Chapter 1: Quality Control

SQC 1 Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagement

Q1. ABC & Associates, Chartered Accountants has a **policy** to accept the clients wherein the risk evaluation is conducted with respect to the Company and the promoter. XYZ Limited approached ABC & Associates. **Promoter of XYZ** Limited is a close associate and family friend of Mr. A, **Managing Partner of ABC & Associates**. XYZ Limited is in news in the previous year for certain inquiries from the regulatory authorities in relation to certain matters. The existing auditor of XYZ Limited has resigned and has created a casual vacancy. XYZ Limited is ready to **offer 25% more than the existing fees** and has approached ABC & Associates for appointment as Auditor. Mr. A has strong recommendation to the Firm to accept the audit. What is your understanding of the functioning of the tone at the top of the Firm ABC & Associates, Chartered Accountants? What are the considerations one should exercise to uphold Firm? ***(SM)***

Answer

The given situation indicates that proposed client is a new one whose promoter is close associate and family friend of managing partner of M/s ABC & Associates. However, previous auditor of proposed client has resigned and company is offering hike in audit fees in comparison to audit fees paid to previous auditor. Besides, there are also regulatory inquires against the company. In spite of all this, managing partner of firm Mr. A has recommended for acceptance of offered audit of the company.

It reflects poorly regarding functioning at top of the firm as regards to quality control. **SQC 1** requires that **firm should establish a system of quality control** designed to provide it with **reasonable assurance** that firm and its personnel comply with professional standards and legal and regulatory requirements. It further requires that firm's business strategy is subject to overriding requirement of firm to achieve quality in all engagements. However, in the given situation, commercial considerations seem to be overriding factor.

The managing partner of firm is close associate and family friend of promoter. The matter should have been brought to knowledge of firm in accordance with requirements of SQC 1 as it **involves issue of independence** of managing partner of the firm with respect to proposed audit engagement.
Further, matters of inquiries from regulators and resignation of previous auditor **raise question about integrity** of the proposed client. SQC 1 further requires firm to consider before acceptance of an engagement that client does not lack integrity. All these factors need to be taken into consideration before accepting engagement.

Overall, such a situation **reflects lack of proper establishment of quality control framework** at top of the firm. Following considerations should be taken into account while upholding quality of firm: -

1) **Firm assigns its management responsibilities** so that commercial considerations don't override quality of work performed
2) **Firm's policies and procedures** in relation to its **personnel** are designed to demonstrate its overriding commitment to quality.
3) Firm devotes **sufficient resources** for development and documentation of its quality control policies and procedures
4) A firm before accepting an engagement should **acquire vital information about the client.** Such an information should help firm to decide about integrity of Client, promoters and key managerial

personnel, competence (including capabilities, time and resources) to perform engagement and compliance with ethical requirements.

Q2. MNP & Co., a firm of auditors, is **appointed by a bank** to conduct stock audit of a borrower. It deputes one of its paid CA employees, Sudhanshu, to conduct above said stock audit. He leverages it as an opportunity to prevail upon the client to get the accounts audited from their firm. He also assures the client of a **clean stock audit report without adverse comments as a quid pro quo.** Is approach of Sudhanshu proper? How does it reflect upon quality control system of firm? ***(SM)***

Answer

Approach of Sudhanshu is not proper. Such practices blatantly **violate code of ethics and its spirit**. It **reflects poorly upon quality control system** of firm envisaged in SQC 1 which requires that quality control policies and procedures should be documented and communicated to the firm's personnel. It shows that firm's personnel are not properly sensitized regarding requirements of SQC 1.

Q3. CA M is introduced to a **prospective client** in a social function. He assures to visit office of CA M very soon in relation to professional work. During discussions over a cup of coffee next week, it transpires that there was a **search by Enforcement Directorate in his premises** about a month back resulting in recovery of huge sum of cash. The income tax department had also **searched his premises in relation to bogus capital gains on penny stocks.** Lamenting poor quality of services provided by his present auditor, **he offers appointment as tax auditor** of his five family-owned firms to CA M in lieu of handsome fees. What are the factors to be evaluated by CA M if he wants to take up the engagement? **(SM)**

Answer

As per SQC 1, before accepting a new engagement, **integrity of client should be considered including matters that indicate involvement in money laundering or criminal activities.** There has been search of ED on the said party leading to recovery of huge amount of cash. The above coupled with actions of income tax department relating to bogus capital gains on penny stocks indicates that client might be involved in money laundering activities. Therefore, **offer should not be accepted**

Q4. MB & Associates is a partnership firm of Chartered Accountants which was established 7 years back. Firm is getting new clients and has also, been offered new engagement services with existing clients. Firm is concerned about obtaining such information as it considers necessary in the circumstances before accepting an engagement with a new client and acceptance of a new engagement with an existing client. The **firm is looking to work with only select clients** to adhere to the Quality Control Standards. Guide MB & Associates about the **matters to be considered with regard to the integrity of a client,** as per the requirements of SQC 1. ***(PYQ N19)***

Answer

The firm should obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. Where issues have been identified, and the firm decides to accept or continue the client relationship or a specific engagement, it should document how the issues were resolved.

With **regard to the integrity of a client, matters that the firm considers** include, for example:

1) **Identity and business reputation** of the client's principal owners, key management, related parties and those charged with its governance.
2) **Nature of the client's operations**, including its business practices.
3) **Information concerning the attitude** of the client's principal owners, key management and those charged with its governance towards such matters as aggressive interpretation of accounting standards and the internal control environment.
4) Whether the client is aggressively concerned with maintaining the **firm's fees as low as possible.**
5) Indications of an **inappropriate limitation** in the scope of work.
6) Indications that the client might be **involved in money laundering or other criminal activities**.
7) **Reasons** for the proposed appointment of the firm and non-reappointment of the previous firm.

The extent of knowledge a firm will have regarding the integrity of a client will generally grow within the context of an ongoing relationship with that client.

Q5. J.A.C.K. & Co., a CA firm was appointed as the statutory auditor of Falcon Ltd. after ensuring the compliance with relevant provisions of the Companies Act, 2013. Mr. Jay was the engagement partner for the aforesaid audit and prior to commencement of the audit, Mr. Jay had called for a meeting of the engagement team in order to direct them and assign them their responsibilities. At the end of meeting, Mr. Jay assigned review responsibilities to two of the engagement team members who were the most experienced amongst all, for reviewing the work performed by the less experienced team members. While **reviewing the work performed by the less experienced members** of the engagement team, what shall be the **considerations of the reviewers**? ***(MTP - 2021)***

OR

CA. H, partner of the firm, has been handling the audit assignment very well since the appointment. The audit work of CA. H and her team is reviewed by a senior partner CA. K to assure that audit is performed in accordance with professional standards and regulatory and legal requirements. CA. K was out of India for some personal reasons, so this year CA. **G has been asked to review the audit work**. In your opinion, what areas CA. G should consider at the time of review. List any four areas and also comment whether firm is complying with Standard on Quality Control or not. ***(PYQ July-21)***

Answer

Compliance with Standard on Quality Control on review of audit work -

As per SQC 1, an engagement quality control review for audits of financial statements of listed entities includes considering the following:

1) Work has been performed in accordance with **professional standards and regulatory and legal requirements;**
2) **Significant matters** have been raised for further consideration;
3) **Appropriate consultations** have taken place and **resulting conclusions** have been documented and implemented;
4) There is a **need to revise the nature, timing and extent** of work performed;
5) The **work performed supports the conclusions reached** and is appropriately documented;
6) The **evidence obtained is sufficient and appropriate** to support the report; and
7) The **objectives** of the engagement procedures have been **achieved**.

The firm should establish policies and procedures:

1) Setting out criteria **for determining the need for safeguards to reduce the familiarity threat** to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; and
2) For all audits of financial statements of listed entities, **requiring the rotation of the engagement partner** after a specified period in compliance with the Code.
   The familiarity threat is particularly relevant in the context of financial statement audits of listed entities.

For these audits, the engagement partner should be **rotated after a pre-defined period, normally not more than 7 years.**

From the facts given in the question and from the above stated paras of SQC 1, it can be concluded that firm is **not complying** with SQC 1 as Engagement Partner H is continuing for more than 7 years.

Q6. M/s NK & Co., Chartered Accountants were appointed as Statutory Auditors of Fresh Juice Limited for the F.Y 2019-2020. The previous year's audit was conducted by M/s. LP & Associates. After the audit was completed and report submitted, it was found that **closing balances of last financial year i.e., 2018-19 were incorrectly brought forward.** It was found that **M/s NK & Co. did not apply any audit procedures** to ensure that correct opening balances have been brought forward to the current period. Accordingly, a complaint was filed against NK & Co. in relation to this matter. You are required to inform what **policies** are required to be implemented by NK & Co. **for dealing with such complaints and allegations** as required by Standard on Quality Control (SQC). ***(PYQ Jan 2021)***

Answer

In the given question, NK & Co. **did not apply audit procedures to ensure that opening balances had been correctly brought forward**. A complaint was filed against the auditors in this context. As per Standard on Quality Control (SQC) 1 "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements",

1) The firm should **establish policies and procedures** designed to provide it with reasonable assurance that it deals appropriately with:
   a. **Complaints and allegations** that the work performed by the firm fails to comply with professional standards and regulatory and legal requirements; and
   b. **Allegations of non-compliance** with the firm's system of quality control.
2) Complaints and allegations (which do not include those that are clearly frivolous) **may originate from within or outside the firm.** They may be made by firm personnel, clients or other third parties. They may be received by engagement team members or other firm personnel.
3) As part of this process, the firm establishes **clearly defined channels** for firm personnel to raise any concerns in a manner that enables them to come forward **without fear of reprisals.**
4) The **firm investigates** such complaints and allegations **in accordance with established policies and procedures.** The investigation is **supervised by a partner** with sufficient and appropriate experience and authority within the firm but who is **not otherwise involved in the engagement**, and includes involving legal counsel as necessary. Small firms and sole practitioners may use the services of a suitably qualified external person or another firm to carry out the investigation. Complaints, allegations and the responses to them are documented.

5) Where the **results** of the **investigations indicate deficiencies** in the design or operation of the firm's quality control policies and procedures, or non -compliance with the firm's system of quality control by an individual or individuals, the firm takes appropriate action.

Q7. PQR & Associates, Chartered Accountants, is a partnership firm having 3 partners CA P, CA Q and CA R. PQR & Associates are appointed as Statutory Auditors of ABC Limited, a **listed entity** for the financial year 2021-22 and CA P is appointed as Engagement Partner for the audit of ABC Limited. Before issuing the Audit Report of ABC Limited, CA P asked CA R to perform Engagement Quality Control Review and is of the view that his responsibility will be reduced after review by CA R. Whether the contention of CA P is correct?
What are the **aspects that need to be considered by CA R while performing Engagement Quality Control Review for audit of financial statements of ABC Limited? (PYQ MAY-2022)**

Answer

As per **SQC 1, "Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements"**, the review **does not reduce the responsibilities of the engagement partner.** Hence, contention of CA. P that after engagement quality control review by CA. R, his responsibility will be reduced, is **not correct**.

However, CA. R needs to consider the **following aspect while performing Engagement Quality Control Review for audit of financial statements of a listed entity ABC Ltd.:**

1) The engagement team's evaluation of the firm's **independence** in relation to the specific engagement.
2) **Significant risks identified** during the engagement and the **responses** to those risks.
3) **Judgments** made, particularly with respect to materiality and significant risks.
4) Whether **appropriate consultation** has taken place **on matters** involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations.
5) The **matters to be communicated** to management and those charged with governance and, where applicable, other parties such as regulatory bodies.
6) Whether **working papers selected for review reflect** the work performed in relation to the significant judgments and support the conclusions reached.
7) The **appropriateness of the report** to be issued.

Q8. AP & Associates, Chartered Accountants, are Statutory Auditors of XP Limited for the last four years. XP Limited is engaged in the manufacture and marketing of FMCG Goods in India. During 2021-22, the Company has diversified and commenced providing software solutions in the area of "e-commerce" in India as well as in certain European countries. AP & Associates, while carrying out the audit for the current financial year, came to know that the company has expanded its operations into a new segment as well as new geography. **AP & Associates does not possess necessary expertise and infrastructure to carry out the audit of this diversified business activities** and accordingly **wishes to withdraw from the engagement and client relationship**.
Discuss the issues that need to be addressed before deciding to withdraw. (PYQ Nov-22)

Answer

Acceptance and Continuance of Client Relationships and Specific Engagements: As per SQC 1, "Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements", the firm should establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide it with reasonable assurance that it will undertake or continue relationships and engagements only where it is competent to perform the engagement and has the capabilities, time and resources to do so.

In the given case, AP & Associates, Chartered Accountants, statutory auditors of XP Limited for the last four years, came to know that the company has expanded its operations into a new segment as well as new geography. AP & Associates does not possess necessary expertise for the same, therefore, AP & Associates wish to withdraw from the engagement and client relationship. Policies and procedures on withdrawal from an engagement or from both the engagement and the client relationship **address issues that include the following:**

1) **Discussing** with the appropriate level of the client's management and those charged with its governance **regarding the appropriate action** that the firm might take based on the relevant facts and circumstances.
2) If the firm determines that **it is appropriate to withdraw,** discussing with the appropriate level of the client's management and those charged with its governance withdrawal from the engagement or from both the engagement and the client relationship, and the reasons for the withdrawal.
3) **Considering** whether there is a **professional, regulatory or legal requirement** for the firm to remain in place, or for the firm to report the withdrawal from the engagement, or from both the engagement and the client relationship, together with the reasons for the withdrawal, to regulatory authorities.
4) **Documenting** significant issues, consultations, conclusions and the basis for the conclusions.

Q9. PQR & Associates are statutory auditors of a listed company. There arose an issue during the course of audit relating to related party transactions. **The engagement partner wants to consult engagement quality control reviewer on this matter during the course of audit process itself**. Can he consult with engagement quality control reviewer? Discuss.

Answer

It is **necessary to maintain objectivity of reviewer**. Therefore, participation in engagement or making decisions for engagement team is to be avoided at all costs. However, **engagement partner may consult engagement quality control reviewer** during the engagement **so as not to compromise his objectivity and eligibility to perform the role.**

Q10. Beta Private Limited has approached a firm of Chartered accountants to assist them in preparation of financial statements and issue a compilation report in this regard. Does CA firm have responsibility in relation to quality control for above said engagement? Discuss with reasons.

Answer

Such kind of services fall in category of "related services". **SQC 1 is applicable to all type of engagements including engagement pertaining to "related services.**

Q11. Ramanujan, a CA final student, feels that **engagement file** in audit engagement **should be ready prior to issue of audit report.** Discuss whether Ramaannu'sj view is in order.

Answer

The firm should establish policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalized. **Engagement files should be completed in not more than 60 days after date of auditor's report in case of audit engagements.** Thus, view of Ramanujam is not in order.

Q12. BNE & Co. are in midst of audit process of a listed company. During the course of audit, an issue arose relating to revenues from contracts with customers in terms of Ind AS 115. The engagement partner took a certain stand. However, engagement quality control reviewer recommended otherwise after review. The **engagement partner is not willing to accept recommendations of reviewer.** How can the stalemate be ended?

Answer

In case, recommendations of engagement quality control reviewer are not accepted by engagement partner and matter is not resolved to reviewer's satisfaction, the matter should be **resolved by following established procedures of firm like by consulting with another practitioner or firm, or a professional or regulatory body.** The audit report should be issued only after resolution of matter.

Q13. GVN & Associates are auditors of a listed company involved in "fin-tech" sector. The engagement team is stuck up with some issue pertaining to a particular Ind AS applicable to the company. They have **framed a query and sent to ICAI for expert opinion** on the matter. The issue was resolved upon receipt of expert opinion. Since **expert opinion was provided by ICAI,** engagement team was of the view that appointment of **engagement quality control reviewer has lost its relevance.** Do you agree?

Answer

Engagement quality control review in listed entities is a mandatory requirement. Expert opinion of ICAI pertains to issue of interpretation. The appointment of reviewer is a separate and mandatory requirement in audits of listed companies.

Q14. NEMI Limited (manufacturer of textile goods) got an order of manufacturing of PPE kits in December But there was shortage of machinery and manpower to accomplish the ordered requirement of PPE kits. NEMI Limited approached another manufacturing unit Rathnemi Limited for purchase of the unit. Rathnemi Limited was interested in the sale of unit, so the deal went through, and NEMI Limited acquired ninety five percent shares of Rathnemi Limited. The new management of Rathnemi Limited proposed and appointed Mani Associates, Chartered Accountants, (already auditors of NEMI Limited) as new auditors of Rathnemi Limited. Mani Associates accepted the assignment without considering information whether the conclusions reached regarding the acceptance and continuance of client relationships and audit engagements are appropriate. Comment with respect to appropriate Standard on Auditing what type of information assists the engagements partner in determining whether the conclusions reached regarding the **acceptance and continuance of client relationships and audit engagements are appropriate or not? (PYQ Nov-2021)**

Answer

Acceptance and Continuance of Client Relationships and Audit Engagements : As per SA 220, "Quality Control for an Audit of Financial Statements" , 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 obtain information considered necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client.

Information such as the following assists the engagement partner in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and audit engagements are appropriate:

1) The **integrity** of the principal owners, key management and those charged with governance of the entity.
2) Whether the engagement team is **competent** to perform the audit engagement and has the necessary capabilities, including time and resources.
3) Whether the firm and the engagement team can **comply with relevant ethical requirements**; and
4) **Significant matters that have arisen during the current or previous audit engagement**, and their implications for continuing the relationship.

SA 220 Quality Control for an Audit of FS

Q15. During the audit of FMP Ltd, a listed company, Engagement Partner (EP) completed his reviews and also ensured compliance with independence requirements that apply to the audit engagement. The **engagement files were also reviewed by the (EQCR)** Engagement Quality Control Reviewer **except the independence assessment documentation**. Engagement Partner was of the view that matters related to independence assessment are the responsibility of the Engagement Partner **and not Engagement Quality Control Reviewer**. Engagement Quality Control Reviewer objected to this and refused to sign off the documentation. Please advise as per SA 220. **(SM)**

Answer

As per SA 220, **Engagement Partner shall form a conclusion on compliance with independence requirements that apply to the audit engagement**. In doing so, Engagement Partner shall:

1) **Obtain relevant information** from the firm and, where applicable, network firms, to identify and evaluate circumstances and relationships that create threats to independence;
2) **Evaluate information on identified breaches**, if any, of the firm's independence policies and procedures to determine whether they create a threat to independence for the audit engagement; and
3) **Take appropriate action to eliminate such threats** or reduce them to an acceptable level by **applying safeguards,** or, if considered appropriate, to withdraw from the audit engagement, where withdrawal is permitted by law or regulation. The engagement partner shall promptly report to the firm any inability to resolve the matter for appropriate action.

Engagement Partner shall take responsibility for reviews being performed in accordance with the firm's review policies and procedures.

As per SA 220, "Quality Control for Audit of Financial Statements", for audits of financial statements of listed entities, Engagement Quality Control Reviewer (**EQCR**), on performing an engagement quality control review, **shall also consider the engagement team's evaluation of the firm's independence in relation to the audit engagement.**

In the given case, Engagement Partner is **not right.** The independence assessment documentation should also be given to Engagement Quality Control Reviewer for his review.

Q16. Rishikumar & Co. has been appointed as an auditor of PK Ltd. for the financial year 2016 -17. **CA. Kumar,** one of the partners of M/s Rishikumar & Co., **completed entire routine audit work by 29th May, 2017.** Unfortunately, on the very next morning, while roving towards office of PK Ltd. to sign final audit report, he met with a road accident and **died**. CA. Rishi, **another partner of M/s Rishikumar & Co., therefore, signed the accounts of PK Ltd.**, ***without reviewing the work performed by CA. Kumar***. Advise, whether CA. Rishi is right in expressing an opinion on financial statements the audit of which is performed by another auditor. **(MTP-18)**

Answer

Relying on Work Performed by Another Auditor: As per SA 220 "Quality Control for an Audit of Financial Statements", an **engagement partner** taking over an audit during the engagement may **apply the review procedures** such as the work has been performed in accordance with professional standards and regulatory and legal requirements; significant matters have been raised for further consideration; appropriate consultations have taken place and the resulting conclusions have been documented and implemented; there is a need to revise the nature, timing and extent of work performed; the work performed supports the conclusions reached and is appropriately documented; the evidence obtained is sufficient and appropriate to support the auditor's report; and the objectives of the engagement procedures have been achieved.

Further, one of the basic principles, which govern the auditor's professional responsibilities and which should be complied with wherever an audit is carried, is that when the **auditor delegates** work to assistants or uses work performed by other auditor and experts, **he will continue to be responsible for forming and expressing his opinion on the financial information.** However, he will be **entitled to rely on work** performed by others, provided **he exercises adequate skill and care** and is not aware of any reason to believe that he **should not** have so relied. This is the fundamental principle which is ethically required as per Code of Ethics.

However, the auditor should carefully direct, supervise and review work delegated. He should **obtain reasonable assurance** that work performed by other auditors/experts and assistants is **adequate for his purpose**.

In the given case, all the auditing procedures before the moment of signing of final report have been performed by CA. Kumar. However, the report could not be signed by him due to his unfortunate death. Later on, **CA. Rishi signed the report relying on the work performed by CA. Kumar.**

Here, CA. Rishi is **allowed to sign the audit report,** though, will be responsible for expressing the opinion. He may rely on the work performed by CA. Kumar provided he further exercises adequate skill and due care and review the work performed by him as required in compliance with SA 220.

Q17. OP & Associates are the statutory auditors of BB Ltd. BB Ltd is a listed company and started its operations 5 years back. The **field work** during the audit of the financial statements of the company for the year ended March 31, 2018 got **completed on May 1, 2018.** The auditor's report was dated May 12, 2018. During the documentation review of the engagement, it was observed that the **engagement quality control review was completed on May 15, 2018. Engagement partner had completed his reviews in entirety by May 10,** 2018. Comment.

Answer

Review by Engagement Partner: As per **SA 220**, "Quality Control for an Audit of Financial Statements", the engagement partner shall take responsibility for reviews being performed in accordance with the firm's review policies and procedures. For audits of financial statements of listed entities, the engagement partner shall:

1) Determine that an **engagement quality control reviewer has been appointed;**
2) **Discuss significant matters** arising during the audit engagement, including those identified during the engagement quality control review, with the engagement quality control reviewer; and
3) **Not date the auditor's report until the completion of the engagement quality control review.**

SA 700, "Forming an Opinion and Reporting on Financial Statements", requires the auditor's report to be dated no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the auditor's opinion on the financial statements. In cases of an audit of financial statements of listed entities where the engagement meets the criteria for an engagement quality control review, such a review assists the auditor in determining whether sufficient appropriate evidence has been obtained.
Conducting the engagement quality control review in a timely manner at appropriate stages during the engagement allows significant matters to be promptly resolved to the engagement quality control reviewer's satisfaction on or before the date of the auditor's report.

In the instant case, OP & Associates are the statutory auditors of a listed company BB Ltd. Which started its operations 5 years back. The field work during the audit of the financial statements of the company for the year ended March 31, 2018 got completed on May 1, 2018. The auditor's report was dated May 12, 2018. During the documentation review of the engagement, it was observed that the engagement quality control review was completed on May 15 , 2018. Thus, in the given case, signing of auditor's report i.e. on May 12, 2018 which is before the completion of review engagement quality control review i.e. May 15, 2018, is **not in order**.

Q18. RST & Co., a firm of Chartered accountants, are auditors of a listed company engaged in manufacturing of heavy machinery components. The **audit report for year 2021-22 also included report on matters listed in CARO,2020.** While reporting under clause vii(a) of the said order relating to regularity of **undisputed statutory dues** by the company, the auditors have commented that company is **"generally regular"** in depositing statutory dues to appropriate authorities. **Is above reporting qualitative and in line with requirements of SA-220? (SM)**

Answer

Such type of reporting is **not qualitative.** It is **not in accordance with SA 220.** One of the objectives of the auditor, as per SA 220, is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that the audit complies with professional standards and regulatory and legal requirements. The reporting **under CARO, 2020 is not proper.** Hence, the audit **does not comply with regulatory and legal requirements.**