1. OBJECTIVE

    a. Auditor to implement quality control (QC) at Engagement level to get reasonable assurance (RA) that

        i. Audit complies with professional standards + Applicable Regulatory and Legal Framework (ARLF)

        ii. Audit report issued is appropriate in the circumstances

2. REQUIREMENTS – Mnemonics (L-E-IN-C-ET-EP-RC-EQR) (LIEN CET EPRC EQR)

    a. Leadership Responsibility – L

        i. Engagement partner (EP) responsible for QC

        ii. EP is a partner or other person incharge of audit engagement

    b. Ethical Responsibility – E

        i. EP responsible to Remain alter throughout engagement for evidence of compliance with ethical requirements by team members by – inquiry and observation

        ii. EP comes to know of non compliance then determine action in consultation with others – DOCUMENTATION REQUIRED

    c. Independence – I - DOCUMENTATION REQUIRED

        i. EP to conclude about independence requirement

        ii. EP to obtain information from the firm + network firms regarding

            1. Circumstances and

            2. Relationships that are a threat to independence

        iii. Evaluate the information on the basis of identified breaches (if any)

        iv. Take action to reduce the threat to an acceptable level or withdraw from engagement

    d. Client acceptance and continuance – C

    EP should be satisfied that appropriate procedures undertaken regarding acceptance and continuance of client relationship. If he receives any information due to which the firm would have declined the audit engagement then he should communicate to the firm. DOCUMENTATION REQUIRED

    e. Assignment of Engagement Team – ET

EP should be satisfied that Engagement Team ET have appropriate competence and capabilities to

1. Perform audit as per professional standards and legal requirements
2. Will be able to give an audit report that is appropriate in the circumstances

f. <u>Engagement Performance – EP</u>

   i. EP responsible for

      1. Direction and supervision that the audit is being done as per the SA and law
      2. Audit report will be appropriate in the circumstances

g. <u>Review – R</u>

   i. EP responsible to do review before audit report date

h. <u>Consultation – C – DOCUMENTATION REQUIRED</u>

   i. EP responsible for ET consultation

   ii. EP should be satisfied that

      1. ET has taken appropriate consultation where required
      2. Nature, Scope and Conclusions agreed with the party consulted

   iii. EP to determine that the conclusions from consultation are implemented

i. <u>Engagement Quality Review – EQR</u>

   i. For audit of listed company and other audits where review required then, EP should

      1. Determine the appointment of EQ reviewer
      2. Discuss significant matter with EQ reviewer
      3. Not date the audit report till the completion of EQR

   ii. EQ Reviewers work

      1. Discuss important matters with EP
      2. Review Financial Statement and proposed audit report

3. Review selected documentation and conclusions and judgement
4. Evaluation of conclusions in preparing audit report and see if the report is appropriate
5. For listed companies
    a. See the Engagement teams evaluation of firms independence
    b. Appropriate consultation taken in difficult matters
    c. Audit documentation reflects work performed in relation to significant judgments and conclusions

3. Difference of opinion – Difference of opinion between ET, ET and EP, EP and EQR then solve as per firms policy
4. Monitoring – Monitoring should be done to obtain reasonable assurance that policies and procedures relating to QC are relevant, adequate, operating effectively. EP to consider the result of monitoring progress.

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