SA-220 - Quality Control For an Audit of F.S.

Implement QC procedures at Engagement Level which provide Reasonable Assurance.

SQC-1 → firm level
SA-220 → Engagement level

(a.) Leadership Responsibilities for Quality in AUDIT

- Of Engagement Partner for Overall Quality on Each A.E.
- He Should Emphasizes the following to Engagement Team (ET)

→ Compliance with Prof. Standards & Legal Requirements

→ Compliance with firm's QC procedures

→ Issuance of Appropriate A. Report

→ Ability to Raise Concerns Without fear

→ Quality ~~is~~ Essential & Indispensable in Engagement Performance

(b.) Relevant Ethical Requirements

EP to remain ALERT for Evidence of Non-Compliance by ET through:-

◊ Inquiry

◊ Observation

If any Indication of Non-Compliance

↓

EP should

- Consult with Others in the firm
- Determine Appropriate Actions

(C.) Independence (I)

Form a Conclusion

↓

Obtain Relevant Info. from firm

↓

Circumstances & Relationship that threatens I

↓

Evaluate Info. on Identified Breaches

↓

If these threaten I of Audit Engagement

↓

- Take Appropriate Action to Eliminate threats

OR

- Report Inability to firm

(D.) Acceptance & Continuance of Client Relationship & A. Engagement

E.P. → App. Procedures
→ Conclusions are appropriate

BUT if EP obtains Info that would Cause firm to withdraw
↓
Communicate Info. promptly to firm.

⇒ Examples of such Info. are.

- Integrity of Owners, Key Mgt., TCWG
- Competency of E Team to perform A.E. & Availibility of → Capabilities → Time → Resources
- Compliance with Relevant Ethical Req. by firm & E. Team.
- Significant matters arisen during A. E. & their Implications for Continuing the relationship

(E.) Assignment of E.Team

ET & Auditor's Expert has Appropriate Competence & capabilities to :-

↓ Perform A.E. as per Professional Stds. & legal or Regulatory Requirements

↓ Auditor's Report to be Appropriate

(F.) Monitoring

↳ helps in obtaining Reasonable assurance of its Policies & Procedures to system of QC are Relevant, Adequate and Operating Effectively.

→ EP considers the following for monitoring QC policies

- $\boxed{\text{Results}}$ of firm's Monitoring Process
- Whether $\boxed{\text{Deficiencies}}$ may affect A. Engagement

(G.) Engagement Performance

Direction, Supervision & Performance

EP → ET

(for • Compliance with Stds & Legal Requirements

• Auditor's Report to be Appropriated)

Consultation

ET ← XYZ consultation Co.

EP takes responsibility

• On Difficult Issues
• EP Satisfied that Consultation taken
• Nature, Scope & Conclusions of Consultation
  → Agreed b/w EP & Consultant
  → Conclusions have been Implemented

Reviews

EP will Review as per Firm's Review Policies & Procedures of

→ SAAE has been Obtained to support the Conclusions Reached by
  → Reviewing Audit Documentation
  → Discussion with ET

Engagement QC Review

Audit of FS of Listed Co. → Other A.E.

EP will determine :-

• EQC Reviewer had been appointed
• Discuss Significant Matters with EQCR.

Imp: • Not date Audit Report until Completion of EQCR

EQCR's Evaluation

• Discussion of Significant Matters with ET.
• Review
  → FS & proposed A. Report → whether Appropriate
  → Selected A. Documentation

for Listed ~~Entities~~

→ Firm's Independence
→ Consultation taken
→ Selected A. Docu. reflects work performed

Documentation

• By Auditor
  → Issues Identified
  → Compliance with I
  → Acceptance & Cont. of Client Relationships

• By EQCR
  → Procedures performed
  → Date before A. Report
  → Not aware of any Unresolved Matters

Differences of Opinion

→ within ET
→ Consultant
→ EP & EQCR

∴ follow firm's policies.