SA 210

Agreeing the terms of audit procedures

Change in terms of audit agreement (Prior to completing audit engagement)

↓ ⇒ Lower level of assurance

Reason

Justified

↓

- Legal requirement
- New engagement letter
- Don't refer
  - → Audit engagement (original)
  - → Audit Procedure

    ⇓

    in new engagement

Unjustified

↓

- Discuss
  - Mgt
  - TCWG (Those charged with governance)
- Withdraw
- obligation for reporting → Appointment & legal

Exception: Engagement is an agreed upon procedure & it is normal part of reporting.

- Engagement letter is sent by auditor to his client.
- The agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable form of written agreement.

* Recurring audit —— When does the terms of entry revised?

- Require revision in terms of audit engagement
- to remind the entity of existing terms
- Auditor may decide not to send a new agreement each year.

* SA 220 ⇒ Quality control for an Audit of financial Statement

1) Acceptance & continuance
- → Partner shall be satisfied about ⇒ Appropriate procedure for acceptance
- → if any significant information came ⇒ Discuss with firm

Information partner should obtain
- → Integrity of mgt.
  - → Mgt. attitude for AS & I.C., Limitation on scope
  - → Business Reputation, ⇒ Nature of client operation ⇒ Client involved in many laundary ⇒ Reason for change
- → Competence of Engagement team
- → Compliance with ethical requirement including Independence
- → Consider significant matter

2) HR Policy (SQC 1) ⇒ Policy should include following!

- Recruitment
- Carrier Development
- Performance
- Promotion
- Capabilities
- Compensation
- Competence
- Estimation of Personal needs

Policy will help to select individual to Integrity as well as capacity to develop competency to perform the firm work.

3) Assignment of engagement team ⇒ Team + Auditor expert
⇓
Appropriate competence for

i) Perform the Audit in accordance with professional standard & legal requirement.

ii) Enable the appropriate Audit Report

4) Leadership responsible for quality on Audit

Partner should emphasizes following to engagement teams.
- → Compliance with professional & legal requirement
- → Compliance with firm quality control policy
- → Issue an appropriate report
- → Ability to raise concern without fear
- → Quality is essential & indispensable

5) Engagement performance

i) Direction, supervision & performance → for SA's and legal requirements for audit Report being appropriate.

ii) Review → Review as per firm policy on or before the date of audit report
↳ ~~[illegible]~~ obtain SA audit evidence
↳ to support conclusion → Report

iii) Consultation →
→ within team, between the team or other
Take appropriate consultation on difficult matters
Nature and scope agreed
Conclusion implemented
Difference of opinion → firm Policy

6) Engagement quality control review

Partner Responsibility	Reviewer Responsibility
1) Determine reviewer appointed	1) Review Independence, 2 consultation same
2) Discuss significant matters	2) Review evidence and audit documentation
3) Not date audit report until completion of review	3) Review F.S. and proposed audit report review conclusion

7) Policy for engagement performance → matters
→ How engagement terms are briefed for understanding
→ Process for → Comply with engagement standard
→ Supervision, training & coaching
→ Methods of review
→ Appropriate documentation of work performed
→ Policy to keep all procedure current/updated
↓
Monitoring (QRB)
↓
Policy for system of quality control to make it relevant, adequate operating effectively.

Purpose

1) Adherence to professional std. and legal Requirement.
2) whether the quality control policy is appropriately designed and effective implemented.
3) Report's are appropriate.