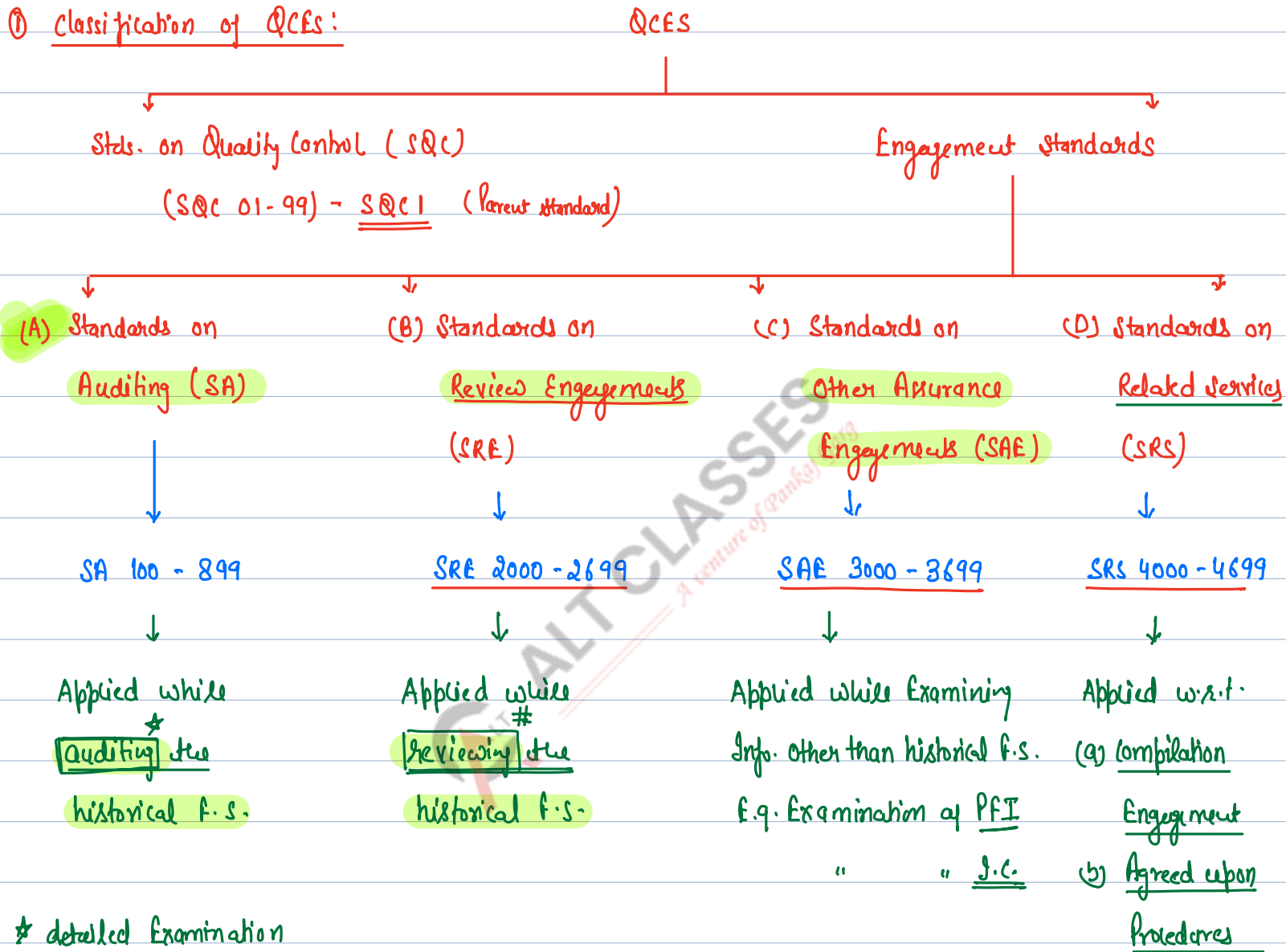


CA FINAL : Paper 3 "Ad. Auditing, Assurance and PE"

Chapter - 1 "Quality Control"

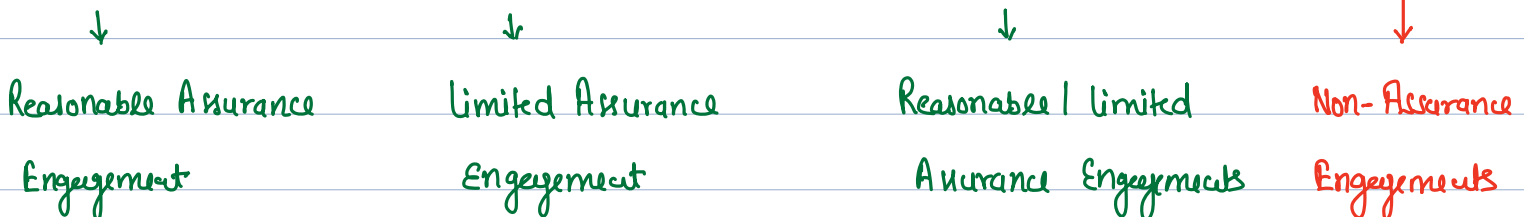
① Classification of QCEs:



* detailed Examination

limited Examination

Assurance Engagements



Classification of SAs:	SA Range	Introductory Matters	No. of Standards	Page No.
	SA 100 - 199	Introductory Matters	No. Std. issued	4
	SA 200 - 299	Auditor's Responsibilities	200, 210, 220, 230, 240, 250, 260, 265, 299	6
	SA 300 - 499	Risk Assessment	300, 315, 320, 330, 402, 450	11
	SA 500 - 599	Audit Evidence	500, 501, 505, 510, 520, 530, 540, 550, 560, 580	3
	SA 600 - 699	Using Work of Others	600, 610, 620	6
	SA 700 - 799	Reporting	700, 701, 705, 706, 710, 720	3
	SA 800 - 899	Specialised Area	800, 805, 810	

③ Quality Controls:

(i) SQC-1

Parent standard that guides a firm to design Q.C. system which ensures establishing policies and procedures at firm level.

Applicable to all types of Engagements - Audit, Review

- Other Assurance

- Related Services.

(ii) SA-220

SA 220 deals with

implementation of Q.C. Policies and Procedures w.r.t.

Specific audit Engagements.

Note: SA 220 is applied

on the basis that firm

has designed Q.C. system as

per SQC-1.

(iii) Review Authorities

(a) Peer Review Board (PRB)

(b) Quality Review Board (QRB)

(c) National Financial Reporting Authorities

(NFRA)

④ SQC-1: Quality Controls for firms that perform audit and review of historical financial information and other Assurance and Related Services Engagements:

- SQC-1 is a parent standard that requires firms to design a system of Quality Control to ensure that:
 - (a) the firm and its personnel comply with Professional Standards, Legal and Regulatory requirements;
 - and
 - (b) Appropriate reports are being issued in the circumstances.
- Firm system of Q.C. includes policies and procedures that address the following elements:
 - (a) Leadership responsibilities;
 - (b) Ethical requirements including independence;
 - (c) Acceptance and continuance of client relationship and engagement
 - (d) Human Resources
 - (e) Engagement performance w.r.t.
 - Concubation
 - Engagement Quality Control Review
 - Differences of opinion
 - Documentation
 - (f) Monitoring

- (A) Leadership responsibilities :
- Promote an Internal Culture based on recognition that quality is essential.
 - Firm (EO) Managing Partner shall assume overall responsibility for Q.C. System.
 - Persons assigned with operational responsibilities should have sufficient experience, ability and authority, to assume that responsibility.

Imp:

Considerations to uphold Quality of the firm: [Learning + Noting - H.W.]

(A) Commercial Considerations (B) P/P - Personnel (C) Resources - D/P - Q.C. P/P (d) Vital info. clients

(B) Ethical Requirements: - Reading from the book -

(C) Independence: - Firm should establish policies and procedures to ensure that firm, its personnel and others maintain independence.

- Such policies and procedures enable the firm to:

(a) Communicate independence requirements to personnel.

(b) Identify and evaluate the circumstances that create threats to independence.

(c) Take appropriate action to eliminate threats or reduce threats to an acceptable level.

(d) If considered appropriate in the circumstances, firm should withdraw of engagement.

- SQC 1 also requires the following:

(a) All breaches of independence should be promptly notified to firm for appropriate action.

(b) Firm should obtain Annual written confirmation from all firm's personnel as to compliance with independence requirements.

(c) Create policies to reduce familiarity threats.

For Ex: Rotation of engagement partner at least every 7 years in case of audit of F.S. of listed entities.

(D) Acceptance and Continuance of client relationship and specific engagement

- Firm shall establish policies and procedures to assure that clients are accepted / continued only when:

(a) Client Integrity has been considered;

(b) Competency and capability required to

- Accepting an engagement with a New client

- Continue an Existing engagement with Existing client.

- Accepting New engagement with Existing client.

perform an Engagement has been Evaluated;

(c) Compliance to Ethical requirements has been ensured.

- If there is any conflict of Interest between the firm and the client, it should be properly resolved before accepting the engagement.
- If after accepting the Engagement, firm obtain any information that would have caused it to decline the engagement, firm should consider:
 - (a) Professional and legal responsibilities to report to the person who made the appointment or to regulatory authorities; and
 - (b) Possibility of withdrawal from Engagement.

Imp:

Q.C. Policies and Procedures w.r.t. withdrawal from Engagement:

Learning + Noting
- H.W.

- (a) Discussion - Mngt. / TCWG - action
- (b) " - Mngt / TCWG - withdrawal / reasons
- (c) Consideration - P/R/L - Report - regulatory authority.
- (d) Documentation - Issue / consultations / conclusions / Basis