

Conforming Amendments to Other Standards and Related Material arising from Proposed SQM 1, Proposed SQM 2 and Proposed SA 220(Revised)

Note: The following are conforming amendments to Other Standards and Related Material as a result of issuance of proposed SQM 1, proposed SQM 2 and proposed SA 220(Revised). These amendments will become effective at the same time as these proposed standards, and are shown with marked changes from the latest approved versions of the Standards that are amended. The footnote numbers within these amendments do not align with the Standards that are amended, and reference should be made to those Standards.

Part 1- Conforming Amendments to Preface, SAs

Preface to the Standards on Quality ~~Control~~Management, Auditing, Review, Other Assurance and Related Services

Introduction

1. This Preface to the Standards on Quality ~~Control~~Management, Auditing, Review, Other Assurance and Related Services has been issued to facilitate understanding of the scope and authority of the pronouncements of the AASB issued under the authority of the Council of the Institute of Chartered Accountants of India (the ICAI).

Standards Issued by AASB Under the Authority of the Council of ICAI

4. Standards on Quality ~~Control~~Management (SQMGs), issued by the AASB under the authority of the Council, are to be applied for all services covered by the Engagement Standards as described in paragraph 3 above.

Standards on Quality ~~Control~~Management

6. SQMGs are written to apply to firms¹ in respect of all their services falling under the Engagement Standards issued by the AASB of ICAI. The authority of SQMGs is set out in the introduction to ~~the~~ each SQMGs.²

SA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing

Requirements

Ethical Requirements Relating to an Audit of Financial Statements

¹ The term "firm" refers to a sole practitioner/proprietor, partnership, or any such entity of professional accountants, as may be permitted by law.

² Proposed SQM 1, [Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements](#), paragraph 12 and Proposed SQM 2, [Engagement Quality Reviews](#), paragraph 10

14. The auditor shall comply with relevant ethical requirements, including those ~~pertaining related~~ to independence, relating to financial statement audit engagements. (Ref: Para. A14-A17)

Ethical Requirements Relating to an Audit of Financial Statements (Ref: Para. 14)

A17. Proposed Standard on Quality Control Management (SQCM) 1³ sets out the responsibilities of the firm ~~for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements, including those pertaining to independence~~⁴. to design, implement and operate a system of quality management that provides the firm with reasonable assurance that the firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements. As part of its system of quality management, Proposed SQM 1 requires the firm to establish quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence.⁵ Proposed SA 220(Revised) sets out the engagement partner's responsibilities with respect to relevant ethical requirements including those related to independence⁶. ~~These include evaluating whether members of the engagement team have complied with relevant ethical requirements, determining the appropriate action if matters come to the engagement partner's attention that indicate that members of the engagement team have breached relevant ethical requirements, and forming a conclusion on compliance with independence requirements that apply to the audit engagement~~⁷. ~~SA 220 recognises that the engagement team is entitled to rely on a firm's systems in meeting its responsibilities with respect to quality control procedures applicable to the individual audit engagement, unless information provided by the firm or other parties suggests otherwise.~~ Proposed SA 220 (Revised) also describes when the engagement team may depend on the firm's policies or procedures in managing and achieving quality at the engagement level.⁸

Professional Judgment (Ref: Para. 16)

A25. The exercise of professional judgment in any particular case is based on the facts and circumstances that are known by the auditor. Consultation on difficult or contentious matters during the course of the audit, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm, such as that required by Proposed SA 220(Revised)⁹, assist the auditor in making informed and reasonable judgments.

³ Standard on Quality ~~Control Management~~(SQMC) 1, "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements~~Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements~~".

⁴ ~~SQC 1, paragraphs 14-27.~~

⁵ Proposed SQM 1, paragraph 29

⁶ Proposed SA 220(Revised), paragraphs 16-21

⁷ ~~SA 220, "Quality Control for an Audit of Financial Statements", paragraphs 9-12.~~

⁸ Proposed SA 220 (Revised), paragraph A10

⁹ Proposed SA 220(Revised), paragraph 4835.

Sufficient Appropriate Audit Evidence and Audit Risk (Ref: Para. 5 and 17)

Sufficiency and Appropriateness of Audit Evidence

A28. Audit evidence is necessary to support the auditor's opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources such as previous audits (provided the auditor has determined whether changes have occurred since the previous audit that may affect its relevance to the current audit¹⁰) or ~~a firm's quality control procedures for client acceptance and continuance through the information obtained by the firm in the acceptance or continuance of the client relationship or engagement~~. In addition to other sources inside and outside the entity, the entity's accounting records are an important source of audit evidence. Also, information that may be used as audit evidence may have been prepared by an expert employed or engaged by the entity. Audit evidence comprises both information that supports and corroborates management's assertions, and any information that contradicts such assertions. In addition, in some cases, the absence of information (for example, management's refusal to provide a requested representation) is used by the auditor, and therefore, also constitutes audit evidence. Most of the auditor's work in forming the auditor's opinion consists of obtaining and evaluating audit evidence.

Conduct of an Audit in Accordance with SAs

Contents of the SAs (Ref: Para. 19)

A62. An SA may include, in a separate section under the heading "Definitions", a description of the meanings attributed to certain terms for purposes of the SAs. These are provided to assist in the consistent application and interpretation of the SAs, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise. Unless otherwise indicated, those terms will carry the same meanings throughout the SAs. The Glossary of Terms relating to Engagement and Quality ~~Control~~ Management Standards issued by the Auditing and Assurance Standards Board contains a complete listing of terms defined in the SAs. It also includes descriptions of other terms found in SAs to assist in common and consistent interpretation.

SA 210, Agreeing the Terms of Audit Engagements

Introduction

Scope of this SA

1. This Standard on Auditing (SA) deals with the auditor's responsibilities in agreeing the terms of the audit engagement with management and, where appropriate, those charged with governance. This includes establishing that certain preconditions for an audit, responsibility for which rests with management and, where appropriate, those charged with governance, are present. Proposed SA 220(Revised)¹¹ deals with those

¹⁰ Proposed SA 315(Revised), "Identifying and Assessing the Risks of Material Misstatement ~~Through Understanding the Entity and Its Environment~~", paragraph 9.16.

¹¹ Proposed SA 220(Revised), "Quality ~~Control~~ Management for an Audit of Financial Statements".

aspects of engagement acceptance that are within the control of the auditor. (Ref: Para. A1)

Application and Other Explanatory Material

Scope of this SA (Ref: Para. 1)

A1. ~~Assurance engagements, which include audit engagements, may only be accepted when the practitioner considers that relevant ethical requirements such as independence and professional competence will be satisfied, and when the engagement exhibits certain characteristics¹².~~ Proposed SQM 1¹³ deals with the firm's responsibilities regarding the acceptance and continuance of client relationships and specific engagements. The auditor's responsibilities in respect of relevant ethical requirements, including those related to independence, in the context of the acceptance of an audit engagement and ~~in so far~~ insofar as they are within the control of the auditor are dealt with in Proposed SA 220(Revised)¹⁴. This SA deals with those matters (or preconditions) that are within the control of the entity and upon which it is necessary for the auditor and the entity's management to agree.

SA 230, Audit Documentation

Nature and Purposes of Audit Documentation

3. Audit documentation serves a number of additional purposes, including the following:

- Assisting the engagement team to plan and perform the audit.
- Assisting members of the engagement team responsible for supervision to direct and supervise the audit work, and to discharge their review responsibilities in accordance with Proposed SA 220(Revised)¹⁵.
- Enabling the engagement team to be accountable for its work.
- Retaining a record of matters of continuing significance to future audits.
- Enabling the conduct of engagement quality control reviews¹⁶ other types of engagement reviews¹⁷ and monitoring activities under the firm's system of quality management and inspections in accordance with SQC 1¹⁸.
- Enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements.

¹² ~~“Framework for Assurance Engagements,” paragraph 16.~~

¹³ Proposed Standard on Quality Management (SQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, paragraph 30

¹⁴ Proposed SA 220(Revised), paragraphs 9-11, 16-21.

¹⁵ Proposed SA 220(Revised), “Quality Control Management for an Audit of Financial Statements”, paragraphs 15-17, 29-34.

¹⁶ Proposed Standard on Quality Management (SQM) 2, Engagement Quality Reviews

¹⁷ Proposed SQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, paragraph A135

¹⁸ ~~“SQC 1, “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements”, paragraphs 46, 60, 63, 65 and 86.~~

Documentation of Compliance with SAs (Ref: Para. 8(a))

A7. Audit documentation provides evidence that the audit complies with SAs. However, it is neither necessary nor practicable for the auditor to document every matter considered, or professional judgment made, in an audit. Further, it is unnecessary for the auditor to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the audit file. For example:

-
-
-
- In relation to requirements that apply generally throughout the audit, there may be a number of ways in which compliance with them may be demonstrated within the audit file:
 - For example, there may be no single way in which the auditor's professional skepticism is documented. But the audit documentation may nevertheless provide evidence of the auditor's exercise of professional skepticism in accordance with SAs. Such evidence may include specific procedures performed to corroborate management's responses to the auditor's inquiries.
 - Similarly, that the engagement partner has taken responsibility for the direction, and supervision ~~and performance~~ of the ~~audit in compliance with~~ engagement team and the SAs review of their work¹⁹ may be evidenced in a number of ways within the audit documentation. This may include documentation ~~of that evidences~~ the engagement partner's ~~timely sufficient and appropriate~~ involvement in ~~aspects of~~ the audit, such as participation in ~~the engagement team discussions~~ s. required by SA 315²⁰.

A13. Proposed SA 220(Revised)²¹ ~~requires the auditor to~~ contains requirements and guidance on the review ~~the audit work performed through review of the~~ audit documentation. The requirement to document who reviewed the audit work performed does not imply a need for each specific working paper to include evidence of review. The requirement, however, means documenting what audit work was reviewed, who reviewed such work, and when it was reviewed.

Matters Arising after the Date of the Auditor's Report (Ref: Para. 13)

A20. Examples of exceptional circumstances include facts which become known to the auditor after the date of the auditor's report but which existed at that date and which, if known at that date, might have caused the financial statements to be amended or the auditor to modify the opinion in the auditor's report.²² The resulting changes to the audit

¹⁹ Proposed SA 220 (Revised), paragraph 29

²⁰ ~~SA 315, "Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment", paragraph 10.~~

²¹ Proposed SA 220(Revised), paragraphs 47-29-34.

²² SA 560, "Subsequent Events", paragraph 13.

documentation are reviewed in accordance with the review responsibilities set out in [Proposed SA 220\(Revised\)](#)²³ ~~with the engagement partner taking final responsibility for the changes.~~

Assembly of the Final Audit File (Ref: Para. 14-16)

A21. [Proposed SQCM 1](#) requires firms' [systems of quality management to establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement reports](#) ~~to establish policies and procedures for the timely completion of the assembly of audit files.~~²⁴ An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.²⁵

A23. [Proposed SQCM 1](#) requires firms' [systems of quality management](#) to establish ~~policies and procedures for the~~ [a quality objective to address the appropriate maintenance and retention of engagement documentation to meet the needs of the firm and to comply with law, regulation, relevant ethical requirements, or professional standards.](#)²⁶ The retention period for audit engagements ordinarily is no shorter than seven years²⁷ from the date of the auditor's report, or, if later, the date of the ~~group~~ auditor's report [on the group financial statements, when applicable.](#)²⁸

A24. An example of a circumstance in which the auditor may find it necessary to modify existing audit documentation or add new audit documentation after file assembly has been completed is the need to clarify existing audit documentation arising from comments received during monitoring ~~inspections performed by internal activities~~ or external ~~parties~~ [inspections](#).

Proposed SA 250 (Revised), Consideration of Laws and Regulations in an Audit of Financial Statements

Introduction

...

Requirements

...

Application and Other Explanatory Material

...

Evaluating the Implications of Identified or Suspected Non-Compliance (Ref: Para. 22)

²³ [Proposed SA 220\(Revised\)](#), paragraphs ~~29-34~~16.

²⁴ ~~Refer paragraph 74 of SQC 1.~~ [Proposed SQM 1, paragraph 31\(f\)](#)

²⁵ ~~Refer paragraph 75 of SQC 1.~~ [Proposed SQM 1, paragraph A83](#)

²⁶ ~~Refer paragraph 82 of SQC 1.~~ [Proposed SQM 1, paragraph 31\(f\)](#)

²⁷ The Council of the Institute had in August 2009, pursuant to the provisions of Rule 12 of the Chartered Accountants (Procedures of Investigations of Professional and Other Misconduct and Cases) Rules, 2007 had amended the audit documentation retention period appearing as ten years in paragraph 83 of SQC 1 to seven years. As a consequence of above decision of the Council, the audit documentation retention period appearing as ten years in paragraph A23 of SA 230, 'Audit Documentation', issued in January 2009, shall also stand amended to seven years.

²⁸ ~~Refer para 83 of SQC 1.~~ [Proposed SQM 1, paragraph A85](#)

...

A25. In certain circumstances, the auditor may consider withdrawing from the engagement, where permitted by law or regulation, for example when management or those charged with governance do not take the remedial action that the auditor considers appropriate in the circumstances or the identified or suspected non-compliance raises questions regarding the integrity of management or those charged with governance, even when the non-compliance is not material to the financial statements. The auditor may consider it appropriate to obtain legal advice to determine whether withdrawal from the engagement is appropriate. When the auditor determines that withdrawing from the engagement would be appropriate, doing so would not be a substitute for complying with other responsibilities under law, regulation or relevant ethical requirements to respond to identified or suspected non-compliance. Furthermore, paragraph ~~A9A55~~ of [Proposed SA 220\(Revised\)](#)²⁹ indicates that some ethical requirements may require the predecessor auditor, upon request by the proposed successor auditor, to provide information regarding non-compliance with laws and regulations to the successor auditor.

...

SA 260(Revised), Communication with Those Charged with Governance

Application and Other Explanatory Material

Matters to Be Communicated

Significant Findings from the Audit (Ref: Para. 16)

...

Other Significant Matters Relevant to the Financial Reporting Process (Ref: Para. 16(e))
A28. To the extent not already addressed by the requirements in paragraphs 16(a)–(d) and related application material, the auditor may consider communicating about other matters discussed with, or considered by, the engagement quality ~~control~~-reviewer, if one has been appointed, ~~in accordance with SA 220.~~³⁰

Auditor Independence (Ref: Para. 17)

A29. The auditor is required to comply with relevant ethical requirements, including those ~~pertaining~~–[related](#) to independence, relating to financial statement audit engagements.³¹

Appendix 1

(Ref: Para. 3)

Specific Requirements in [Proposed SQCM 1](#) and Other SAs that Refer to Communications with Those Charged with Governance

This appendix identifies paragraphs in [Proposed SQMC 1](#)³² and other SAs that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other

²⁹ [Proposed SA 220\(Revised\)](#), Quality ~~Control~~[Management](#) for an Audit of Financial Statements

³⁰ ~~See paragraphs 19–21 and A23–A32 of SA 220, Quality Control for an Audit of Financial Statements.~~

³¹ SA 200, paragraph 14.

³² [Proposed SQMC 1](#), ~~Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements~~, [Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements](#).

explanatory material in SAs.

- [Proposed SQGM 1](#), *Quality ~~Control Management~~ for Firms that Perform Audits ~~and or~~ Reviews of Historical Financial Information, ~~and-or~~ Other Assurance ~~and-or~~ Related Services Engagements* – paragraph ~~42(a)~~: [34\(e\)](#)

SA 300, Planning an Audit of Financial Statements

Introduction

Scope of this SA

1. This Standard on Auditing (SA) deals with the auditor's responsibility to plan an audit of financial statements. This SA is framed in the context of recurring audits. Additional considerations in initial audit engagements are separately identified. (Ref: Para. ~~A1A0~~-A4)

Application and Other Explanatory Material

~~The Role and Timing of Planning~~ (Ref: Para. 1)

A1. Planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan. ~~Adequate~~ [Quality management at the engagement level in accordance with Proposed SA 220 \(Revised\)](#), in conjunction with [adequate planning in accordance with this SA](#), benefits the audit of financial statements in several ways, including the following:

- Helping the auditor to devote appropriate attention to important areas of the audit.
- Helping the auditor identify and resolve potential problems on a timely basis.
- Helping the auditor properly organize and manage the audit engagement so that it is performed in an effective and efficient manner.
- Assisting in the selection of engagement team members with appropriate levels of capabilities and competence to respond to anticipated risks, and the proper assignment of work to them.
- Facilitating the direction and supervision of engagement team members and the review of their work.
- Assisting, where applicable, in coordination of work done by auditors of components and experts.

Requirements

Preliminary Engagement Activities

5. The auditor shall undertake the following activities at the beginning of the current audit engagement:

- (a) Performing procedures required by [Proposed SA 220\(Revised\)](#)³³, "Quality ~~Control Management~~ for an Audit of Financial Statements" regarding the [acceptance and continuance of the client relationship and ~~the specific~~ audit engagement](#);
- (b) Evaluating compliance with ethical requirements, including [those related to independence](#), as required by [Proposed SA 220\(Revised\)](#)³⁴, and

³³ [Proposed SA 220\(Revised\)](#), paragraphs ~~12-13~~[22-24](#).

³⁴ [Proposed SA 220\(Revised\)](#), paragraphs ~~9-11~~[16-21](#).

(c) Establishing an understanding of the terms of the engagement, as required by SA 210³⁵. (Ref: Para. A6-A8)

Planning Activities

7. In establishing the overall audit strategy, the auditor shall consider the information obtained from complying with the requirements of Proposed SA 220 (Revised) and:

- (a) Identify the characteristics of the engagement that define its scope;
- (b) Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required;
- (c) Consider the factors that, in the auditor's professional judgment, are significant in directing the engagement team's efforts;
- (d) Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant; and
- (e) Ascertain the nature, timing and extent of resources necessary to perform the engagement.³⁶ (Ref: Para. A9-A12)

8. The auditor shall develop an audit plan that shall include a description of:

(a) The nature, timing and extent of the planned direction and supervision of engagement team members and the review of their work. (Ref: Para. A16–A17)

~~(b)(a)~~ The nature, timing and extent of planned risk assessment procedures, as determined under Proposed SA 315(Revised), "Identifying and Assessing the Risks of Material Misstatement ~~through Understanding the Entity and Its Environment~~".

~~(c)(b)~~ The nature, timing and extent of planned further audit procedures at the assertion level, as determined under SA 330, "The Auditor's Responses to Assessed Risks".

~~(e)-(d)~~ Other planned audit procedures that are required to be carried out so that the engagement complies with SAs. (Ref: Para. A13)

~~10. The auditor shall plan the nature, timing and extent of direction and supervision of engagement team members and the review of their work. (Ref: Para. A15-A16)~~

Documentation

11. The auditor shall document:

- (a) The overall audit strategy;
- (b) The audit plan; and
- (c) Any significant changes made during the audit engagement to the overall audit strategy or the audit plan, including significant changes to the nature, timing and extent of the planned direction and supervision of engagement team members and the review of their work,³⁷ and the reasons for such changes. (Ref: Para. A17-A20)

Additional Considerations in Initial Audit Engagements

12. The auditor shall undertake the following activities prior to starting an initial audit:

³⁵ SA 210, "Agreeing the Terms of Audit Engagements," paragraphs 9-13.

³⁶ Proposed SA 220(Revised), paragraph 25.

³⁷ Proposed SA 220 (Revised), paragraphs 30 and A91–A92

- (a) Performing procedures required by [Proposed SA 220\(Revised\)](#) regarding the acceptance of ~~the client relationships~~ and ~~the specific~~ audit engagements³⁸; and
- (b) Communicating with the predecessor auditor, where there has been a change of auditors, in compliance with relevant ethical requirements. (Ref: Para. A21)

Application and Other Explanatory Material

[A0. Proposed SA 220 \(Revised\) deals with the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, and the related responsibilities of the engagement partner. Information obtained from complying with the requirements of Proposed SA 220 \(Revised\) is relevant to this SA. For example, in accordance with Proposed SA 220 \(Revised\), the engagement partner is required to determine that sufficient and appropriate resources to perform the engagement have been assigned or made available to the engagement team, taking into account the nature and circumstances of the audit engagement. Such a determination is directly relevant when ascertaining the nature, timing and extent of resources necessary to perform the engagement in the overall strategy, as required by paragraph 8 of this SA.](#)

The Role and Timing of Planning (Ref: Para. 1)

A2. The nature and extent of planning activities will vary according to the size and complexity of the entity, the key engagement team members' previous experience with the entity, and changes in circumstances that occur during the audit engagement. [In planning the audit, the auditor may use project management techniques and tools. Proposed SA 220 \(Revised\)³⁹ describes how such techniques and tools may support the engagement team in managing the quality of the engagement.](#)

A4. The auditor may decide to discuss elements of planning with the entity's management to ~~facilitate the conduct and management of the audit engagement~~ [help the auditor manage and achieve quality at the engagement level](#) (for example, to coordinate some of the planned audit procedures with the work of the entity's personnel). Although these discussions often occur, the overall audit strategy and the audit plan remain the auditor's responsibility. When discussing matters included in the overall audit strategy or audit plan, care is required in order not to compromise the effectiveness of the audit. For example, discussing the nature and timing of detailed audit procedures with management may compromise the effectiveness of the audit by making the audit procedures too predictable.

Preliminary Engagement Activities (Ref: Para. 5)

A6. Performing the preliminary engagement activities specified in paragraph 5 at the beginning of the current audit engagement assists the auditor in identifying and evaluating events or circumstances that may adversely affect the auditor's ability to ~~plan and perform the audit engagement.~~ [manage and achieve quality at the engagement](#)

³⁸ [Proposed SA 220\(Revised\)](#), paragraphs ~~22-24~~12-13.

³⁹ [Proposed SA 220 \(Revised\)](#), paragraphs A73-A74

level in accordance with Proposed SA 220 (Revised).

A7. Performing these preliminary engagement activities enables the auditor to plan an audit engagement ~~for which in order to~~, for example:

- ~~The auditor maintains~~ Maintain the necessary independence and ability to perform the engagement.
- ~~There~~ Determine that there are no issues with management integrity that may affect the auditor's willingness to continue the engagement.
- ~~There~~ Determine that there is no misunderstanding with the client as to the terms of the engagement.

A8. ~~The auditor's consideration of client continuance and ethical requirements, including independence, occurs throughout the audit engagement as changes in conditions and circumstances occur.~~ Performing initial procedures on both client continuance and evaluation of ethical requirements (including independence) at the beginning of the current audit engagement means that they are completed prior to the performance of other significant activities for the current audit engagement. For continuing audit engagements, such initial procedures often occur shortly after (or in connection with) the completion of the previous audit.

Planning Activities

The Overall Audit Strategy (Ref: Para. 6-7)

A9. The process of establishing the overall audit strategy ~~assists the auditor to determine~~, subject to the completion of the auditor's risk assessment procedures, may include such matters as:

- The nature of resources (human, technological or intellectual) to ~~deploy~~ be deployed for specific audit areas, ~~such as~~ For example, the ~~use~~ deployment of ~~appropriately~~ experienced team members for high risk areas or the ~~involvement~~ assignment of experts ~~on~~ to address complex matters;
- The amount of resources to be allocated to specific audit areas, ~~such as~~ For example, the number of team members assigned to ~~observe~~ attend the physical inventory count at ~~material~~ multiple locations, the extent of review of other auditors' work in the case of group audits, or the audit budget in hours to allocate to high risk areas;
- When these resources are to be deployed, such as whether at an interim audit stage or at key cut-off dates; and
- How such resources are ~~managed~~, directed, ~~and supervised~~, ~~such as~~ or used. For example, when team briefing and debriefing meetings are expected to be held, how engagement partner and manager reviews are expected to take place (for example, on-site or off-site), ~~and whether to complete engagement quality control reviews.~~

A9A. Proposed SA 220 (Revised) contains requirements and guidance on engagement resources and engagement performance (including direction and supervision of the members of the engagement team and the review of their work).

Direction, Supervision and Review (Ref: Para. 10)

A15. Proposed SA 220 (Revised) deals with the engagement partner's responsibility for the nature, timing and extent of the direction and supervision of the engagement team members of the engagement team and the review of their work.⁴⁰ ~~vary depending on many factors, including:~~

- ~~• The size and complexity of the entity.~~
- ~~• The area of the audit.~~
- ~~• The assessed risks of material misstatement (for example, an increase in the assessed risk of material misstatement for a given area of the audit ordinarily requires a corresponding increase in the extent and timeliness of direction and supervision of engagement team members, and a more detailed review of their work).~~
- ~~• The capabilities and competence of the individual team members performing the audit work.~~

~~SA 220 contains further guidance on the direction, supervision and review of audit work~~⁴¹.

Considerations Specific to Smaller Entities

~~A16. When an audit is carried out entirely by the engagement partner, questions of direction and supervision of engagement team members and review of their work do not arise. In such cases, the engagement partner, having personally conducted all aspects of the work, will be aware of all material issues. Forming an objective view on the appropriateness of the judgments made in the course of the audit can present practical problems when the same individual also performs the entire audit. When particularly complex or unusual issues are involved, and the audit is performed by a sole practitioner, it may be desirable to consult with other suitably experienced auditors or the auditor's professional body~~⁴².

Documentation (Ref: Para. 11)

A17. The documentation of the overall audit strategy is a record of the key decisions ~~considered necessary to properly plan the audit and~~ in managing quality at the engagement level and a means to communicate significant matters to the engagement team. For example, the auditor may summarize the overall audit strategy in the form of a memorandum that contains key decisions regarding the overall scope, timing and conduct of the audit.

A20A. Documentation of the direction and supervision of engagement team members and the review of their work in accordance with Proposed SA 220 (Revised) may also provide a record of significant changes to the planned nature, timing and extent of the

⁴⁰ Proposed SA 220 (Revised), paragraphs 29–31

⁴¹ SA 220, paragraphs 15–17.

⁴² In India, the Institute of Chartered Accountants of India governs the accountancy profession to provide services of high quality in the public interest which are accepted worldwide.

[direction, supervision and review.](#)

Additional Considerations in Initial Audit Engagements (Ref: Para. 12)

A21. The purpose and objective of planning the audit are the same whether the audit is an initial or recurring engagement. However, for an initial audit, the auditor may need to expand the planning activities because the auditor does not ordinarily have the previous experience with the entity that is considered when planning recurring engagements. For initial audits, additional matters the auditor may consider in establishing the overall audit strategy and audit plan include the following:

- Unless prohibited by law or regulation, arrangements to be made with the predecessor auditor, for example, to review the predecessor auditor's working papers.
- Any major issues (including the application of accounting principles or of auditing and reporting standards) discussed with management in connection with the initial selection as auditor, the communication of these matters to those charged with governance and how these matters affect the overall audit strategy and audit plan.
- The audit procedures necessary to obtain sufficient appropriate audit evidence regarding opening balances.⁴³
- Other ~~procedures required~~ [responses designed and implemented](#) by the ~~firm's system of quality control~~ [firm](#) for initial audit engagements (~~for example, e.g.,~~ the firm's system of quality ~~control~~ [management](#) may [include responses that](#) require ~~the involvement of~~ another partner or ~~senior~~ individual [with appropriate authority](#) to review the overall audit strategy prior to commencing significant audit procedures or to review reports prior to their issuance).

Appendix

(Ref: Para. 6-7 and A9-A12)

Considerations in Establishing the Overall Audit Strategy

This appendix provides examples of matters the auditor may consider in ~~establishing the overall audit strategy.~~ [managing quality at the engagement level.](#) Many of these matters will ~~also~~ influence the auditor's [overall audit strategy and](#) detailed audit plan. The examples provided cover a broad range of matters applicable to many engagements. While some of the matters referred to below may be required by other SAs, not all matters are relevant to every audit engagement and the list is not necessarily complete.

⁴³ SA 510, Initial Audit Engagements—Opening Balances

Nature, Timing and Extent of Resources

- The ~~selection~~ human, technological and intellectual resources assigned or made available to the engagement e.g., assignment of the engagement team ~~(including, where necessary, the engagement quality control reviewer)~~ and the assignment of audit work to the team members, including the assignment of appropriately experienced team members to areas where there may be higher risks of material misstatement.
- Engagement budgeting, including considering the appropriate amount of time to set aside for areas where there may be higher risks of material misstatement.

Proposed SA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement

Application and Other Explanatory Material

...

Risk Assessment Procedures and Related Activities

...

Other Relevant Sources

Information from Other Sources

A38. Other relevant sources of information include:

- The auditor's procedures regarding acceptance or continuance of the client relationship or the audit engagement in accordance with Proposed SA 220 (Revised), including the conclusions reached thereon.⁴⁴

Identifying and Assessing the Risks of Material Misstatement (Ref: Para. 28–37)

...

Industry, Regulatory and Other External Factors (Ref: Para. 19(a)(ii))

Industry Factors

...

A69. The industry in which the entity operates may give rise to specific risks of material misstatement arising from the nature of the business or the degree of regulation.

Example:

In the construction industry, long-term contracts may involve significant estimates of revenues and expenses that give rise to risks of material misstatement. In such cases, it is important that the engagement team include members with sufficient relevant knowledge and experience the appropriate competence and capabilities.⁴⁵

⁴⁴ [Proposed SA 220 \(Revised\)](#), *Quality Control Management for an Audit of Financial Statements*, paragraphs 12-22–24

⁴⁵ [Proposed SA 220 \(Revised\)](#), paragraphs 14-25–28

Assessing Risks of Material Misstatement at the Assertion Level

Significant Risks (Ref: Para. 32)

Why significant risks are determined and the implications for the audit

A218. The determination of significant risks allows for the auditor to focus more attention on those risks that are on the upper end of the spectrum of inherent risk, through the performance of certain required responses, including:

- ...
- Timely review of audit documentation by the engagement partner at the appropriate stages during the audit allows significant matters, including significant risks, to be resolved on a timely basis to the engagement partner's satisfaction on or before the date of the auditor's report.⁴⁶

...

SA 500, Audit Evidence

Application and Other Explanatory Material

Sufficient Appropriate Audit Evidence (Ref: Para. 6)

A1. Audit evidence is necessary to support the auditor's opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources such as previous audits (provided the auditor has determined whether changes have occurred since the previous audit that may affect its relevance to the current audit)⁴⁷ or ~~a firm's quality control procedures for client acceptance and continuance through the information obtained by the firm in the acceptance or continuance of the client relationship or engagement~~. In addition to other sources inside and outside the entity, the entity's accounting records are an important source of audit evidence. Also, information that may be used as audit evidence may have been prepared using the work of a management's expert. Audit evidence comprises both information that supports and corroborates management's assertions, and any information that contradicts such assertions. In addition, in some cases the absence of information (for example, management's refusal to provide a requested representation) is used by the auditor, and therefore, also constitutes audit evidence.

Information to be Used as Audit Evidence

Relevance and Reliability (Ref: Para. 7)

A26. As noted in paragraph A1, while audit evidence is primarily obtained from audit procedures performed during the course of the audit, it may also include information obtained from other sources ~~such as~~, for example, previous audits, ~~in certain circumstances, and a firm's quality control procedures for client acceptance and continuance through the information obtained by the firm in the acceptance or continuance of the client relationship or engagement~~. The quality of all audit evidence is affected by the relevance and reliability of the information upon which it is based.

⁴⁶ [Proposed SA 220 \(Revised\)](#), paragraphs 1732 and A19A87–A89

⁴⁷ [Proposed SA 315 \(Revised\)](#), paragraph 169.

Proposed SA 540 (Revised), Auditing Accounting Estimates and Related Disclosures

Introduction

...

Requirements

...

Application and Other Explanatory Material

...

Risk Assessment Procedures and Related Activities

Specialized Skills or Knowledge (Ref: Para. 15)

A61. Matters that may affect the auditor's determination of whether the engagement team requires specialized skills or knowledge, include, for example:⁴⁸

- The nature of the accounting estimates for a particular business or industry (for example, mineral deposits, agricultural assets, complex financial instruments, insurance contract liabilities).

SA 610(Revised), Using the Work of Internal Auditors

Requirements

Using Internal Auditors to Provide Direct Assistance

34. The external auditor shall direct, supervise and review the work performed by internal auditors on the engagement in accordance with [Proposed SA 220\(Revised\)](#).⁴⁹
In so doing:

- (a) The nature, timing and extent of direction, supervision, and review shall recognize that the internal auditors are not independent of the entity and be responsive to the outcome of the evaluation of the factors in paragraph 29 of this SA; and
- (b) The review procedures shall include the external auditor checking back to the underlying audit evidence for some of the work performed by the internal auditors.

The direction, supervision and review by the external auditor of the work performed by the internal auditors shall be sufficient in order for the external auditor ~~to be satisfied to~~ [determine](#) that the internal auditors have obtained sufficient appropriate audit evidence to support the conclusions based on that work. (Ref: Para. A40–A41)

Application and Other Explanatory Material

Determining Whether, in Which Areas, and to What Extent the Work of the Internal Audit Function Can Be Used

Evaluating the Internal Audit Function

Application of a Systematic and Disciplined Approach (Ref: Para. 15(c))

⁴⁸ [Proposed SA 220\(Revised\)](#), Quality ~~Control~~ [Management](#) for an Audit of Financial Statements, paragraph ~~44~~ [25-26](#) and SA 300, Planning an Audit of Financial Statements, paragraph ~~87~~(e)

⁴⁹ [Proposed SA 220\(Revised\)](#), Quality ~~Control~~ [Management](#) for an Audit of Financial Statements.

.....

A11. Factors that may affect the external auditor’s determination of whether the internal audit function applies a systematic and disciplined approach include the following:

- The existence, adequacy and use of documented internal audit procedures or guidance covering such areas as risk assessments, work programs, documentation and reporting, the nature and extent of which is commensurate with the size and circumstances of an entity.
- Whether the internal audit function has appropriate quality control policies and procedures, for example, ~~such as those~~ policies and procedures ~~in SQC 1~~⁵⁰ that would be applicable to an internal audit function (such as those relating to leadership, human resources and engagement performance) or quality control requirements in standards set by the relevant professional bodies for internal auditors. Such bodies may also establish other appropriate requirements such as conducting periodic external quality assessments.

SA 620, Using the Work of an Auditor’s Expert

Introduction

Scope of this SA

2. This SA does not deal with:
- (a) Situations where the engagement team includes a member with expertise in specialised area of accounting or auditing, which is dealt with in [Proposed SA 220\(Revised\)](#)⁵¹; or
 - (b) The auditor’s use of the work of an individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements(a management’s expert), which is dealt with in SA 500⁵².

Requirements

Nature, Timing and Extent of Audit Procedures

8. The nature, timing and extent of the auditor’s procedures with respect to the requirements in paragraphs 9-13 of this SA will vary depending on the circumstances. In determining the nature, timing and extent of those procedures, the auditor shall consider matters including: (Ref: Para. A10)
- (a) The nature of the matter to which that expert’s work relates;
 - (b) The risks of material misstatement in the matter to which that expert’s work relates;
 - (c) The significance of that expert’s work in the context of the audit;
 - (d) The auditor’s knowledge of and experience with previous work performed by that

⁵⁰ ~~Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.~~

⁵¹ [Proposed SA 220\(Revised\)](#), “Quality ~~Control-Management~~ for an Audit of Financial Statements”, paragraph [A20A19](#).

⁵² SA 500, “Audit Evidence”, paragraphs A34-A48.

expert; and

- (e) Whether that expert is subject to the auditor's firm's ~~system of quality control policies and procedures~~ quality management. (Ref: Para. A11-A13)

Application and Other Explanatory Material

Determining the Need for an Auditor's Expert (Ref: Para. 7)

.....

A6. If the preparation of the financial statements involves the use of expertise in a field other than accounting, the auditor, who is skilled in accounting and auditing, may not possess the necessary expertise to audit those financial statements. The engagement partner is required to ~~be satisfied~~ determine that the engagement team, and any auditor's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement⁵³. Further, the auditor is required to ascertain the nature, timing and extent of resources necessary to perform the engagement⁵⁴. The auditor's determination of whether to use the work of an auditor's expert, and if so when and to what extent, assists the auditor in meeting these requirements. As the audit progresses, or as circumstances change, the auditor may need to revise earlier decisions about using the work of an auditor's expert.

A7. An auditor who is not an expert in a relevant field other than accounting or auditing may nevertheless be able to obtain a sufficient understanding of that field to perform the audit without an auditor's expert. This understanding may be obtained through, for example:

-
- Education or professional development in the particular field. This may include formal courses, or discussion with individuals possessing expertise in the relevant field for the purpose of enhancing the auditor's own capacity to deal with matters in that field. Such discussion differs from consultation with an auditor's expert regarding a specific set of circumstances encountered on the engagement where that expert is given all the relevant facts that will enable the expert to provide informed advice about the particular matter.⁵⁵

Nature, Timing and Extent of Audit Procedures (Ref: Para. 8)

A10. The nature, timing and extent of audit procedures with respect to the requirements in paragraphs 9-13 of this SA will vary depending on the circumstances. For example, the following factors may suggest the need for different or more extensive procedures than would otherwise be the case:

- The work of the auditor's expert relates to a significant matter that involves subjective and complex judgments.

⁵³ Proposed SA 220(Revised), paragraphs ~~14~~25-28.

⁵⁴ SA 300, "Planning an Audit of Financial Statements", paragraph 7(e).

⁵⁵ Proposed SA 220(Revised), paragraph ~~A24~~A99-A102.

- The auditor has not previously used the work of the auditor's expert, and has no prior knowledge of that expert's competence, capabilities and objectivity.
- The auditor's expert is performing procedures that are integral to the audit, rather than being consulted to provide advice on an individual matter.
- The expert is an auditor's external expert and is not, therefore, subject to the firm's system of quality control policies and procedures management.

The Auditor's Firm's System of Quality Control Policies and Procedures Management (Ref: Para. 8(e))

A11. An auditor's internal expert may be a partner or staff (i.e. personnel), including temporary staff, of the auditor's firm, and therefore subject to the system of quality control policies and procedures management of that firm in accordance with SQMC 1⁵⁶. ~~Alternatively, a~~ An auditor's internal expert may also be a partner or staff, including temporary staff, of a network firm, and is subject to the firm's policies or procedures for network requirements and network services in accordance with SQM 1. In some instances, the auditor's internal expert of a network firm may be subject to which may share common quality control management policies and or procedures as with the auditor's firm, given that they are part of the same network.

A12. SQM 1 requires the firm to address the use of resources from a service provider, which includes the use of an external expert.⁵⁷ An auditor's external expert is not a member of the engagement team and ~~is may~~ not be subject to ~~quality control policies and procedures in accordance with SQC 1~~⁵⁸ the firm's policies or procedures under its system of quality management.⁵⁹ Furthermore, the firm's policies or procedures for relevant ethical requirements may include policies or procedures that apply to the auditor's external expert.⁶⁰ In some cases, relevant ethical requirements or Some law(s) or regulation(s), however, may require that an auditor's external expert be:

- ~~T~~ reated as a member of the engagement team (i.e., the external expert, and may therefore be subject to relevant ethical and other professional requirements, including those relating related to independence); or,
- Subject to other professional requirements as determined by such law(s) or regulation(s)⁶¹:-

A13. ~~Engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise~~⁶². ~~The extent of that reliance will vary with the circumstances, and may affect the nature, timing and extent of the auditor's procedures with respect to such matters as:~~ As described in Proposed SA 220 (Revised), quality management at the

⁵⁶ Proposed SQMC 1, paragraph 6(e)16(w).

⁵⁷ Proposed SQM 1, paragraph 32

~~⁵⁸ SQC 1, paragraph 6(e).~~

⁵⁹ Proposed SQM 1, paragraph 16(f)

⁶⁰ Proposed SQM 1, paragraph 29(b)

⁶¹ Relevant ethical requirements ordinarily comprise the Code of Ethics of the Institute of Chartered Accountants of India related to an audit of financial statements.

⁶² SA 220, paragraph 4.

engagement level is supported by the firm's system of quality management and informed by the specific nature and circumstances of the audit engagement.⁶³
For example, the auditor may be able to depend on the firm's related policies or procedures in respect of:

- Competence and capabilities, through recruitment and training programs.
- Objectivity. Auditor's internal experts are subject to relevant ethical requirements, including those ~~pertaining~~ relating to independence.
- The auditor's evaluation of the adequacy of the auditor's expert's work. For example, the firm's training programs may provide auditor's internal experts with an appropriate understanding of the interrelationship of their expertise with the audit process. Reliance on such training ~~and other firm processes, such as protocols for scoping the work of auditor's internal experts,~~ may affect the nature, timing and extent of the auditor's procedures to evaluate the adequacy of the auditor's expert's work.
- Adherence to regulatory and legal requirements, through monitoring processes.
- Agreement with the auditor's expert.

~~Such reliance~~ Matters that the auditor may take into account when determining whether to depend on the firm's policies or procedures are described in Proposed SA 220 (Revised)⁶⁴. Depending on the firm's policies or procedures does not reduce the auditor's responsibility to meet the requirements of this SA.

The Competence, Capabilities and Objectivity of the Auditor's Expert (Ref: Para. 9)

A15. Information regarding the competence, capabilities and objectivity of an auditor's expert may come from a variety of sources, such as:

- Personal experience with previous work of that expert.
- Discussions with that expert.
- Discussions with other auditors or others who are familiar with that expert's work.
- Knowledge of that expert's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition.
- Published papers or books written by that expert.
- The auditor's firm's system of quality control policies and procedures management (see paragraphs A11-A13)

Agreement with the Auditor's Expert (Ref: Para. 11)

A26. When there is no written agreement between the auditor and the auditor's expert, evidence of the agreement may be included in, for example:

- Planning memoranda, or related working papers such as the audit program.

⁶³ [Proposed SA 220 \(Revised\), paragraph A4](#)

⁶⁴ [Proposed SA 220\(Revised\), paragraphs 4\(b\) and A10](#)

- The policies ~~and-or~~ procedures of the auditor's firm's system of quality management. In the case of an auditor's internal expert, the ~~established policies and procedures to which that expert is subject~~ firm's system of quality management may include ~~particular~~ policies ~~and-or~~ procedures ~~in relation relating to that the~~ expert's work. The extent of documentation in the auditor's working papers depends on the nature of such policies ~~and-or~~ procedures. For example, no documentation may be required in the auditor's working papers if the auditor's firm has detailed protocols covering the circumstances in which the work of such an expert is used.

SA 700 (Revised), Forming an Opinion and Reporting on Financial Statements

Application and Other Explanatory Material

Auditor's Report (Ref: Para. 20)

Auditor's Report for Audits Conducted in Accordance with Standards on Auditing

Relevant ethical requirements

A31. Law or regulation, applicable auditing standards or the terms of an audit engagement may require the auditor to provide in the auditor's report more specific information about the sources of the relevant ethical requirements, including those pertaining-related to independence that applied to the audit of the financial statements.

A56. ~~SQC 1⁶⁵ requires that~~ The objective of the firm ~~should establish policies in~~ Proposed SQM 1⁶⁶ is to design, implement and ~~procedures to provide~~ operate a system of quality management that provides the firm with reasonable assurance that ~~engagements are performed~~

- The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

Notwithstanding ~~these the objective of Proposed SQM~~ 1-requirements, naming the engagement partner in the auditor's report is intended to provide further transparency to the users of the auditor's report of a complete set of general purpose financial statements of an entity.

SA 701, Communicating Key Audit Matters in the Independent Auditor's Report

Application and Other Explanatory Material

Determining Key Audit Matters (Ref: Para. 9–10)

⁶⁵ ~~SQC 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, paragraph 3.~~

⁶⁶ Proposed SQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, paragraph 14

Matters that Required Significant Auditor Attention (Ref: Para. 9)

A15. Various SAs require specific communications with those charged with governance and others that may relate to areas of significant auditor attention. For example:

- SA 260 (Revised) requires the auditor to communicate significant difficulties, if any, encountered during the audit with those charged with governance.⁶⁷ The SAs acknowledge potential difficulties in relation to, for example:
 - o Related party transactions⁶⁸, in particular limitations on the auditor's ability to obtain audit evidence that all other aspects of a related party transaction (other than price) are equivalent to those of a similar arm's length transaction.
 - o Limitations on the group audit, for example, where the group engagement team's access to information may have been restricted.⁶⁹
- [Proposed SA 220\(Revised\)](#) establishes requirements for the engagement partner in relation to undertaking appropriate consultation on difficult or contentious matters, [matters on which the firm's policies or procedures require consultation](#),⁷⁰ [and other matters that in the engagement partner's professional judgment, require consultation](#). For example, the auditor may have consulted with others within the firm or outside the firm on a significant technical matter, which may be an indicator that it is a key audit matter. The engagement partner is also required to discuss, among other things, significant matters [and significant judgments](#) arising during the audit engagement with the engagement quality ~~control~~ reviewer.⁷¹

Communication with Those Charged with Governance (Ref: Para. 17)

A63. The requirement in paragraph 17(b) to communicate with those charged with governance when the auditor has determined there are no key audit matters to communicate in the auditor's report may provide an opportunity for the auditor to have further discussion with others who are familiar with the audit and the significant matters that may have arisen (including the engagement quality ~~control~~ reviewer, where one has been appointed). These discussions may cause the auditor to re-evaluate the auditor's determination that there are no key audit matters.

SA 720 (Revised), The Auditor's Responsibilities Relating to Other Information

Application and Other Explanatory Material

Reading and Considering the Other Information (Ref: Para. 14–15)

A24. In accordance with [Proposed SA 220\(Revised\)](#),⁷² the engagement partner is

⁶⁷ SA 260 (Revised), paragraphs 16(b) and A21.

⁶⁸ SA 550, Related Parties, paragraph A42.

⁶⁹ SA 600, Using the Work of Another Auditor.

⁷⁰ [Proposed SA 220\(Revised\)](#), Quality ~~Control~~ Management for an Audit of Financial Statements, paragraph ~~4835~~.

⁷¹ [Proposed SA 220\(Revised\)](#), paragraph ~~3649~~.

⁷² ~~SA 220, Quality Control for an Audit of Financial Statements, paragraph 15(a).~~

required to take responsibility for the direction, ~~and~~ supervision ~~and performance~~ of the ~~audit members of the~~ engagement ~~team in compliance and the review of their work,~~⁷³ ~~and determine that the nature, timing and extent of direction, supervision and review is planned and performed in accordance with the firm's policies or procedures,~~ ~~with~~ professional standards and applicable legal and regulatory requirements⁷⁴. In the context of this SA, factors that may be taken into account when determining the appropriate engagement team members to address the requirements of paragraphs 14–15, include:

- The relative experience of engagement team members.
- Whether the engagement team members to be assigned the tasks have the relevant knowledge obtained in the audit to identify inconsistencies between the other information and that knowledge.
- The degree of judgment involved in addressing the requirements of paragraph 14–15. For example, performing procedures to evaluate the consistency of amounts in the other information that are intended to be the same as amounts in the financial statements may be carried out by less experienced engagement team members.
- Whether, in the case of a group audit, it is necessary to make inquiries of a component auditor in addressing the other information related to that component.

Proposed SA 805 (Revised), Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Application and Other Explanatory Material

Considerations When Accepting the Engagement

Application of SAs (Ref: Para. 7)

A4. SA 200 requires the auditor to comply with (a) relevant ethical requirements, including those ~~pertaining related~~ to independence, relating to financial statement audit engagements, and (b) all SAs relevant to the audit. It also requires the auditor to comply with each requirement of an SA unless, in the circumstances of the audit, the entire SA is not relevant or the requirement is not relevant because it is conditional and the condition does not exist. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an SA by performing alternative audit procedures to achieve the aim of that requirement⁷⁵.

⁷³ [Proposed SA 220 \(Revised\), Quality Management for an Audit of Financial Statements, paragraphs 29–30](#)

⁷⁴ [Proposed SA 220\(Revised\), paragraph 30\(a\)](#)

⁷⁵ SA 200, paragraphs 14, 18 and 22-23.

Part 2- Conforming Amendments to Other Standards

SRE 2400(Revised), Engagements to Review Historical Financial Statements

Standard on Review Engagements (SRE) 2400 (Revised), Engagements to Review Historical Financial Statements, should be read in the context of the Preface to the Standards on Quality ~~Control~~ Management, Auditing, Review, Other Assurance, and Related Services.

Introduction

Relationship with SQMG 1⁷⁶

4. ~~The system of quality control systems, and policies and or~~ procedures are the responsibility of the firm. SQMG 1 applies to firms ~~of professional accountants~~ in respect of a firm's engagements to review financial statements.⁷⁷ The provisions of this SRE regarding quality ~~control~~ management at the level of individual review engagements are premised on the basis that the firm is subject to SQMG 1. (Ref: Para. A3-A4)

17(i) *Relevant ethical requirements* — Principles of professional ethics and ethical requirements that are applicable to which professional accountants the engagement team is subject when undertaking reviews ~~of financial statements. engagements, which~~ Relevant ethical requirements ordinarily comprise the provisions of the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) related to ~~a reviews~~ of financial statements, together with other relevant pronouncements issued by the ICAI.

Requirements

Engagement Level Quality ~~Control~~ Management

24. The engagement partner shall ~~have possess~~ competence in assurance skills and techniques, and ~~competence~~ in financial reporting, and capabilities, including having sufficient time, appropriate to the engagement circumstances. (Ref: Para. A25)

25. The engagement partner shall take overall responsibility for: (Ref: Para. A26-A29)

25(a) ~~The overall~~ Managing and achieving quality ~~of on~~ each review engagement to which that partner is assigned and being sufficiently and appropriately involved throughout the engagement;

25(b) The direction, supervision, planning and performance of the review engagement

⁷⁶ Standard on Quality ~~Control-Management~~ (SQMG) 1, Quality ~~Control-Management~~ for Firms that Perform Audits ~~and or~~ Reviews of Historical Financial Information, ~~and or~~ Other Assurance ~~and or~~ Related Services Engagements.

⁷⁷ SQMG 1, paragraph 5.

| |
|--|
| in compliance with professional standards and applicable legal and regulatory requirements; (Ref: Para. A30) |
| 25(c) The practitioner's report being appropriate in the circumstances; and |
| 25(d) The engagement being performed in accordance with the firm's quality control <u>management</u> policies <u>or procedures</u> , including the following : |
| 25(d)(i) Being satisfied that appropriate procedures regarding the firm's policies or procedures for the acceptance and continuance of client relationships and <u>review</u> engagements have been followed, and that conclusions reached are appropriate, including considering whether there is information that would lead the engagement partner to conclude that management lacks integrity; (Ref: Para. A31-A32) |
| 25(d) <u>(iA) Determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement.</u> |
| 25(d) (ii) Being satisfied that the engagement team collectively has the appropriate competence and capabilities, including <u>having sufficient time, as well as</u> assurance skills and techniques and expertise in financial reporting, to: <ul style="list-style-type: none"> a. Perform the review engagement in accordance with professional standards and applicable legal and regulatory requirements; and b. Enable a report that is appropriate in the circumstances to be issued; and |
| 25(d) (iii) Taking responsibility for appropriate engagement documentation being maintained; and - |
| 25(d) <u>(iv) When an engagement quality review is required in accordance with SQM 1 or the firm's policies or procedures, not dating the report until the completion of the engagement quality review.</u> ⁷⁸ |
| <i>Compliance with Relevant Ethical Requirements</i> |
| 27. Throughout the engagement, the engagement partner shall remain alert, through observation and making inquiries as necessary, for evidence of breaches of relevant ethical requirements by members of the engagement team. If matters come to the engagement partner's attention through the firm's system of quality control <u>management</u> or otherwise that indicate that members of the engagement team have breached relevant ethical requirements, the engagement partner, in consultation with others in the firm, shall determine the appropriate action. |
| <i>Monitoring and Remediation</i> |
| 28. An effective <u>A firm's</u> system of quality control <u>management for a firm</u> includes <u>establishing</u> a monitoring <u>and remediation</u> process to designed to provide the firm with reasonable assurance that the firm's policies and procedures relating to the system of quality control are relevant, adequate and operate effectively. |
| <u>(a) Provide the firm with relevant, reliable and timely information about the design, implementation and operation of the system of quality management.</u> |

⁷⁸ [SQM 2, Engagement Quality Reviews](#)

(b) Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated by the firm on a timely basis.

The engagement partner shall consider the ~~results information from~~ of the firm's monitoring and remediation process, as communicated ~~as evidenced in the latest information circulated~~ by the firm and, if applicable, other network firms, and whether ~~deficiencies noted in that the~~ information may affect the review engagement.

Documentation

....

94. In documenting the nature, timing and extent of procedures performed as required in this SRE, the practitioner shall record:

(a) Who performed the work and the date such work was completed; and

(b) Who reviewed the work performed for the purpose of quality ~~control~~ management for the engagement, and the date and extent of the review.

Application and Other Explanatory Material

Scope of this SRE (Ref: Para. 1-2)

Relationship with SQCMs 1 (Ref: Para. 4)

A3. SQCM 1 deals with the firm's responsibilities to ~~establish and maintain its design, implement and operate a~~ system of quality ~~control~~ management for assurance engagements, including review engagements.⁷⁹ SQM 1 also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews.⁸⁰ SQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.⁸¹

~~Those responsibilities are directed at establishing the firm's:~~

- ~~• Quality Control System; and~~
- ~~• Related policies designed to achieve the objective of the quality control system and the firm's procedures to implement and monitor compliance with those policies, including policies and procedures that address each of the following elements:
 - ~~○ Leadership responsibilities for quality within the firm.~~
 - ~~○ Relevant ethical requirements.~~
 - ~~○ Acceptance and continuance of client relationships and specific engagements.~~
 - ~~○ Human resources.~~
 - ~~○ Engagement performance.~~~~

⁷⁹ [SQM 1, paragraph 1](#)

⁸⁰ [SQM 1, paragraph 2\(a\)](#)

⁸¹ [SQM 1, paragraph 2\(b\)](#)

○ ~~Monitoring.~~

A system of quality management addresses the following eight components:⁸²

- (a) The firm's risk assessment process;
- (b) Governance and leadership;
- (c) Relevant ethical requirements;
- (d) Acceptance and continuance of client relationships and specific engagements;
- (e) Engagement performance;
- (f) Resources;
- (g) Information and communication; and
- (h) The monitoring and remediation process.

Firms or national requirements may use different terminology or frameworks to describe the components of the system of quality management.

A4. Under SQM~~C~~ 1, the objective of the firm ~~has an obligation to establish and maintain~~ is to design, implement and operate a system of quality ~~control~~ management for assurance engagements, including reviews of financial statements, that ~~to provide~~ it ~~the firm~~ with reasonable assurance that:

- (a) The firm and its personnel ~~comply~~ fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- (b) Engagement rReports issued by the firm⁸³ or engagement partners are appropriate in the circumstances.⁸⁴

A26. Within the context of the firm's system of quality ~~control~~ management, engagement teams have a responsibility to implement ~~quality control~~ the firm's policies or procedures applicable to the engagement, and ~~provide~~ communicate to the firm ~~with relevant information to enable the functioning of that part of~~ arising from the review engagement that is required to be communicated by the firm's policies or procedures to support the firm's system of quality ~~control~~ management ~~relating to independence~~.

A27. The actions of the engagement partner and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking overall responsibility for ~~the overall~~ managing and achieving quality on each review engagement, emphasize the fact that quality is essential in performing a review engagement, and the importance to the quality of the review engagement of:

- (a) Performing work that complies with professional standards and regulatory and legal

⁸² SQM 1, paragraph 6

⁸³ ~~It is clarified that in India the reports are not issued/signed in the firm's name, rather they are issued/signed on behalf of the firm by the sole practitioner, proprietor or a partner of the firm, as the case may be, in his individual name.~~

⁸⁴ SQM 1, paragraph 314.

requirements.

- (b) Complying with the firm's quality ~~control~~ management policies ~~and or~~ procedures as applicable.
- (c) Issuing a report for the engagement that is appropriate in the circumstances.
- (d) The engagement team's ability to raise concerns without fear of reprisals.

A28. ~~Unless information provided by the firm or other parties suggests otherwise, Ordinarily,~~ the engagement team ~~is entitled to rely~~ may depend on the firm's system of quality ~~control~~ management unless:

- The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
- Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise.

–For example, the engagement team may ~~rely~~ depend on the firm's system of quality ~~control~~ management in relation to:

- Competence and capabilities of personnel through their recruitment and formal training.
- Independence through the accumulation and communication of relevant independence information.
- Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance of client relationships and review engagements ~~systems~~.
- Adherence to regulatory and legal requirements through the firm's monitoring and remediation process.

In considering deficiencies⁸⁵ identified in the firm's system of quality ~~control~~ management that may affect the review engagement, the engagement partner may consider ~~measures~~ the remedial actions taken undertaken by the firm to ~~rectify~~ address those deficiencies.

A29. A deficiency in the firm's system of quality ~~control~~ management does not necessarily indicate that a review engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the practitioner's report was not appropriate.

Assignment of Engagement Teams (Ref: Para. 25(b))

A30. When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner may take into consideration such matters as the team's:

....

⁸⁵ [SQM 1, paragraph 16\(a\)](#)

Understanding of the firm's quality ~~control~~management policies ~~and~~ or procedures.

Acceptance and Continuance of Client Relationships and Review Engagements
(Ref: Para. 25(d)(i))

A31. SQ~~CM~~1⁸⁶ requires the firm to establish quality objectives that address the acceptance and continuance of client relationships and review engagements. ~~obtain information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client.~~ Information that assists the engagement partner in determining whether the firm's policies or procedures for the acceptance and continuance of client relationships and review engagements have been followed, and that conclusions reached are appropriate, may include information concerning:

- The integrity of the principal owners, key management and those charged with governance; and
- Significant matters that have arisen during the current or a previous review engagement, and their implications for continuing the relationship.

Acceptance and Continuance of Client Relationships and Review Engagements
(Ref: Para. 29)

A33. The practitioner's consideration of acceptance and engagement~~continuance of client relationships and review engagements~~, and relevant ethical requirements, including independence, occurs throughout the engagement, as conditions and changes in circumstances occur. Performing initial procedures on acceptance and engagement~~continuance of client relationships and review engagements~~ and evaluation of relevant ethical requirements (including independence) at the beginning of an engagement informs the practitioner's decisions and actions prior to the performance of other significant activities for the engagement.

Documentation

Timeliness of Engagement Documentation (Ref: Para. 93)

A144. SQ~~MC~~1 requires the firm to establish a quality objective that engagement documentation is assembled ~~time limits that reflect the need to complete the assembly of final engagement files~~ on a timely basis after the date of the engagement report.

SAE 3400, The Examination of Prospective Financial Information

Standard on Assurance Engagements (SAE) 3400, "The Examination of Prospective Financial Information" should be read in the context of the "Preface to the Standards on Quality ~~Control~~Management, Auditing, Review, Other Assurance and Related Services".

SAE 3402, Assurance Reports on Controls at a Service Organisation

Standard on Assurance Engagements (SAE) 3402, "Assurance Reports on Controls at a Service Organization," should be read in the context of the "Preface to the Standards

⁸⁶ [SQM 1, paragraph 30](#)

on Quality ~~Control~~ Management, Auditing, Review, Other Assurance and Related Services”.

6. Compliance with Framework for Assurance Engagements requires, among other things, that the service auditor comply with the provisions of the Code of Ethics of the Institute of Chartered Accountants of India related to assurance engagements, and implement quality ~~control~~-management procedures that are applicable to the individual engagement⁸⁷.

50. The service auditor shall assemble the documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the service auditor’s assurance report⁸⁸.

Preparing the Service Auditor’s Assurance Report

Content of the Service Auditor’s Assurance Report

53. The service auditor’s assurance report shall include the following basic elements: (Ref: Para. A47)

...

...

(l) The date of the service auditor’s assurance report, which shall be no earlier than the date on which:

(i) ~~the~~ the service auditor has obtained sufficient appropriate evidence on which to base the opinion; ~~and~~;

(ii) When an engagement quality review is required in accordance with SQM 1 or the firm’s policies or procedures, the engagement quality review is complete.

Documentation (Ref: Para. 51)

A46. SQM~~C~~ 1 requires firms to establish ~~policies and procedures for the timely completion of the assembly of engagement files~~ a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement report⁸⁹. An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the service auditor’s report⁹⁰.

SAE 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus

Standard on Assurance Engagements (SAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, should be read in the context of the “Preface to the Standards on Quality ~~Control~~ Management,

⁸⁷ Framework for Assurance Engagements, paragraph 4.

⁸⁸ ~~Standard on Quality Control (SQC) 1, p~~ Paragraphs 74-76 A83-A85 of SQM 1 provide further guidance.

⁸⁹ SQM~~C~~ 1, paragraph ~~74.31(f)~~.

⁹⁰ SQM~~C~~ 1, paragraph ~~A83~~75.

Auditing, Review, Other Assurance and Related Services”.

8. Compliance with the Framework requires, among other things, that the practitioner:

- Comply with the independence and other requirements of the Code of Ethics, issued by the Institute of Chartered Accountants of India; and
- (n)• Implement quality ~~control~~ management procedures that are applicable to the individual engagement.

Proposed SRS 4400 (Revised), Agreed-upon Procedures Engagements

Proposed Standard on Related Services (SRS) 4400(Revised), “Agreed-upon Procedures Engagements” should be read in the context of the “Preface to the Standards on Quality ~~Control~~ Management, Auditing, Review, Other Assurance and Related Services”.

Relationship with ~~SQC~~SQM 1⁹¹

3. ~~The System of Quality management control systems, and~~ policies ~~or and~~ procedures are the responsibility of the firm. ~~SQMC~~ 1 applies to firms ~~of professional accountants~~ in respect of a firm’s agreed-upon procedures engagements.⁹² The provisions of this ~~SRS~~ regarding quality ~~management control~~ at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ~~SQMC~~ 1. (Ref: Para. A3–A8)

Definitions

13. For purposes of this SRS, the following terms have the meanings attributed below:

Engagement partner – The partner or other ~~person in individual, appointed by~~ the firm who is a member of the Institute of Chartered Accountants of India and is in full time practice and is responsible for the engagement and its performance, and for the agreed-upon procedures report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

Engagement team – All partners and staff performing the agreed-upon procedures engagement, and any other individuals ~~engaged by the firm or a network firm~~ who perform procedures on the engagement. ~~This excludes a~~ excluding a practitioner’s external expert⁹³. ~~engaged by the firm or a network firm.~~

Relevant ethical requirements – Principles of professional ethics and Eethical requirements that are applicable to the engagement team ~~is subject to~~ when undertaking agreed-upon procedures engagements. ~~These~~ Relevant ethical requirements ordinarily comprise the provisions of Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI Code of Ethics) and other ethical requirements imposed by applicable laws and regulations. ~~International Ethics Standards Board for~~

⁹¹ Standard on Quality ~~Management Control~~ (SQMC) 1, “Quality ~~Management Control~~ for Firms that Perform Audits ~~or and~~ Reviews of Historical Financial Information Statements, or and Other Assurance ~~and or~~ Related Services Engagements”

⁹² SQM 1, paragraph 5

⁹³ ~~Such other person should be a member of the Institute of Chartered Accountants of India.~~

~~Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards (IESBA Code) together with national requirements that are more restrictive.~~

Engagement Level Quality ManagementControl

19. The engagement partner shall take overall responsibility for:

- (a) Managing and achieving ~~The overall~~ quality onof the agreed-upon procedures engagement including, if applicable, work performed by a practitioner's expert; and being sufficiently and appropriately involved throughout the engagement; and (Ref: Para. A24)
- (b) The engagement being performed in accordance with the firm's quality management~~control~~ policies ~~and or~~ procedures by:
 - (i) Following the firm's appropriate~~policies or~~ procedures regarding the acceptance and continuance of client relationships and agreed-upon procedures engagements; (Ref: Para. A25)
 - (IA) Determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement;
 - (ii) Being satisfied that the engagement team, and any practitioner's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities, including having sufficient time, to perform the agreed-upon procedures engagement;
 - (iii) Being alert for indications of ~~non-compliance~~breaches of relevant ethical requirements by members of the engagement team ~~with relevant ethical requirements~~, and determining the appropriate actions if matters come to the engagement partner's attention indicating that members of the engagement team have ~~not complied with~~breached relevant ethical requirements; (Ref: Para. A26)
 - (iv) Directing, and supervising engagement team members, reviewing their work, and performing the engagement in compliance with professional standards and applicable legal and regulatory requirements; ~~and~~
 - (v) Taking responsibility for appropriate engagement documentation being assembled, appropriately maintained and retained.
 - (vi) When an engagement quality review is required in accordance with SQM 1 or the firm's policies or procedures, not dating the report until the completion of the engagement quality review.⁹⁴

⁹⁴ [SQM 2, "Engagement Quality Reviews"](#)

Engagement Acceptance and Continuance

21. Before accepting or continuing an agreed-upon procedures engagement, the practitioner shall obtain an understanding of the purpose of the engagement. The practitioner shall not accept or continue the agreed-upon procedures engagement if the practitioner is aware of any facts or circumstances indicating that the procedures the practitioner is being asked to perform are inappropriate for the purpose of the agreed-upon procedures engagement. (Ref: Para. A28–A31)

23. If the engagement partner obtains information that would have caused the firm to decline the engagement had that information been known by the firm prior to accepting or continuing the engagement~~available earlier~~, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take necessary action.

Agreeing the Terms of the Engagement

Recurring Agreed-Upon Procedures Engagements

26. On recurring agreed-upon procedures engagements, the practitioner shall evaluate whether circumstances, including changes in the firm's judgments about whether to accept or continue the engagement~~acceptance considerations~~, require the terms of the engagement to be revised and whether there is a need to remind the engaging party of the existing terms of engagement. (Ref: Para. A44)

30. The agreed-upon procedures report shall be in writing and shall include: (Ref: Para. A51)

....

(m) A statement that the firm of which the practitioner is a member applies SQM~~E~~ 1.

Relationship with SQM~~s~~ 1 (Ref: Para. 3)

A3. SQM~~E~~ 1 deals with the firm's responsibilities to ~~establish and maintain its~~design, implement and operate a system of quality management control for related services engagements, including agreed-upon procedures engagements.⁹⁵ SQM 1 also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews⁹⁶. SQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.⁹⁷ ~~Those responsibilities are directed at establishing:~~

34. ~~The firm's quality control system; and~~

35. ~~The firm's related policies designed to achieve the objective of the quality control~~

⁹⁵ [SQM 1, paragraph 2\(a\)](#)

⁹⁶ [SQM 2, Engagement Quality Reviews](#)

⁹⁷ [SQM 1, paragraph 2\(b\)](#)

~~system and its procedures to implement and monitor compliance with those policies.~~

A4. Under SQMC 1, the objective of the firm ~~has an obligation to establish and maintain~~ is to design, implement and operate a system of quality ~~control~~management for related services engagements, including agreed-upon procedures engagements, ~~that to~~ provides the firm with reasonable assurance that:

- (a) The firm and its personnel ~~comply~~ fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- (b) Engagement Rports issued by the firm or engagement partners are appropriate in the circumstances.⁹⁸

A6. Within the context of the firm's system of quality ~~control~~management, engagement teams have a responsibility to implement ~~quality control~~policies or procedures applicable to the engagement.

A7. Ordinarily ~~Unless information provided by the firm or other parties suggests otherwise,~~ the engagement team ~~is entitled to rely~~ may depend on the firm's system of quality ~~control~~management unless:

- The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
- Information provided by the firm or other parties, about the effectiveness of such policies or procedures suggests otherwise.

For example, the engagement team may ~~depend~~ rely on the firm's system of quality ~~management~~control in relation to:

- Competence and capabilities of personnel through their recruitment and formal training.
- Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance of client relationships and agreed-upon procedures engagements~~systems~~.
- Adherence to legal and regulatory requirements through the firm's monitoring and remediation process.

In considering deficiencies⁹⁹ identified in the firm's system of quality ~~control~~management that may affect the agreed-upon procedures engagement, the engagement partner may consider the remedial actions~~measures~~ undertaken by the firm to address ~~rectify the situation~~ those deficiencies that the engagement partner

⁹⁸ SQMC 1, paragraph 14

⁹⁹ SQM 1, paragraph 16(a)

considers are sufficient in the context of that agreed-upon procedures engagement.

A8. A deficiency in the firm's system of quality ~~management~~~~control~~ does not necessarily indicate that an agreed-upon procedures engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the agreed-upon procedures report was not appropriate.

Engagement Level Quality ~~Control~~Management (Ref: Para. 19–20)

A24. The actions of the engagement partner and appropriate messages to the other members of the engagement team, in taking overall responsibility for ~~the overall~~managing and achieving quality on each engagement, emphasize the importance to achieving the quality of the engagement of:

- (a) Performing work that complies with professional standards and applicable legal and regulatory ~~and legal~~ requirements;
- (b) Complying with the firm's ~~quality control~~ policies or~~and~~ procedures as applicable; and
- (c) Issuing the practitioner's report for the engagement in accordance with this SRS.

A25. SQMC 1 requires the firm to establish quality objectives dealing with the appropriateness of ~~obtain such~~ its judgments about whether to accept or continue a client relationship or engagement based on information ~~as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client.~~ obtained about the nature and circumstances of the agreed-upon procedures engagement and ~~Information that assists the engagement partner in determining whether acceptance or continuance of client relationships and agreed-upon procedures engagements is appropriate may include information concerning~~ the integrity and ethical values of the ~~principal owners, key client (including management, and, when appropriate, those charged with governance)~~ that is sufficient to support such judgments. If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the engagement, it may not be appropriate to accept the engagement.

A26. SQMC 1 sets out the responsibilities of the firm for establishing ~~policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply~~ quality objectives that address the fulfillment of responsibilities in relation to ~~with~~ relevant ethical requirements. This SRS sets out the engagement partner's responsibilities with respect to the engagement team's compliance with relevant ethical requirements.¹⁰⁰

Engagement Acceptance and Continuance (Ref: Para. 21–23)

Compliance with Independence Requirements (Ref: Para. 22(e), 24(e))

A37. Paragraph 22(e) applies when the practitioner is required to comply with

¹⁰⁰ [SQM 1, paragraph 29](#)

independence requirements for reasons such as those set out in paragraph A15. Paragraph 22(e) also applies when the practitioner agrees with the engaging party, in the terms of engagement, to comply with independence requirements. For example, the practitioner may have initially determined that the practitioner is not required by relevant ethical requirements, law or regulation, or other reasons to comply with independence requirements. However, when considering ~~engagement~~ acceptance and continuance of the engagement or agreeing the terms of engagement, the practitioner's knowledge of the following matters may indicate that a discussion with the engaging party as to whether compliance with certain identified independence requirements is appropriate for the purpose of the agreed-upon procedures engagement:

- The purpose of the agreed-upon procedures engagement;
- The identity of the engaging party, other intended users and responsible party (if different from the engaging party);
- The nature, timing and extent of the procedures to be performed; or

Other engagements that the practitioner is performing or has performed for the engaging party, other intended users or the responsible party (if different from the engaging party).

A47. A practitioner's expert may be an external expert engaged by the practitioner or an internal expert who is part of the firm and therefore subject to the firm's system of quality ~~management~~control. Ordinary. ~~The practitioner may depend is entitled to rely on~~ the firm's system of quality ~~management~~control, unless:

- The practitioner's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
- Information provided by the firm or other parties, about the effectiveness of such policies or procedures suggests otherwise.

~~information provided by the firm or other parties suggests otherwise.~~ The extent of that ~~reliance~~dependence will vary with the circumstances and may affect the nature, timing and extent of the practitioner's procedures with respect to matters such as:

- Competence and capabilities, through recruitment and training programs.
- The practitioner's evaluation of the objectivity of the practitioner's expert.
- Agreement with the practitioner's expert.

Such ~~reliance~~dependence does not reduce the practitioner's responsibility to meet the requirements of this SRS.

Proposed SRS 4400 (Revised), Appendix 2

Illustration 1:

Professional Ethics and Quality ~~Management~~Control

We have complied with the ethical requirements in [describe the relevant ethical requirements]. For the purpose of this engagement, there are no independence

requirements with which we are required to comply.

~~Our firm applies Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.~~

Our firm applies Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Proposed SRS 4400 (Revised), Appendix 2

Illustration 2:

Professional Ethics and Quality Management~~Control~~

We have complied with the ethical requirements in [describe the relevant ethical requirements]. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

~~Our firm applies Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.~~

Our firm applies Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

SRS 4410 (Revised), Compilation Engagements

Standard on Related Services (SRS) 4410 (Revised), Compilation Engagements, should be read in the context of the Preface to the Standards on Quality ~~Control~~ Management, Auditing, Review, Other Assurance, and Related Services.

Introduction

Scope of this SRS

Relationship with SQCM 1¹⁰¹

4. The system of qQuality control management systems, and policies ~~and or~~

¹⁰¹ Standard on Quality ~~Control~~ Management (SQMC) 1, Quality ~~Control~~ Management for Firms that Perform Audits ~~and or~~ Reviews of ~~Historical~~ Financial Information Statements, and or Other Assurance ~~and or~~ Related Services Engagements.

procedures are the responsibility of the firm. SQMG 1 applies to firms ~~of professional accountants~~ in respect of a firm's compilation engagements.¹⁰² The provisions of this SRS regarding quality ~~control~~ management at the level of individual compilation engagements are premised on the basis that the firm is subject to SQGM 1. (Ref: Para. A6–A10)

Definitions

17. The Glossary of Terms (the Glossary) includes the terms defined in this SRS and also includes descriptions of other terms found in this SRS, to assist in consistent interpretation. The following terms have the meanings attributed below for the purposes of this SRS:

- (c) *Engagement partner* – The partner or other ~~person in~~ individual, appointed by the firm, who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
- (d) *Engagement team* – All partners and staff performing the engagement, and any other individuals ~~engaged by the firm or a network firm~~ who perform procedures on the engagement. ~~This excludes~~ excluding a practitioner's external expert engaged by the firm or a network firm.
- (g) *Relevant ethical requirements* – Principles of professional ethics and ~~E~~ethical requirements that are applicable to ~~which~~ the engagement team ~~is subject~~ when undertaking ~~a~~ compilation engagements, ~~which~~ Relevant ethical requirements ordinarily comprise the provisions of the Code of Ethics issued by ICAI together with other relevant pronouncements issued by ICAI. (Ref: Para. A20)

Management and Achieving Quality on Compilation Engagements ~~Level Quality Control~~

23. The engagement partner shall take overall responsibility for:

- (a) ~~The overall~~ Managing and achieving quality ~~of on~~ each compilation engagement to which that partner is assigned and being sufficiently and appropriately involved throughout the engagement; and
- (b) The engagement being performed in accordance with the firm's quality ~~control~~ management policies ~~and or~~ procedures, by: (Ref: Para. A24)
 - (i) Following ~~appropriate~~ the firm's policies or procedures regarding the acceptance and continuance of client relationships and compilation engagements; (Ref: Para. A25)
 - (iA) Determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement

¹⁰² SQGM 1, paragraph ~~4~~5

- (ii) Being satisfied that the engagement team collectively has the appropriate competence and capabilities, including having sufficient time, to perform the compilation engagement;
- (iii) Being alert for indications of breaches of relevant ethical requirements by members of the engagement team, and determining the appropriate action if matters come to the engagement partner's attention indicating that members of the engagement team have breached relevant ethical requirements; (Ref: Para. A26)
- (iv) Directing, ~~and~~ supervising engagement team members, and reviewing their work, and performing the engagement in compliance with professional standards and applicable legal and regulatory requirements; ~~and~~
- (v) Taking responsibility for appropriate engagement documentation being assembled, appropriately maintained and retained; and ~~and~~
- (iv) When an engagement quality review is required in accordance with SQM 1 or the firm's policies or procedures, not dating the report until the completion of the engagement quality review.¹⁰³

Recurring Engagements

26. On recurring compilation engagements, the practitioner shall evaluate whether circumstances, including changes in the firm's judgments about a client relationship or the engagement ~~acceptance considerations~~, require the terms of engagement to be revised and whether there is need to remind management of the existing terms of engagement. (Ref: Para. A39)

Relationship with SQCM 1 (Ref: Para. 4)

A6. SQCM 1 deals with the firm's responsibilities to ~~establish and maintain its design, implement and operate a~~ system of quality ~~control management~~ for related services engagements, including compilation engagements;¹⁰⁴ SQM 1 also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews¹⁰⁵. SQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.¹⁰⁶ ~~Those responsibilities are directed at establishing:~~

~~(a) The firm's quality control system; and~~

~~The firm's related policies designed to achieve the objective of the quality control system and its procedures to implement and monitor compliance with those policies.~~

A7. Under SQCM 1, the objective of the firm ~~has an obligation to establish and maintain is to design, implement and operate~~ a system of quality ~~control management for related~~

¹⁰³ [SQM 2, Engagement Quality Reviews](#)

¹⁰⁴ [SQM 1, paragraph 1](#)

¹⁰⁵ [SQM 1, paragraph 2\(a\)](#)

¹⁰⁶ [SQM 1, paragraph 2\(b\)](#)

services engagements, including compilation engagements, that to provides it- the firm with reasonable assurance that:

- (a) The firm and its personnel comply fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- (b) ~~Reports- Engagement reports~~ issued by the firm or engagement partners are appropriate in the circumstances.¹⁰⁷

A9. ~~Unless information provided by the firm or other parties suggests otherwise,~~ Ordinarily, the engagement team ~~is entitled to rely-~~ may depend on the firm's system of quality ~~control-~~ management unless:

- The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
- Information provided by the firm or other parties, about the effectiveness of such policies or procedures suggests otherwise.

For example, the engagement team may ~~rely-~~ depend on the firm's system of quality ~~control-~~ management in relation to:

- Competence and capabilities of personnel through their recruitment and formal training.
- Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance- ~~systems-~~ of client relationships and compilation engagements
- Adherence to legal and regulatory requirements through the firm's monitoring and remediation process.

In considering deficiencies¹⁰⁸ identified in the firm's system of quality ~~control~~ management that may affect the compilation engagement, the engagement partner may consider measures the remedial actions under- taken by the firm ~~to rectify the situation to address those deficiencies~~ that the engagement partner considers are sufficient in the context of that compilation engagement.

A10. A deficiency in the firm's system of quality ~~control~~ management does not necessarily indicate that a compilation engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the practitioner's report was not appropriate.

Engagement Level Quality ~~Control~~ Management (Ref: Para. 23(b))

A24. The actions of the engagement partner and appropriate messages to the other members of the engagement team, in taking overall responsibility for ~~the overall~~ managing and achieving quality on each engagement, emphasize the importance to

¹⁰⁷ SQCM 1, paragraph 314.

¹⁰⁸ SQM 1, paragraph 16(a)

achieving the quality of the engagement of:

- (a) Performing work that complies with professional standards and regulatory and legal requirements;
- (b) Complying with the firm's ~~quality control~~ policies ~~and or~~ procedures as applicable; and
- (c) Issuing the practitioner's report for the engagement in accordance with this SRS.

Acceptance and Continuance of Client Relationships and Compilation Engagements (Ref: Para. 23(b)(i))

A25. SQMG 1 requires the firm to establish quality objectives dealing with the appropriateness of to obtain such its judgments about whether to accept or continue a client relationship or engagement based on information ~~as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client.~~ obtained about the nature and circumstances of the compilation engagement and ~~Information that assists the engagement partner in determining whether acceptance or continuance of client relationships and compilation engagements is appropriate may include information concerning~~ the integrity and ethical values of the principal owners, key client (including management, and, when appropriate, those charged with governance) that is sufficient to support such judgments. If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the engagement, it may not be appropriate to accept the engagement.

Compliance with Relevant Ethical Requirements in Conducting the Engagement (Ref: Para. 23(b)(iii))

A26. SQEM 1 sets out the responsibilities of the firm for establishing ~~policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply~~ quality objectives that address the fulfillment of responsibilities in relation to ~~with~~ relevant ethical requirements. This SRS sets out the engagement partner's responsibilities with respect to the engagement team's compliance with relevant ethical requirements.¹⁰⁹

Framework for Assurance Engagements

Contents Page

Introduction

Ethical Principles and Quality ~~Control~~ Management Standards

Ethical Principles and Quality ~~Control~~ Management Standards

4. In addition to this Framework and SAs, SREs and SAEs, practitioners who perform assurance engagements are governed by:

- (a) The requirements of the Chartered Accountants Act, 1949;

¹⁰⁹ [SQM 1, paragraph 29](#)

- (b) The Code of Ethics (the Code), issued by the Institute, which establishes fundamental principles of ethics for professional accountants;
- (c) Other relevant pronouncements of the Institute of Chartered Accountants of India; and
- (d) Standards on Quality ~~Control~~-Management (SQMGs), which establish standards and provide guidance on a firm's system of quality ~~control~~management¹¹⁰.

¹¹⁰ Additional Standards and guidance on quality ~~control~~-management procedures for specific types of assurance engagements are set out in SAs, SREs and SAEs.