

**AMENDMENTS applicable for MAY 2010 attempt as per ICAI
announcement dated 14.12.2009 (compiled by CA SURBHI BANSAL)**

1.4 SA 210 (REVISED) AGREEING THE TERMS OF AUDIT ENGAGEMENTS (*on or after April 1, 2010*)

Scope of this SA	This Standard on Auditing (SA) deals with the auditor's responsibilities in agreeing the terms of the audit engagement with management and, where appropriate, those charged with governance.
Effective Date	This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.
Objective	The objective of the auditor is to accept or continue an audit engagement only when the basis upon which it is to be performed has been agreed, through: (a) Establishing whether the preconditions for an audit are present; and (b) Confirming that there is a common understanding between the auditor and management and, where appropriate, those charged with governance of the terms of the audit engagement.

Definitions	<ul style="list-style-type: none"> ▪ Preconditions for an audit – The use by management of an acceptable financial reporting framework in the preparation of the financial statements and the agreement of management and, where appropriate, those charged with governance to the premise on which an audit is conducted. ▪ For the purposes of this SA, references to “management” should be read hereafter as “management and, where appropriate, those charged with governance”.
Preconditions for an Audit	<p>In order to establish whether the preconditions for an audit are present, the auditor shall:</p> <ol style="list-style-type: none"> (a) Determine whether the financial reporting framework to be applied in the preparation of the financial statements is acceptable; and (b) Obtain the agreement of management that it acknowledges and understands its responsibility: <ol style="list-style-type: none"> (i) For the preparation of the financial statements in accordance with the applicable financial reporting framework, including their fair presentation; (ii) For such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and (iii) To provide the auditor with: <ol style="list-style-type: none"> a. Access to all information such as records, documentation and other matters; b. Additional information that the auditor may request from management for the purpose of the audit; and c. Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.
<i>Limitation on Scope Prior to Audit Engagement Acceptance</i>	<p>If management or those charged with governance impose a limitation on the scope of the auditor’s work in the terms of a proposed audit engagement such that the auditor believes the limitation will result in the auditor disclaiming an opinion on the financial statements, the auditor shall not accept such a limited engagement as an audit engagement.</p>
<i>Other Factors Affecting Audit Engagement Acceptance</i>	<p>If the preconditions for an audit are not present, the auditor shall discuss the matter with management. Unless required by law or regulation to do so, the auditor shall not accept the proposed audit engagement.</p>

**Agreement on
Audit
Engagement
Terms**

1. The auditor shall agree the terms of the audit engagement with management or those charged with governance, as appropriate.
2. the agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable form of written agreement and shall include:
 - (a) The objective and scope of the audit of the financial statements;
 - (b) The responsibilities of the auditor;
 - (c) The responsibilities of management;
 - (d) Identification of the applicable financial reporting framework for the preparation of the financial statements; and
 - (e) Reference to the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content.
3. If law or regulation prescribes in sufficient detail the terms of the audit engagement the auditor need not record them in a written agreement, except for the fact that such law or regulation applies and that management acknowledges and understands its responsibilities as above.

Recurring Audits	On recurring audits, the auditor shall assess whether circumstances require the terms of the audit engagement to be revised and whether there is a need to remind the entity of the existing terms of the audit engagement.	
Acceptance of a Change in the Terms of the Audit Engagement	<ol style="list-style-type: none"> 1. The auditor shall not agree to a change in the terms of the audit engagement where there is no reasonable justification for doing so. 2. If, prior to completing the audit engagement, the auditor is requested to change the audit engagement to an engagement that conveys a lower level of assurance, the auditor shall determine whether there is reasonable justification for doing so. 3. If the terms of the audit engagement are changed, the auditor and management shall agree on and record the new terms of the engagement in an engagement letter or other suitable form of written agreement. 4. If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall: <ol style="list-style-type: none"> (a) Withdraw from the audit engagement where possible under applicable law or regulation; and (b) Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators. 	
Additional Considerations in Engagement Acceptance	<i>Financial Reporting Standards Supplemented by Law or Regulation</i>	<p>If financial reporting standards established by an authorised or recognised standards setting organization are supplemented by law or regulation, the auditor shall determine whether there are any conflicts between the financial reporting standards and the additional requirements. If such conflicts exist, the auditor shall discuss with management the nature of the additional requirements and shall agree whether:</p> <ol style="list-style-type: none"> (a) The additional requirements can be met through additional disclosures in the financial statements; or (b) The description of the applicable financial reporting framework in the financial statements can be amended accordingly. <p>If neither of the above actions is possible, the auditor shall determine whether it will be necessary to modify the auditor's report.</p>

***Auditor's Report
Prescribed by
Law or
Regulation***

- In some cases, the law or regulation applicable to the entity prescribes the layout or wording of the auditor's report in a form or in terms that are significantly different from the requirements of SAs. In these circumstances, the auditor shall evaluate:
 - (a) Whether users might misunderstand the assurance obtained from the audit of the financial statements and, if so,
 - (b) Whether additional explanation in the auditor's report can mitigate possible misunderstanding.
- If the auditor concludes that additional explanation in the auditor's report cannot mitigate possible misunderstanding, the auditor shall not accept the audit engagement, unless required by law or regulation to do so. An audit conducted in accordance with such law or regulation does not comply with SAs. Accordingly, the auditor shall not include any reference within the auditor's report to the audit having been conducted in accordance with SAs.

1.10 SA 265 COMMUNICATING DEFICIENCIES IN INTERNAL CONTROL TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT (on or after April 1, 2010)

Scope of this SA	<ol style="list-style-type: none"> 1. This Standard on Auditing (SA) deals with the auditor's responsibility to communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements. 2. The auditor is required to obtain an understanding of internal control relevant to the audit when identifying and assessing the risks of material misstatement. In making those risk assessments, the auditor considers internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The auditor may identify deficiencies in internal control not only during this risk assessment process but also at any other stage of the audit. This SA specifies which identified deficiencies the auditor is required to communicate to those charged with governance and management. 3. Nothing in this SA precludes the auditor from communicating to those charged with governance and management other internal control matters that the auditor has identified during the audit.
Effective Date	This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.
Definitions	<ol style="list-style-type: none"> (a) Deficiency in internal control – This exists when: <ol style="list-style-type: none"> (i) A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis; or (ii) A control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing. (b) Significant deficiency in internal control – A deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.
Requirements	<ol style="list-style-type: none"> 1. The auditor shall determine whether, on the basis of the audit work performed, the auditor has identified one or more deficiencies in internal control. 2. If the auditor has identified one or more deficiencies in internal control, the auditor shall determine, they constitute significant deficiencies. 3. The auditor shall communicate in writing significant deficiencies in internal control identified during the audit to those charged with governance on a timely basis. The auditor shall also communicate to management at an appropriate level of responsibility on a timely basis: <ol style="list-style-type: none"> (a) In writing, significant deficiencies in internal control that the auditor has communicated or intends to communicate to those charged with governance. (b) Other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in the auditor's professional judgment, are of sufficient importance to merit management's attention.

For all standards, See Bestword's book on Auditing (IPCC) or (FINAL) by CA SURBHI BANSAL available at all leading book stores

4. The auditor shall include in the written communication of significant deficiencies in internal control:
 - (a) A description of the deficiencies and an explanation of their potential effects; and
 - (b) Sufficient information to enable those charged with governance and management to understand the context of the communication. In particular, the auditor shall explain that:
 - (i) The purpose of the audit was for the auditor to express an opinion on the financial statements;
 - (ii) The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control; and
 - (iii) The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance

1.15 SA 320(REVISED) MATERIALITY IN PLANNING AND PERFORMING AN AUDIT (on or after April 1, 2010)

Scope of this SA	This Standard on Auditing (SA) deals with the auditor’s responsibility to apply the concept of materiality in planning and performing an audit of financial statements. SA 450, explains how materiality is applied in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.
Materiality in the Context of an Audit	<ol style="list-style-type: none"> 1. Financial reporting frameworks often discuss the concept of materiality in the context of the preparation and presentation of financial statements. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that: <ul style="list-style-type: none"> ▪ Misstatements, including omissions, are material if they, individually or in the aggregate, influence the economic decisions of users taken on the basis of the financial statements; ▪ Judgments about materiality are made in the light of surrounding circumstances, and are affected by the size or nature of a misstatement,; and ▪ Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. 2. If the applicable financial reporting framework does not include a discussion of the concept of materiality, the characteristics referred to in above paragraph provide the auditor with such a frame of reference.

3. The auditor's determination of materiality is a matter of professional judgment, and is affected by the auditor's perception of the financial information needs of users of the financial statements. In this context, it is reasonable for the auditor to assume that users:
 - (a) Have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
 - (b) Understand that financial statements are prepared, presented and audited to levels of materiality;
 - (c) Recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment and the consideration of future events; and
 - (d) Make reasonable economic decisions on the basis of the information in the financial statements.
4. The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.
5. In planning the audit, the auditor makes judgments about the size of misstatements that will be considered material. These judgments provide a basis for:
 - (a) Determining the nature, timing and extent of risk assessment procedures;
 - (b) Identifying and assessing the risks of material misstatement; and
 - (c) Determining the nature, timing and extent of further audit procedures.
6. The auditor considers not only the size but also the nature of uncorrected misstatements, when evaluating their effect on the financial statements.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objective	The objective of the auditor is to apply the concept of materiality appropriately in planning and performing the audit.
Definition	For purposes of the SAs, performance materiality means the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.
Determining Materiality and Performance Materiality when Planning the Audit	<ol style="list-style-type: none"> 1. When establishing the overall audit strategy, the auditor shall determine materiality for the financial statements as a whole. If, there is one or more particular item for which misstatements of lesser amounts than the materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements, the auditor shall also determine the materiality level or levels to be applied to those particular item. 2. The auditor shall determine performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.
Revision as the Audit Progresses	<ol style="list-style-type: none"> 1. The auditor shall revise materiality for the financial statements as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) in the event of becoming aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially. 2. If the auditor concludes that a lower materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) than that initially determined is appropriate, the auditor shall determine whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate.
Documentation	<p>The audit documentation shall include the following amounts and the factors considered in their determination:</p> <ol style="list-style-type: none"> (a) Materiality for the financial statements as a whole ; (b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures; (c) Performance materiality; and (d) Any revision of (a)-(c) as the audit progressed.

1.18 SA 402(REVISED) AUDIT CONSIDERATIONS RELATING TO AN ENTITY USING A SERVICE ORGANISATION (on or after April 1, 2010)

Scope of this SA	<ol style="list-style-type: none"> 1. This Standard on Auditing (SA) deals with the user auditor’s responsibility to obtain sufficient appropriate audit evidence when a user entity uses the services of one or more service organisations. 2. Many entities outsource aspects of their business to organisations that provide services ranging from performing a specific task under the direction of an entity to replacing
-------------------------	--

For all standards, See Bestword’s book on Auditing (IPCC) or (FINAL) by CA SURBHI BANSAL available at all leading book stores

an entity's entire business units or functions, such as the tax compliance function. Many of the services provided by such organisations are integral to the entity's business operations; however, not all those services are relevant to the audit.

3. Services provided by a service organisation are relevant to the audit of a user entity's financial statements when those services, and the controls over them, are part of the user entity's information system, including related business processes, relevant to financial reporting. Although most controls at the service organisation are likely to relate to financial reporting, there may be other controls that may also be relevant to the audit, such as controls over the safeguarding of assets. A service organisation's services relevant to financial reporting if these services affect any of the following:

	<ul style="list-style-type: none">(a) The classes of transactions in the user entity's operations that are significant to the user entity's financial statements;(b) The procedures, by which the user entity's transactions are initiated, recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements;(c) The financial reporting process used to prepare the user entity's financial statements, including significant accounting estimates and disclosures; and(d) Controls surrounding journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments.
Effective Date	This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.
Objective	The objectives of the user auditor, when the user entity uses the services of a service organisation, are: <ul style="list-style-type: none">(a) To obtain an understanding of the nature and significance of the services provided by the service organisation and their effect on the user entity's internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement; and(b) To design and perform audit procedures responsive to those risks.
Definitions	<ul style="list-style-type: none">(a) Complementary user entity controls – Controls that the service organisation assumes, in the design of its service, will be implemented by user entities.(b) Report on the description and design of controls at a service organisation (referred to in this SA as a Type 1 report) – A report that comprises:<ul style="list-style-type: none">(i) A description, prepared by management of the service organisation, of the service organisation's system, control objectives and related controls that have been designed and implemented as at a specified date; and(ii) A report by the service auditor with the objective of conveying reasonable assurance that includes the service auditor's opinion on the description of the service organisation's system, control objectives and related controls and the suitability of the design of the controls to achieve the specified control objectives.(c) Report on the description, design, and operating effectiveness of controls at a service organisation (referred to in this SA as a Type 2 report) – A report that comprises:<ul style="list-style-type: none">(i) A description, prepared by management of the service organisation, of the service organisation's system, control objectives and related controls, their design and implementation as at a specified date or throughout a specified period and, in some cases, their operating effectiveness throughout a specified period; and(ii) A report by the service auditor with the objective of conveying reasonable assurance that includes:<ul style="list-style-type: none">a. The service auditor's opinion on the description of the service organisation's system, control objectives and related controls, the suitability of the design of the controls to achieve the specified control objectives, and the operating effectiveness of the controls; andb. A description of the service auditor's tests of the controls and the results thereof.

- (d) Service auditor – An auditor who, at the request of the service organisation, provides an assurance report on the controls of a service organisation.
- (e) Service organisation – A third-party organisation (or segment of a third-party organisation) that provides services to user entities that are part of those entities' information systems relevant to financial reporting.
- (f) Service organisation's system – The policies and procedures designed, implemented and maintained by the service organisation to provide user entities with the services.
- (g) Subservice organisation – A service organisation used by another service organisation to perform some of the services provided to user entities.
- (h) User auditor – An auditor who audits and reports on the financial statements of a user entity.
- (i) User entity – An entity that uses a service organisation and whose financial statements are being audited.

Obtaining an Understanding of the Services Provided by a Service Organisation, Including Internal Control

1. When obtaining an understanding of the user entity in accordance with SA 315, the user auditor shall obtain an understanding of how a user entity uses the services of a service organisation in the user entity's operations, including:
 - (a) The nature of the services provided by the service organisation and the significance of those services to the user entity.
 - (b) The nature and materiality of the transactions processed or accounts or financial reporting processes affected by the service organisation;
 - (c) The degree of interaction between the activities of the service organisation and those of the user entity; and
 - (d) The nature of the relationship between the user entity and the service organisation, including the relevant contractual terms.
2. The user auditor shall evaluate the design and implementation of relevant controls at the user entity that relate to the services provided by the service organisation.
3. The user auditor shall determine whether a sufficient understanding of the nature and significance of the services provided by the service organisation and their effect on the user entity's internal control relevant to the audit has been obtained.
4. If the user auditor is unable to obtain a sufficient understanding from the user entity, the user auditor shall obtain that understanding from one or more of the following procedures:
 - (a) Obtaining a Type 1 or Type 2 report, if available;
 - (b) Contacting the service organisation, through the user entity, to obtain specific information;
 - (c) Visiting the service organisation and performing procedures; or
 - (d) Using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organisation.

Using a Type 1 or Type 2 Report to Support the User Auditor's Understanding of the Service Organisation

In determining the sufficiency and appropriateness of the audit evidence provided by a Type 1 or Type 2 report, the user auditor shall be satisfied as to:

- (a) The service auditor's professional competence (except where the service auditor is a member of the Institute of Chartered Accountants of India) and independence from the service organisation; and
- (b) The adequacy of the standards under which the Type 1 or Type 2 report was issued.

Responding to the Assessed Risks of Material Misstatement	<p>In responding to assessed risks in accordance with SA 330 , the user auditor shall:</p> <ol style="list-style-type: none"> (a) Determine whether sufficient appropriate audit evidence concerning the relevant financial statement assertions is available from records held at the user entity; and, if not, (b) Perform further audit procedures to obtain sufficient appropriate audit evidence or use another auditor to perform those procedures at the service organisation on the user auditor's behalf.
Tests of Controls	<p>When the user auditor's risk assessment includes an expectation that controls at the service organisation are operating effectively, the user auditor shall obtain audit evidence about the operating effectiveness of those controls from one or more of the following procedures:</p> <ol style="list-style-type: none"> (a) Obtaining a Type 2 report, if available; (b) Performing appropriate tests of controls at the service organisation; or (c) Using another auditor to perform tests of controls at the service organisation on behalf of the user auditor.
Type 1 and Type 2 Reports that Exclude the Services of a Subservice Organisation	<p>If the user auditor plans to use a Type 1 or a Type 2 report that excludes the services provided by a subservice organisation and those services are relevant to the audit of the user entity's financial statements, the user auditor shall apply the requirements of this SA with respect to the services provided by the subservice organisation also.</p>
Fraud, Non-Compliance with Laws and Regulations and Uncorrected Misstatements in Relation to Activities at the Service Organisation	<p>The user auditor shall inquire of management of the user entity whether the service organisation has reported to the user entity, or whether the user entity is otherwise aware of, any fraud, non-compliance with laws and regulations or uncorrected misstatements affecting the financial statements of the user entity.</p> <p>The user auditor shall evaluate how such matters affect the nature, timing and extent of the user auditor's further audit procedures, including the effect on the user auditor's conclusions and user auditor's report.</p>
Reporting by the User Auditor	<ul style="list-style-type: none"> ▪ The user auditor shall modify the opinion in the user auditor's report if the user auditor is unable to obtain sufficient appropriate audit evidence regarding the services provided by the service organisation. ▪ The user auditor shall not refer to the work of a service auditor in the user auditor's report containing an unmodified opinion. ▪ If reference to the work of a service auditor is relevant to an understanding of a modification to the user auditor's opinion, the user auditor's report shall indicate that such reference does not diminish the user auditor's responsibility for that opinion.

1.19 SA 450 EVALUATION OF MISSTATEMENTS IDENTIFIED DURING THE AUDIT (on or after April 1, 2010)

Scope of this SA	This Standard on Auditing (SA) deals with the auditor’s responsibility to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.
Effective Date	This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.
Objective	The objective of the auditor is to evaluate: (a) The effect of identified misstatements on the audit; and (b) The effect of uncorrected misstatements, if any, on the financial statements.
Definitions	(a) Misstatement – A difference between the amounts, classification, presentation, or disclosure of a reported financial statement item and required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud. (b) Uncorrected misstatements – Misstatements that the auditor has accumulated during the audit and that have not been corrected.
Accumulation of Identified Misstatements	The auditor shall accumulate misstatements identified during the audit, other than those that are clearly trivial
Consideration of Identified Misstatements as the Audit Progresses	The auditor shall determine whether the overall audit strategy and audit plan need to be revised if: (a) The nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the audit, could be material; or (b) The aggregate of misstatements accumulated during the audit approaches materiality. If, at the auditor’s request, management has examined a class of transactions, account balance or disclosure and corrected misstatements that were detected, the auditor shall perform additional audit procedures to determine whether misstatements remain.
Communication and Correction of Misstatements	<ul style="list-style-type: none"> ▪ The auditor shall communicate on a timely basis all misstatements accumulated during the audit with the appropriate level of management, unless prohibited by law or regulation. The auditor shall request management to correct those misstatements. ▪ If management refuses to correct some or all of the misstatements communicated by the auditor, the auditor shall obtain an understanding of management’s reasons for not making the corrections.

For all standards, See Bestword’s book on Auditing (IPCC) or (FINAL) by CA SURBHI BANSAL available at all leading book stores

Evaluating the Effect of Uncorrected Misstatements	<p>Prior to evaluating the effect of uncorrected misstatements, the auditor shall reassess materiality determined in accordance with SA 320 (Revised) to confirm whether it remains appropriate in the context of the entity's actual financial results.</p> <p>The auditor shall determine whether uncorrected misstatements are material, individually or in aggregate. In making this determination, the auditor shall consider:</p> <ol style="list-style-type: none"> The size and nature of the misstatements, both in relation to particular item and the financial statements as a whole; and The effect of uncorrected misstatements related to prior periods on the relevant and the financial statements as a whole.
Communication with Those Charged with Governance	<ul style="list-style-type: none"> ▪ The auditor shall communicate with those charged with governance uncorrected misstatements and the effect that they, individually or in aggregate, may have on the opinion in the auditor's report, unless prohibited by law or regulation. The auditor's communication shall identify material uncorrected misstatements individually. The auditor shall request that uncorrected misstatements be corrected. ▪ The auditor shall also communicate with those charged with governance the effect of uncorrected misstatements related to prior periods.
Written Representation	<p>The auditor shall request a written representation from management and, where appropriate, those charged with governance whether they believe the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A summary of such items shall be included in or attached to the written representation.</p>
Documentation	<p>The audit documentation shall include:</p> <ol style="list-style-type: none"> The amount below which misstatements would be regarded as clearly trivial All misstatements accumulated during the audit and whether they have been corrected; and The auditor's conclusion as to whether uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion.

1.24 SA 510 (REVISED) INITIAL AUDIT ENGAGEMENTS-OPENING BALANCES (on or after April 1, 2010)

Scope of this SA	<p>This Standard on Auditing (SA) deals with the auditor's responsibilities relating to opening balances when conducting an initial audit engagement. In addition to financial statement amounts, opening balances include matters requiring disclosure that existed at the beginning of the period, such as contingencies. When the financial statements include comparative financial information, the requirements and guidance in SA 710 also apply. SA 300 (Revised) includes additional requirements and guidance regarding activities prior to starting an initial audit.</p>
Effective Date	<p>This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.</p>

For all standards, See Bestword's book on Auditing (IPCC) or (FINAL) by CA SURBHI BANSAL available at all leading book stores

Objective

In conducting an initial audit engagement, the objective of the auditor with respect to opening balances is to obtain sufficient appropriate audit evidence about whether:

- (a) Opening balances contain misstatements that materially affect the current period's financial statements; and
- (b) Appropriate accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, or changes thereto are properly accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.

Definitions

- (a) Initial audit engagement – An engagement in which either:
 - (i) The financial statements for the prior period were not audited; or
 - (ii) The financial statements for the prior period were audited by a predecessor auditor.
- (b) Opening balances – Those account balances that exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and events of prior periods and accounting policies applied in the prior period.
- (c) Predecessor auditor – The auditor from a different audit firm, who audited the financial statements of an entity in the prior period and who has been replaced by the current auditor.

Audit Procedures	Opening Balances	<ol style="list-style-type: none"> 1. The auditor shall read the most recent financial statements, if any, and the predecessor auditor's report thereon, if any, for information relevant to opening balances, including disclosures. 2. The auditor shall obtain sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period's financial statements by: <ol style="list-style-type: none"> (a) Determining whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, any adjustments have been disclosed as prior period items in the current year's Statement of Profit and Loss; (b) Determining whether the opening balances reflect the application of appropriate accounting policies; and (c) Performing one or more of the following: <ol style="list-style-type: none"> (i) Where the prior year financial statements were audited, perusing the copies of the audited financial statements. (ii) Evaluating whether audit procedures performed in the current period provide evidence relevant to the opening balances; or (iii) Performing specific audit procedures to obtain evidence regarding the opening balances. 3. If the auditor obtains audit evidence that the opening balances contain misstatements that could materially affect the current period's financial statements, the auditor shall perform such additional audit procedures as are appropriate in the circumstances to determine the effect on the current period's financial statements. If the auditor concludes that such misstatements exist in the current period's financial statements, the auditor shall communicate the misstatements with the appropriate level of management and those charged with governance in accordance with SA 450.
-------------------------	-------------------------	---

	<i>Consistency of Accounting Policies</i>	The auditor shall obtain sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, and whether changes in the accounting policies have been properly accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.
	<i>Relevant Information in the Predecessor Auditor's Report</i>	If the prior period's financial statements were audited by a predecessor auditor and there was a modification to the opinion, the auditor shall evaluate the effect of the matter giving rise to the modification in assessing the risks of material misstatement in the current period's financial statements in accordance with SA 315.
Audit Conclusions and Reporting	<i>Opening Balances</i>	<ul style="list-style-type: none"> ▪ If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor shall express a qualified opinion or a disclaimer of opinion, ▪ If the auditor concludes that the opening balances contain a misstatement that materially affects the current period's financial statements, and the effect of the misstatement is not properly accounted for or not adequately presented or disclosed, the auditor shall express a qualified opinion or an adverse opinion.
	<i>Consistency of Accounting Policies</i>	<p>If the auditor concludes that:</p> <ul style="list-style-type: none"> (a) The current period's accounting policies are not consistently applied in relation to opening balances in accordance with the applicable financial reporting framework; or (b) A change in accounting policies is not properly accounted for or not adequately presented or disclosed in accordance with the applicable financial reporting framework. (c) The auditor shall express a qualified opinion or an adverse opinion.
	<i>Modification to the Opinion in the Predecessor Auditor's Report</i>	If the predecessor auditor's opinion regarding the prior period's financial statements included a modification to the auditor's opinion that remains relevant and material to the current period's financial statements, the auditor shall modify the auditor's opinion on the current period's financial statements

1.29 STANDARD ON AUDITING (SA) 550 (REVISED) RELATED PARTIES (on or after April 1, 010)

Scope of this SA	This Standard on Auditing (SA) deals with the auditor's responsibilities regarding related party relationships and transactions when performing an audit of financial statements. Specifically, it expands on how SA 315, SA 330 and SA 240 are to be applied in relation to risks of material misstatement associated with related party relationships and transactions.
-------------------------	---

For all standards, See Bestword's book on Auditing (IPCC) or (FINAL) by CA SURBHI BANSAL available at all leading book stores

<p><i>Nature of Related Party Relationships and Transactions</i></p>	<ul style="list-style-type: none"> ▪ Many related party transactions are in the normal course of business. In such circumstances, they may carry no higher risk of material misstatement of the financial statements than similar transactions with unrelated parties. However, the nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example- ▪ Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration. ▪ Planning and performing the audit with professional skepticism is therefore particularly important in this context, given the potential for undisclosed related party relationships and transactions. The requirements in this SA are designed to assist the auditor in identifying and assessing the risks of material misstatement associated with related party relationships and transactions, and in designing audit procedures to respond to the assessed risks.
---	---

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objective

The objectives of the auditor are:

- (a) Irrespective of whether the applicable financial reporting framework establishes related party requirements, to obtain an understanding of related party relationships and transactions sufficient to be able:
 - (i) To recognise fraud risk factors, if any, arising from related party relationships and transactions that are relevant to the identification and assessment of the risks of material misstatement due to fraud; and
 - (ii) To conclude whether the financial statements, insofar as they are affected by those relationships and transactions:
 - a. Achieve a true and fair presentation; or
 - b. Are not misleading; and
- (b) In addition, where the applicable financial reporting framework establishes related party requirements, to obtain sufficient appropriate audit evidence about whether related party relationships and transactions have been appropriately identified, accounted for and disclosed in the financial statements in accordance with the framework.

Definitions

For purposes of the SAs, the following terms have the meanings attributed below:

- (a) Arm's length transaction – A transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests.
- (b) Related party – A party that is either:
 - (i) A related party as defined in the applicable financial reporting framework; or
 - (ii) Where the applicable financial reporting framework establishes minimal or no related party requirements:
 - a. A person or other entity that has control or significant influence, directly or indirectly through one or more intermediaries, over the reporting entity;
 - b. Another entity over which the reporting entity has control or significant influence, directly or indirectly through one or more intermediaries; or
 - c. Another entity that is under common control with the reporting entity through having:
 - i. Common controlling ownership;
 - ii. Owners who are close family members; or
 - iii. Common key management.

However, entities that are under common control by a state (i.e., a national, regional or local government) are not considered related unless they engage in significant transactions or share resources to a significant extent with one another.

<p>Risk Assessment Procedures and Related Activities</p>	<p><i>Understanding the Entity’s Related Party Relationships and Transactions</i></p>	<p>The auditor shall inquire of management regarding:</p> <ul style="list-style-type: none"> (a) The identity of the entity’s related parties, including changes from the prior period; (b) The nature of the relationships between the entity and these related parties; and (c) Whether the entity entered into any transactions with these related parties during the period and, if so, the type and purpose of the transactions. <p>The auditor shall inquire of management and others within the entity, and perform other risk assessment procedures considered appropriate, to obtain an understanding of the controls, if any, that management has established to:</p> <ul style="list-style-type: none"> (a) Identify, account for, and disclose related party relationships and transactions in accordance with the applicable financial reporting framework; (b) Authorise and approve significant transactions and arrangements with related parties; and (c) Authorise and approve significant transactions and arrangements outside the normal course of business.
	<p><i>Maintaining Alertness for Related Party Information When Reviewing Records or Documents</i></p>	<ul style="list-style-type: none"> ▪ During the audit, the auditor shall remain alert, when inspecting records or documents, for arrangements or other information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor. ▪ If the auditor identifies significant transactions outside the entity’s normal course of business the auditor shall inquire of management about: <ul style="list-style-type: none"> (a) The nature of these transactions; and (b) Whether related parties could be involved.
	<p><i>Sharing Related Party Information with the Engagement Team</i></p>	<p>The auditor shall share relevant information obtained about the entity’s related parties with the other members of the engagement team.</p>
<p>Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions</p>		<ul style="list-style-type: none"> ▪ the auditor shall identify and assess the risks of material misstatement associated with related party relationships and transactions and determine whether any of those risks are significant risks. ▪ If the auditor identifies fraud risk factors the auditor shall consider such information when identifying and assessing the risks of material misstatement due to fraud in accordance with SA 240.

Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions

Identification of Previously Unidentified or Undisclosed Related Parties or Significant Related Party Transactions

If the auditor identifies related parties or significant related party transactions that management has not previously identified or disclosed to the auditor, the auditor shall:

- (a) Promptly communicate the relevant information to the other members of the engagement team;
- (b) Where the applicable financial reporting framework establishes related party requirements:
 - (i) Request management to identify all transactions with the newly identified related parties for the auditor's further evaluation; and
 - (ii) Inquire as to why the entity's controls over related party relationships and transactions failed to enable the identification or disclosure of the related party relationships or transactions;
- (c) Perform appropriate substantive audit procedures relating to such newly identified related parties or significant related party transactions;
- (d) Reconsider the risk that other related parties or significant related party transactions may exist that management has not previously identified or disclosed to the auditor, and perform additional audit procedures as necessary; and
- (e) If the non-disclosure by management appears intentional evaluate the implications for the audit.

Identified Significant Related Party Transactions outside the Entity's Normal Course of Business

For identified significant related party transactions outside the entity's normal course of business, the auditor shall:

- (a) Inspect the underlying contracts or agreements, if any, and evaluate whether:
 - (i) The business rationale (or lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets;
 - (ii) The terms of the transactions are consistent with management's explanations; and
 - (iii) The transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework; and
- (b) Obtain audit evidence that the transactions have been appropriately authorised and approved.

	<p><i>Assertions That Related Party Transactions Were Conducted on Terms Equivalent to Those Prevailing in an Arm's Length Transaction</i></p>	<p>When management has made an assertion in the financial statements to the effect that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction, the auditor shall obtain sufficient appropriate audit evidence about the assertion.</p>
<p>Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions</p>	<p>In forming an opinion on the financial statements the auditor shall evaluate:</p> <ul style="list-style-type: none"> (a) Whether the identified related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework; and (b) Whether the effects of the related party relationships and transactions: <ul style="list-style-type: none"> (i) Prevent the financial statements from achieving true and fair presentation; or (ii) Cause the financial statements to be misleading. 	
<p>Written Representations</p>	<p>Where the applicable financial reporting framework establishes related party requirements, the auditor shall obtain written representations from management and, where appropriate, those charged with governance that:</p> <ul style="list-style-type: none"> (a) They have disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and (b) They have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework. 	
<p>Communication with Those Charged with Governance</p>	<p>Unless all of those charged with governance are involved in managing the entity, the auditor shall communicate with those charged with governance significant matters arising during the audit in connection with the entity's related parties.</p>	
<p>Documentation</p>	<p>In meeting the documentation requirements of SA 230 and other SAs, the auditor shall include in the audit documentation the names of the identified related parties and the nature of the related party relationships.</p>	

1.35 SA 610 (REVISED) USING THE WORK OF INTERNAL AUDITORS (on or after April 1, 2010)

<p>Scope of this SA</p>	<ul style="list-style-type: none"> ▪ This Standard on Auditing (SA) deals with the external auditor's responsibilities regarding the work of internal auditors when the external auditor has determined, in accordance with SA 315, that the internal audit function is likely to be relevant to the audit. ▪ This SA does not deal with instances when individual internal auditors provide direct assistance to the external auditor in carrying out audit procedures or where, in terms of the applicable legal and regulatory framework, it is not permissible for the internal auditor to provide access to his working papers to the third parties.
--------------------------------	---

For all standards, See Bestword's book on Auditing (IPCC) or (FINAL) by CA SURBHI BANSAL available at all leading book stores

Relationship between the Internal Audit Function and the External Auditor	<ul style="list-style-type: none"> ▪ The role and objectives of the internal audit function are determined by management and, where applicable, those charged with governance. While the objectives of the internal audit function and the external auditor are different, some of the ways in which the internal audit function and the external auditor achieve their respective objectives may be similar. ▪ Irrespective of the degree of autonomy and objectivity of the internal audit function, such function is not independent of the entity as is required of the external auditor when expressing an opinion on financial statements. The external auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the external auditor's use of the work of the internal auditors.
Effective Date	This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.
Objectives	<p>The objectives of the external auditor, where the entity has an internal audit function that the external auditor has determined is likely to be relevant to the audit, are to determine:</p> <ul style="list-style-type: none"> (a) Whether, and to what extent, to use specific work of the internal auditors; and (b) If so, whether such work is adequate for the purposes of the audit.

Definitions	For purposes of the SAs, the following terms have the meanings attributed below: (a) Internal audit function – An appraisal activity established or provided as a service to the entity. Its functions include, amongst other things, examining, the adequacy and effectiveness of internal control. (b) Internal auditors – Those individuals who perform the activities of the internal audit function. Internal auditors may belong to an internal audit department or equivalent function.
Determining Whether and to What Extent to Use the Work of the Internal Auditors	1. The external auditor shall determine: (a) Whether the work of the internal auditors is likely to be adequate for purposes of the audit; and (b) If so, the planned effect of the work of the internal auditors on the nature, timing or extent of the external auditor’s procedures. 2. In determining whether the work of the internal auditors is likely to be adequate for purposes of the audit, the external auditor shall evaluate: (a) The objectivity of the internal audit function; (b) The technical competence of the internal auditors; (c) Whether the work of the internal auditors is likely to be carried out with due professional care; and (d) Whether there is likely to be effective communication between the internal auditors and the external auditor. 3. In determining the planned effect of the work of the internal auditors on the nature, timing or extent of the external auditor’s procedures, the external auditor shall consider: (a) The nature and scope of specific work performed, or to be performed, by the internal auditors; (b) The assessed risks of material misstatement at the assertion level for particular classes of transactions, account balances, and disclosures; and (c) The degree of subjectivity involved in the evaluation of the audit evidence gathered by the internal auditors in support of the relevant assertions.
Using Specific Work of the Internal Auditors	1. In order for the external auditor to use specific work of the internal auditors, the external auditor shall evaluate and perform audit procedures on that work to determine its adequacy for the external auditor’s purposes. 2. To determine the adequacy of specific work performed by the internal auditors for the external auditor’s purposes, the external auditor shall evaluate whether: (a) The work was performed by internal auditors having adequate technical training and proficiency; (b) The work was properly supervised, reviewed and documented; (c) Adequate audit evidence has been obtained to enable the internal auditors to draw reasonable conclusions; (d) Conclusions reached are appropriate in the circumstances and any reports prepared by the internal auditors are consistent with the results of the work performed; and (e) Any exceptions or unusual matters disclosed by the internal auditors are properly resolved.

Documentation

The external auditor shall document conclusions regarding the evaluation of the adequacy of the work of the internal auditors, and the audit procedures performed by the external auditor on that work.

1.39 SA 720 THE AUDITOR'S RESPONSIBILITY IN RELATION TO OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS (on or after April 1, 2010)

Scope of this SA

In this SA "documents containing audited financial statements" refers to annual reports (or similar documents), that are issued to owners (or similar stakeholders), containing audited financial statements and the auditor's report thereon. This SA may also be applied, adapted as necessary in the circumstances, to other documents containing audited financial statements.

Effective Date	This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.
Objective	The objective of the auditor is to respond appropriately when documents containing audited financial statements and the auditor's report thereon include other information that could undermine the credibility of those financial statements and the auditor's report.
Definitions	<ul style="list-style-type: none"> (a) Other information – Financial and non-financial information (other than the financial statements and the auditor's report thereon) which is included, either by law, regulation or custom, in a document containing audited financial statements and the auditor's report thereon. (b) Inconsistency – Other information that contradicts information contained in the audited financial statements. (c) Misstatement of fact – Other information that is unrelated to matters appearing in the audited financial statements that is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the document containing audited financial statements.
Reading Other Information	<ul style="list-style-type: none"> ▪ The auditor shall read the other information to identify material inconsistencies, if any, with the audited financial statements. ▪ The auditor shall make appropriate arrangements with management or those charged with governance to obtain the other information prior to the date of the auditor's report.
Material Inconsistencies	If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall determine whether the audited financial statements or the other information needs to be revised.
Material Inconsistencies Identified in Other Information Obtained Prior to the Date of the Auditor's Report	<ul style="list-style-type: none"> ▪ When revision of the audited financial statements is necessary and management refuses to make the revision, the auditor shall modify the opinion. ▪ When revision of the other information is necessary and management refuses to make the revision, the auditor shall communicate this matter to those charged with governance; and <ul style="list-style-type: none"> (a) Include in the auditor's report an Other Matter(s) paragraph describing the material inconsistency. (b) Where withdrawal is legally permitted, withdraw from the engagement.
Material Inconsistencies Identified in Other Information Obtained Subsequent to the Date of the Auditor's Report	<ul style="list-style-type: none"> ▪ When revision of the audited financial statements is necessary, the auditor shall follow the relevant requirements in SA 560 (Revised). ▪ When revision of the other information is necessary and management agrees to make the revision, the auditor shall carry out the procedures necessary under the circumstances. ▪ When revision of the other information is necessary, but management refuses to make the revision, the auditor shall notify those charged with governance of the auditor's concern regarding the other information and take any further appropriate action.

Material Misstatements of Fact

- If, on reading the other information for the purpose of identifying material inconsistencies, the auditor becomes aware of an apparent material misstatement of fact, the auditor shall discuss the matter with management.
- When, following such discussions, the auditor still considers that there is an apparent material misstatement of fact, the auditor shall request management to consult with a qualified third party, such as the entity's legal counsel, and the auditor shall consider the advice received.
- When the auditor concludes that there is a material misstatement of fact in the other information which management refuses to correct, the auditor shall notify those charged with governance of the auditor's concern regarding the other information and take any further appropriate action.

NOTE: SQC is applicable only for C.A. FINAL

1.44 SQC-1- QUALITY CONTROL FOR FIRMS THAT PERFORM AUDIT AND REVIEWS OF HISTORICAL FINANCIAL INFORMATION AND OTHER ASSURANCE & RELATED SERVICES ENGAGEMENTS

Definitions

- (i) Engagement Documentation:- Record of work performed, its result & conclusions. It is assembled in an engagement file.
- (ii) Engagement Partner:- Partners/ other person in firm (C.A full time in practice) responsible for engagement & report thereon.
- (iii) Engagement Quality Control Review:- Process to evaluate the judgment & conclusions of Engagement Team before report is issued.
- (iv) Engagement Q.C. Reviewer:- Partner/ other person in firm /external person or a team to conduct Review.
- (v) Engagement team:- All person performing an engagement including any expert.
- (vi) Firm:- Sole practitioner / Proprietorship firm/ partnership firm.
- (vii) Inspection:- Procedures to check compliance by engagement team with firm's Q.C policies w.r.t. completed engagements.
- (viii) Monitoring:- Evaluation of firm's system of Q.C. to check its operational effectiveness. (It includes inspection)
- (ix) Network firm:- Entity under common control ownership or management with firm (Nationally / Internationally).
- (x) Staff:- Professionals other than partners.

Quality control	<p>(a) The firm should establish Q.C. to reasonably assure that</p> <ul style="list-style-type: none"> ▪ Firm & its personnel comply with professional standards and regulatory requirements & ▪ Reports issued by firm are appropriate. <p>(b) Firms Q.C. should include Policies w.r.t. following-</p> <ul style="list-style-type: none"> ▪ Leadership responsibilities for quality within firm. ▪ Ethical requirements. ▪ Acceptance & continuance of client relationship & specified engagements. ▪ Human resources. ▪ Engagement performance. ▪ Monitoring.
Leadership Responsibilities for Quality within firm	<p>(i) Establish Policies & Procedures to promote good internal culture.</p> <p>(ii) CEO/ Managing partners should assume ultimate responsibility for firm's Q.C.</p> <p>(iii) They should assign these responsibilities to experienced and able persons in the firm.</p>
Ethical Requirements	<p>(i) Establish policies & Procedures to ensure compliance with same</p> <ul style="list-style-type: none"> (a) Integrity (b) Objectivity (c) Professional competence & due care (d) Confidentiality (e) Professional behaviour <p>(ii) They should ensure Proper (w.r.t. above (a) – (e) points)</p> <ul style="list-style-type: none"> (b) Monitoring (c) Process for dealing with non- compliance (d) Leadership
Independence	<p>(i) Establish Q.C. to maintain Independence Thus:</p> <ul style="list-style-type: none"> ▪ Communicate Independence requirements to personnel ▪ Identify threats to Independence ▪ Try to eliminate those treats or to withdraw from engagements <p>(ii) Such policies & procedures should require:</p> <ul style="list-style-type: none"> ▪ Engagement Partner to inform the firm about client engagements so that firm can evaluate the impact on independence. ▪ Personnel to promptly notify firm any threat to independence. ▪ Communication of relevant information to appropriate personnel to comply with independence requirements and action to be taken in case of breach of same. <p>(iii) In case of breach of independence, firm should communicate the same to relevant Engagement Partner & other personnel</p>

For all standards, See Bestword's book on Auditing (IPCC) or (FINAL) by CA SURBHI BANSAL available at all leading book stores

so that they can take appropriate action for the same.

	<p>(iv) At least annually, firm should obtain written confirmation of compliance with independence from relevant firm personnel.</p> <p>(v) They should set criteria for reducing the familiarity threat (when same personnel is performing an engagement over a long time).</p> <p>(Eg.:- For listed entity, audit engagement partner should be rotated after pre- defined period maximum 7 Years).</p>
Acceptance & continuance of client relationship and specified engagements	<p>(i) Ensure that it will undertake / continue relationships only where it:-</p> <ul style="list-style-type: none"> ▪ Has considered integrity of client ▪ Is competent to perform the engagement. ▪ Can comply with ethical requirements <p>(ii) In case, such issues are identified & firm takes up/ continue the engagement, it should document how issues were resolved.</p> <p>(iii) After taking up work, if firm obtains information that would have caused it to decline an engagement if information had been available earlier, then consider:-</p> <ul style="list-style-type: none"> ▪ Communicating it to appointing authority & regulatory authority; & ▪ Possibility of withdrawing from the engagement or form both the engagement. & client relationship.
Human Resources	<p>(a) Establish Q.C polices & Procedure to reasonable assure that it has sufficient personnel (capable, competent & committed) to perform its engagement as per professional standard & regulatory requirements & to issue appropriate reports.</p> <p>(b) Firm should assign appropriate staff to perform engagements.</p>
Engagement Performance	<p>Establish Q.C to reasonably assure that engagements are performed as per Professional standards & legal requirements & report is appropriate in circumstances.</p> <p>(a) Consultation: Ensure</p> <ul style="list-style-type: none"> ▪ Consultation of different matters. ▪ Documentation of consultation. ▪ That Conclusions of consultation are also documented. <p>(b) Difference of opinion: Establish Q.C to resolve difference of opinion within engagement Team., with those consulted & engagement partner & engagement Q.C reviewer (Documentation also).After resolution of matter, report is</p>

For all standards, See Bestword's book on Auditing (IPCC) or (FINAL) by CA SURBHI BANSAL available at all leading book stores

	issued.
--	---------

	<p>(c) Engagement Q.C Review:- Ensure:- (i) Q.C reviews for all audits of listed entities. (ii) Criteria to determine whether an engagement Q.C Review should be performed & (iii) Engagement Q.C Review for all engagement meeting aforesaid criteria. It should be completed before report is issued. Also decide the (i) NTE of engagement Q.C Review, (ii) Eligibility criteria for reviewers & (iii) Documentation requirements for reviews. (iv) Reviewer should be technically competent and objective.</p> <p>(d) Completion of assembly of final engagement Files: Assembly of files on a timely basis after engagement reports have been finalized.</p> <p>(e) Confidentiality etc. of engagement Documentation: ■ Ensure confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation. ■ Ensure retention of engagement documentation for sufficient period.</p>
Monitoring	<p>(a) Q.C Policies & Procedure to ensure that Q.C system is adequate, relevant, operating effectively and complied with in practice.</p> <p>(b) It includes ongoing evaluation of firms system of Q.C including a periodic inspection of completed engagements.</p> <p>(c) Evaluate effect of deficiencies ■ Instances that may not indicate insufficiency of firm Q.C ■ Systematic repetitive or other significant deficiencies requiring prompt corrective action</p> <p>(d) Firm should communicate to relevant engagement partner, deficiencies noted.</p> <p>(e) When indication as to inappropriateness of report or omission of necessary procedures, the firm should determine further action (legal advice)</p> <p>(f) At least annually the firm should communicate the result of monitoring to its engagement partners & firm's CEO / managing partners , information including: ■ Description of monitoring procedures ■ Conclusion of monitoring procedures Significant deficiencies & action taken (if any)</p> <p>(g) Firm should also ensure proper dealing with complaints & Allegations about non Compliance with legal or Professional standards & firm's system of Q.C.</p>
Documentation	Firm should keep documentation as to operation of each element of its system of Q.C.

For all standards, See Bestword's book on Auditing (IPCC) or (FINAL) by CA SURBHI BANSAL available at all leading book stores

For all standards, See Bestword's book on Auditing (IPCC) or (FINAL) by CA SURBHI BANSAL available at all leading book stores