SQC1 "Quality control for Firms

that perform
- Audit } of Historical
- Review } financial info
- Other assurance services
- Related service engg"

&

SA 220 "Quality control for Audit of FS"

(policies & procedures)

Firm ⟶ have a $\boxed{\text{System}}$ of Quality control → to get R.A.

Firm & personnel comply with
- SA — Prof. standards
- Regulatory & } LosAct
- Legal requirements

&

Reports are issued these are appropriate in circumstances.

Right opinion
- MNo → Unmodified
- MMo → Modify

Leadership Responsibility

Firm (SQC-1)

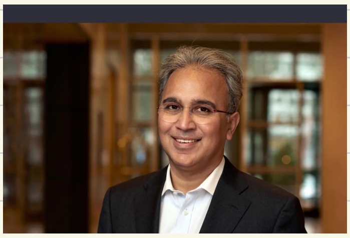
- Firm to establish P&P to promote internal culture that quality is essential.

Q Kaun? — Firm's CEO / managing partner will take ultimate resp. for system of Q.C.

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

Kudos, sponsor

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



Rajiv Memani

Audit (SA 220)

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

Actions & msgs of E.P. $\xrightarrow{\text{to}}$ other members emphasise:

a) Importance of Quality of:

i) Performing work as per PRL require. — Bahar wali

ii) Comply with firm's Q.C. P&P. — Andar wali

iii) Issue AR 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 devotes sufficient resources for development & documentation of P&P.

Resp?

iii) Firm assigns its mgt Responsibility that

{ Commercial considerations don't override Quality of work }

Imp

DDD

iv) Before accepting audit obtain vital info. about client. {kya?}

- Ethical. Req.
- CCTR
- Integrity of client

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." ₹ 2Lakhs
→ Action? Sell shares within 60 days }

Info? ⟶ Decide regarding acceptance/continuance of client relationship & engg.
(preliminary, subsequent, [other services – R.O.C forms], Tax audit, specifically audit)

- Sig. matters arisen during CY / previous audit engg.

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

firm {
- Compliance with Ethical Requirements. [CoI Prof]
- Competence (including capabilities, time & resources) to perform engg.
}

client { - Integrity of principal owners, key mgt & TCWG of entity.

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

E.R.
Independence

ABC
(firm)
& Mr A
(Managing partner)

close associate +
family friend

XYZ Ltd Co.
& Promoter
• News → Reg. auth. inquire
• old auditor resign
Integrity ↓

Audit
25% More fees

Matters → Determine [CCTR]

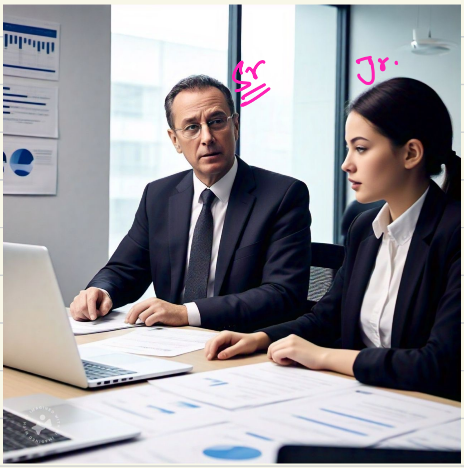
Competence & Capabilities
firm personnel should have
① Knowledge of relevant industry / subject matter
eg Telecom Industry → Jio / Airtel
② Experience with regulatory / reporting req.
eg Revenue split
Voice
Broadband

Time
③ Completing engg. within reporting deadline

Resources
④ Firm has suff personnel with C.& C.
[now]
⑤ Experts if needed
⑥ EQCR

Engg. Performance

Consistency in Quality of engg. performance, achieved through:



Sr. → Jr

- Barayega → ?
- comply with stds. — Direct
  ↓ ?
- Supervise
  ↓
- Review → ? Documentation

① Briefing of ET's of their objective.

↓

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

Consultation (I) → Matters?
- Easy ✗
- Difficult / Contentious matters — Debatable — Prov, C.L

↓

from whom?
Individuals with expertise (within / o/s firm)

Engg. Performance → ① Responsibility Engg Partner

E.T.

Director	Mgr	Exec	A1	A2	A3

② D / S / R → ? → ③ Audit Documentation
- Direct / Supervise / Review
- Procedure | Evidence | Concln

④ Difficult / contentious matters → Consultation

Senior

Jr.

Review?

(i) P.R. L Requirement [Basic] —[Tough]→ ii) Sig. matter raised for further consideration

↓ Solve

iii) Appt. consultations [D/C matters]

[pro. → wrong]

iv) Review "NTE" of A. pro.

← (V) SAME?

↓

(vi) conclusions?

↓

(vii) objective achieved?

Tension EP "Listed" —2nd opinion (Discuss) Sig. matters→ EQCR [Engg Quality Control Reviewer] {CA + firm (senior) or external}

Def^n

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

(+) Experience + authority {Exp → Accounting listed Entities; → Rutha → Surenge}

② what he does? To objectively evaluate [check] → sig. judgments [Eg A/c policy / Est.] that E.T. made & conclusions reached.

③ what "aspects" he considers?

① ET's evaluation of Independence —(nahi hai)→ ② Sig. Risks identified & Response to Risks [A.Pro.?] {Eg Romm ↑ → complex [MRA], Fraud, R.Ps) etc}

(Sabse Imp)

③ Judgments made w.r.t. → materiality {Benchmark (PBT / Revenue...) 5% SA320} → sig. Risks

⑤ Consultations on difficult & contentious matters

(4) misstatements (corrected/uncorrected) identified during audit.

(6) matters communicated to Mgt & TCWG. [SA260]

~~done~~

(4) Documentation by EQCR

(1) Procedures performed

(2) EQCR was completed on time.

(3) Not aware of any unresolved matter to believe sig. judgments & concl^n were Not appropriate.

(5) Who's Responsible to get EQCR done?

EP's responsibility [Listed Entities + others]

(1) EQCR is appointed

(2) Discuss significant matters with EQCR. [eg sig. Risks / difficulty]

(3) Not date A/R [sign] until completion of EQCR.

(+)

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

follow firm's P&P

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

(5) How to ensure EQCR's objectivity?

(I) Appointment

i) Not selected by E.P.

(II) Participation

ii) Not participate in Engg

iii) Not make decisions for ET

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

eg Not have any relation with client.

Engg. Documentation

Mgr	Asst. mgr	Executive	A_1	A_2	A_3

Doc. + Doc + Doc. + Doc. + Doc. + Doc.

Assembly of (SQC-1) file

of
- timely basis
- Audit → 60 days from date of AR

Retain? (SQC 1) 7 years from date of AR or Group AR, if later (CFS)

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 SQC 1, have P&P, to maintain:

  Confidentiality, Safe custody, Integrity,

  Accessability & Retrievability of doc.

- If Engg. doc. is in $\boxed{\text{paper}}$ changes X or $\boxed{\text{electronic form}}$ then I/A/R of data

  change: B, SK, date, time

  ↓

  may be compromised

  ↓

  if any alteration/addition/deletion happens.

- for practical reasons, Documentation in paper form $\xrightarrow{\text{maybe}}$ electronically scanned.

Procedures?

i) Generate scan of entire content.
ii) Include it in engg. file, including
  - Indexing & sign off (SR ✓) of on scanned copies.
iii) Enable scanned copies to be retrieved (download) & printed (print)

Monitoring

(Purpose?) ① Decide whether Q.C. systems appropriately designed & implemented

↓ [update?]

(SA 800 → Amend)

② whether New Developments in P.R.L requirements reflected in Q.C. policies & procedures.

(who?)

③ Giving Resp. to Partner/ other persons who have experience & authority.

How?

④ Dealing with complaints & allegations against firm/employees of non-compliance with PRL req.

↓ ?

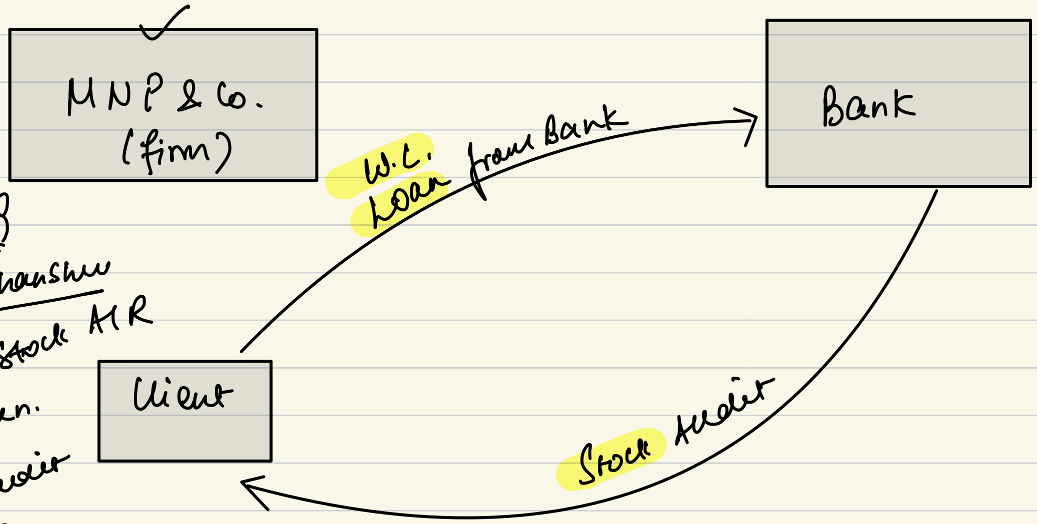
Taking Actions

⑤ against person who didn't comply with QC P&P.

&

⑥ System when deficiencies in design/implementation of SQ.C.

Ans2



&

Sudhanshu

- Clean Stock A/R
- In Return.

↓

FS. audit

↓

MNP&Co.