SA-210

SQC-1
Standard on quality Control
$\boxed{\text{SA-220}}$ same

AGREEING THE TERMS OF AUDIT ENGAGEMENT

★★★★★ Pre Conditions For An Audit

(i) Wheather Management ~~has~~ uses acceptable FRF
(ii) Acknowledgement of Responsibility by Management

- Financial Statement as Per FRF
- IC System are free from Frauds

Provide

- All Information
- Additional Information
- Unrestricted Access to Persons

Should not accept Audit if
(i) Conditions not Present
(ii) Prior to Acceptance, Management Imposes Limitation

SA 200 ⇒ ~~adopted~~ O R S Error Judge by ...

Inherent Limited ⇒ Nature of { Financial Reporting
Audit Procedure
Time, Cost.

⇒ ... full ... 240

Audit Engagement Terms

Letter should include- Reasonable assurance of misstatement

O — objectives of Audit ← Consider SA

Form opinion & all other SA

R — Responsibility of Auditor and Management

⇓ ethical ⇒ 220 दो का

S — Scope of Audit Professional Skepticism

⇓ opinion ⇒ future ~~viability~~ ~~IC~~ Professional Judgement

F- Identification of FRF effectiveness & efficiency 450 500

L If law prescribes terms then No need for seperate written $\boxed{\text{terms}}$ if ~~Management agree.~~
except Mgt acknowledge and understand responsibility

Revision

⇓

Low level of Assurance

Reasonable ⇓ Agree

Not Reasonable ⇓ If Management does not Agree ⇓ Withdraw & Communicate to TCWG & Members

Not in SA

Engagement Letter

Address → Compliance with law → What Auditor will do

Inherent limitation → IC effect on opinion → IC Communication to TCWG ↑

SA - 220

Quality CONTROL FOR AUDIT OF F-ST.

every thing going as per Firm's Policy & Procedures

Defination
- Engagement Documentation
- Engagement Partner
- Engagement Q-C- Review & Reviewer
- Engagement team
- Firm
- Monitoring , Inspection
- Network Firm & Staff

Engagement Partner will do every thing in this SA

Elements

L - Leadership
- Experienced
- Responsible
- Good Internal Culture with PU

E - Ethical Requirement
- O - objectivity
- I - Integrity
- P - Professional Behaviour
- C - Confidentiality
- C - Care

A - Acceptance & Contuity of client
- ~~PU should be Competent~~
- ~~client should have Integrity~~
- App procedure was for Relations
- If Deficy then Command asap

H

Human Resource

⇓

Capable & Experienced

& work assign करें।

U

Unbaised / Independent

⇓

Threats
- withdraw
- minimum

M

Monitoring

After Completion, See, QC are maintained or not

[Includes Inspection

If Deficiency then Appropriate Measure,

Mamtam Work Paper

E - Engagement Performance

Review
⇓
all app evidences take or not

Evaluate Judgement & Conclusions
⇑

Supervision ⇓ Responsibility to Supervise

Consultation ⇓ Responsibility to Consult appropriately with Experts

Difference of opinion ⇓ How Resolved

Engagement Q.C. Review

Appoint Reviewer? For listed Companies & Particular Criteria

कितना Review ⇒ discuss significant matter
कौन करेगा Proposed Audit Report
~~Working Paper~~ ~~of~~ Review Documentation
Confidentiality of Working Paper of Review ⇓ support
जब तक QCR ना हो Audit Report पर Date ना डले Conclusion

Engagement Partner - ~~other~~ Partner other Person in Firm (CA full time in Practice)

Monitoring - Evaluation of firm System of Q.C. includes inspection.

Engagement QC Review - Anybody to Review
Network Firm - Entity under Common Control ownership (National (International)

Staff - Professional other than Partners.

Appropriate Consultation ←
⇓
Conclusion

Documental - Procedures ← Completed Audit - Unresolved matt
Issues resolve ← Conclu & ~~accep~~ acceptance & Continuity

SA - 230

AUDIT DOCUMENTATION

Date ____
Page ____

|| Audit Documentation ||

Meaning

It is a record / Working paper of
- Audit Procedures ① performed
- Audit Evidences ② obtained
- on basis of which Conclusions ③ are made by Auditor

Audit File
↓
File / Folder which keeps Documents in electronic or physical Form

Experienced Auditor
↓
Person having deep knowledge of SA, business environment etc.

Documentation

Who Performed – Kamal Chawla
Who Reviewed – D A [redacted] Garg

→ Significant Matter
Evidences obtained
NTE of Procedures
Nature, Time, Extent.

Change after Reporting Audit Report

Benefits

- Ensures
  ↓
  Basis of Audit Report
  All SA are followed
- For Supervision
  Review
- Fix Accountability
  Future Controlling

Note: Documents should be kept $\boxed{\text{7 years}}$ from date of Signing of Audit Report.

Not in SA

Documentation should be

As per Circumstances
In Standard Form
dated & Signed
Confidential & Proper Care

Permanent Audit File	Current Audit File
Legal Documents like MoA, AoA. (1)	Transaction & Balances
(2) Minutes of Audit.	(1) NTE of Procedures
I C	Communication Copies with — other Auditor, Assistant, Experts
Financial Statement of Previous year	(2) Conclusions by Auditor
Ratios and Trends	(3) Minutes of BOD
Notes to Accounting Policies	

Audit Notebook → Bound Book Contains large Variety of Matters i.e. quries not solved, important things कमियां, Future referred matters

Note:- Documentation is property of Auditor

SA-200 → Rule of Confidentiality should be Followed for Documentation for third Party.

Entity has no right on Documentation but Auditor may give them this Right. It is not a voilation of Confidentiality

SA - 240

AUDITOR RESPONSIBILITY RELATING TO FRAUD IN AUDIT OF F.ST.

Date:
Page No.:

General
- → obtain Reasonable Assurance that F.St. is free from fraud
- → He can-not detect all Mis-statement because Risk of Mis-detection of Fraud is high

⇓

So, Maintain Professional Skepticism
- Discuss within team For any doubt
- Written Representation
  - Responsibility
  - Assessment of Risk.
  - Doubt of Fraud

Risk Assessment Procedures
- → Enquiry
  - Management
    - Procedure to Identify Fraud and responding
    - Communication to TCWG & Employee
  - TCWG
    - Supervision by them
    - Knowledge of any fraud
- → Risk
  - Assess (SA 315)
    - Assertion Level
    - Financial Statement Level
  - Response (SA 330)
    - Assertion level
    - Financial statement Level
    - Significant Risk
    - overall
- → ARP → show Unusual Relationship → extended Procedures
  (Analytical Review Procedures)

Evaluation of Evidences → He Finds Mis-statement

It is Fraud

Consider Reliability of Written Representation

Revise the Risk.

It is not fraud

O.K.

Communication & Documentation → If Fraud or Indicator of Fraud

⇓

Communicate at appropriate Level

+

TCWG (If Relevent)

Documentation

→ SA - 315, 330

→ His Communication

→ Significance of Fraud

Unable to Continue

If Many material Frauds

⇓ appropriate

Whether to Continue

Yes

⇓

Audit Report Effect

No

⇓

Discuss with TCWG

⇓

Withdraw

↓

Communicate Reason

Appointing Authority

Regulatory Authority

Incoming Auditor

SA-250 ⇒ Basic

CONSIDERATION OF LAWS & REGULATIONS IN AUDIT OF FINANCIAL STATEMENTS

1) Basic Responsibility & Procedures

Management is Responsible For Prevention & Detection oF Non-Compliance

Auditor should obtain General Understanding of Regulatory Framework, & how entity work. (SA-315)

Laws having Direct Impact on Amount & Disclosure in F-St.
⇓
obtain SuFFicient & appropriate evidences For Compliance

Indirect Impact i.e. may or may not have impact on F-St.
⇓
Perform Limited Procedures for Non-Compliance

2) Working Paper

- Identified Non-Compliance
- Suspected Non-Compliance
- His Communication with TCWG

Note:
Identified Non-Compliance
⇓
Examine Impact on Financial Statement
⇓
Ask TCWG & Consult lawyer if any.

Auditor has to alert for any doubtful situation.

Reporting

TCWG

- TCWG involved ⇒ Communicate to Supervisory board i.e. Next Level or
- Comm-action X ⇒ take legal Advice
- TCWG not Involved ⇒ Communicate immediately

Audit Report

- Material Mis-statement affecting F.St. ⇒ Qualified / Adverse ~~Adverse~~ Report ~~Disclaimer~~
- Unable to Conclude due to
  - Management ⇒ Qualified / Report Disclaimer
  - circumstances ⇓ effect on Audit Report

Regulatory Authority — Communicate if Required under any law

SA-260

COMMUNICATION WITH TCWG

Date:
Page No.:

Defination — TCWG

Management

Note: Communication may be with Subgroups of TCWG
e.g. Audit Commettee

Matters to be Communicated

I - Independence [Listed Company] — Statement For ethical Requirement Compliance by Auditors
— Statement for Safeguard for Threats to eliminate

F - Findings
→ Significant Matters & Qualitative Aspects (Auditor view on) in practice of system of A/C
→ Difficulty in obtaining evidences
→ Week IC & Written Representation
→ others

R — Responsibility ⟶ of Management & of Auditor

S - Scope — As per SA -200 [law, client, ICAI] X Not Restricted by client

TCWG →

Persons or organisation having responsibility for overseeing the strategic decision of entity.

Management →

The Persons with executive responsibility for Conduct entity operations.

SA-265

Communicating Deficiency Of Internal Control With TCWG

Deficiency → Control to Prevent, Detect & Correct Mis-statement is Missing

→ Control is present but unable to prevent, detect, correct Mis-statement.

SA-240

SA 315

While performing Risk Assessment Procedures, he obtains understanding of IC about deficiency and other matters of IC but He does not express opinion on IC..

Identified deficiency in IC

⇓

Consider Is it Significant

Yes	No
⇓	⇓
Communicate to TCWG & Management	Communicate to Management if required by Professional Judgement

Written Communication

Discription of defficiency & its effect

Tell them opinion is not on IC

only for Significant matters.

communication is limited to those deficiencies which are considered as significant by auditor.

SA - 299

Date:
Page No.:

RESPONSIBILITY OF JOINT AUDITORS

Meaning

Due to large quantity of Work, when two or more Practicing units are appointed to conduct audit of an entity.

Work is divided on basis of →

Co-ordination

- T - Time
- F - Functional areas.
- G - Geographical Location
- F - Financial Statement

Note: No need to check work done by other Joint Auditor.

Responsibility

Seperate	Joint
Work Alloted.	→ Undivided Work.
Audit Program.	→ Collective decision w.r.t. NTE
Documentation.	→ Disclosure Requirement
components.	Statutory Req. of Audit Report.

Difference of opinion

Those disagree with others may give their own opinion through a seperate Report.

However, Joint auditors are not bound by majority opinion.

SA - 300

PLANNING AN AUDIT OF FINANCIAL STATEMENT

Planning

(i) Preliminary Activities Engagement ~~Audit~~

- (C) Continuence of client Relations
- (E) Ethics for Independence

SA-220 quality Control

- terms

SA-210 Engagement letter

Performing Procedures regarding

Initial Audit Engagement

(A) Acceptance of client Relat. (SA-220 (Q.C.)) + Communicate with Previous Auditor

(ii) Planning Activities

Update (E) Documentation

(F)

Strategy

- Use of Knowledge From other engagements
- NTE determination
- Report objectives
- characteristics of Audit Scope

RUN For Audit Scope characteristics

Audit Plan

Description for

SA - 315 - NTE of Planned Risk Assess

SA - 330 at assertion level

others

SA - 315

Date
Page

IDENTIFING & ASSESSING RISK OF material MIS-STATEMENT Through UNDERSTANDING ENTITY & ENVIRONMENT

In this SA, Auditor will

⇓

Understand

Entity & its Environment

R- Regulation
B- Business Risk
I- Industry
F- Financial Performance
A- A/c Policy
N- Nature of Entity

Internal Controls

I- Information System
C- Control Environment
R- Risk Assessment Procedures
A- Activities (w.r.t. like IT) of entity
M- Monitoring IC
→ Assess & Respond Misstatement

Risk Assesment Procedures

→ Consider knowledge in
- other engagements
- Previous Audit

Discussion within Team

ARP, Inquiry, Inspection, observation

Identify & Access the Risk

S- Significant Risk
I- IT related Risk → Incomplete & Inaccurate Recording
R- Revision of Risk

SA - 330

Date
Page

AUDITOR RESPONSES TO ASSESSED RISK

If Identified & Assessed Risk is

High
↓
More Test of Controls
More Substantive Procedure

Low
↓
~~less~~ Test of Controls
less Sustantive Proced.

But He must Perform, some substantive Procedures
Assertion level

Test oF ~~Details~~ Controls

Perform it → if IC seems good

Use knowledge from
- Interim Period - IC
- Previous Audit - IC

Consider change

check Control over Significant Risk & Evaluate their operating effectiveness. & If any weekness then tell to TCWG

Substantive Procedures

He will perform some substantive Procedures ir-respective of Degree of Risk.

Substantial Procedures
- Financial statement closing
  ↓
  A/S with Balances ~~Reco with Books~~ of FS G
- Significant Risk
  ↓
  NTE ↑

SA-320 MI

Date ____
Page ____

MATERIALITY IN PLANNING AND PERFORMING AUDIT

Meaning

Material Items are those items which may affect the decision of Users of Financial Statement identified by size, nature and statutory Provisions regarding these items

It is Considered

While
- Planning An Audit
- Performing An Audit

At
- Assertion level - Indivisual Item Level
- Financial Statement Level

Revision is allowed

Performance Materiality

Setting Lower level than Materiality Level for Particular

C → class OF transactions
A → Account Balances
D → Disclosures

Not in SA

☆ **Materiality And Audit Risk**

↓

Inverse Relation.

Aggregate Uncorrected Mis-statements

= Specifically Identified

+ not Identified (Multiple)

= Total / Net effect

Ask Management
to Adjust Mis-statement
in Financial Statement

Management does

O.K.

Management Refuse

↓

Qualified / Adverse opinion

SA-402

AUDIT CONSIDERATION RELATING TO AN ENTITY USING SERVICE ORGANISATION

Definations
- Type-1 Repord
- Type-2 Repood
- Service Auditor
- Service Organisation
- Subservice Organisation
- User Auditor, User Entity

1. obtaining Understanding of Services rendered under SA-315 using Type-1 and Type-2 Report and Contacting & Visit them
   ⇓
   Nature of Services & Relationship

2. Responding to Assessed Risks as per SA-330 using Type-2 report

3. Demanding Subservice Organisation Services if not present in Type 1 & Type 2 report

4. If any Mis-statement, Fraud, Non Compliance with law relating to Service organisation → NTE ↑ & affect on Audit report.

Date :
Page No. :

Reporting

The User Auditor shall not refer to the work of Service Auditor. If its reference is necessary then he will indicate that reference will not dimish ~~SA~~ Auditor's responsibility

Type - 1 Report - Report on description & design of Control at Service organisation

By Management | By Service Auditor

Type - 2 Report - Report on description & design and [redacted] operating effectiveness of Control at Service organisation

SA-330

By Management | By Service Auditor

Service Auditor - An Auditor on request of Service Organisation provides assurance report on Control

Service Organisation - Organisation Providing Service

Sub-Service Organisation - Organisation appointed by Service Organisation for Services to be performed of main entity

User Auditor, User Entity - Auditor & Entity of User

SA-450

EVALUATION OF MIS-STATEMENT DURING AUDIT

Mis-statement – Difference b/w the Value that is Correct & Actual Value in Financial Statements

UnCorrected Mis-statements – Aggregate Value of Mis-statements not Corrected.

First of All

Auditor ← Written Representation — TCWG & Management

that { Un Corrected Mis-statements are im-material

Then

Accumulate All Mis-statements, except trivial (minor)

- Material
  - By Size
  - By Nature
  - UnCorrected of Previous year,
  - Statutory Provision

  ⇓

  Perform additional Procedures & Revision of Plan

  ⇓

  Communicate to appropriate level (Mgt) TCWG
  - Refuses to Correct
    ⇓
    Consider Reason & affect on Audit Report
  - O.K. but identify other Mis-statement
- Immaterial (Ignore)

SA - 500

AUDIT EVIDENCES

4

Audit Evidence

Defination
- Accounting Records
- Audit Evidences
- Sufficiency & Appropriateness
- Management Expert

(Person having knowledge other than A/c & Audit to assist the entity)

Methods to obtain audit Evidences

O - observation
R - Reperformance - execution of Procedure
I - Inspection - examine records
C - Computation - Re compute
A - Analytical Procedures
I - Inquiry and Confirmation

How Reliability Can be derived ?

Auditor obtain evidences (instead of Management)
From external Sources (Instead of Internal)
which are original (Instead of Photo Copy)
& written (Instead of Oral)

In Consistency Situation

If Auditor has any doubt on Reliability of Information i.e. Information derived from two sources are not same then Work ↑ and appropriate modifications in Procedures should be done.

When to use Mgt Exp work?
M - Motive of Exp
R - Req. of Work by exp
E - External Brd
NTS of

Date ____
Page ____

Defination

Accounting Records - Recording of transactions of Accounting Physically or electronically.

Audit Evidences - Any Information for drawing Conclusion & express opinion there-on.

Sufficiency ~~& Accuracy~~ - Reasonable in quantity

Appropriate - Reasonable in quality

Management Expert - Person having knowledge other than Accounts and Audit to assist the entity.

Factors affecting Sufficiency & appropriateness

M - Materiality

A - Accounting Ratios

F - Fraud & Errors

I - Information type

M - Mis-statement Risk

Types of Audit Evidences

As Per Nature → {Visual, Documentary, Oral

As Per Source {Internal or external

Procedure to obtain Evidences

- Compliance
  - Existence
  - Effective
  - Continuity
- Substantive
  - Test of Details
    - vouching
    - Balance verificat
  - Analytical Procedures

SA-501

AUDIT EVIDENCES

Specific Consideration for Specific items

Stock

Responsibility - Management but Auditor should examine Counting by attending during physical Counting and evaluate IC System

Condition-1	Solution
(1) Auditors is not able to available at Counting	Count on alternate date
(2) It is not possible to attend Counting Practically	modify = Alternate Procedures & affect on Audit Report
(3) Counting other than B/S date	Make Adjustment between two periods
(4) Inventory Control by third Party	Request Confirmation from third Party & attend Counting

Litigation and Claims

{Legal expenses A/c}

Perform Procedures to obtain information for litigation & claims & Review Legal Expenses Account

⇓

Risk of Mis-statement

⇓

Communicate with External legal Councel

- law permits then o.k.
- law does not permits ⇓ Alternate Procedures

obtain Written Representation from TCWG & Management

If Management does not support ⇒ modify opinion

Segment Information

If any Company produces many product then It has to present & disclose different Rate of Returns & Return on Sale as per applicable FRF.

When SA-505

EXTERNAL CONFIRMATION

|| External Confirmation ||

It is a Audit Evidence obtained from third party in written on paper or electronic form or other Form

Procedure

कौन सी मंगवानी है।
Selecting Information to be Confirmed
किस पार्टी से मंगवानी है
Selecting third party
Design Confirmation Request
Send

D → Determine
S → Select
D → Design
S → Send.

→ Positive Confirmation Request
[Reply in all Cases]

→ Negative Confirmation Request
[Reply in disaggrement only]

Amount ↓
Risk of Mis-statement ↓
IC ↑
Third Party Trust ↑

⇓

Reply (If Necessary)

(No Mis-statement) Yes
Reliable O.K.
Not-Reliable Work ↑

Yes (Mis-statement) ⇓ Consider it

No
Can do alternate sufficient Procedure ⇓ Do it
Can-not do Alternate Procedures ⇓ Affect on Audit Report

Written Reasons from Mgt

Management Refuses to allow Auditor to send Confirmation Request

Reason is Reasonable

⇓

Alternative Procedure

UnReasonable

⇓

Can-not do alternative Procedure

⇓

Communicate to TCWG & affect on Report.

SA-510

INITIAL AUDIT ENGAGEMENT – OPENING BALANCES

Date:
Page No.:

SA is applicable – Prior Period not Audited
– Audited by Predecessor Auditor
other Firm

Auditor's Procedures

Opening Balances – Read Prior Period ~~[illegible]~~ FS & Audit Reports
Verify Brought Forward
Prior Period adjustment
⇓
If Doubt, Communicate to TCWG

Consistency of Accounting Policy
→ Yes ⇒ O.K.
→ No ⇒ check Compliance with FRF

Predecessor's Audit Report – If any modification in Predecessor Audit Report, evaluate effect on matter w.r.t. Current year Financial Statement

Conclusion & Reporting

Opening Balances →
- → Unable to obtain evidence → Q/d (pervasive material / हो material)
- → Previous Mis-statements not adjusted → Q/A

Consistency of Accounting Policy →
- → change not as per FRF → Q/A
- Consistent not as per FRF → Previous change in A/C Policy not adjusted → Q/A

Modification in Predecessor's Audit → Relevant for current year not adjusted → Q/A,

SA - 520

ANALYTICAL PROCEDURES

Analytical Procedures

Meaning

Analysis of Relationship Among

- Financial & Financial Data
- Non-Financial & Non Financial Data

Objective of Auditor w.r.t. Analytical Procedures

obtain evidences → Substantive Analytical Procedures

Design & Perform near end of Audit → Analytical Procedures

Factors determining Substantive Analytical Procedures

Suitability — in GP Ratio but may not in some Cases

Reliability — affected by Sources & Information

Expectation — Expected Value

Difference of Recorded Amount & Expectation — difference

Result

Procedures in Positive and Negative Result

SA-530

AUDIT SAMPLING

(Test Checking)

Meaning and Scope

choosing and Use of Sample with statistical or Non statistical Sampling for

Compliance Proced = Test of Controls ⇒ ज्यादा Rely किया था
Substantial Procedure = Test of Details

{material misstated} Over-reliance / under-reliance

Definations

Audit Sampling – examing less than 100% of items in all items

Population – Entire Set of data.

Sampling Risk – Risk for inefficient & InCorrect Results

Non-Sampling Risk – Wrong Results by reason other than Sampling Risk.

Anomaly – not generally ~~reacted~~ met
Misstatement not representing whole Population

Sampling Unit – Item/s Representing entire Set of data.

Statistical Sampling – Randum Selection & Use of Probablity
Non-Statistical Sampling – other than Statistical Sampling
Stratification – Dividing population in groups of same characteristics.
Tolerable Mis-statement – Level above below which mis-statement is not significant
Tolerable Rate of Deviation – Internal Control Procedure से deviate होने का Rate

level of mis-statement till that Assurance level

Unable to ~~obtain~~ ~~audit~~ ~~evidence~~
do designed audit Procedure
⇓
Treat it as deviation or misstatement.

All items should have equal chance of Selection then We will perform Audit Procedures on Selected items and we will find

2 mis-statement in 100 then = $\boxed{2000}$ in 1,00,000

↓ Projecting Mis-statement

40/-

then We will find Final Results of Sampling.

Sampling Risk

different

Conclusion based on Sample ⟷ Conclusion from Some Procedures on whole Population

Types of Sampling Risk

Test of Controls :-

↓

① Control effectiveness ⇒ Results > Actual effective

② Results < Actual effective

Non- Statistical
Other than Statistical

Statistical Sampling
- Random
- Probability

SA - 540

AUDITING ACCOUNTING ESTIMATES INCUDING Fair Value Accounting Estimates & Related Disclosed

Accounting Estimates & AS & FRF Follow — Responsibility of Management

⇓

If Auditor has any doubt in any Estimate

⇓

Work ↑

⇓

Take Evidences — Written Representation from Management for their estimates

⇓

Make Range of ~~E~~ Provision

- Provision made is in Range
  - ⇓ O.K.
- Provision is out of Range
  - Ask Management ⇓ Management adjusted ⇓ O.K.
  - Ask Management ⇓ Not Adjusted Q/A Report

इसकी Range

SA-550

Book

Date:

Page No.:

RELATED PARTIES

Meaning

It includes Entity / Person
- having influence on client
- over which Entity has Control or Influence

Entity / Person
- Common ownership
- close family member ownership
- Common Key Management

Management Responsibility –

Identification, Disclosure & Accounting of Related Parties

Risk Assessment Procedures

Enquiry → Management
- Related Parties Relationship
- changes from Previous year
- Transactions with them

IC Understanding

Share Information with Team

Identify undisclosed Related Parties.

Related parties may be

1. Holding, subsidiary, co-subsidiary.
2. Associate, Joint-venture, co-ventures.
3. Individual – control, significant influence.
4. Key mgt. personnel & Relatives.
5. Enterprise over which ③ & ④ have significant influence.

Responses to Risk

Undisclosed Related Party
- Communication with Team
- Work ↑
- Consider Reliability of Written Representation

Abnormal transaction with Related Party
- See Contract
- Fraud Enquiry
- Disclosure in F. St.

Related Party Transaction = Arm length Transactions
- obtain evidence
- obtain written Representation
- Communicate to TCWG

Conclusion

Whether Related Party transaction
- Properly Accounted
- Disclosed
- Misleading financial St.

→ Q/A Report

Maintain Documentation as per SA, 230, Audit Documentation

Name, Nature of Related Party.

SA - 560

SUBSEQUENT EVENTS

31/3	30/4	30/6	30/9
Date of F.St.	Date of App. of F.St.	Audit Report	Issue of F.St. & Audit Report

— = Subsequent Event

Confirming Condition Existed on B/S date	Confirming Condition arised after B/S date	Affecting Going Concern or Statutory Pro.
⇓	⇓	⇓
Adjust in F.St.	Not Adjusted in F.St.	Adjust & make A/c as per Non-Going Concern

No Requirement to see Condition for Proposed Dividend

After Date of Audit Report

No obligation For Any Procedure

But If known on date of Audit Report, Auditor's opinion will definitely change So,

⇓

Discuss with Management & TCWG < Matter / Its treatment

- Management or TCWG Amends
  - ⇓ Perform New Procedure
    - Amend AR to include additional date restricted to Amendment.
    - New AR including EOM Para. that only that only this matter is amended
- Does not Amend
  - AR not given ⇓ Modified opinion
  - AR given to entity ⇓ Notify TCWG not to issue ⇓ Still issued, take action.

After Financial Statements Issued

No obligation for Any Procedure

⇓

But if known on date of Audit Report, Auditor's opinion will definitely change So,

⇓

Discuss with TCWG < Matter / treatment

⇓

If Management informs every one in receipt of Previously issued F.St. & Amend the F.St.

- Yes ↓ New Audit Report
- No ↓ Take Actions for non-Reliance by Parties

SA-570

Date :
Page No. :

GOING CONCERN

Management Responsibility
⇓
Access Entity's ability to Continue as Going Concern

Yes — O.K.
No ⇓ disclose in F.St.

Auditor's Duty
⇓
Consider Appropriateness of Going Concern
No Guarantee for future Performance

obtain Written Representation & see uncertainity of future & Communication with TCWG

Auditor Comment

- Going Concern is appropriate
- is inappropriate
- Not Resolved

Due to Mitigatory Factors [positive factors to remove indigators]
⇓
Auditor Considers that wheather It need to be disclosed in Financial Statement

- Yes (Ask Management)
  - Management disclose
  - Management does not disclose ⇓ Q/A Report
- No

otherwise

Going Concern is Inappropriate →

⇓

Adverse Report

Question Not Resolved ⇒

Wheather F.St. discloses

↓ Yes ⇓ EOM Para

↓ No ⇓ Q/d Report

SA - 580

WRITTEN REPRESENTATION

|| Written Representation ||

Meaning

It is a written statement provided to Auditor to Confirm matter or to support Audit Evidence.

WR are not part of financial stat.

Nature

⇒ Written Representation are Audit Evidences but not sufficient & appropriate on their own and does not affect nature and extent of other Evidences

Types

Written Representation

- For Accuracy of Financial Statement
- As per terms of Audit
- SA's

Written Representation

Date: Not after date of Audit Report.
Address: To The Auditor,

- Given to Auditor
  - Reliable ⇓
  - Not Reliable (Inconsistency) ⇓
- Not given to Auditor ⇓ affect on Audit Report

Discuss matter with mgt

SA-600

USING WORK OF OTHER AUDITOR

This SA is not applicable on → { Joint Auditors
Predecessor Auditor }

$\boxed{\text{Principal Auditor}}$ —Tell him Area, Time, Limitation, other Requirement→ $\boxed{\text{Another Auditor}}$

Another Auditor ⇓ should have skill & Competence

Principal Auditor → may demand questionnaire, Supplement test.

Reporting

IF Report of Another Auditor is Adverse/qualified then Principal Auditor will judge that Wheather I have to modify ~~qual~~ my Audit Report or not and will say that I have given my Audit Report after relying on Audit Report of another Auditor

Principal Auditor Report ⇓ Qld →

If He Can-not use work of another Auditor.

If He Can-not able to perform sufficient additional Procedure.

SA-610

USING WORK OF INTERNAL AUDITOR

Date ______
Page ______

Using Work of Internal Auditor

Internal Auditing is a part of Internal Control System.

Scope

(2) Not Applicable → Internal Auditor directly Assist External Auditor
→ If law does not permit Internal Auditor to show books to External Auditor

Relation with External Auditor

External Auditor is solely responsible for expressing opinion on Financial statement. If He uses work of Internal Auditor then He will be solely responsible for work adopted.

& Difference of Internal & External Auditor.

External Auditor Will determine (4)

- Whether to Use Work of Internal Auditor ⇓
- How much of Work to be used

O – Objectivity
C – ~~Competence~~ Communication
P – Professional Care
T – Technical Competence

N – NTE of him
R – Risk of Mis-statem
S – Subjectivity of Internal Auditor

While Using Work of Internal Auditor, External Auditor will see – OCPT of Internal Auditor and Evidences, Conclusion & Documentation made by him.

SA - 620

Actg

Date:
Page No.:

USING WORK OF AUDITOR'S EXPERTS.

Auditor's Expert →

An Individual / organisation possessing expertise in a field other than Accounting and Auditing. He may be Auditor's Internal Expert or External Expert.

SA not applicable → Member in engagement team

CA ⟹ having knowledge specialized in Accounting & Auditing

→ Management Experts ⊛

☆ Auditor's Responsibility is not reduced by by using Auditor's Experts.

उसकी COMPETENCE ① की UNDERSTANDING ②

लेकर AGREEMENT ③ करके EVALUATE ④ करेंगे।

ASK

Assumptions by Expert	Source data used by Expert	Knowledge of Expert

A – Assumptions
S – Source data
K – Knowledge

He may refer to expert in $\boxed{\text{modified report}}$ and state that my responsibility will not be reduced.

SA-700

Read latest Format

FORMING AN OPINION AND REPORTING ON F.St.

FRF
- → Financial Presentation Framework
  - Management disclose beyond specifically required by FrameWork
  - May depart From FrameWork For Fairness - Rare Case
- → Compliance FrameWork
  - Only as per FRF (Not in India)

OPINION

- Unmodified
  - Auditor Concludes that F.St. are as Per FRF
- Modified
  - F.St. are not Free From Material Mis-statement.
  - Unable to obtain sufficient & app. Evidences

CONTENT OF REPORT

T - Title → INDEPENDENT AUDIT REPORT
to distinguish From other Reports

A - Address → Members / TCWG
For Companies → To Shareholders

I - Introductory Para
- → Entity
- → Financial Statement
  - Title of Components
  - A/c Policy
  - Date & Period
  - Fact that It is audited

R - Responsibility

→ Management
- Preperation of F.St.. as per FRF
- Fair Presentation as FPF
- Maintain Internal Control

→ Auditor
- express opinion
- Compliance all SA
- Consider IC but opinion not on IC
- ethical Requirement

O - Opinion of Auditor

FPF Fair Presentation Framework
- F.St. present Fairly in all material
- F.St. give true & Fair View subject to Aspects
  folly matters
  As per Applicable FRF

CF Compliance Framework
F.St. ~~present~~ prepared in all material Aspects in accordance with applicable FRF

O - Other Reporting Responsibility - In Company - CARO
Report on Other Legal & Regulatory Requirement

D - Date of Audit Report -
Must not be earlier
- All Components of F.St. are prepared
- mgt. / TCWG takes responsibility for F.St.

Supplementary Information Presented with F.St. • Is clearly differentiated
- Yes → O.K.
- No → Ask Management to change way to Present
  - Yes → O.K.
  - NO → State in AR that This Supp. Infot. is Not Audited

P - Place - City of Signing it

S - Signature
- Sole Practioner → Personal Name, Membership No.
- Firm → Name of Proprietor / Partner and Firm, Firm's Registration Number

SA-705

MODIFICATIONS TO OPINION IN INDEPENDENT AUDIT REPORT

	F.St. are not Free From Material Mis-statment	Unable to obtain evidences
Material & Pervasive	Adverse	Disclaimer
Material but not Pervasive	Qualified	Qualified

T- Title
A- Address
I- Introductory Para
R- Responsibility

"Auditor has obtained sufficient & appropriate evidence to provide a basis for auditor qualified opinion"

Communicate for circumstance & proposed words

Basis For ~~~~~ Opinion - quantify ✓ If not Possible then state fact

O - Opinion

Possible effect in case of unable to obtain evidences

Qualified -
→ Except the EFFECT of matter described in the Basis For opinion Para.
(i) F.St presents fairly in all material Aspects in accordance of FRF
(ii) F.St have been prepared in all material Aspect in accordance with Complaince Frame Work

Adverse
Because of Significant matters described in above Para.
(i) F.St. does not ------
(ii) F.St have not been ---

Disclaimer
Because of Significant Matters described in above Para, Auditor has not been able to obtain evidences thus does not express opinion

O - other Reporting Responsibility
D - Date of Audit Report
P - Place
S - Signature

After Accepting Audit Engagement

⇓

Management Imposes limitations

⇓

Request Management to Remove

- Accepts → O.K.
- Refuses
  ↓
  Tell TCWG + Alternate Procedure
  ⇓
  Still Unable
  - Material Not Pervasive
    ⇓
    Qualified
  - Material & Pervasive
    - Able to Resign
      ⇓
      Resign
    - Not able to Resign
      ⇓
      Disclaimer

छोटी - छोटी बातों पर Resign नहीं करना

SA-706

Date:
Page No.:

EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPH IN INDEPENDENT AUDIT REPORT

⇒ F-St की Figure को Relate करती है

EOM → EMPHASIS OF MATTER PARAGRAPH

Comes after opinion PARAGRAPH
Heading - EOM

clear Reference to the matter & exactly where is Financial Statements, it can be Found.

Note: Auditor's Opinion is not modified

e.g.
Material change in Accounting Policy
Early Application of New AS.

OM → ~~OM~~ OTHER MATTER PARAGRAPH

Comes after EOM Para.
Heading - OM
Matters other than those in Financial Statements

e.g. other Reporting Responsibility Comes under other Matter Paragraph

SA-800

Special Purpose Framework

→ Purpose
→ Users
→ EOM

SA 805

Single Finan. St. OR Accounts of Financ. St.

→ 210
→ 700 If Complete Set audit also
→ — Adverse / disclaimer —
(as a whole)

Single finan st
⇓
~~Unmodified~~

Accounts
⇓
Consider wisely
⇓
but should not publish with AR as whole.

SA 810

Summary Financial statement

BY SAME AUDITOR

⟹ AFS

Qualified / EOM / OM

(1) AR on AFS contains Q/E/OM including basis thereof
(2) State effect on SFS

Adverse / Disclaimer

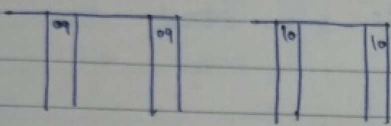
(1) AR on AFS contains A/D & Basis thereof
(2) Due to this it is inappropriate to express opinion

SA-710 (पिछली Report)

COMPARATIVE INFORMATION

Corresponding Figures and Comparative Financial Statements

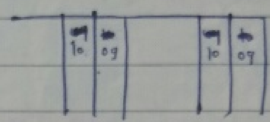
Comparative Financial Statement



⇓

In whole World

Corresponding Figures



⇓

In India

Use - SA-510 → Comparative Information same drawn from Previous year
(opening Balance)
→ Consistent Policy or change Considered

Use SA-560 → Subsequent Event

☆ If last year F.S. are audited by any other Auditor, then

OM PARA

मे Previous year Audit Report के बारे मे लिखते है

☆ + SA-510 ⇒ ~~opi~~ opening Bal.
+ last year Auditor's Modification को भी check करना होगा.

Reporting

Comparative Financial Statements

→ Refer to each Period
→ opinion on each Period

→ OM PARA If our opinion is different from last year opinion

Corresponding Figures

→ Refer to last year's figures only when
⇓
last year audit Report.

- Modified ⇓ No PPA
- Unmodified ⇓ Still he finds mis-statement in figures → NO PPA

SA-720

Document

AUDIT REPORT

So, Draft ~~Act~~ other Documents of Annual Report before AR.

Inconsistency

- Prior to AR
  - FS change
    - o.k. ✓
    - ✗ → Mody (Q/A)
  - other Info
    - o.k. ✓
    - ✗ → SA-706 → OM Para.
- After AR → SA 560

Misstatement (Unrelated to F.St.)

↓

Appreciate

↓

Discuss with TCWG

↓

Consider opinion of Expert

- o.k.
- appropriate Action (OM Para)

Less Assurance ✓ By independent Auditor
Audit not performed ✓
Negative Confirmation ✓

Practitioners

SRE - 2400

ENGAGEMENT TO REVIEW FINANCIAL STATEMENT

PRINCIPLE
- Integrity
- objectivity
- confidentiality
- professional Competence
- Professional Skepticism

Terms of Engagement

SA210 + Audit not performed
opinion will not be made.

Relevance → SA 320, 450, 520, 570, 600

Conclusion & reporting.

T
A
I
R
O

Scope - Referance of SRE -2400
Statement for review limited to inquiry & ARP

Statement [Audit not performed
Opinion not made

procedure undertaken provide less assurance
Statement of negative assurance.

D
P
S

Pure Negative Confirmation

Negative Assurance

Nothing has come To ~~my~~ Practitioner's attention that cause him to belive that financial Statement do not give true & fair view (or not presented) in accordance with appropriate framework

Otherwise

Q/A with qualification of Negative Assurance

Q/d

Limitation on Scope - 210

Perform 1A

Except for the effect of the overstatement of inventory decribe in the previous paragraph.

Based on our review, because of the pervassive effect on the f.St. of the matter discussed in the preceding paragraph the accompanying financial Statement do not give a true ~~of~~ or fair view.

SRE-2410

Review of Interim Financial information performed by Independent Auditor of Entity.

Independent auditor.

Express Conclusion ☆

Review Engagement Terms

Responsiblity etc.

Written Representation

200 — 240
300 — 300
400 — 450 etc.

⇓

Effect of mis-statement

SA -720

⇓

Finally Conclusion

Audit Repor on Review

T
A
I
R - Statement that Mgt. is responsible for prepration & presentation of IFI as per FRF & Auditor is responsible for expressing a conclusion

Reference to SRE 2410

Statement that it is less in scope than in audit & thus no audit opinion is expressed.

→ Conclusion.

G.N on Auditor right when client & other auditor seek access to their Working paper.

Auditor not to disclose client's confidential info. to any third party.

Except
→ Permitted by client
→ Required by law.

- SA 600 (Another Auditor)
- Internal auditor (SA 610)

→ Rely to another auditor.

without having any right access their WoP

SAE - 3400

THE EXAMINATION OF PROSPECTIVE FINANCIAL INFORMATION

Assurance on Financial information based on Future Actions.

- Forecast ⇓ Best Estimate Assumptions
- Projection ⇓ Hypothetical Assumptions ⊕ Best Estimate (optional)

Acceptance

- Before Acceptance
  - Assumptions are Unrealistic
  - ⇓
  - Donot Accept
- After Acceptance
  - Assumptions are not reasonable
  - Presentation / Disclosure not adequate
  - ⇓
  - Q/A/D

Determine NTE →

ASK - SA- 450 (evaluation of mis-st) , 300 (Planning of an audit) etc.

Period Covered

Responsibility

- Management ⟸ make PFI assumptions fac
- Auditor ⇒ Refer Repeat

Report

T -
A -
I -
R - Responsibility of Management to make

Referane to SAE

Statement For Purpose & Restricted Distribution

Statement of Negative Assurance

Nothing has come to our attention which causes us to believe that these assumptions donot provide a reasonable basis for projection, assuming that - - - - - -

opinion on whether PFI is properly prepared on basis of assumption as per FRF.

SAE - 3402

ASSURANCE REPORTS ON CONTROLS AT A SERVICE ORGANISATION

Applicable

SO → Assertion on suitable design of Controls

⇓

Service Auditor provides an assurance report

Non-Applicable

Report on User Entity's Transaction / balance maintaince by S.O.

⇓

Agreed upon procedures

Type - 1

Type - 2

→ SO Description of its system

→ Written Assertion by SO

(a) Description Fairly present SO's system designed & implement ⟹ throughout the specified Period

⇓

At specified date

⇑

(b) Controls were suitably designed

(c) Controls operated effectively

⇓

include test of Control & result

CONTENTS →

T

A

I- Identification — SO's Description (Covered / Not Covered); Complementary User entity Controls; Sub-Service Organisation

I- Identification of Critical

→ Report limited only for User Entity & their Auditor

→ Responsibility — SO; Service Auditor

Reference of SAE

→ Opinion → Type-1; Type-2

Criterea

T - Type of Service

I - Information & Records

P - Procedures

S - Specified Control Objective

C - Complementary User Entity Controls

O - Other Aspects

P - Process to prepare Report

E - Event

Type-2 Report

ही नी changes throughout Period

SA - ethical Requirement

- SA-610

- Assess suitablity of Criteria adopted

- Determine whom's TCWG.

Acknowledgement that It is to meet the Common needs of broad range of User entity.

SRS - 4400

ENGAGEMENTS TO PERFORM AGREED UPON PROCEDURE REGARDING FINANCIAL INFORMATION

AGREED UPON PROCEDURES

Like Audit but Independence (optional) by Auditor

PRINCIPALS → Same as SRE- 2400
Integrity, objectivity, Confidentiality

obtain evidances like Audit

REPORT of Factual Finding

T -
A -
I -
D - Description of Factual Finding

☆ Statement that
Audit ✗
Review ✗
Assurance ✗

→ Report is restricted to those Parties that have agreed to procedures to be performed.

→ Statement that report relates to elements specified and does not extend to entity Financial Statement as whole

Reference to SRS-4400

SRS 4410

ENGAGEMENT TO COMPILE FINANCIAL INFORMATION

Independence (optional)

Principals - Same as SRE- 2400

Responsibility — Management [Accounts < Policy, Records etc ; Internal Control

~~Audit~~

Management ↓ all disclosure ↓ Accountant

Terms oF Engagements

Unrestricted access to documents

Fact that Mgt is responsible to Users For compiled information

₹ 70,00,000 /- Mgt Responsibility

General Procedures : SA- 300 , MRL

है सही

If Information — incorrect , incomplete, unsatisfactory

⇓

Ask Mgt & inquiry /- access ICL

Mgt give ok / Refuse ⇓ withdraw

each Page OR Front of Financial Stat. { Un Audited
Compiled without Audit or Review
Refer to Compilation Report

Identified FRF ⇓ Departure From Requirement

No FRF ⇓ Basis of Compilation be set out in

(A) (i) Notes to Account
(ii) Accountant Report on Compilation

AS - Non compliance → Tell management → o.K ⇒ Rectify / Rectify X ⇓ (A)

Estimate Unreasonable → Tell mgt
Mis-statement → Tell management → Rectify → o.k / Rectify X ⇓ withdraw

Report

LETTER HEAD

T -
A -
I -

Statement that Accountant is not independent
Management Responsibility

Refer to SRS 4410

Statement - Audit X
Review X
Assurance X

Departure from Identified FRF

CARD

Non-Applicability - BILOS

Banking Company, Insurance Company, Licenced Company u/8
OPC & Small Company

Private Company breaking any Condition at any time during Financial year

- Paid up Capital + Reserves ≤ 50,00,000
  - [CR + Rev. Reserve + Revaluation Reserve - P&L A/C]
- Loan o/s ≤ 25,00,000
  - [From Banks & Financial Institution]
  - (Bills Discounted)
- Turnover ≤ 5,00,00,000
  - but Commission should not be deducted.
  - Sales
  - (-) Trade Discount
  - (-) Sales Tax or etc.
  - (-) Sale Return

Note: Loan includes Bills purchased & discounted, W-C- Limits.

Matters to be Considered

MRL
Period
Expert

Fixed Assets	Inventories
Physical Verification by Mgt. (auditor observe)	Physical Verification by Mgt.
Fully Depreciated, impaired	Stock Register Real time update.
Proper Records (quality & quantity) (situation)	Proper Records and material Discrepancy
If disposed, affect on Going Concern - SA-570	Procedure Reasonable - SA-501

Loan to Parties U/S ~~301~~ 189 +2

Given

No. of Parties and Amount
Interest, terms & conditions, Prejudicial
Regular Payment → Yes - O.K.
→ overdue > ~~1~~1,00,000
⇓
Reasonable Steps = ~~Advocate~~ Advocate Notice, Reminder

Taken

No. of Parties & Amount
Int., terms & Conditions prejudicial

Page No.:

Internal Controls -

Purchase of Inventory, Fixed Asset
Sale of Goods and Services
Failure to Correct weekness
⇓
Reasonable steps

SA - 315, 330

Transactions with Parties u/s 301 *
Maintain Register of Contracts.
check Reasonability of transactions
⇓
> 5,00,000
per Party per year

Internal Audit *

Listed (on B/S date) | others

Paid up Capital + Reserves > 50,00,000 at beginning of year
Or
Average Annual Sales > 5,00,00,000 For preceed. 3 years

Companies accepting Public Deposits 73, 74, 75, 76
Directions - RBI, Company Act, Compliance → other Act
→ Order of RBI, CLB, NCLT, Court
Amt t/f to Fund
Cost Record
If Prescribed by CG u/s ~~209~~, is maintained
148 Rule: 3

Undisputed Statutory Dues Repayment

Regular in depositing
o.k.

PF
Investors Educ & Protection fund
DT, IDT etc

Not Regular

See that 6 months from due date has been Crossed till B/S date if

Crossed
⇓
show extend of arrears

not Crossed
o.k.

Disputed Statutory Dues

Consider

Show Amount, dispute & Forum i.e. Court

Auditor will report on Accumulated losses & Cash loss → IF

Company Registered ≥ 5 years
And
Accumulated Losses ≥ 50% of Net Worth
⇓
[Paid up Capital + ~~Reserves~~ + Free Reserve]
And
Cash loss in Current & Preceeding year

Default in Payment of Dues (Principal + Interest) of Financial Institution & Debenture holder.
⇓
If Yes then Report

Proper Record & Documentation in case of Loan & advance granted by Pledge of Shares or Debenture
⇓
If Deficiency, Report

Special Statutes to Chit Fund

See -

$$\frac{\text{Net-Owned Funds}}{\text{Deposit Liability}} > \frac{1}{20}$$

Net-Owned Funds → Paid up Capital + Free Reserve

Company Complied with Prudential Norms

Adequate Procedure for Credit Proposal / Request

Repayment Schedule based on Repayment Capability

Fraud

on / by Company , If yes then nature / amount

SA-240 , 610 , Minute book देखें।

* **Company Trading in Shares / Securities**

Proper Records OF Contracts & Transfer

Timely Entries

Investment on Company's Name except u/s 49 in exemption *

Guarantee Given to Bank / Financial Institutions

→ Nominee of Co. for qualification shares
Subsidiary Co — must 7 members
So

↓

check MoA Capacity & Terms & Conditional Prejudicial

Application of Termloan ↓ As per purpose for which It is obtained

Short Term Funds used for long terms → Indicate Nature & Amount of Fund * *

* **Preferential Allotment to Persons u/s 301**

made ⇒ on Prejudicial Price w.r.t. Interest of Company

not made o.k.

* **Security or charge on Debentures issued**

yes o.k.

No → Report

End Use of Money from Public issue or same

disclosed o.k.

not disclosed ↓ Report

Fraud made on / made by Company ↓ Report this with Nature & Amount