

SA 210 : Agreeing the Terms of Audit

Engagement (U. simple & scoring)

Accept & continue ^{Auditor last year}
Audit only when
BASIS
upon which it is performed agreed

① Pre-conditions are present

② Common understanding b/w Auditor & mgt

Precondition of Audit

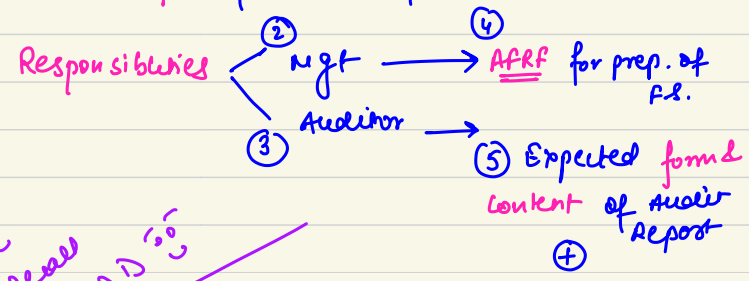
(a) FRA is acceptable.

(b) mgt Acknowledges (manh) understand (samajhti) Responsibility

- Preparation of F.S.
- Internal Control necessary
- Provide Auditor
 - A All info.
 - A Adm info.
 - U B Unrestricted access within Entity

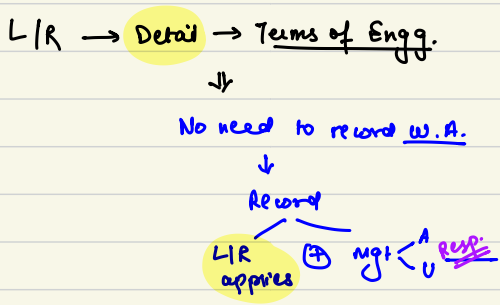
Contents of Engg. letter [5*]

(i) Objective & Scope of Audit of F.S.



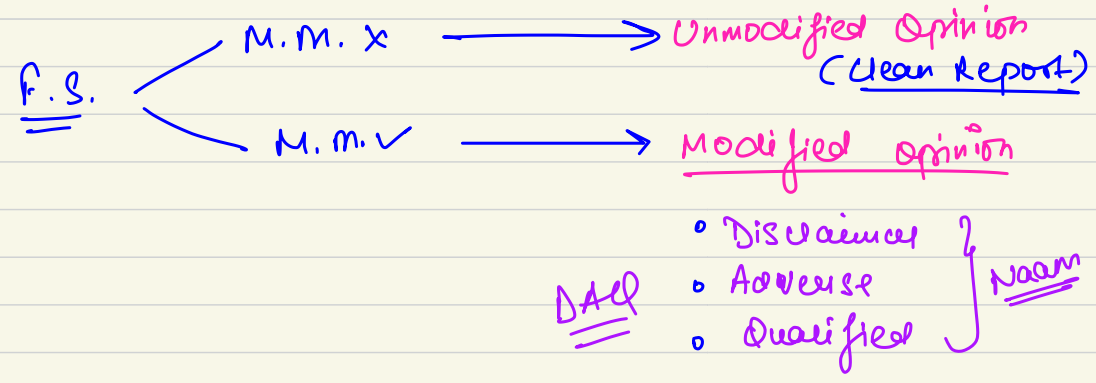
Must write + reveal DIS D

Circumstances → form/content may be different

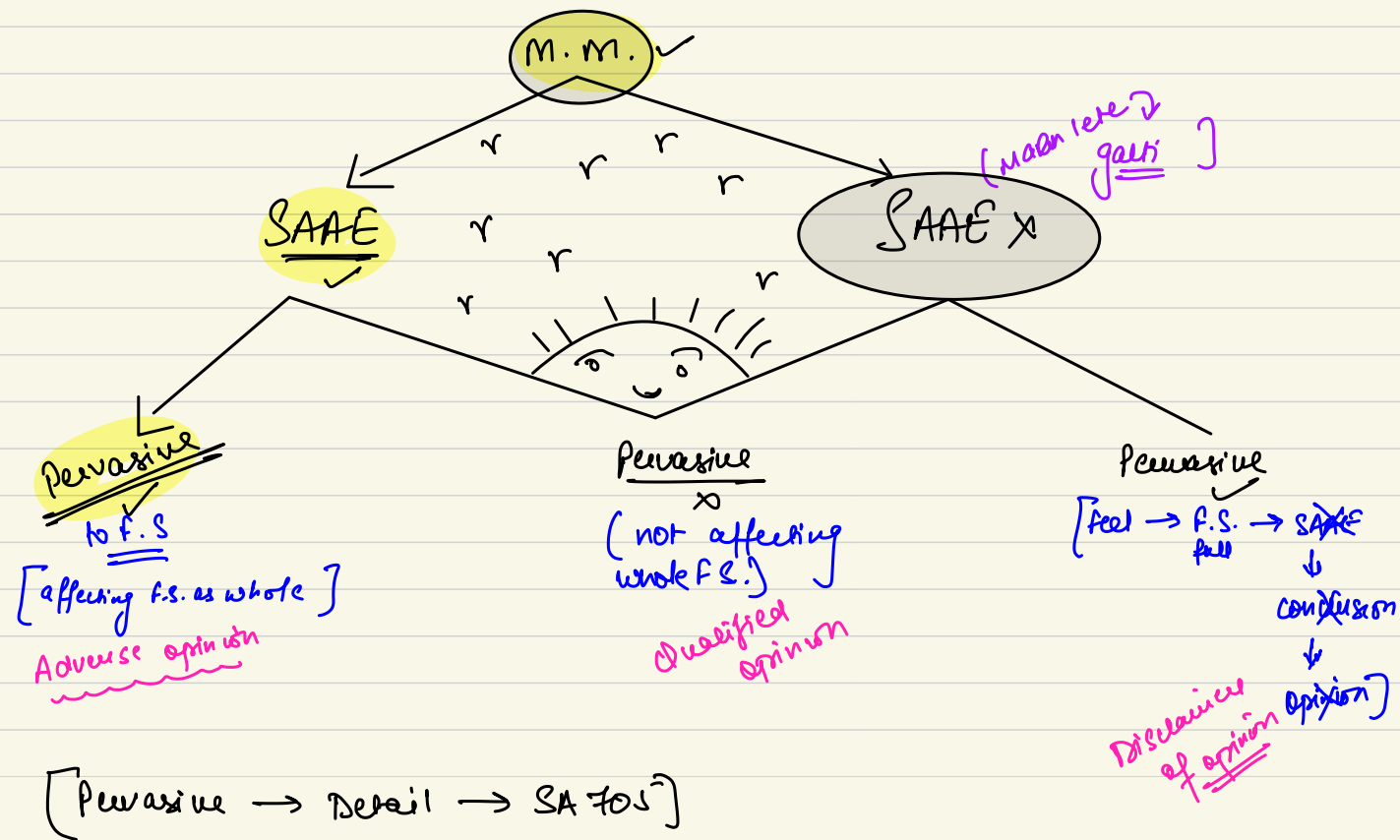


Swins

Types of opinions



Modified opinion (Types)



Limitation on Scope → ~~SAAR~~

~~Audit~~ → Limited Review

Change in Terms of Audit Engg. Accept?

• Agree → Reasonable Justification ^{proper}

Cases → Enting
Request Auditor
change the

Terms of Audit Engg. :-

RCM

Latin

* Restriction on Scope ^{SAAR}
• Imposed by mgt

eg creditor balance → confirmation
mgt deny ∴ legal case ^{cr. + li. ↑}

• imposed by circumstances
Corona → lockdown → inventory check x

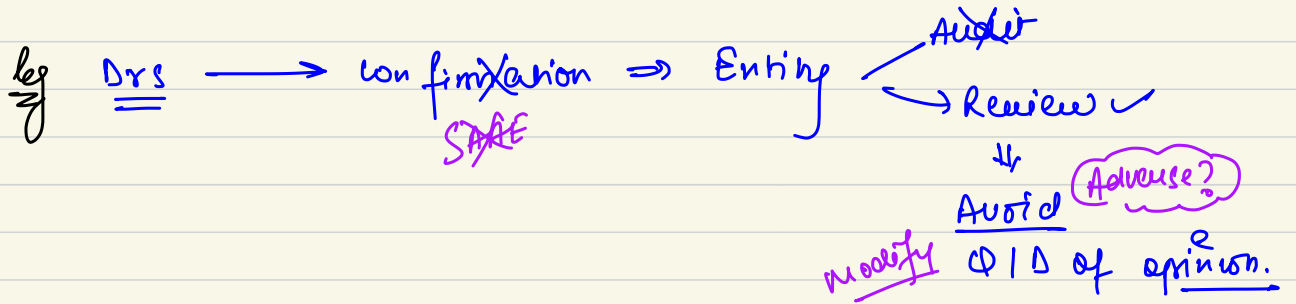
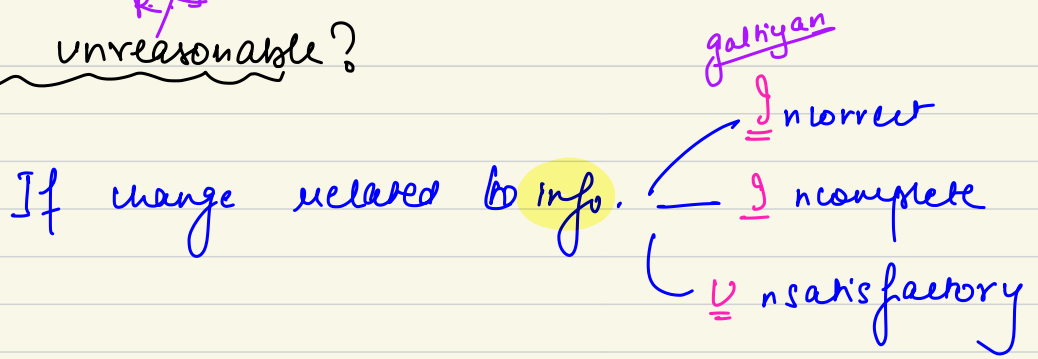
* Changes in circumstances
affect need for service

[eg bank loan → Audit → Bank agreed for Review)

* Misunderstanding nature of audit

{ eg client needed assurance
Audit Review (Confused)

Q What's unreasonable?



Q What to consider before agreeing change of

Audit Engg → Engg with lower assurance.

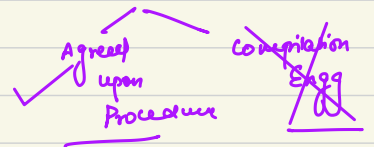
- eg. Review ↓
- Related Services ×

① R.J. → Reasonable Justification

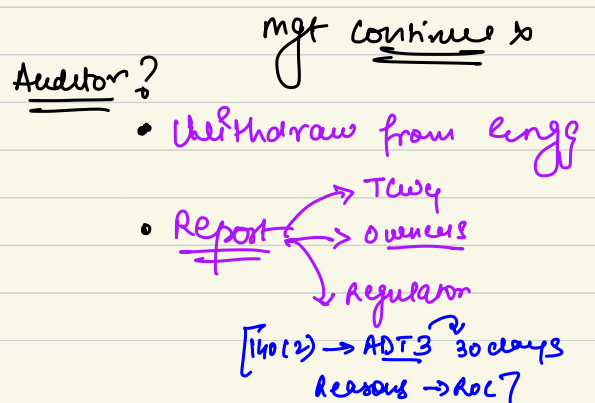
② Assets → Contractual / Legal Implications

③ Audit work performed → Relevant to changed engg.

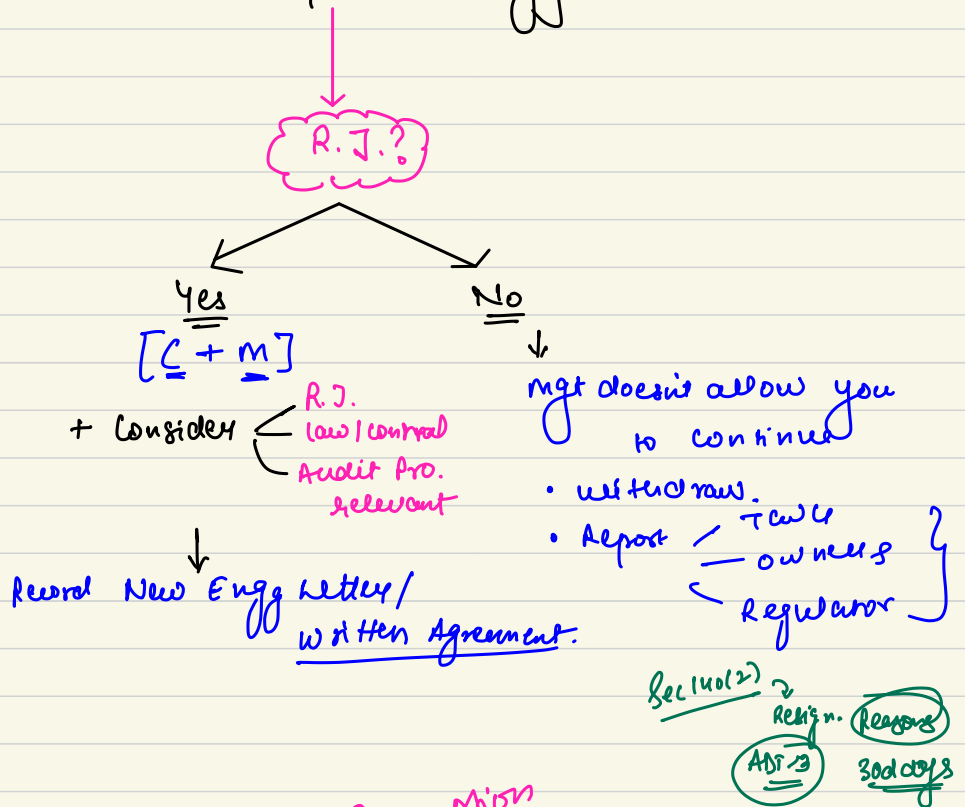
- Review ✓
- Related Services



Q Mgt → Request → change Terms → Audit Refuse



Mgt Request change in terms of Audit Engg [3 Reasons → RCM]



144
Ans 2

As per SA 210, "Agreeing the Terms of Audit Engg", there are certain pre-conditions need to be fulfilled before accepting an Audit.

- If pre-conditions not present, unless required by Law/Repn auditor shall not accept audit Engg.
- i.e. if FRF is not acceptable or
 - management is unwilling to enter agreement stating responsibility
 - Preparation of FS as per AFRF
 - Internal Controls, necessary in circumstances.
 - Providing auditor with info. & access.

Conclusion: 1) Yes it's necessary for mgt to enter an agreement stating its responsibilities.

2) Auditor shall not accept the egg. because pre-conditions not fulfilled.

Thereby basis upon which its performed is missing.

Live at 11:30

communicated
on Telegram

group too.

Plz join that
😊

Quality

Audit Quality → maintain confidence in independent assurance provided by auditor

↳ "Responsibility" to maintain high audit quality.

Food Quality
↓
Standards
FSSAI.

Standards

SOC-1

SA 220

specific Audit

[Quality Control for firms]

[Quality Control for Audit of F.S.]

• Applies to entire firm.
 A ✓
 R ✓
 Officer ✓
 R.S. ✓

• Applies to particular audit engg.

Conclude: Based on "Quality Control System (policies & procedures)" of
Eg Firm → Audit Engg
↓
E.T. Independent firm

Eg ensure E.T. independent.

"Quality Control policies" of audit engg. decided by Engg. Team.

Therefore, SA 220 is premised on basis that firm is subject to SOC-1.

DDD :-

2win

Leadership Responsibility ^{of Auditor} for Quality within Firm

Engg. Partner → take responsibility audit Quality
(Actions / messages)
↓
Emphasise

(a) Importance of audit Quality

Key Perform work complies with

i) Professional Standards, Regulatory & legal requirements. ^{SA} "Baahar wali"

ii) Firm's Quality control Policies & Procedures (P&P) ^{"Andar wali"}

iii) Issue audit report appropriate in circumstances.

(if not) opinion ✓

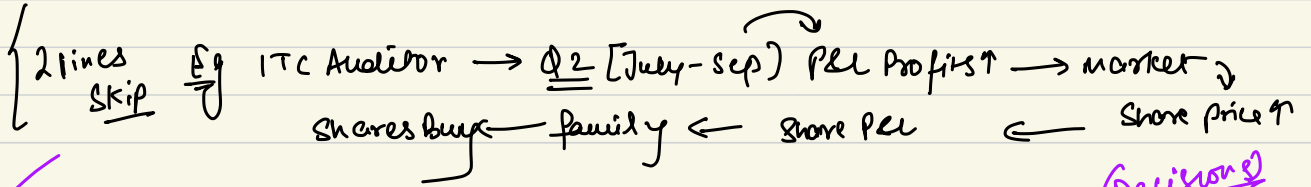
iv) Engg. Team's ability to raise concerns without fear of reprisal. ^{punishment}

(b) Fact that Quality is essential to audit.

Ethical Requirements

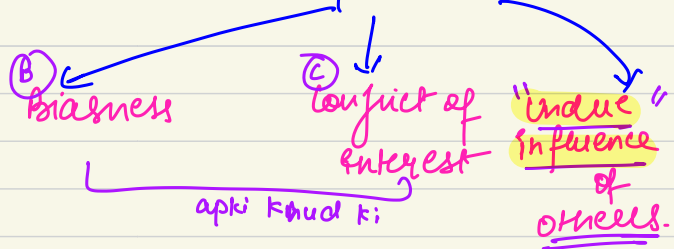
"Fundamental Principles of Ethics" ^{Quarines} COI Professional

* Confidentiality * Respect confidentiality of info. acquired through professional/business relations.



* Objectivity * Don't compromise Professional judgment ^{Decision}

because of:



* Integrity * ^{Sprite}

- Be straightforward & honest
- Implies Truthfulness & fair dealing
- Don't associate with reports which contain:
 - materially false info. ^{kyu?}
 - contain info provided negligently. ^{hina chet karne}
 - omits required info. ^{omission}

* Professional Competence & Due Care *

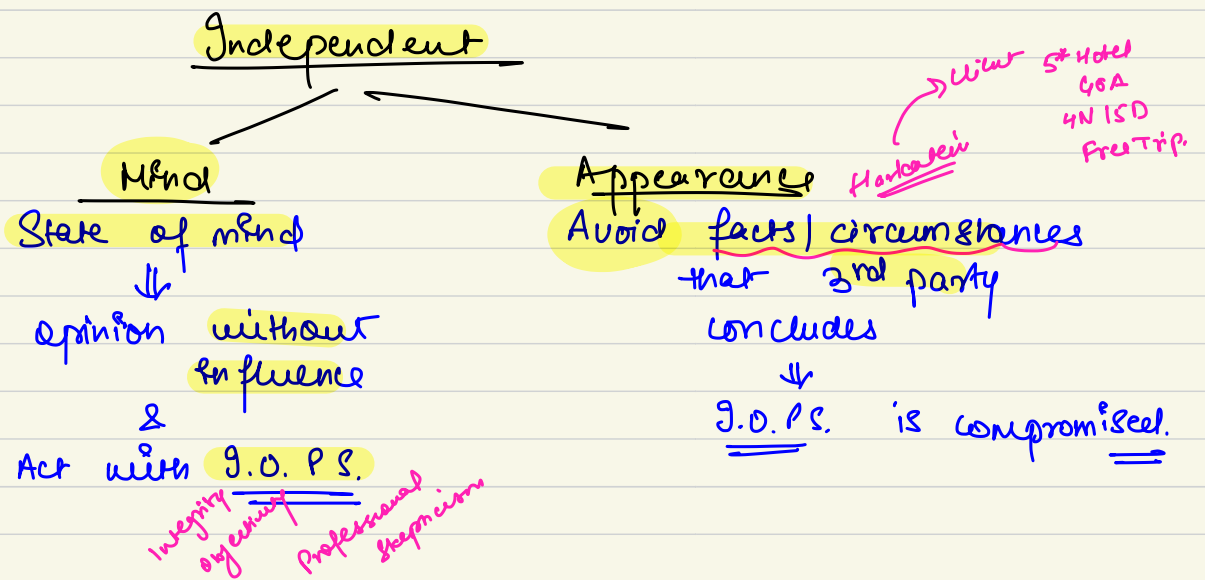
↓
 Attain & maintain prof. knowledge & skills ^{AI}

↓ ^{caavdhani}
 Act diligently as per Technical Professional Stds.

* Professional Behaviour *

comply with laws/regulations
 &
 Avoid any discredit ^{Badnam} Profession.
 DDD :)

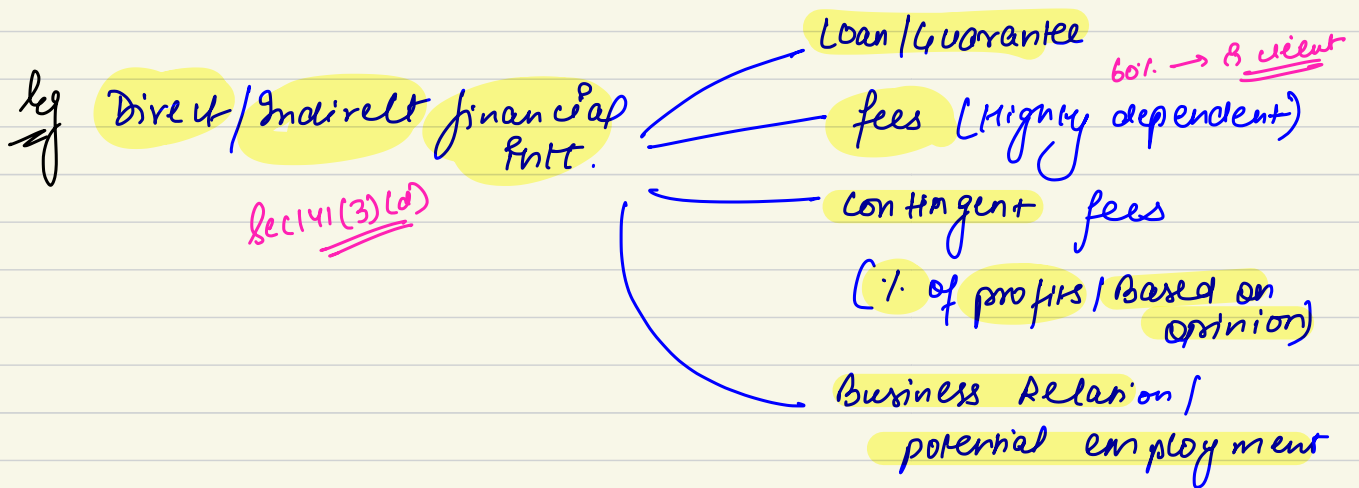
^{News}
 CA Cuddu Bhaiya caught taking bribe 50k.



Types of Threats:

1) Self Interest Threat: Firm/Partner/Associate firm → "financial" Interest in client

Common partner/network



2) Self Review Threat:

- Review of judgment/conclusion reached in previous Audit/Non-audit Engg. Sec 144
- OR *back in (Text)* *F.S. ✓ Audit ✓*
- Audit team members previously been Director/Sr. employees of client co.

eg

- ① Copy
- ② Auditor performs services

FS Ahi apnt hi Banaye main

"subject matter" of Engg.

③ Advocacy Threat Promoting client's opinion to a point objectivity is compromised.

- eg
- i) ^{Investing S.I. threat} Dealing in shares of client Co.
 - ii) Advocate in litigations with 3rd parties.

④ Familiarity Threat: form Relationships with client ending up too sympathetic to client's interest.

- eg
- i) ^{blood} close relative → Sr. position of client.
 - ii) ^{firm} former partner → Director / Sr. employee of client.
 - iii) ^{time} long association b/w Auditor & client
 - iv) Accepting significant gifts / Hospitality from client.

eg Goa Trip (Dona)

⑤ Intimidation Threats: when auditors are deterred from acting objectively. Risk

eg: Threat

- Replaced over disagreement on accounting
- Litigation

Pressure to reduce audit work as fees is low.

Independence (P & P)

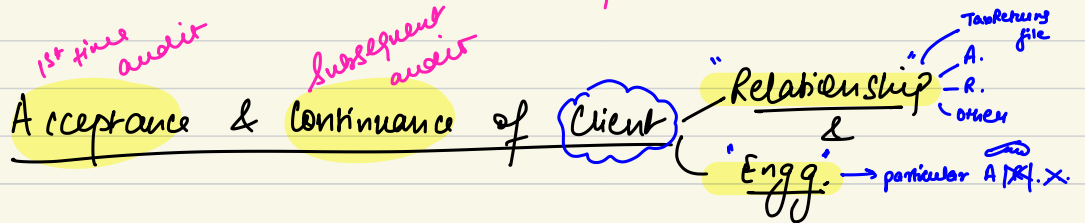
- Communicate independence requirement to personnel.

- Identify & Evaluate

- Circumstances & Relationship
 - Info. on Breach of P&P
 - Take Action
 - Eliminate Threats or
 - Reduce acceptable level. or
 - withdraw from engg.
- "Threats"

Eg CA Shubham is auditor BB Virtuals Pvt Ltd. Akash who's brother of Shubham bought shares (F.V. 10,000) of this Co.
 This is breach of policy of Shubham's firm, relative can only hold shares upto F.V. ₹1L.

Action? Akash should sell excess shares F.V. ₹1000. within 60 days.



Consider?


Significant matters → C.V. P.V. Audit Engg.

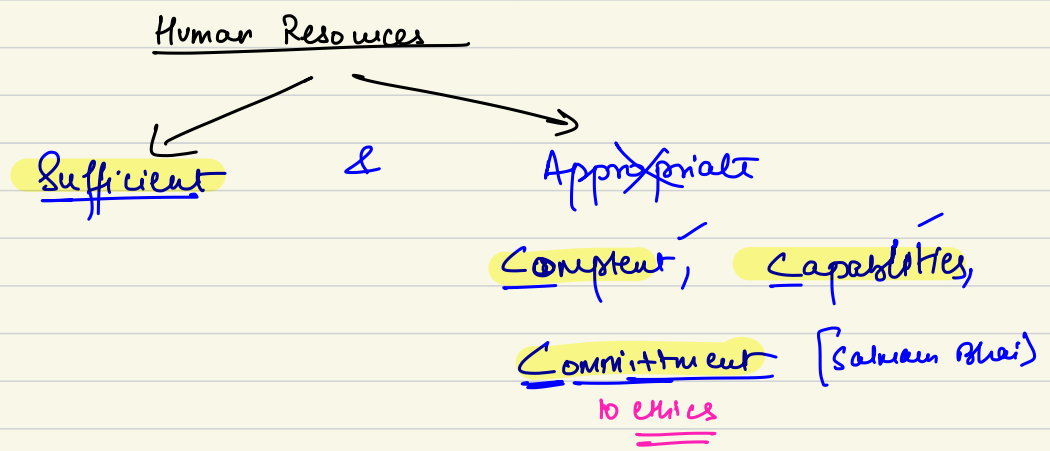
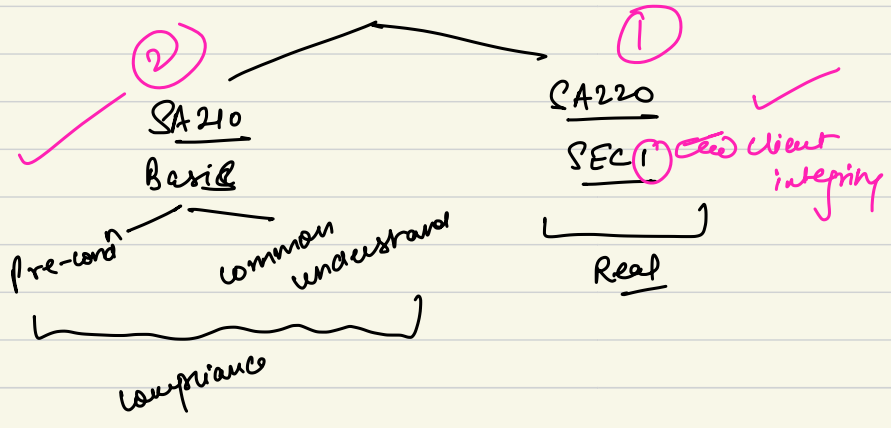
(Eg Difficulties → Time Avoidance)
 Detail → Ch-3

Firm (E) Ethical requirements, Independence → firm & ST comply?
 (LOI Professional)

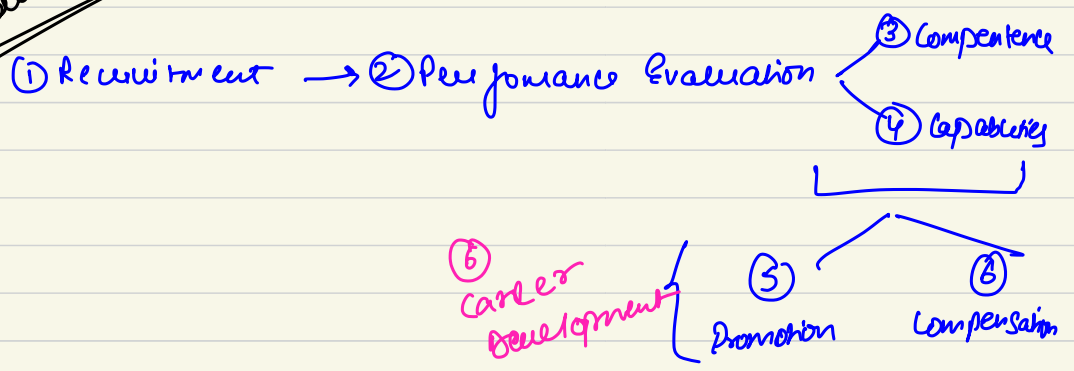
UCTR (C) Competence, Capabilities, Time, Resources → firm.

(9) Integrity → client → owners mgt

Task 4
 Eg  → Accept? **NO**
 (Caste, Sida, Teda, Tura) → Kukuwa
 Jivay Mallya

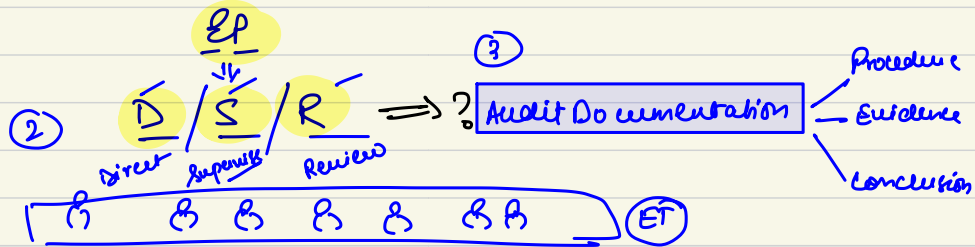


Policies & Procedures



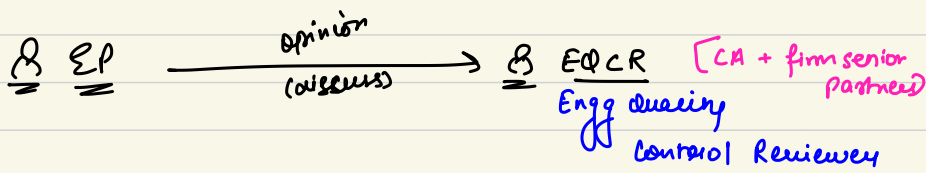
Engagement Performance

↓
 ① Responsible?



Insights

③
 ④ matters difficult / "contentious" ⇒ "consultation" (jhaagola)
 Eg Tax related issue



Why? Significant Judgment - uncertainty / subjectivity
 eg A/c Est.

Entities
 - compulsory → "listed"
 - others → firm criteria

Ins

Does it reduce EP's responsibility for opinion? No

EQCR (Listed Entities & others)

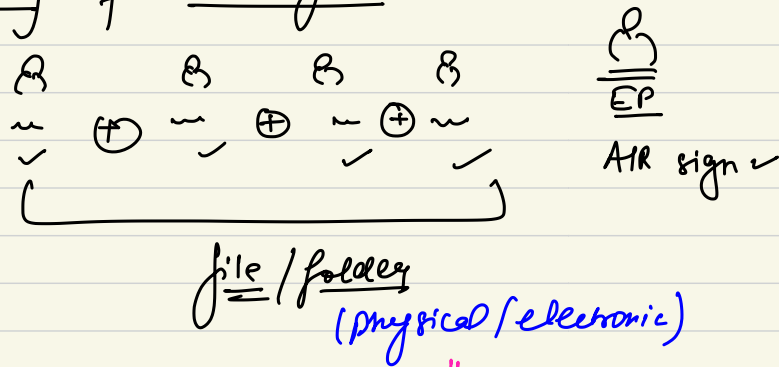
EP shall:

① EQCR is appointed

② discuss significant matters (normal)

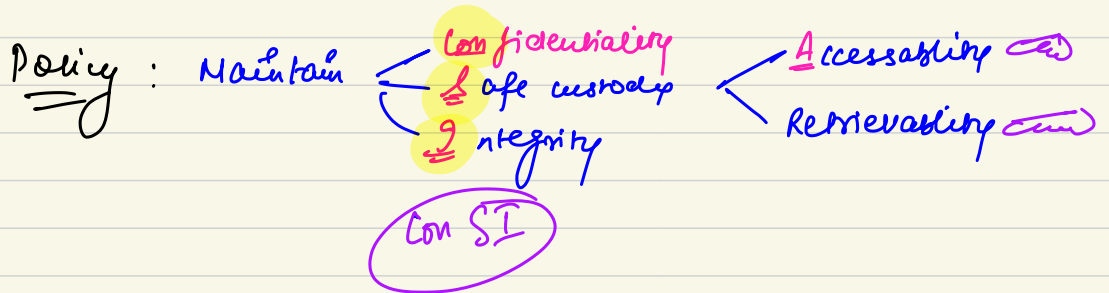
③ Not date (sign) At Report Until completion of EQCR.

Assembly of audit file



Time limit

- Audit Engg: 60 days from date of ATR ^{Saath}
- Other engg: limits appropriate to engg.



Retention period: 7 years from date of ^{Saath} ATR report ^{or} Group ATR report (Controls) if later

Trade for reason :-

Engg. documentation ⇒ whose property?
(EO)

ED is property of firm

↓
may, at its discretion (apni marzi se)

↓
make portions/Extracts available to client

BUT (not undermine)

Validity of work performed

OR

Independence (firm person) (Assurance Engg)

Break
Simins
:-