

SQC+ "Quality Control for Firms"

that perform $\left\{ \begin{array}{l} \text{Audit} \\ \text{Review} \end{array} \right\}$ of historical financial info
other assurance services
related service Engg"

≡

SA 220 "Quality Control for Audit of FS"

(policies & procedures)

Firm → have a System of Quality Control → to get R.A.

firm & personnel comply with
SA $\left[\begin{array}{l} \bullet \text{ Prof. standards} \\ \bullet \text{ Regulatory \&} \\ \bullet \text{ Legal requirements} \end{array} \right.$

≡ Reports are issued these are appropriate in
circumstances.
Right opinion
↓
Misclassification
↓
Misclassification
↓
Misclassification

Leadership Responsibility

Firm (SQC-1)

Audit (SA-220)

• Firm to establish P&P to promote internal culture that quality is essential.

Q know! firm's CEO/managing partner will take ultimate resp. for system of d.c.

[How?] • Example set by firm's leadership encourages inner culture that recognise high quality work.

[Qualities?] Person with operational resp. should have experience, ability & authority.



Rajiv Mevani

• Engg. partner is responsible for quality of audit engg.

Actions & usgs of E.P. → to other members emphasise:

- a) Importance of Quality of:
- i) Performing work as per PRL require. *Bakarwadi*
 - ii) Comply with firm's d.c. P&P. *Andarwadi*
 - iii) Issue ATR appt. for circumstances.
 - iv) Engg. team's ability to raise concerns without fear of reprisal. *punishment*

b) fact that quality is essential for audit.

Considerations → Uphold Quality of firm

i) firm's personnel P&P designed to demonstrate commitment to Quality *show*

ii) firm allocates sufficient resources for development & documentation of P&P.

iii) Before accepting audit obtain vital info. about client.

iii) firm assigns its mgt Responsibility that

- Ethical. Req.
- CICA
- Integrity of client

commercial consideration
↓
don't override
↓
Quality of work

Indu
DD
00

Independence Policy ⇒ P&P

- **Communicate** independence requirement to personnel.

Threats • Identify & evaluate **circumstances & relationships** creating **threats** to independence.
SSAFI

Safeguard • Take **appropriate action** to → **Eliminate/reduce** threat to acceptable level. **or**
→ **withdraw** from engg.

{ eg Relative bought shares of client Co. "F.V." ₹ 2 lakhs
↓
Action? Sell shares within 60 days }

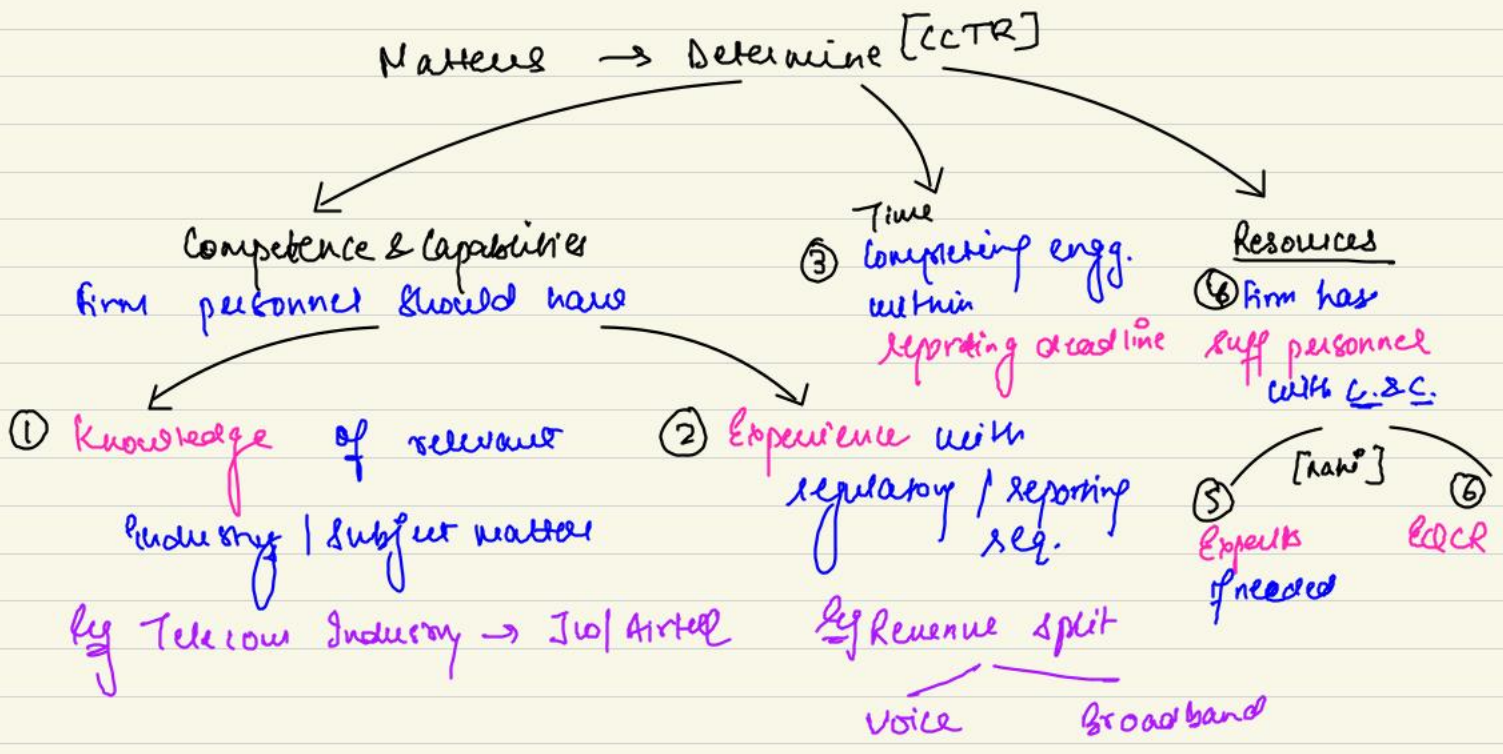
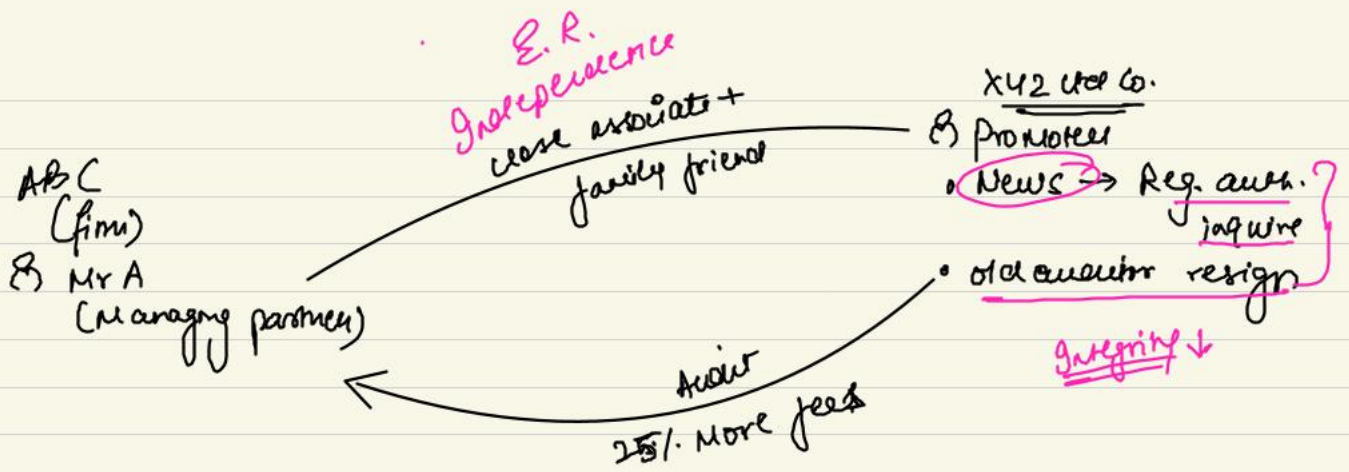
Gaff? → Decide regarding acceptance / continuance of **Client relationship & engg.**
deliberate *subsequent*
[Other services = Tax audit R.O.C (ms)]
specifically audit

- **Sig. matters** arisen during ^{by} **previous** **audit engg.**

[eg sig. difficulties / sig. risks (fraud, R.P etc)]

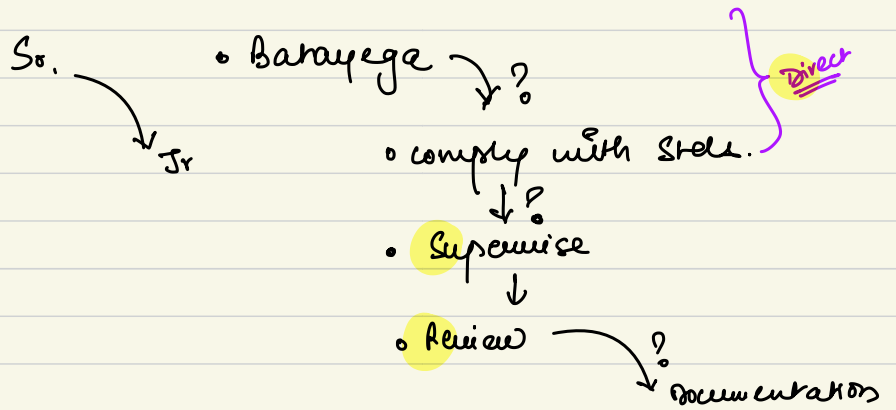
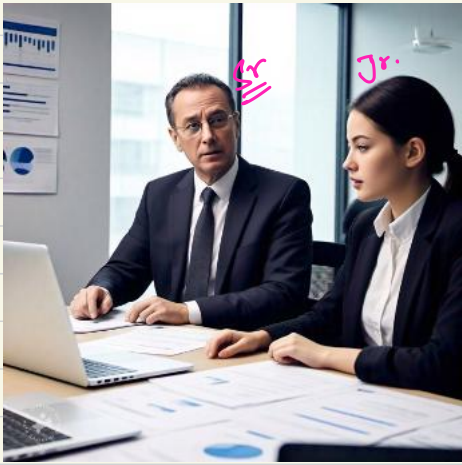
- Firm** {
- Compliance with **ethical requirements**. [ISI Prof]
 - **Competence** (including capabilities, time & resources) to perform engg.
- Client** {
- **Integrity** of principal owners, key mgt & TCo of entity.

NOTE: If any issues identified & firm decides to accept/continue, document how issue was resolved.



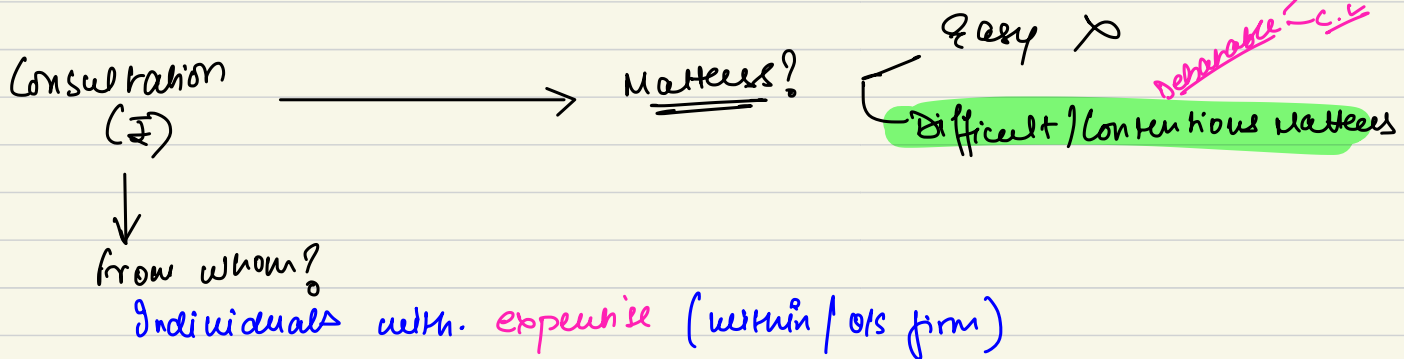
Engg. Performance

Consistency in Quality of engg. performance, achieved through:

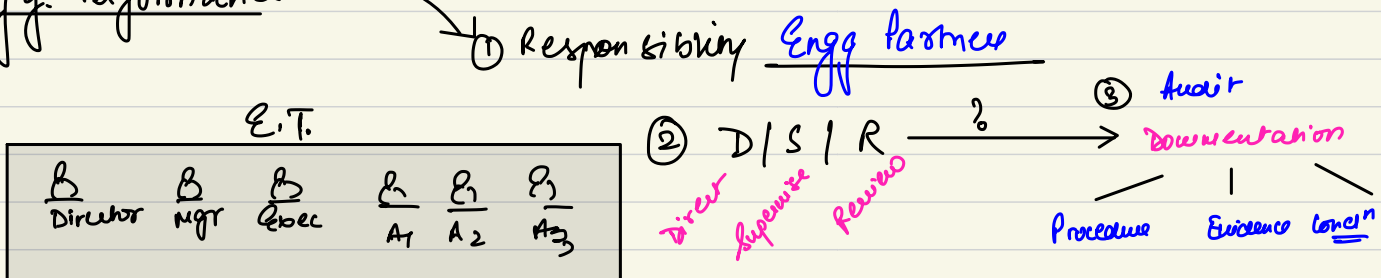


① Briefing of E.T's of their objectives.

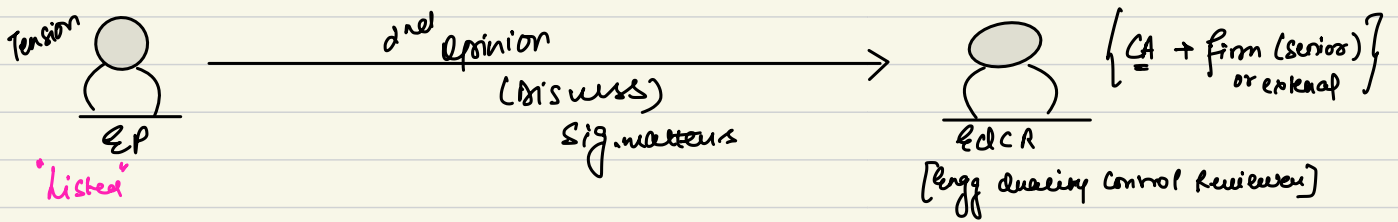
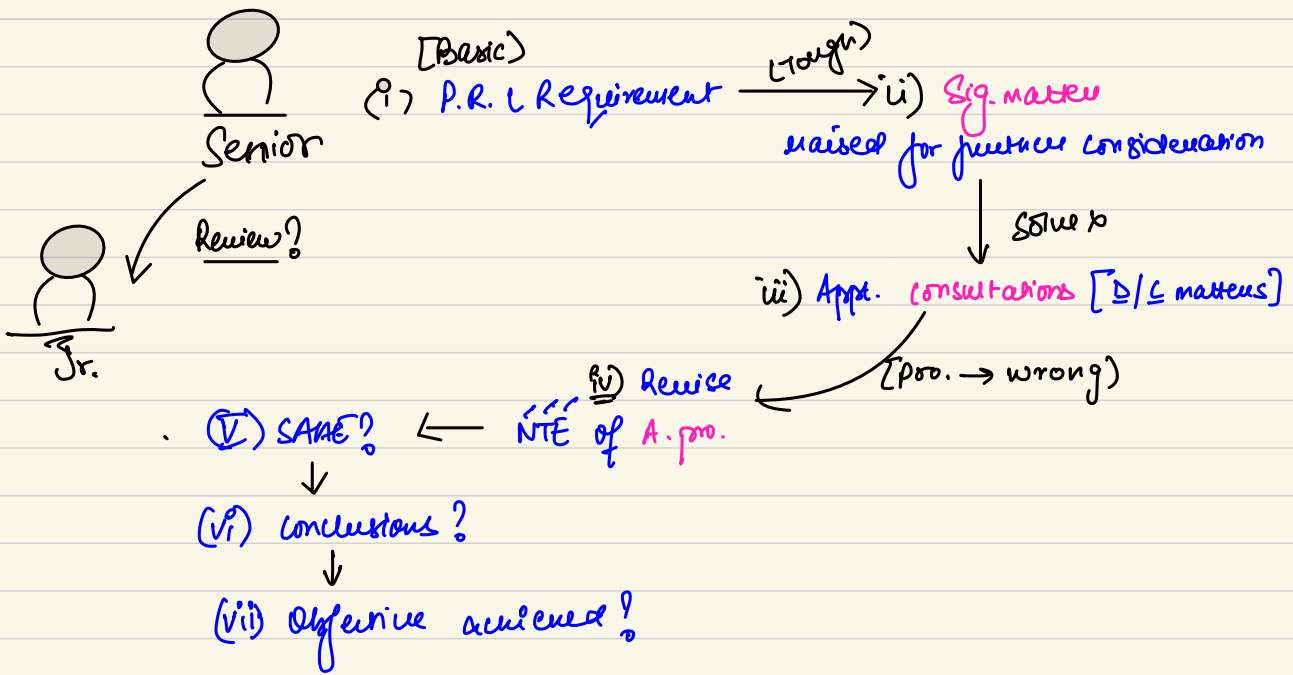
- ↓
- processes for
 - ② Complying with standards
 - ③ Engg. supervision & training
 - ④ Review of performance of work
 - ⑤ Proper documentation of work performed.



Engg. Performance



④ Difficult / contentious matters → Consultation



Defⁿ

① Who { partner, person in firm [CA → member of ICAI] or qualified external person or body of individuals }

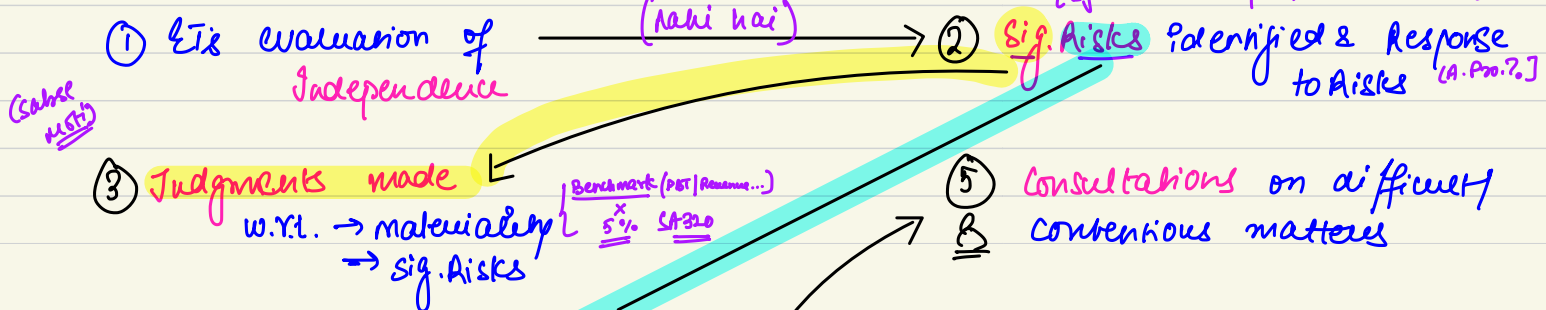
{ Experience + authority { Exp → Account listed Entities }
Ruhra → Sunerge }

② what he does? To objectively evaluate [check]

Sig. judgments [eg Adequacy/Est.] that E.T. made

≡ conclusions reached.

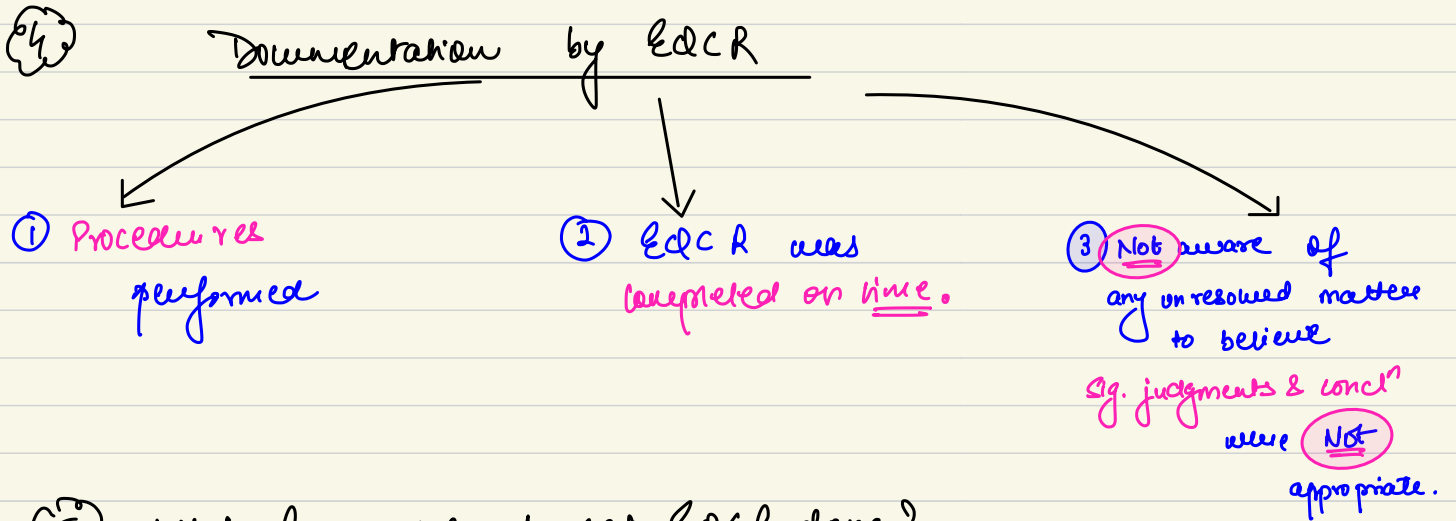
③ what "aspects" he considers ?



④ misstatements (corrected/uncorrected) identified during audit.

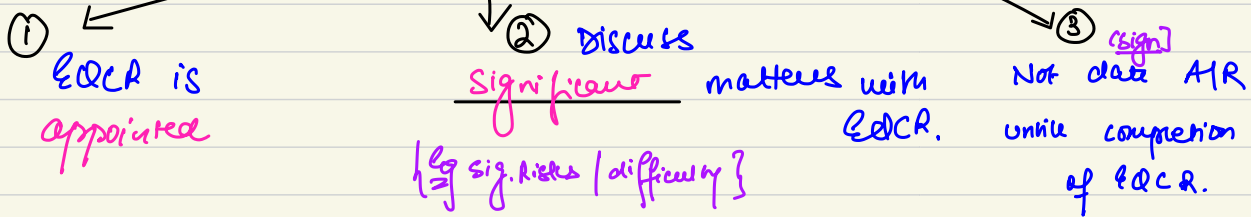
⑥ matters communicated to BB mgt & TCWG. (SA260)

data
→



⑤ Who is responsible to get EOCR done?

EP's responsibility [listed entities + others]



+

④ If there's "difference of opinion" b/w E.P. & EOCR.

follow firm's P&P

eg consulting another practitioner / firm / professional or regulatory body [ICAI]

⑤ How to ensure EOCR's objectivity?

I

Appointment

i) Not selected by E.P.

II

Participation

ii) Not participate in Engg

iii) Not make decisions for E.P.

[General] Not subject to other consideration that can threaten objectivity.

↳ Not have any relation with client.

Engg. Documentation

$\frac{B}{mgr}$ $\frac{B}{Asst. mgr}$ $\frac{B}{Executive}$ $\frac{B}{A_1}$ $\frac{B}{A_2}$ $\frac{B}{A_3}$
 Doc. + Doc. + Doc. + Doc. + Doc. + Doc.

Assembly of (SOCT) file

timely basis
 Audit → 60 days from date of APR

Retain! (SOCT) 7 years from date of APR or Group APR, if latest (CAF)

Ownership? Engg. Documentation → property of firm.

- firm may at its discretion
 - can make portions/extracts
 - available for client

But it should not

Undermine validity of work performed or Independence for assurance engg.

Electronic & Physical form of Documentation

- As per SOCT, have PSP, to maintain:

Confidentiality, Safe custody, Integrity,

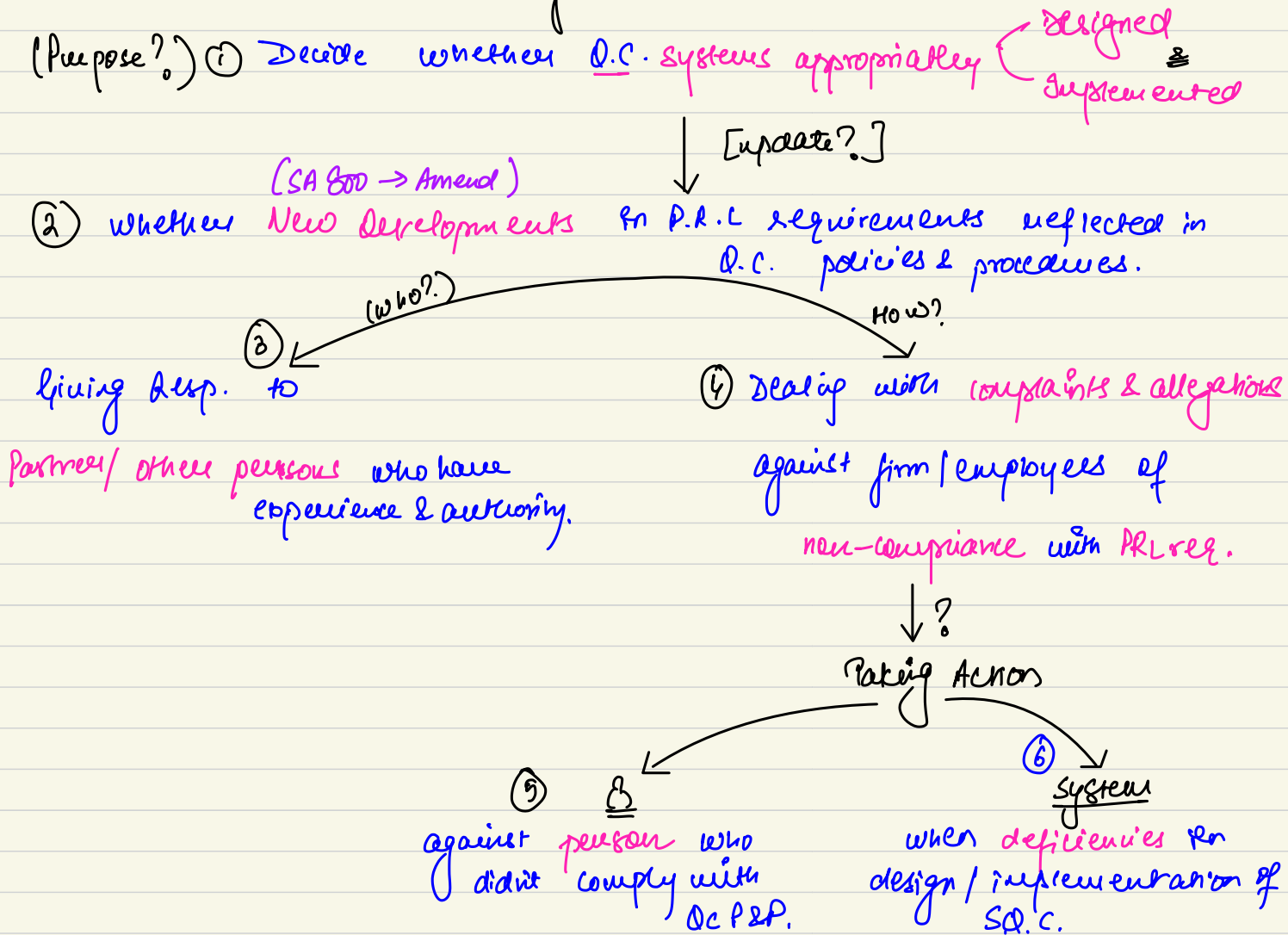
Acceptability & Retrievability of doc.

- If Engg. Doc. is in
 - paper changes X
 - or
 - electronic form
 then I/A/R of data ↓ may be compromised ↓ if any alteration/addition/deletion happens.

- for practical reasons, Documentation in paper form ^{may be} → electronically scanned.
- Procedures?

- i) Generate scan of entire content.
- ii) Include it in engg. file, including
 - Indexing $\hat{=}$ Sign off ^{sk ✓} of or scanned copies.
- iii) Enable scanned copies to be retrieved _(download) & printed _(print).

Monitoring



Ans 2

MNP & Co.
(firm)

Bank

Client

W.L. Loan from Bank

Stock Market

Sudhanshu

- clean stock AR
- 9% Return.
↓
P.S. audit
↓
MNP Pro.

