

CA FINAL AUDIT

4th Edition


Q & A Scanner

**ADVANCED AUDITING, ASSURANCE
AND PROFESSIONAL ETHICS**

QUESTIONS & ANSWERS

By India's Most Dynamic Faculty For Audit

CA Aarti Lahoti

 www.aartilahoti.com

MODES OF LEARNING : Pendrive / Google Drive / Face to Face / Livestream

CA FINAL

GROUP - I

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CA Aarti N. Lahoti

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Dear Students,

IT'S ALL ABOUT AUDIT!

It gives me immense pleasure to present before you the 4th Edition of Advanced Auditing, Assurance & Professional Ethics – Theory Notes & Q – A Scanner – for CA Final.

I have made an humble attempt to include all theory, Q & A & Amendments released by ICAI through its different mediums viz. Latest Study Material, Suggested Answers, Mock Test Papers & Revision Test Papers in this book.

Any constructive criticism is always welcome. @ aartilahoti9@gmail.com

The greatest strength of this book is its wholistic approach towards the subject – a one stop solution for the entire subject of CA Final Auditing. It covers each & every topic of the syllabus in a tabular & pointwise format & also the myriad varieties of questions in relation to the same.

*Having **CONCEPTUAL CLARITY** about the topics is half the battle won!!! To complete it you need to do a lot of **WRITING PRACTICE**. As a general problem faced by students is that though they understand the concepts but they are not able to put it in words & this happens merely due to lack of writing practice. So never forget that!*

*And one final piece of advice would be to do **CUMULATIVE REVISIONS** of the subject so that you are able to retain the subject better.*

Wishing you all the very best for your exams and for a brightful future!

Happy Auditing!

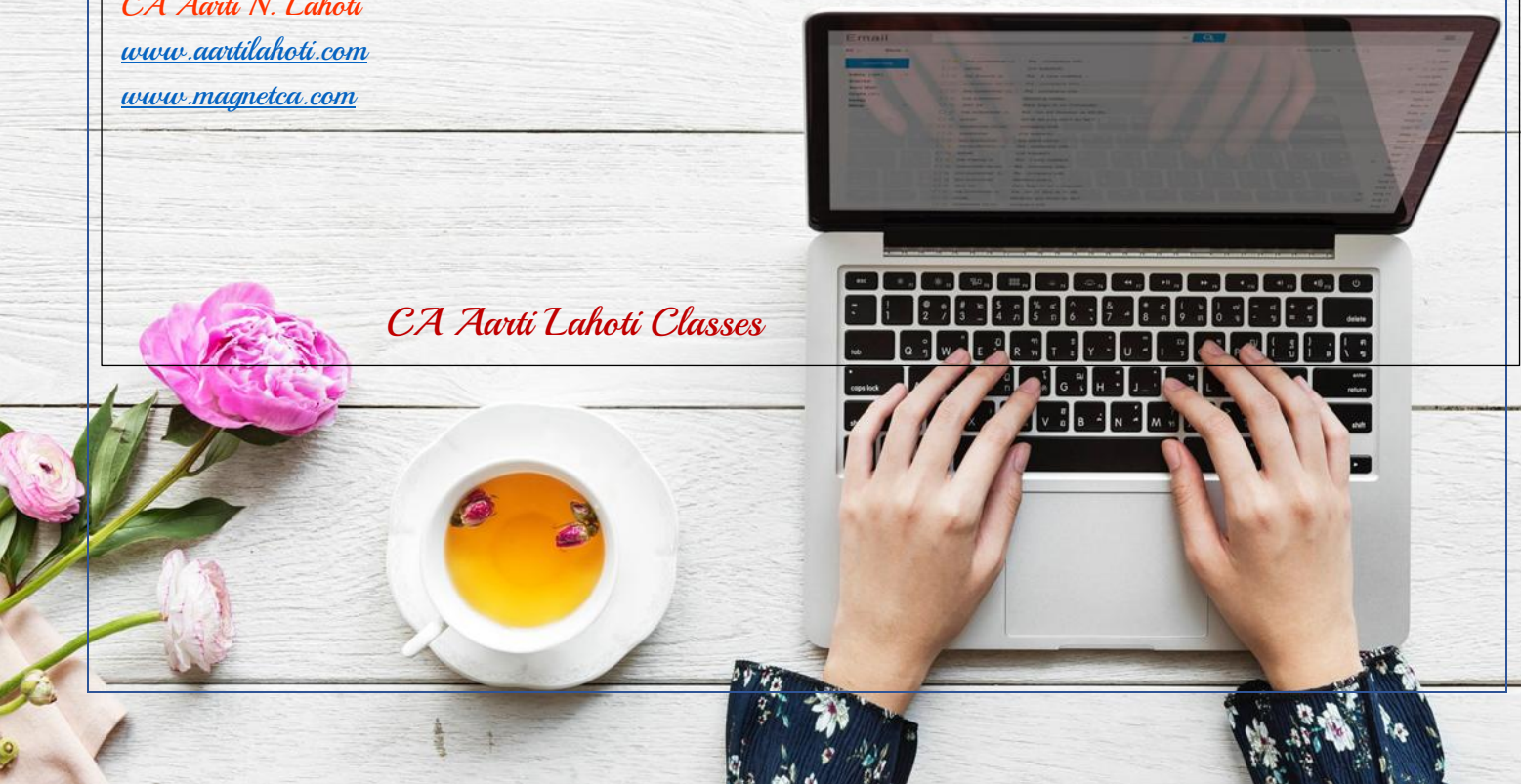
Regards,

CA Aarti N. Lahoti

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CA Aarti Lahoti Classes



C. NO.	CHAPTER NAME	PAGE NO.
Q & A SCANNER - INDEX		
1	SQC SERIES	1.1 – 1.8
2	SA 200 SERIES	2.1 – 2.27
3	RISK ASSESSMENT & INTERNAL CONTROL	3.1 – 3.12
4	SA 300 - 400 SERIES	4.1 – 4.15
5	SA 500 SERIES	5.1 – 5.52
6	SA 600 SERIES	6.1 – 6.14
7A	SA 700 SERIES	7.1 – 7.23
7B	REPORTING UNDER COMPANIES ACT, 2013	7.24 – 7.51
8	SA 800 SERIES	8.1 – 8.5
9	SRE 2400 SERIES	9.1 – 9.8
10	SAE 3400 SERIES	10.1 – 10.7
11	SRS 4400 SERIES	11.1 – 11.8
12	DIGITAL AUDITING & ASSURANCE	12.1 – 12.11
13	GROUP AUDIT	13.1 – 13.18
14A	AUDITS OF BANKS	14.1 – 14.20
14B	AUDIT OF NON-BANKING FINANCIAL COMPANIES	14.21 – 14.33
15	OVERVIEW OF AUDIT OF PUBLIC SECTOR UNDERTAKINGS	15.1 – 15.10
16	INTERNAL AUDIT	16.1 – 16.12
17	DUE DILIGENCE, INVESTIGATION & FORENSIC ACCOUNTING	17.1 – 17.16
18	SDG & ESG ASSURANCE	18.1 – 18.9
19	PROFESSIONAL ETHICS & LIABILITIES OF AUDITORS	19.1 – 19.71

CHAPTER
1

SQC SERIES – Q & A



TEST YOUR UNDERSTANDING

1.	<p>ABC & Associates, CAs has a policy to accept the clients wherein the risk evaluation is conducted with respect to the Company & the promoter. XYZ Ltd. approached ABC & Associates. Promoter of XYZ Ltd. is a close associate & family friend of Mr. A, Managing Partner of ABC & Associates. XYZ Ltd. is in news in the previous year for certain inquiries from the regulatory authorities in relation to certain matters. The existing auditor of XYZ Ltd. has resigned & has created a casual vacancy. XYZ Ltd. is ready to offer 25% more than the existing fees & has approached ABC & Associates for appointment as Auditor. Mr. A has strong recommendation to the Firm to accept the audit. What is your understanding of the functioning of the tone at the top of the Firm ABC & Associates, CAs? What are the considerations one should exercise to uphold Quality of the Firm?</p>
	<ul style="list-style-type: none"> ➤ The given situation indicates that proposed client is a new one whose promoter is close associate & family friend of managing partner of M/s ABC & Associates. However, previous auditor of proposed client has resigned & company is offering hike in audit fees in comparison to audit fees paid to previous auditor. ➤ Besides, there are also regulatory inquiries against the company. In spite of all this, managing partner of firm Mr. A has recommended for acceptance of offered audit of the company. ➤ It reflects poorly regarding functioning at top of the firm as regards to quality control. SQC 1 requires that firm should establish a system of quality control designed to provide it with reasonable assurance that firm & its personnel comply with professional standards & legal & regulatory requirements. It further requires that firm's business strategy is subject to overriding requirement of firm to achieve quality in all engagements. However, in the given situation, commercial considerations seem to be overriding factor. ➤ The managing partner of firm is close associate & family friend of promoter. The matter should have been brought to knowledge of firm in accordance with requirements of SQC 1 as it involves issue of independence of managing partner of the firm with respect to proposed audit engagement. Further, matters of inquiries from regulators & resignation of previous auditor raise question about integrity of the proposed client. SQC 1 further requires firm to consider before acceptance of an engagement that client does not lack integrity. All these factors need to be taken into consideration before accepting engagement. ➤ Thus such a situation reflects lack of proper establishment of quality control framework at top of the firm. ➤ It has been laid down clearly that firm's business strategy is subject to the overriding requirement for the firm to achieve quality in all the engagements that the firm performs. Essentially, it implies that audit quality is paramount in all engagements. It is non-negotiable. In this regard, it should be ensured that: - <ul style="list-style-type: none"> (a) The firm assigns its management responsibilities so that commercial considerations do not override the quality of work performed. (b) The firm's policies & procedures addressing performance evaluation, compensation, & promotion (including incentive systems) with regard to its personnel are designed to demonstrate the firm's overriding commitment to quality & (c) The firm devotes sufficient resources for the development, documentation & support of its quality control policies & procedures. ➤ A firm before accepting an engagement should acquire vital information about the client. Such an information should help firm to decide about integrity of Client, promoters & KMP, competence (including capabilities, time & resources) to perform engagement & compliance with ethical requirements.
2.	<p>MNP & Co., a firm of auditors, is appointed by a bank to conduct stock audit of a borrower. It deputed one of its paid Chartered accountant employees, Sudhanshu, to conduct above said stock audit. He leverages it as an opportunity to prevail upon the client to get the accounts audited from their firm. He also assures the client of a clean stock audit report without adverse comments as a quid pro quo. Is approach of Sudhanshu proper? How does it reflect upon quality control system of firm?</p>

	<ul style="list-style-type: none"> Approach of Sudhanshu is not proper. Such practices blatantly violate code of ethics & its spirit. It reflects poorly upon quality control system of firm envisaged in SQC 1 which requires that quality control policies & procedures should be documented & communicated to the firm's personnel. It shows that firm's personnel are not properly sensitized regarding requirements of SQC 1.
3.	<p>CA M is introduced to a prospective client in a social function. He assures to visit office of CA M very soon in relation to professional work. During discussions over a cup of coffee next week, it transpires that there was a search by Enforcement Directorate in his premises about a month back resulting in recovery of huge sum of cash. The income tax department had also searched his premises in relation to bogus capital gains on penny stocks. Lamenting poor quality of services provided by his present auditor, he offers appointment as tax auditor of his five family-owned firms to CA M in lieu of handsome fees. What are the factors to be evaluated by CA M if he wants to take up the engagement?</p>
	<ul style="list-style-type: none"> As per SQC 1, before accepting a new engagement, integrity of client should be considered including matters that indicate involvement in money laundering or criminal activities. There has been search of ED on the said party leading to recovery of huge amount of cash. The above coupled with actions of income tax department relating to bogus capital gains on penny stocks indicates that client might be involved in money laundering activities. Therefore, offer should not be accepted.
4.	<p>GVN & Associates are auditors of a listed company involved in "fin-tech" sector. The engagement team is stuck up with some issue pertaining to a particular Ind-AS applicable to the company. They have framed a query & sent to ICAI for expert opinion on the matter. The issue was resolved upon receipt of expert opinion. Since expert opinion was provided by ICAI, engagement team was of the view that appointment of engagement quality control reviewer has lost its relevance. Do you agree?</p>
	<ul style="list-style-type: none"> Engagement quality control review in listed entities is a mandatory requirement. Expert opinion of ICAI pertains to issue of interpretation. The appointment of reviewer is a separate & mandatory requirement in audits of listed companies.
5.	<p>PQR & Associates are statutory auditors of a listed company. There arose an issue during the course of audit relating to related party transactions. EP wants to consult engagement quality control reviewer on this matter during the course of audit process itself. Can he consult with engagement quality control reviewer? Discuss.</p>
	<ul style="list-style-type: none"> It is necessary to maintain objectivity of reviewer. Therefore, participation in engagement or making decisions for engagement team is to be avoided at all costs. However, EP may consult engagement quality control reviewer during the engagement so as not to compromise his objectivity & eligibility to perform the role.
6.	<p>Beta Private Ltd. has approached a firm of Chartered accountants to assist them in preparation of FS & issue a compilation report in this regard. Does CA firm have responsibility in relation to quality control for above said engagement? Discuss with reasons.</p>
	<ul style="list-style-type: none"> Such kind of services fall in category of "related services". SQC 1 is applicable to all type of engagements including engagement pertaining to "related services".
7.	<p>Ramanujan, a CA final student, feels that engagement file in audit engagement should be ready prior to issue of audit report. Discuss whether Ramanujan's view is in order.</p>
	<ul style="list-style-type: none"> The firm should establish policies & procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalized. Engagement files should be completed in not more than 60 days after date of auditor's report in case of audit engagements. Thus, view of Ramanujan is not in order.
8.	<p>BNE & Co. are in midst of audit process of a listed company. During the course of audit, an issue arose relating to revenues from contracts with customers in terms of Ind AS 115. EP took a certain stand. However, engagement quality control reviewer recommended otherwise after review. EP is not willing to accept recommendations of reviewer. How can the stalemate be ended?</p>
	<ul style="list-style-type: none"> In case, recommendations of engagement quality control reviewer are not accepted by EP & matter is not resolved to reviewer's satisfaction, the matter should be resolved by following established procedures of firm like by consulting with another practitioner or firm, or a professional or regulatory body. The audit report should be issued only after resolution of matter.

2

TEST YOUR KNOWLEDGE

1.	<p>MN & Associates, a partnership firm having CA M & CA N as Partners, started to offer professional services with effect from 01-04-2030. Discuss the requirements with respect to “Independence” which MN & Associates has to consider in relation to establishment & maintenance of system of a quality control in line with SQC 1.</p> <p style="text-align: right;">(4 Marks Nov 2020)</p>
	<ul style="list-style-type: none"> ➤ Observance of "Independence" in all engagements is the founding requirement. The firm should establish policies & procedures designed to provide it with reasonable assurance that the firm, its personnel & (including experts contracted by the firm & network firm personnel) maintain independence where required by the Code. Such policies & procedures should enable the firm to: - <ul style="list-style-type: none"> (a) Communicate its independence requirements to its personnel (b) Identify & evaluate circumstances & relationships that create threats to independence, & to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the engagement. ➤ There should exist a mechanism in the firm by which engagement partners provide the firm with relevant information about client engagements & personnel of firm promptly notify firm of circumstances & relationships that create a threat to independence. All breaches of independence should be promptly notified to firm for appropriate action. Its objective is to ensure that independence requirements are satisfied. ➤ At least annually, obtain written confirmation of compliance with its policies & procedures on independence from all firm personnel required to be independent as per the Code.
2.	<p>Rajni Ltd., a listed company, has appointed M/s Amit & Co. as its statutory auditor. CA Sunil, who recently joined the firm, has been appointed as EP for the first time. While preparing for the audit, he realises the importance of ensuring the audit team's independence, as required by standard audit practices. However, when reviewing the firm's framework, he is unable to find any documented policies or procedures addressing independence compliance. What steps should CA Sunil take to ensure compliance with independence requirements for the audit engagement? Why is it necessary for an audit firm to have well-documented policies & procedures to maintain independence? Discuss with reference to the relevant SA.</p> <p style="text-align: right;">(5 Marks Nov 2023)</p>
	<ul style="list-style-type: none"> ➤ Refer answer above ➤ Further, as per SA 220, EP shall form a conclusion on compliance with independence requirements that apply to the audit engagement. ➤ In doing so, EP shall: <ul style="list-style-type: none"> ➔ Obtain relevant information from the firm &, where applicable, network firms, to identify & evaluate circumstances & relationships that create threats to independence; ➔ Evaluate information on identified breaches, if any, of the firm's independence policies & procedures to determine whether they create a threat to independence for the audit engagement; & ➔ Take appropriate action to eliminate such threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the audit engagement, where withdrawal is permitted by law or regulation. EP shall promptly report to firm any inability to resolve the matter for appropriate action.
3.	<p>During audit of FMP Ltd, a listed company, Engagement Partner (EP) completed his reviews & also ensured compliance with independence requirements that apply to audit engagement. Engagement files were also reviewed by Engagement Quality Control Reviewer (EQCR) except independence assessment documentation. EP was of view that matters related to independence assessment are responsibility of EP & not Engagement Quality Control Reviewer. Engagement Quality Control Reviewer objected to this & refused to sign off documentation. Please advise as per SA 220</p> <p style="text-align: right;">(RTP May 2022/19)</p>
	<ul style="list-style-type: none"> ➤ Refer answer above ➤ EP shall take responsibility for reviews being performed in accordance with firm's review policies & procedures. As per SA 220, for audits of FS of listed entities, EQCR, on performing an EQCR, shall also consider engagement team's evaluation of firm's independence in relation to audit engagement.

	<ul style="list-style-type: none"> ■ In the given case, EP is not right. The independence assessment documentation should also be given to EQCR for his review.
4.	<p>XYZ & Associates, CAs, is an audit firm, giving services to the various types of clients in the field of auditing, taxation & management consultancy. It has been doing statutory audit of B Ltd., a listed entity since last seven years. CA X who has been EP for the company since beginning has a complete idea about the strengths & weaknesses of the internal controls of the company. He maintains good relations with the management & those charged with the governance. Every year audit is completed in a cordial & healthy manner. During current year the quality control reviewer insisted to change EP for the company saying that continuation of same EP poses certain audit risk & threats to the organization & advises to review the firm's policies & procedures in relation to EP. The management of the company does not wish to change EP. How do you view the above situation from the view point of quality control system in audit firm in terms of requirements of SQC 1 ? Guide the firm in establishing the policies & procedures in respect of an EP.</p> <p style="text-align: right;">(5 Marks May 2025)</p>
	<ul style="list-style-type: none"> ■ SQC 1 lays special emphasis on familiarity threat. Using the same senior personnel on assurance engagements over a prolonged period may impair the quality of performance of the engagement. Therefore, the firm should establish criteria for determining the need for safeguards to address this threat. In determining appropriate criteria, the firm considers such matters as- <ul style="list-style-type: none"> (a) Nature of the engagement, including the extent to which it involves a matter of public interest & (b) Length of service of the senior personnel on the engagement. ■ Examples of safeguards include rotating the senior personnel or requiring an EQCR. The familiarity threat is particularly relevant in the context of FS audits of listed entities. For these audits, EP should be rotated after a pre-defined period, normally not more than 7 years (except in cases where audit of listed entities is conducted by a sole practitioner). However, to ensure quality control exists in such firms & appropriate reports are issued, there is a process for mandatory peer review of such firms.
5.	<p>PQR Associates are the statutory auditors of a large un-listed company, which is engaged in manufacturing of auto components. Subsequent to reappointment of auditors in AGM, the Company shared the appointment letter with PQR Associates, seeking acknowledgement & acceptance letter. CA R is EP & is planning to issue the acceptance letter. During the current financial year, there was a search by the Income-tax Authorities on the company, & certain accounting records were seized for verification. Based on the information available on social media, CA R noted that the promoters' brother is contemplating to contest in the ensuing elections, under the banner of a political party. One of the current senior engagement team manager, who has been doing the audit engagement till last year, has left PQR Associates & is planning to provide some accounting services to one of the associate companies. PQR Associates are yet to recruit another senior manager having adequate experience in the audits of clients engaged in the automotive sector. Elaborate the matters to be considered by PQR Associates with respect to acceptance & continuance of client relationships considering the above issues. Upon completion of the review, CA Giri has identified certain issues with respect to revenue recognition & adequacy of provisions relating to onerous contracts. The views of CA Giri are not accepted by EP. Suggest ways of resolving the differences of opinion between CA Giri & EP.</p> <p style="text-align: right;">(5 Marks May 2024)</p>
	<ul style="list-style-type: none"> ■ A firm before accepting an engagement should acquire vital information about the client. Such an information should help firm to decide about: - <ul style="list-style-type: none"> ➔ Integrity of Client, promoters & key managerial personnel. ➔ Competence (including capabilities, time & resources) to perform engagement. ➔ Compliance with ethical requirements. ■ The firm should obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, & when considering acceptance of a new engagement with an existing client. Where issues have been identified, & the firm decides to accept or continue the client relationship or a specific engagement, it should document how the issues were resolved. ■ Further, as per SA 220, the EP shall form a conclusion on compliance with independence requirements that apply to the audit engagement. In doing so, the EP shall obtain relevant information from the firm &, where applicable, network firms, to identify & evaluate circumstances & relationships that create threats to independence. In view of the above, PQR Associates should: <ul style="list-style-type: none"> ➔ Follow their firm's policies & procedures for client acceptance & continuance. This includes evaluating

	<p>the integrity of the client, assessing potential risks associated with the engagement, & ensuring the firm has the necessary resources & expertise to perform the engagement effectively. The engagement team, should assess, whether the company is involved in any funding activities, to the political parties, & if so enquire & assess the risks related to such transactions.</p> <ul style="list-style-type: none"> ➔ Communicate clearly with the client regarding the scope of the engagement, the responsibilities of both parties, & any limitations on the services to be provided. This helps manage expectations & ensures alignment between the firm & the client. ➔ Independence & objectivity throughout the engagement. Any potential threats to independence, such as relationships with the client's affiliates or involvement in political activities by related parties, should be evaluated & mitigated appropriately. Since the senior manager who was on this engagement is providing certain accounting services, to one of the group companies, EP, should assess, whether it would have any impact on the audit & examine the relevant ethical/independence requirements. ➔ Continually monitor the client relationship for any changes or developments that may impact the firm's ability to provide services effectively. This includes staying informed about significant events such as the income-tax search, changes in client management, or potential conflicts of interest. Since there was an income-tax raid on the organisation, EP should evaluate the risks of material misstatements, & non-disclosure of tax disputes & liabilities. ➔ Ensure that their engagement team possesses the necessary competence & capabilities to perform the audit effectively. The departure of a senior manager & the need to recruit a replacement with specific industry experience should be addressed promptly to maintain audit quality. Since one of the senior engagement team members has left PQR Associates, EP should assess, whether he would be in a position to devote adequate time on the engagement or whether to recruit another resource, before commencement of the audit.
6.	<p>Ace Ltd. (manufacturer of textile goods) got an order of manufacturing of PPE kits in December 2020. But there was shortage of machinery & manpower to accomplish the ordered requirement of PPE kits. Ace Ltd. approached another manufacturing unit Jack Ltd. for purchase of the unit. Jack Ltd. was interested in the sale of unit; so the deal went through & Ace Ltd. acquired 95% shares of Jack Ltd. The new mgmt. of Jack Ltd. proposed & appointed NKB Associates, CAs, (already auditors of Ace Ltd.) as new auditors of Jack Ltd. NKB Associates accepted the assignment without considering information whether the conclusions reached regarding the acceptance & continuance of client relationships & audit engagements are appropriate. Comment with respect to appropriate SA what type of information assists EP in determining whether the conclusions reached regarding the acceptance & continuance of client relationships & audit engagements are appropriate or not?</p> <p style="text-align: right;">(5 Marks Nov 2021)</p>
	<ul style="list-style-type: none"> ➤ A firm before accepting an engagement should acquire vital information about the client. Such an information should help firm to decide about: - <ul style="list-style-type: none"> ➔ Integrity of Client, promoters & key managerial personnel. ➔ Competence (including capabilities, time & resources) to perform engagement. ➔ Compliance with ethical requirements. ➤ The firm should obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, & when considering acceptance of a new engagement with an existing client. Where issues have been identified, & the firm decides to accept or continue the client relationship or a specific engagement, it should document how the issues were resolved.
7.	<p>MB & Associates is a partnership firm of CAs which was established 7 years back. The firm is getting new clients & has also been offered new engagement services with existing clients. The firm is concerned about obtaining such information as it considers necessary in the circumstances before accepting an engagement with a new client & acceptance of a new engagement with an existing client. The firm is looking to work with only select clients to adhere to the Quality Control Standards. Guide MB & Associates about the matters to be considered with regard to the integrity of a client, as per requirements of SQC 1. (4 Marks Nov 2019) (RTP May 2019)</p>
	<ul style="list-style-type: none"> ➤ As per SQC 1, the firm should obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, & when considering acceptance of a new engagement with an existing client. Where issues have been

	<p>identified, & the firm decides to accept or continue the client relationship or a specific engagement, it should document how the issues were resolved.</p> <ul style="list-style-type: none"> ➤ With regard to the integrity of a client, matters that the firm considers include, for example: <ul style="list-style-type: none"> ➔ Identity & business reputation of client's principal owners, key management, related parties & TCWG. ➔ Nature of the client's operations, including its business practices. ➔ Information concerning the attitude of client's principal owners, key management & TCWG towards such matters as aggressive interpretation of AS & internal control environment. ➔ Whether client is aggressively concerned with maintaining firm's fees as low as possible. ➔ Indications of an inappropriate limitation in the scope of work. ➔ Indications that client might be involved in money laundering or other criminal activities. ➔ Reasons for proposed appointment of the firm & non-reappointment of previous firm. ➔ Extent of knowledge a firm will have regarding the integrity of a client will generally grow within the context of an ongoing relationship with that client.
8.	<p>SPS & Associates, CAs, are statutory auditors of Grec Ltd. for the last two years. Grec Ltd. is engaged in the manufacturing & marketing of pharmaceutical goods in India. During the year 2023-24, the company has diversified & commenced providing software solutions in "e-commerce" in India as well as in certain African countries. SPS & Associates, while carrying out the audit, noticed that the company has expanded its operations into a new segment as well as in a new country. SPS & Associates does not possess the necessary expertise & infrastructure to carry out the audit of these diversified business activities & accordingly wishes to withdraw from the engagement & client relationship. Discuss the issues that need to be addressed before deciding to withdraw.</p> <p style="text-align: right;">(5 Marks Nov 2022)</p>
	<ul style="list-style-type: none"> ➤ As per SQC 1, the firm should establish policies & procedures for the acceptance & continuance of client relationships & specific engagements, designed to provide it with reasonable assurance that it will undertake or continue relationships & engagements only where it is competent to perform the engagement & has the capabilities, time & resources to do so. ➤ In the given case, SPS & Associates, CAs, statutory auditors of Grec Ltd. for the last two years, came to know that the company has expanded its operations into a new segment as well as in new country. SPS & Associates does not possess the necessary expertise for the same, therefore, SPS & Associates wish to withdraw from the engagement & client relationship. ➤ Policies & procedures on withdrawal from engagement or from both engagement & client relationship, addresses following issues: <ul style="list-style-type: none"> ➔ Discussing with the appropriate level of client's management & TCWG regarding the appropriate action that the firm might take based on relevant facts & circumstances. ➔ If the firm determines that it is appropriate to withdraw, discussing with the appropriate level of client's management & TCWG withdrawal from the engagement or from both the engagement & client relationship, & the reasons for the withdrawal. ➔ Considering whether there is a professional, regulatory or legal requirement for the firm to remain in place, or for the firm to report the withdrawal from the engagement, or from both the engagement & the client relationship, together with the reasons for the withdrawal, to regulatory authorities. ➔ Documenting significant issues, consultations, conclusions & the basis for the conclusions. ➤ SPS & Associates should address the above issues before deciding to withdraw.
9.	<p>TPX & Co., CAs, is a large audit firm. It maintains audit documentation both electronically & in physical form (hard files). The physical files are neither scanned & incorporated into electronic files nor cross-referenced to the electronic files. Further, there are many instances where audit working papers do not contain details as to whether information was obtained from client or prepared by engagement team. How do you view the above situation from the point of view of quality control system in audit firm? Analyse.</p>
	<ul style="list-style-type: none"> ➤ As per SQC 1, firm should establish policies & procedures designed to maintain confidentiality, safe custody, integrity, accessibility & retrievability of engagement documentation. ➤ In the given situation, the physical files are neither scanned & incorporated in the electronic files nor cross-referenced to the electronic files. Inability to do so shows that firm has not established policies &

	<p>procedures to maintain integrity of engagement documentation. Lack of ensuring the same makes it difficult to demonstrate completeness of audit files & whether these were assembled within 60 days timeframe stipulated in SQC 1.</p> <ul style="list-style-type: none"> Where engagement documentation is in paper, electronic, or other media, the integrity, accessibility or retrievability of the underlying data may be compromised if the documentation could be altered, added to or deleted without the firm's knowledge, or if it could be permanently lost or damaged. One of the reasons for designing & implementing appropriate controls for engagement documentation in this regard is the protection of the integrity of information at all stages of engagement. For the practical reasons, original paper documentation may be electronically scanned for inclusion in engagement files. In that case, the firm implements appropriate procedures requiring engagement teams to: <ul style="list-style-type: none"> Generate scanned copies that reflect the entire content of the original paper documentation, including manual signatures, cross- references & annotations; Integrate the scanned copies into the engagement files, including indexing & signing off on the scanned copies as necessary; & Enable the scanned copies to be retrieved & printed as necessary. It has also been stated that there are many instances where audit working papers do not contain details as to whether information was obtained from the client or prepared by the engagement team. It is important to identify the source of the document & the information used as audit evidence to ensure its reliability. It could have potential risks of non-compliance with SAs.
10.	<p>PQR & Associates, CAs, is a partnership firm having 3 partners CA P, CA Q & CA R. PQR & Associates are appointed as Statutory Auditors of ABC Ltd., a listed entity for F.Y. 2031-32 & CA P is appointed as EP for the audit of ABC Ltd. Before issuing the Audit Report of ABC Ltd., CA P asked CA R to perform EQCR & is of the view that his responsibility will be reduced after review by CA R. Whether the contention of CA P is correct ? What are the aspects that need to be considered by CA R while performing EQCR for audit of FS of ABC Ltd.?</p> <p style="text-align: right;">(5 Marks May 2022)</p>
	<ul style="list-style-type: none"> As per SQC 1, the review does not reduce the responsibilities of EP. Hence, contention of CA. P that after EQCR by CA. R, his responsibility will be reduced, is not correct. However, CA. R needs to consider the following aspect while performing EQCR for audit of FS of a listed entity ABC Ltd.: <ul style="list-style-type: none"> Engagement team's evaluation of firm's independence in relation to specific eng. Significant risks identified during the engagement & the responses to those risks. Judgments made, particularly with respect to materiality & significant risks. Whether consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, & conclusions arising from those consultations. Significance & disposition of corrected & uncorrected misstatements identified during the engagement. Matters to be communicated to management & TCWG &, where applicable, other parties such as regulatory bodies. Whether working papers selected for review reflect the work performed in relation to the significant judgments & support the conclusions reached. The appropriateness of the report to be issued. Engagement quality control reviews for engagements other than audits of FS of listed entities may, depending on the circumstances, include some or all of these considerations.
11.	<p>CA Giri is a senior partner of M/s TSV Associates. M/s TSV Associates is a reputed firm of CAs which has been in practice for more than 5 decades. The firm undertakes statutory audits of large listed companies across various industry sectors & has more than 50 qualified experienced professionals. CA Giri has been assigned as an Engagement Quality Control Reviewer for an audit engagement of a listed company. What are the aspects which would be looked into by CA Giri as an EQCR in relation to the engagement? Upon completion of the review, CA Giri has identified certain issues, with respect to revenue recognition & adequacy of provisions relating to onerous contracts. The views of CA Giri are not accepted by EP. Suggest the ways of resolving the differences of opinion between CA Giri & EP.</p> <p style="text-align: right;">(5 Marks May 2024)</p>
	<ul style="list-style-type: none"> As per SA 220, for audits of FS of listed entities, CA. Giri, the engagement quality control reviewer, on performing an EQCR, shall also consider the following:

	<ul style="list-style-type: none"> ➔ The engagement team's evaluation of the firm's independence in relation to the audit engagement; ➔ Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, & the conclusions arising from those consultations; ➔ Whether audit documentation selected for review reflects the work performed in relation to the significant judgments made & supports the conclusions reached. <ul style="list-style-type: none"> ■ As per SQC 1, there might be difference of opinion within engagement team, with those consulted & between EP & engagement quality control reviewer. The report should only be issued after resolution of such differences. In case, recommendations of engagement quality control reviewer are not accepted by EP & matter is not resolved to reviewer's satisfaction, the matter should be resolved by following established procedures of firm like by consulting with another practitioner or firm, or a professional or regulatory body. ■ In the given situation, under completion of review, CA. Giri, Engagement Quality Control Reviewer has identified certain issues. However, the view of CA Giri, the EQCR are not accepted by EP. This difference of opinion among the CA Giri & EP should be resolved with abovementioned manner as per SQC 1.
12.	<p>STA & Associates, CAs, is an upcoming firm & its good professional services are hired by diverse clients for assurance services. With a standing of seven years in practice, the firm has clients in various industries like health care, education, hospitality, manufacturing & many more. With the increasing assignments, changes in regulatory compliances & appointment of new personnel, the senior partner CA T is concerned with the proper functioning of the system of Quality control within the firm. He wants to ensure that policies & procedures relating to the system of quality control of the firm are complied with properly. CA T suggests that a proper monitoring of quality control will be the right approach. Discuss the factors that are to be considered by CA T for monitoring the quality control of engagements to ensure that they comply with SQC. (5 Marks Nov 2024)</p>
	<ul style="list-style-type: none"> ■ The firm should ensure that policies & procedures relating to the system of quality control are relevant, adequate, operating effectively & complied with in practice. Such policies & procedures should include an ongoing consideration & evaluation of the firm's system of quality control, including a periodic inspection of a selection of completed engagements. ■ Quality control of engagements has to be monitored taking into account following factors: <ul style="list-style-type: none"> ➔ Deciding whether quality control system of firm has been appropriately designed & effectively implemented. ➔ Examining whether new developments in professional standards, legal & regulatory requirements have been reflected in the quality control policies. ➔ Conducting monitoring by entrusting responsibility of monitoring process to a partner or other persons with sufficient & appropriate experience & authority in the firm. ➔ Dealing with complaints & allegations against the firm or any employees of it of non-compliance with professional standards or appropriate regulatory requirements by a person within or outside the firm. ➔ Taking appropriate remedial actions against personnel who did not conform to quality control policies. ➔ Taking action when deficiencies in design or operation of firm's quality control policies & procedures, or non-compliance with firm's quality control system are identified.