

General Guidelines for Audit & My Batch

→ 4 Points for 4 Marks (X)

6 Points for 4 Marks (✓)

→ Writing to the Point Answer (X)

Writing All relevant points around topic (✓)

→ Mock Test is a Time Waste (X)

Writing Atleast 3 Mock Tests for Audit (✓)

→ Handwritten Notes → ONLY for Classes & 1st Revision

Concept Book → For 1.5 Days Revision

Question Bank

Past 1 → 100% Relevant Ques Solved in Class

Old Course are NOT to be read

Past 2 → Homework (whatsapp your Doubts)

Old Course are NOT to be read

→ Watch in same Sequence

→ INNOVE Negativity → Audit is Easy if you
Follow me properly!

Mr. A → Doing Audit as per SAs But w/o Quality:

- ① Accepted More Clients than available resources
- ② Accepted Clients with NO Industry Experience
- ③ Client having doubt about integrity Eg. ED Raids, for higher fees

TO STOP THIS

Quality Control

Firm's Quality Control System

SAC 1

&

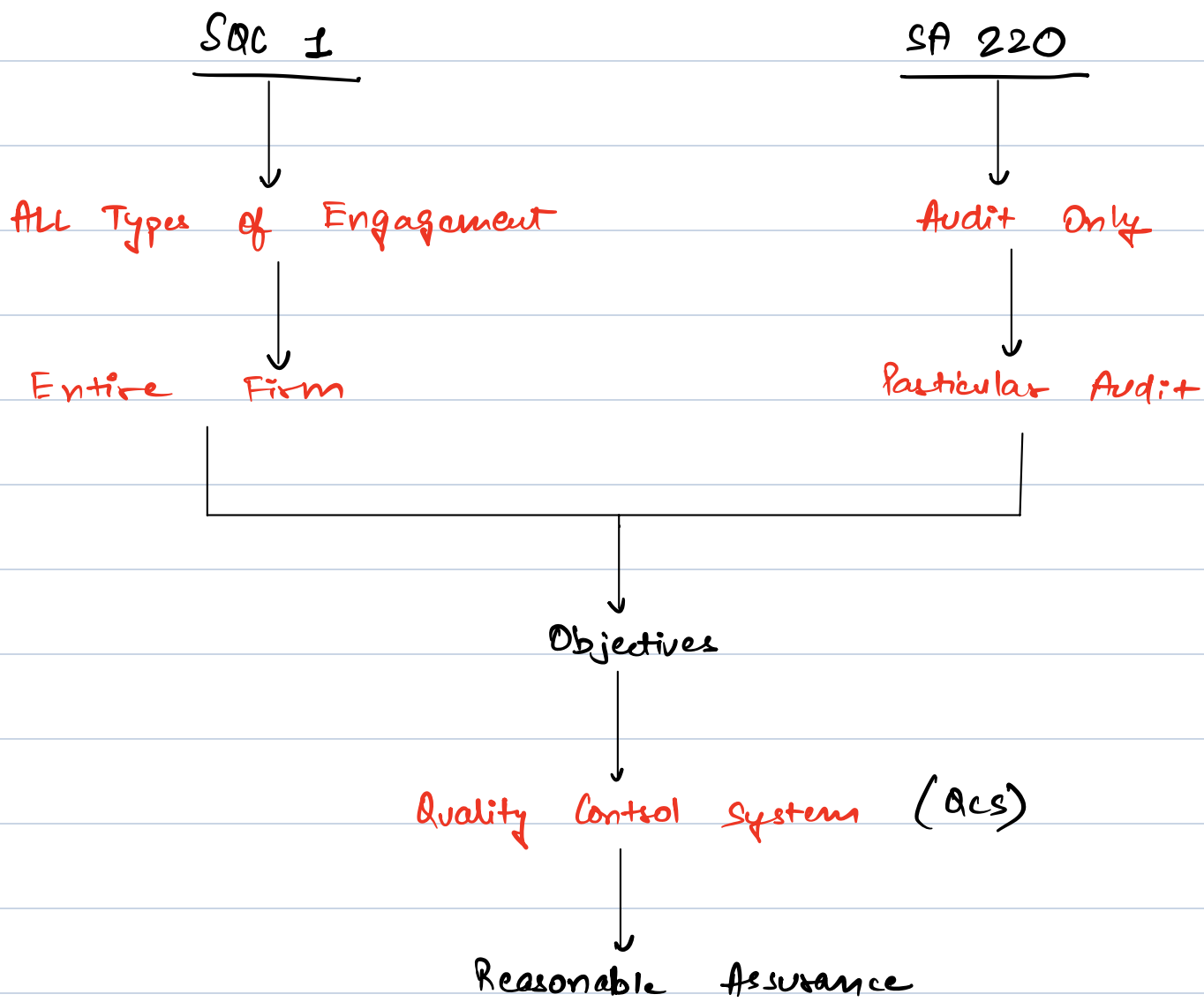
SA 220

Quality Control for Firms that
Performs Audits & Reviews of
Historical Financial Info &
Other Assurance & Related
Service Engagements

Quality Control for
Audit of FS

① Terms

- ① Threats to Independence → Familiarity Threat
- ② Safeguards → Rotation of Auditors
- ③ E&CR → Engagement Quality Control Review / Reviewers
- ④ Acceptance & Continuance of Client Relationship
- ⑤ Experts → Auditor's Expert / Mgt Expert +
→ Eg. Gravity Valuation
- ⑥ Date of Audit Report



Professional, Regulatory
& Legal (PRL)

Audit Reports are
Appropriate

① Elements of Quality Control (QC)

① Leadership Responsibilities for Quality within Firm

QCS → Oversight → Business Strategy

→ Considerations to Uphold Quality

① Mgt Responsibility

② Policies

④ Sufficient Resources

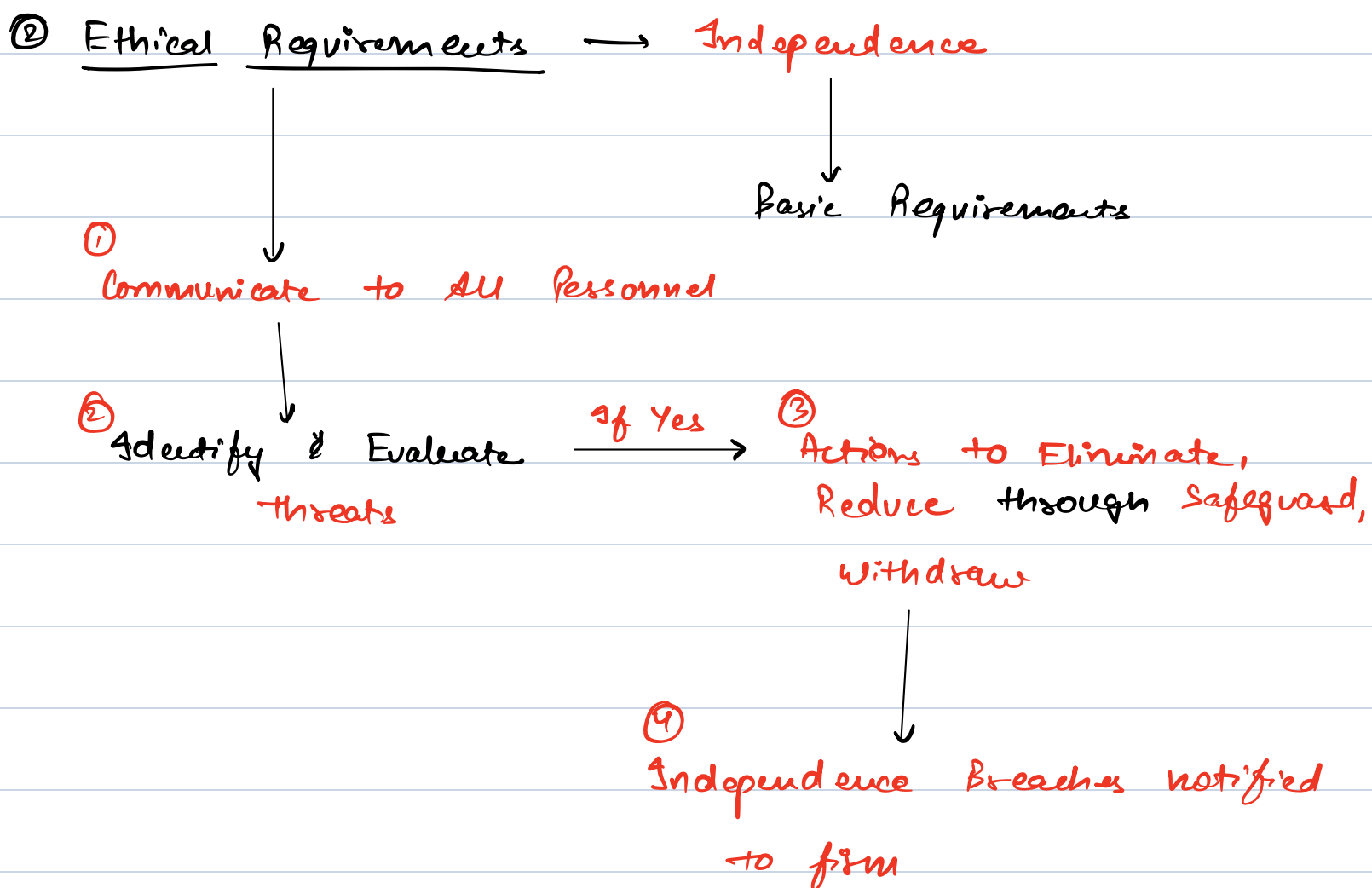
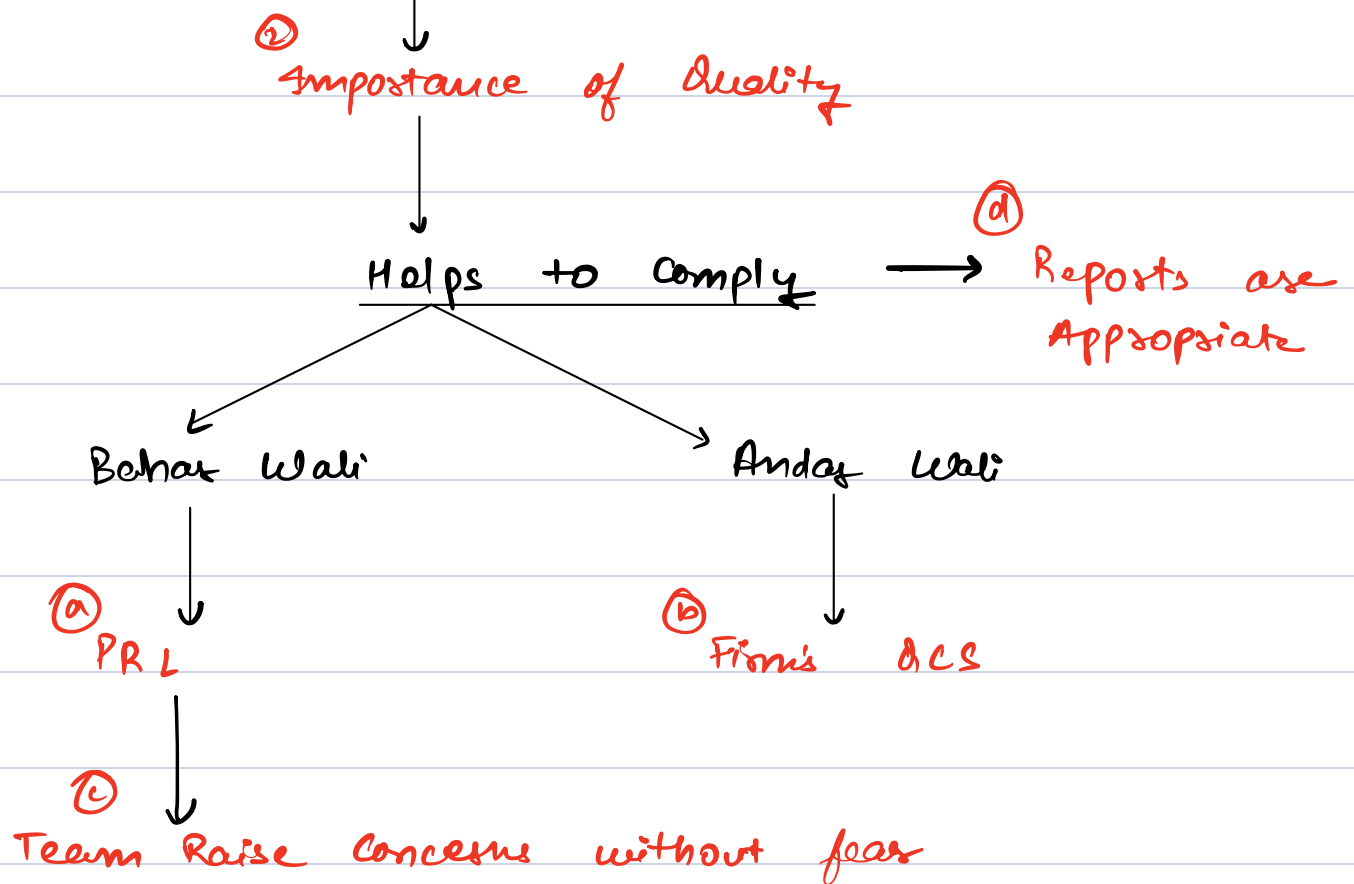
③ Info about client

① Leadership Responsibilities for Quality on Audit

EP Responsibility → Quality on Each Audit

→ Actions of EP Emphasise

① Quality is Essential (Necessary)



Written Confirmation → Annually → from All Personnel (MCA)

① Familiarity Threat → Same Personnel for Long Time

↓
Safeguard

→ Rotate or EACR

↓
Listed Entity → EP Rotated ≤ 7 Years (MCA)

↓
NOT if Sole Proprietor (5 Years)

② Acceptance & Continuance of Client Relationship

Obtain Info about Client / (Firm)

↓
① Integrity

↓
② Competence

③ Ethical Requirements

④ Significant Matters (SA 220) (MCA)

Issues Identified? → Document How Resolved?

① Integrity of Client

① Non-Reappointment
of Previous Firm

② Nature of Operations

③ Identity & Business Reputation

④ Attitude of Owners

⑤ Limitation on
scope

⑥ Fees low

⑦ Money Laundering (X)

② Capabilities, Competence, Time & Resources

① Knowledge

② Experience

Industry

PRL

③ Deadline

④ Sufficient Personnel

⑤ Experts

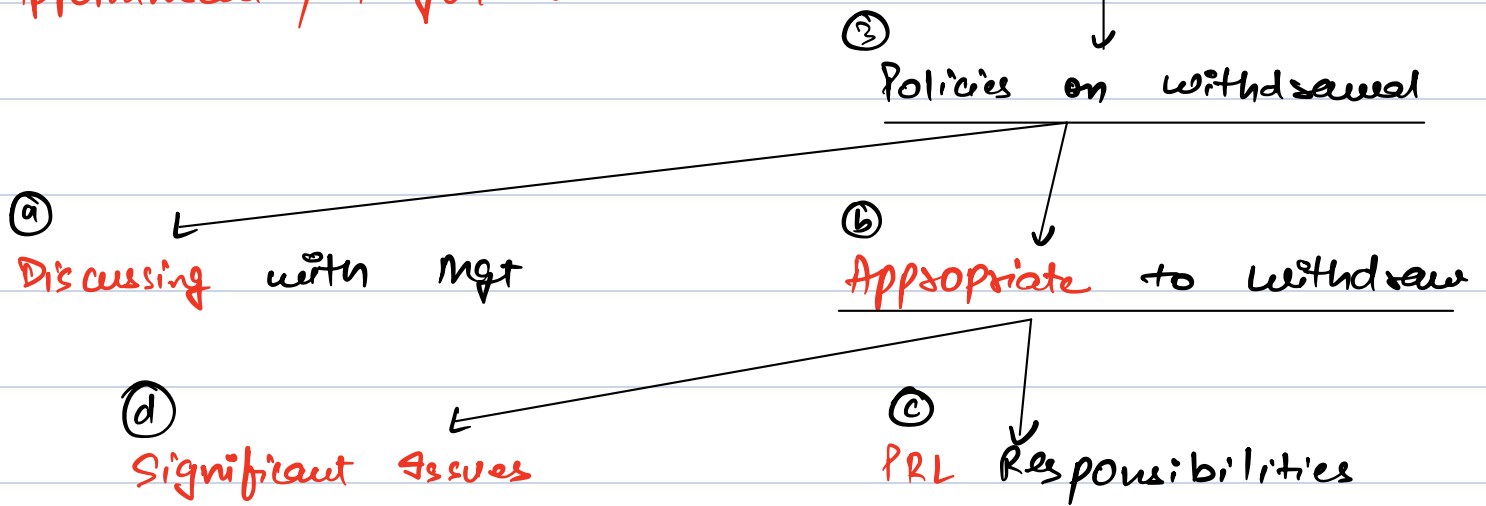
⑥ EOCR

③ Info causing to Decline an Engagement

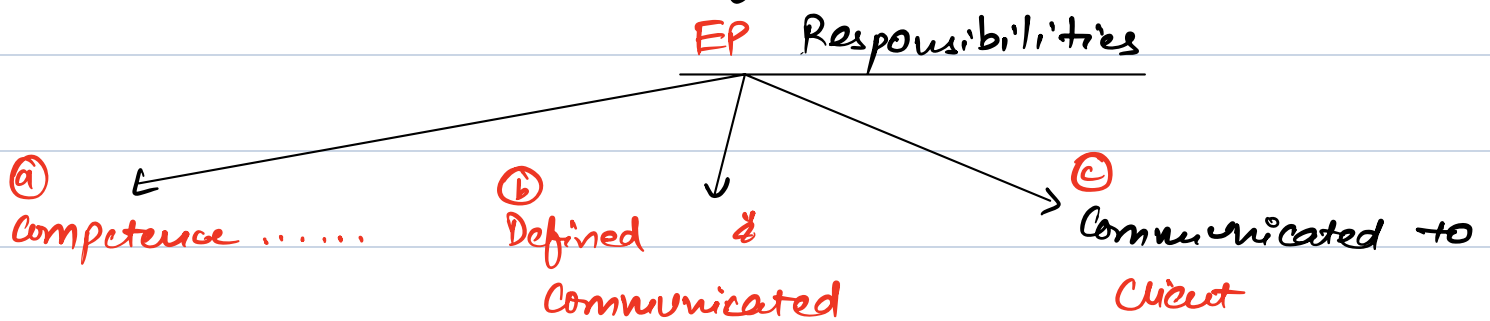
① PRL Responsibilities

② Possibility of
withdrawing

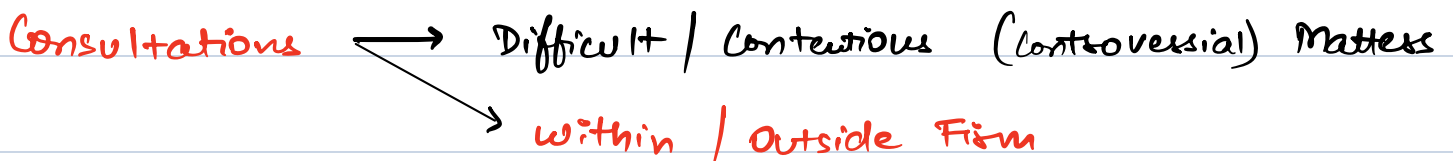
Appointment / Regulators



④ Human Resources → Most Imp?



⑤ Engagement Performance



EQCR

- Member of ICAI (MCA)
 - Suitably Qualified External Person to the team
 - Team of Above
 - Listed → Experience & Authority → To act as EP
 - Listed → Mandatory (MCA)
 - Other → Firm's Criteria
 - Significant Judgements Review ✓
 - Reduce Responsibilities ✗
-

SQC 1

① Consultations with EQCR

↓
Objective ✓, Participate ✗, Decision ✗

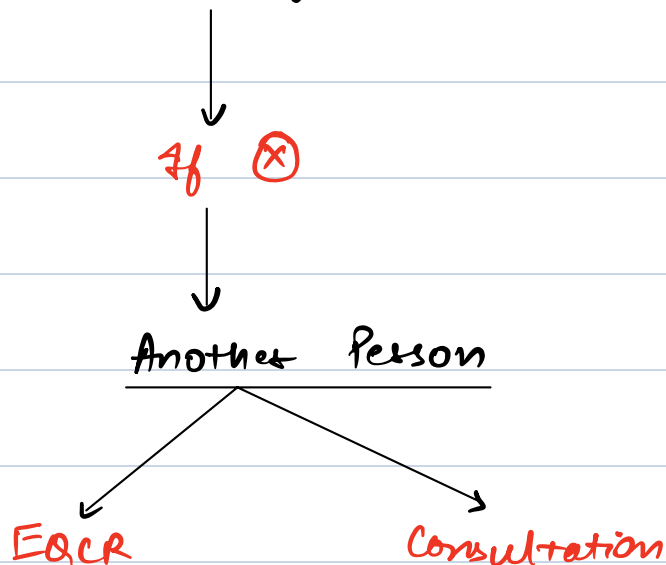
EP → MAY Consult ✓

Compromise Objectivity / Eligibility ✗

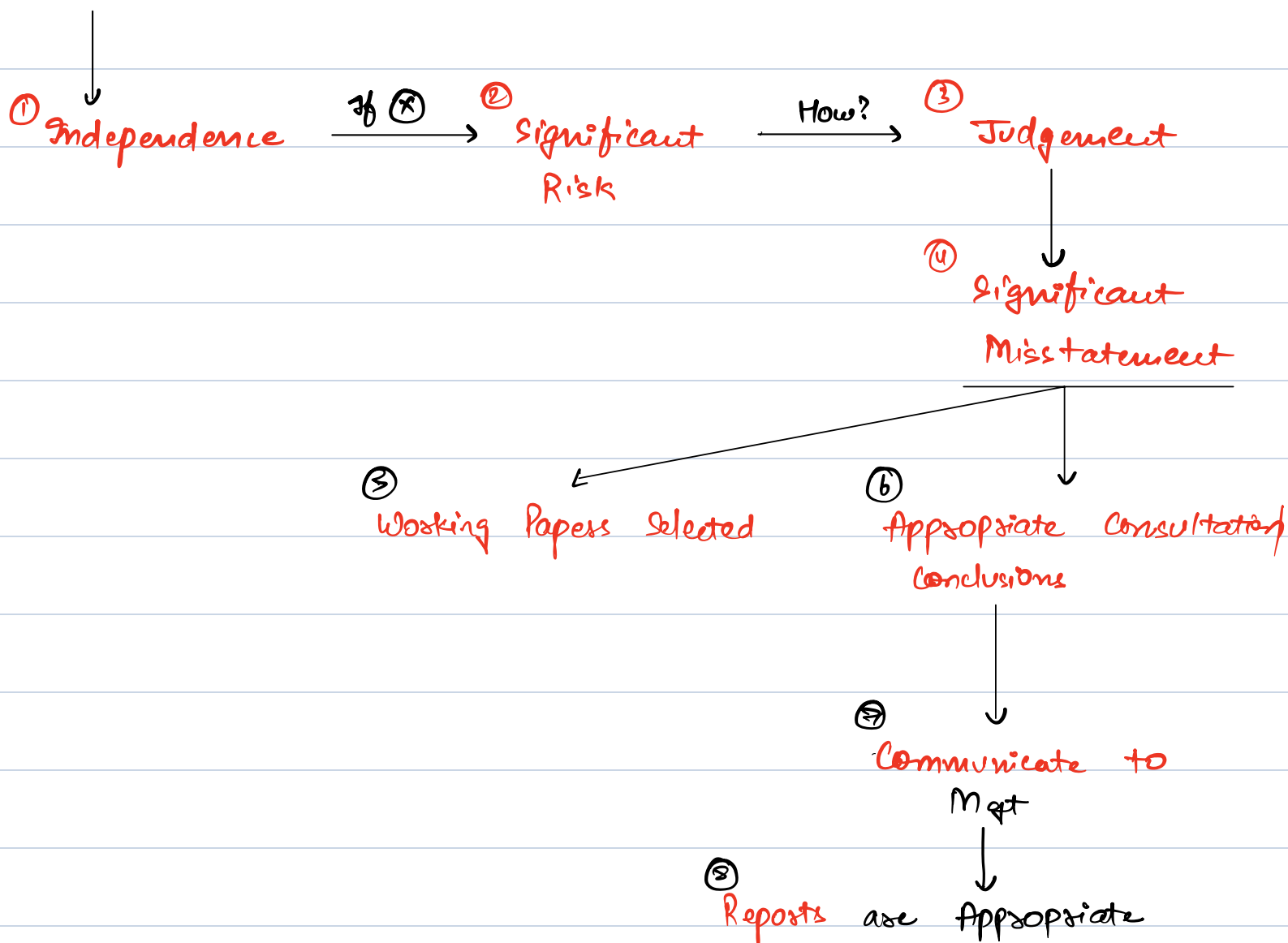
MCA - EP himself cannot appoint EQCR

Formal Engagement letter b/w EQCR & EP should be present

If Significant Consultations → EOCR Objective (✓)

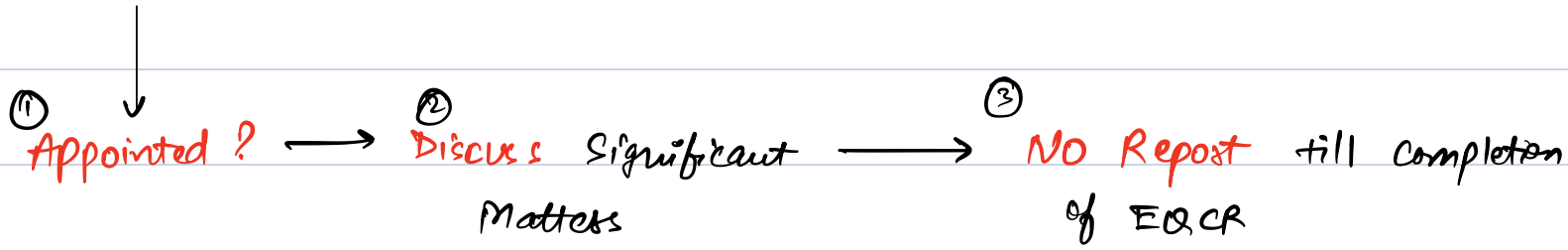


① Matters → Consider → EOCR → Listed Entities

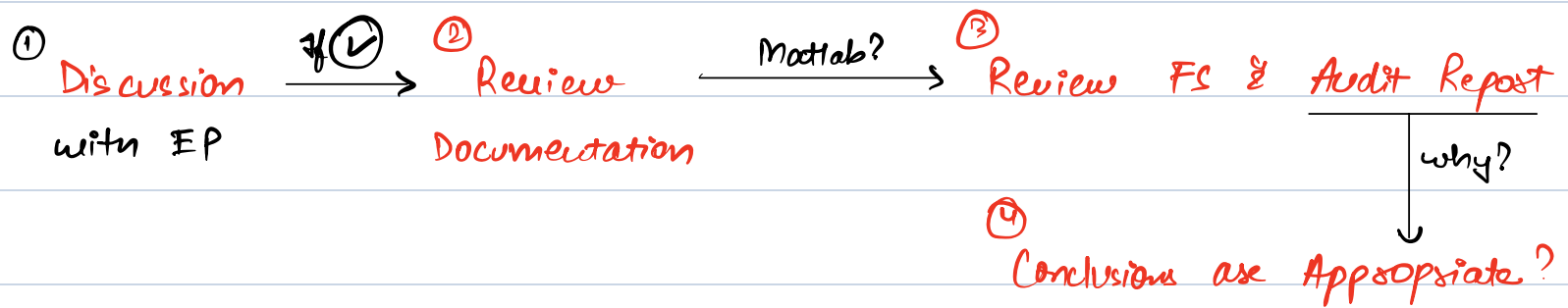


SA 220

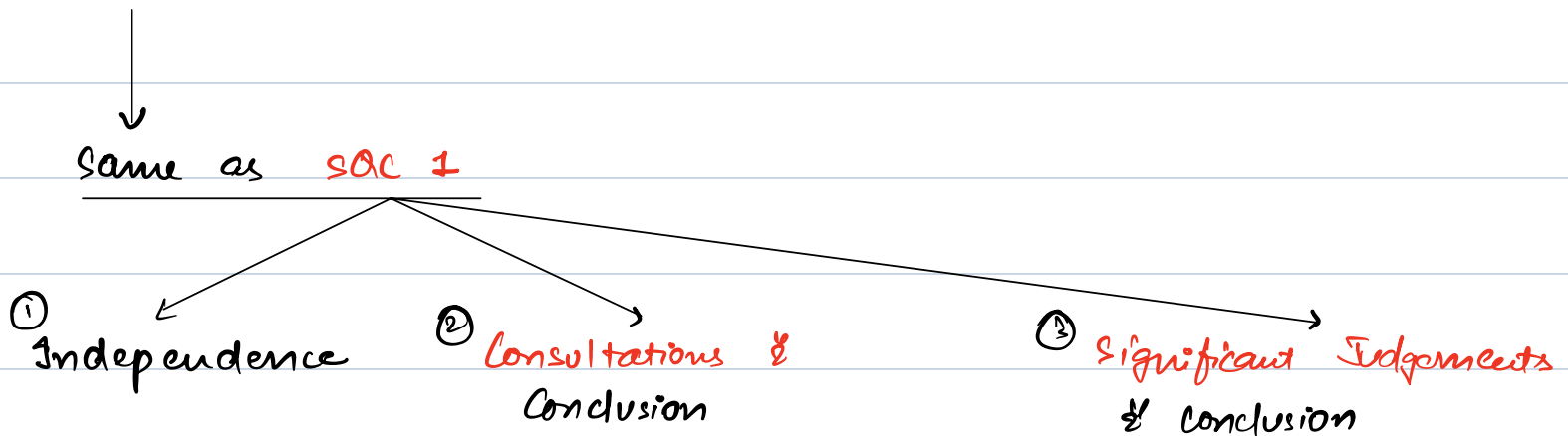
EP Responsibility w.r.t EQCR



① EQCR → Evaluation of Significant Judgements

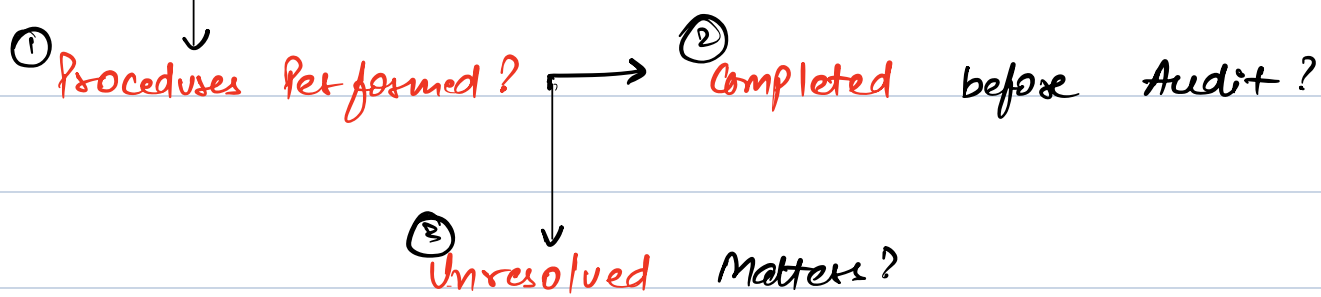


① Matters → Consider → EQCR → Listed Entities



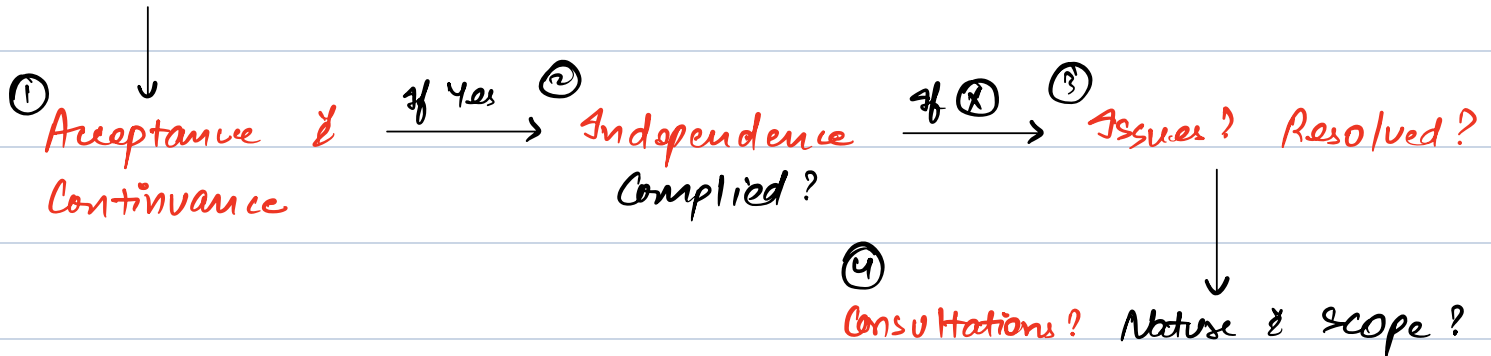
SAC 1 & SA 220

① EQCR Documentation



SA 220

EP Documentation

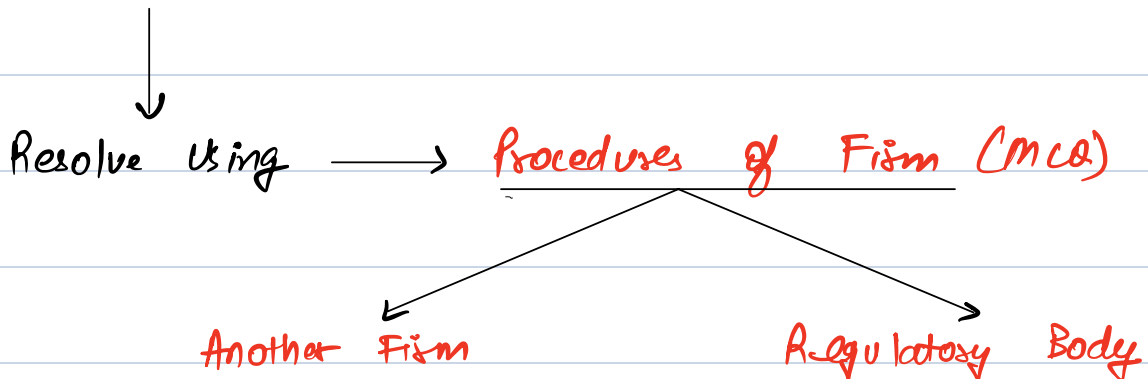


⑤ Difference of Opinion → EP vs EQCR

→ Report only after Resolution

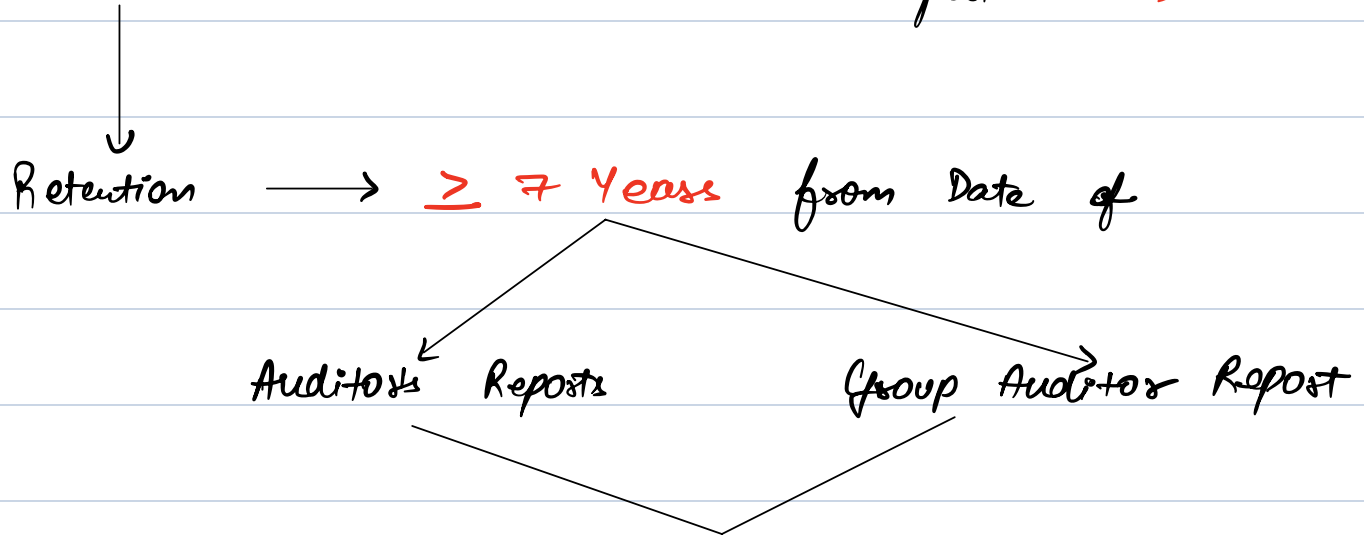
→ EP Recommendations (X)

EQCR satisfaction (X)

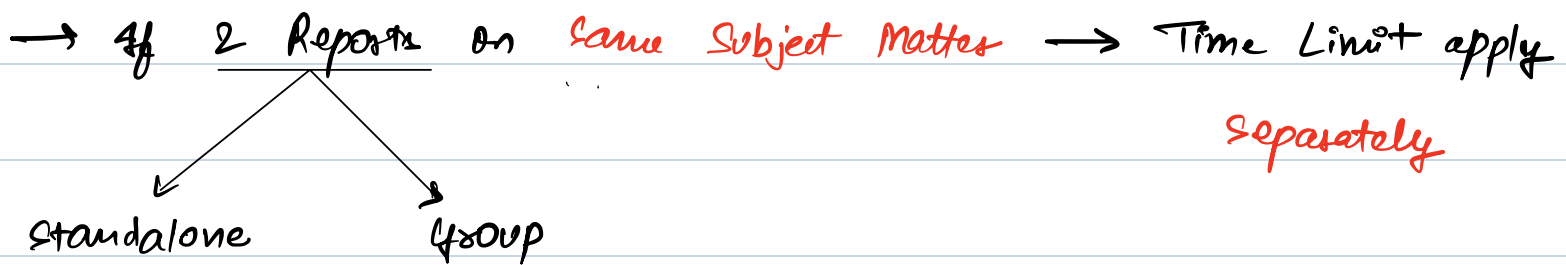


① Engagement Documentation

Assembly of Final Audit File $\longrightarrow \leq 60$ Days after Date of Audit Report (MCA)



whichever is LATER (MCA)



② MCA (Covered in SA 230) \longrightarrow Date of Audit Report - 21.8.22, Regulator called for Boarding - 20.7.23, Provided thru Editable Excel File - 10.8.23, Modified Report b/w these dates, File Assembly by $21.8.22 + 60 \text{ Days} = 21.8.22 + 10 + 20 + 20 = \underline{20.10.22}$

③ Ownership of Documentation (MCA)

Property of Firm \longrightarrow May provide to Anyone

Consider
 \downarrow
Validity of work & Independence

MCA - Co. cannot ask back WP of Previous Auditor

⑥ Monitoring → QCS → Factors to Consider

Matlab?

① Appropriately Designed? Effectively Implemented?

② New Developments → PRL

③ Responsibilities of EP → ④ Deal with Complaints & Allegations

⑤ Appropriate Remedial Actions

Mechanisms for Review of Quality Control

Peer Review Board	Quality Review Board*	NFRA
Council of ICAI	CG + Council of ICAI	Companies Act, 2013
Enhancing Quality of Work	Risk-based Approach	Listed, Insurance & Banking
Unqualified Report - Peer Review Certificate	Quality of Work - <ul style="list-style-type: none">• Review Quality	<ul style="list-style-type: none">• Monitor Compliance• Oversee Quality
Qualified Report - Date for Follow on Review	<ul style="list-style-type: none">• Recommend to Council• Guide members	<ul style="list-style-type: none">• Suggest Measures• Investigation of Auditors

* QRB can review quality of members only for entities other than those specified under NFRA Rules & those referred to QRB by NFRA

MCQ → Audit Plan & ROMM NOT Documented
→ AS Reference in IND AS FS } SA 220 Violation

HUM CA BAVENUE ☺