→ NO Assurance is involved.

Example

SRS — 4400 — Engagements to perform
Agreed upon Procedures
Regarding FI.

4410 — Compilation Engagements

• Description of all sides ✓ Audit vs. Review ✓

• PFI ✓

• Qualities of Auditor ☑ ✓

• Scope of Audit ● → ✓

• Not Misleading ✓

• Relationship of Audit with other Disciplines

• Benefit of Auditing ✓

• Audit Mandatory or Voluntary

Scope of Auditing

- Purpose of Audit — Enhance the degree of Confidence of Intended user of FS.
- Achieved through expression of opinion.
 - FS prepared in all Material Respect as per AFRF.

Points to be included in scope

- Coverage of All Aspect — Relevant to FS being Audited
- Reliability & Sufficiency of FI — How? → Analysis of A/c system & IC
Ensure
↳ How AR IOU RE, EC
- Ensure Adequate Disclosure — Aspect LR (Statutory Requirement) C
— How?
 - Ensure FS properly Summarises Events & Transaction
 - Evaluate Mgt's Judgement
Example Selection of A/cing Policy
 - understand — FS are prepared from HFI

What is Not included?

- Matters beyond expertise → (value/condition of sophisticated Machinery) or of civil structure
- Authentication of genuineness of Docs
- Investigation into wrong doing
 - No legal Power of Search, Recording statement
 - Investigation — critical examination, specific Purpose
 - For example — Investigating existence of fraud
 - Scope is specific & Narrow
- Preparation / Presentation of FS

Qualities of an Auditor

- Auditor Report on Financial Matters
- Financial Matters prone to Human Fallibility
- Tact — meaning Ability to deal with People without offending them

→ tendency to make mistakes

^{AK}
Caution → Low
Firmness — IT
Good temper — QS
Integrity — Au
Discretion — SM
Industrious — FM
Judgement — Con
Patience •
Clean headedness •

- Highest degree of Integrity / Independence
- All Personal Qualities of a good Businessman
- Holds Position of trust — Must Have Basic Human Qualities — Honesty, Confidence, Discipline.
- Must Have Knowledge of an expert w.r.t FS
- Exhaustive Knowledge of Accounting Sine Qua Non for Auditing

Accounting Principles Technique

◦ Benefits of Auditing — why Audit is Needed

- ◻ High Quality info — Confidence to the Users
- ◻ Safeguard to interest of shareholders
- ◻ Moral check on Employees
- ◻ Government Authorities — Help in Determining Tax Liability
- ◻ Lenders to Lend or Not to Lend
- ◻ May detect fraud/Error
- ◻ CONTROLS — Reviews the existence & operations
Helps in Pointing out deficiencies

Audit Mandatory or Voluntary ◦

- NOT always legally Mandatory
- Companies Compulsory ✓
- Non-Corporate — Might be Compulsory in tax laws
(Turnover Crossing Pres. Limit)
- May be Required for Grants / Assistance from Govt
(School)
- Entities get their Accounts Audited voluntarily because of Benefit of Audit

Auditing has its own inherent limitation. The Nature of financial Reporting is one of the inherent limitation of Auditing.

Financial Reporting and related Internal Control is the Responsibility of Management. Internal Control has its own inherent limitations.

One of them is Collusion Among Employee

In the given case, J & Co, Chartered Accountant Relied on Internal Control after proper understanding and testing and therefore carried proper verification of Purchases as necessary.

In the light of Above discussion Blame from partners of Zeeba Product is Not correct. Auditors conducted their work properly and gave an opinion accordingly.

The management of Exotic Tours and Travels Limited requests its auditor Raja & Co. to provide an assurance report on the financial information for first quarter of a year by skipping required detailed procedures.

Can Raja & Co. provide such a report? What would be nature of such a report? Would it be necessary for them to obtain sufficient appropriate evidence in such a case?

The Management is asking for Assurance Report on Financial information for First Quarter by skipping Required detailed procedures

Such engagement and Reports thereon would be in the Nature of "REVIEW" and Not "Audit"

Yes, Raja & Co can Provide Such "Review" Reports.

As discussed Above the Nature would "Review" and Not Audit.

Raja & Co would be Required to obtain Sufficient Appropriate evidence for Such Reports.

CORRECT:

An Audit is an independent Examination of Financial information of an entity, irrespective of, size, nature or legal form of the entity.

Objective of Auditing is to express an opinion on Financial statement. This objective does not change with reference to Nature, size or legal form of entity.

Therefore it is concluded that, Basic objective does not change as per Nature, size or form of entity.