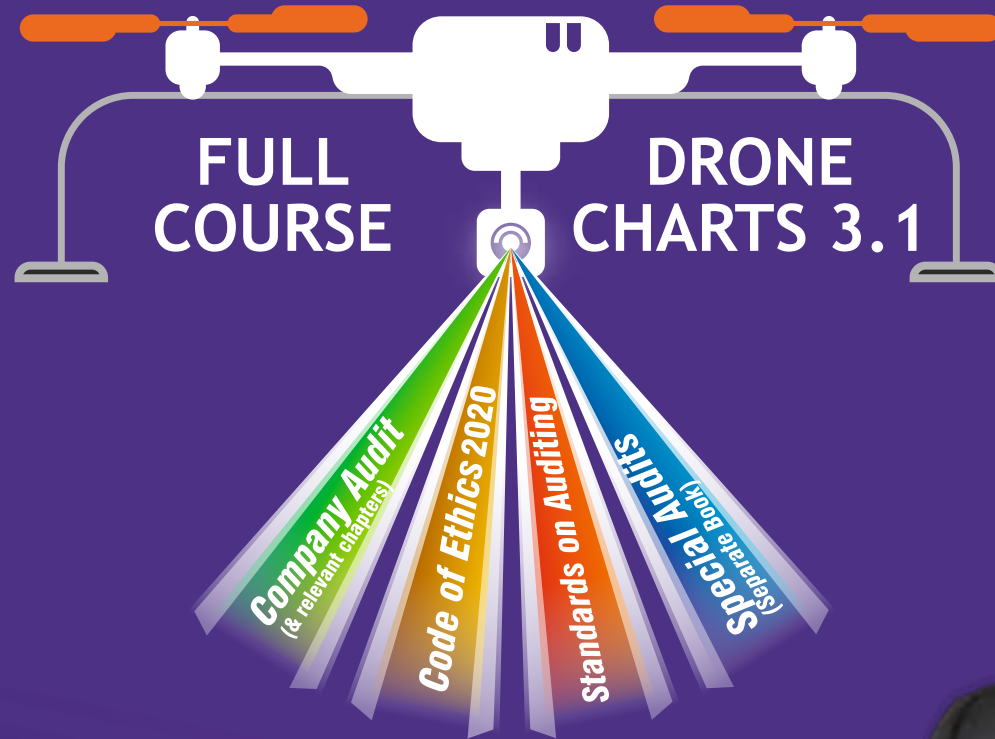


CA FINAL AUDIT

NOT JUST SUMMARY CHARTS, THESE ARE DRONE CHARTS



Features

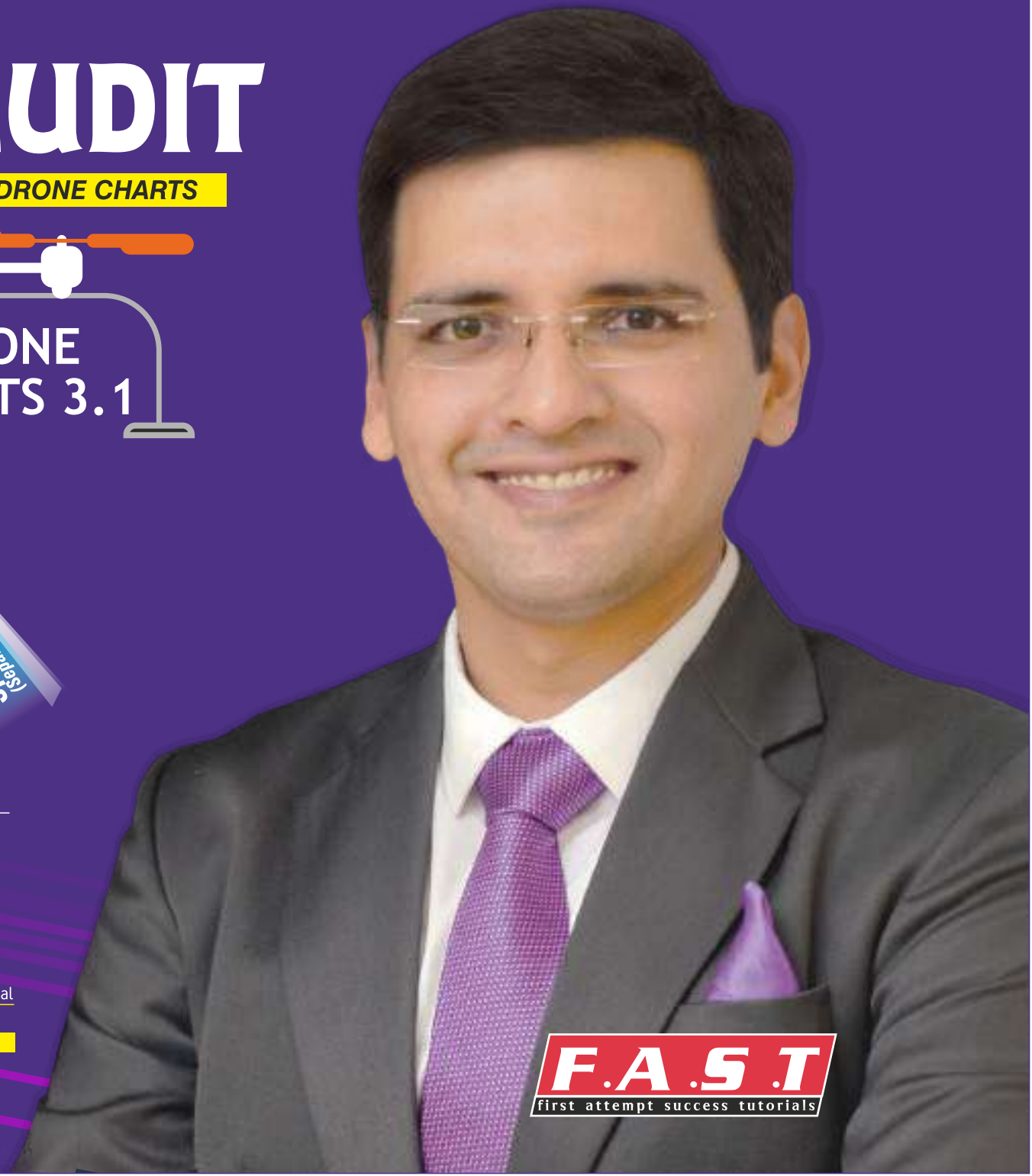
- Code of Ethics 2020 (Latest), CARO 2020 and Companies (Amendment) Rules covered (CARO-2016 also included)
- Including updated content from ICAI SM
- Including Content of RTP & MTP, upto Dec-2021
- Designed to assist solving integrated case study based MCQs
- Full topics summarised - Enough for Exams
- Scientifically Designed & Beautifully Crafted
- These are **not just summary charts but covers all concepts** in pictorial charts for easy understanding and quick last day revision

Relevant for May 2022 & Nov 2022

Crafted By:

By CA. Sarthak Niraj Jain (All India CA Ranker)

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CA Final Audit Drone Charts 3.1



CA. Sarthak Niraj Jain

**Company
Audit**
(and related topics)

**Code of
Ethics, 2020**

**Standards
on
Auditing**

**Special
Audit**
(Separate Book)

Dear Students, this Drone charts in your hand is the output of a dream which we were not just imagining, but living day and night. Finally it has come to its life. Thanks to the inspiration given by you!

Every word, concept, connection in the book has been crafted with utmost care. It has been rechecked and subject to rigorous quality reviews and we trust that you will absolutely love this publication of FAST as you have loved the FR Brahmastra, Ind AS Drone Charts, CA Final Audit Drone Charts, MCQ Book and so many more.

*Now we are confident that 100% of **Audit** can be well covered and revised just in a day before the exams.*

Best of Luck

Sarthak

Share Feedback



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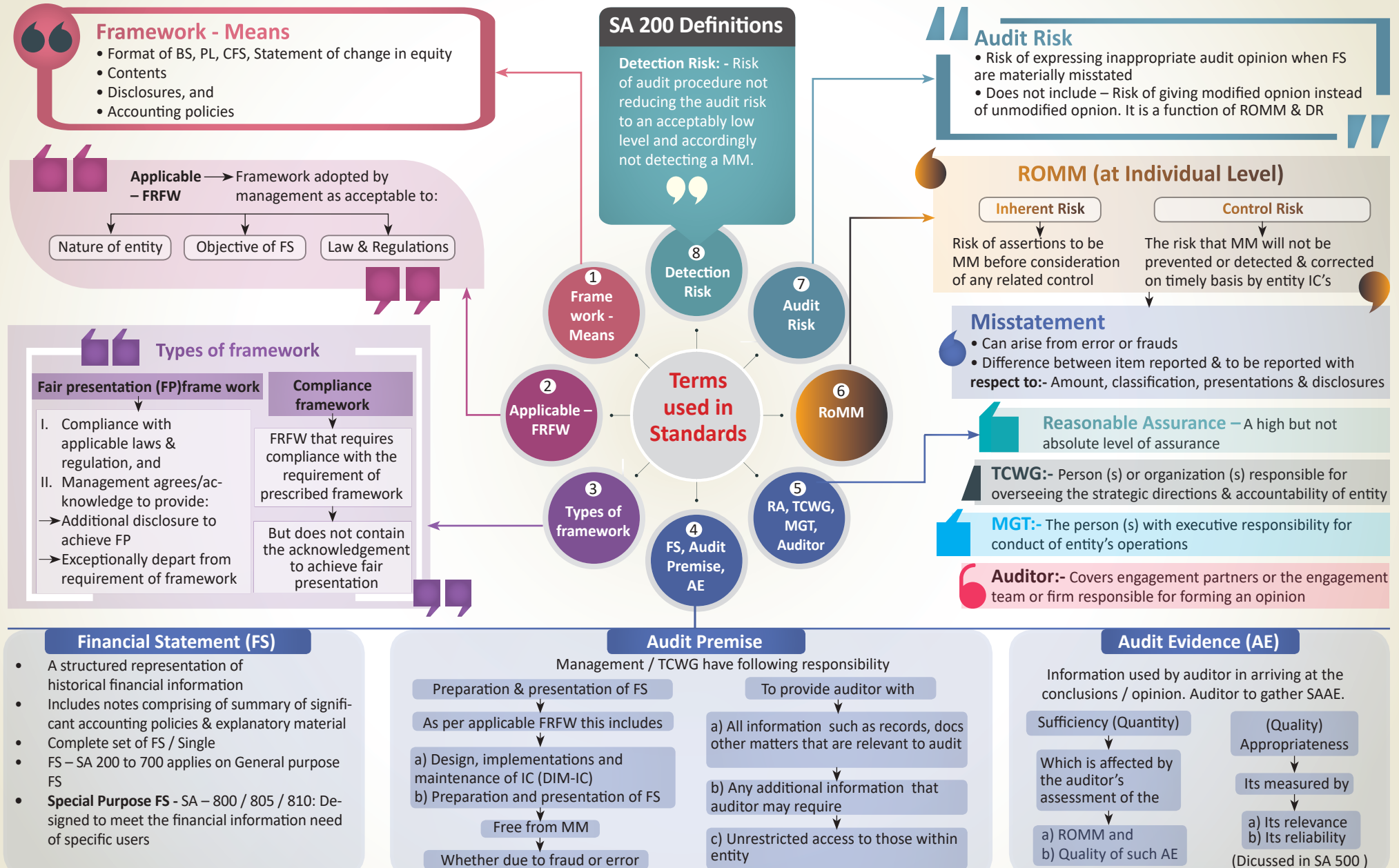
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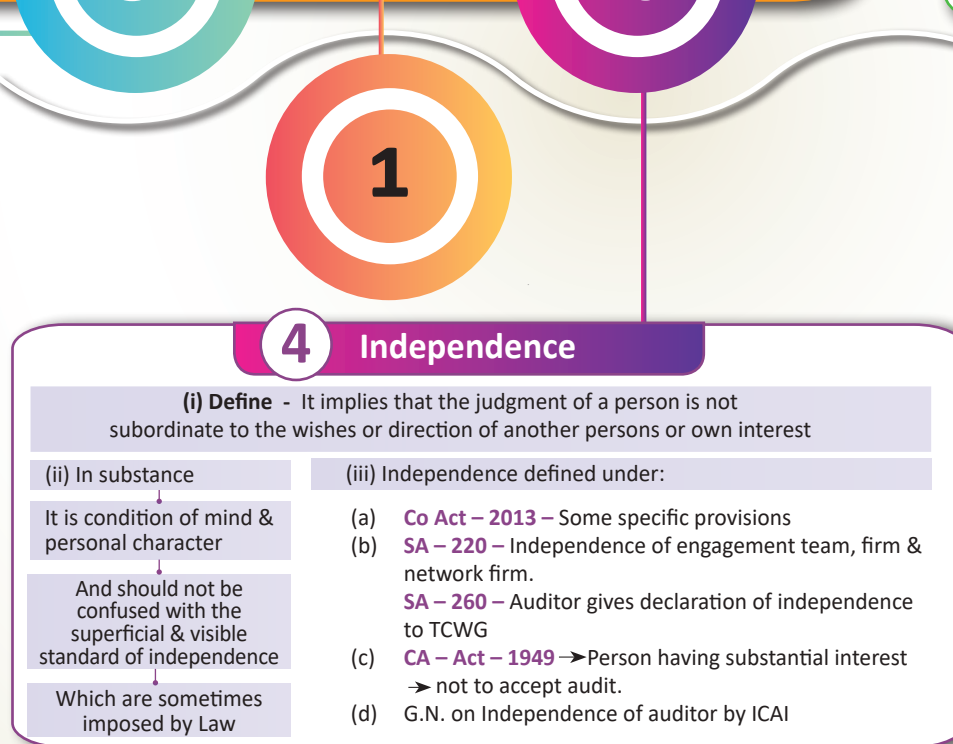
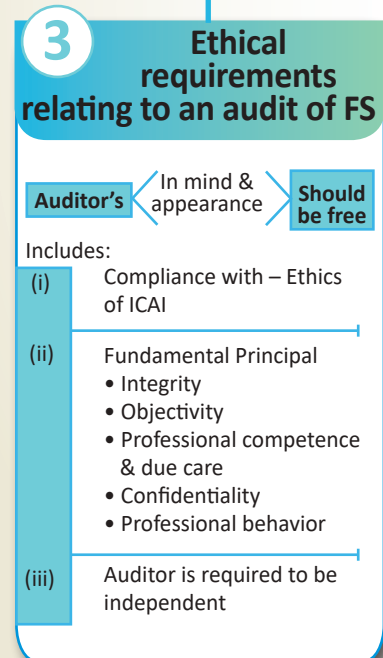
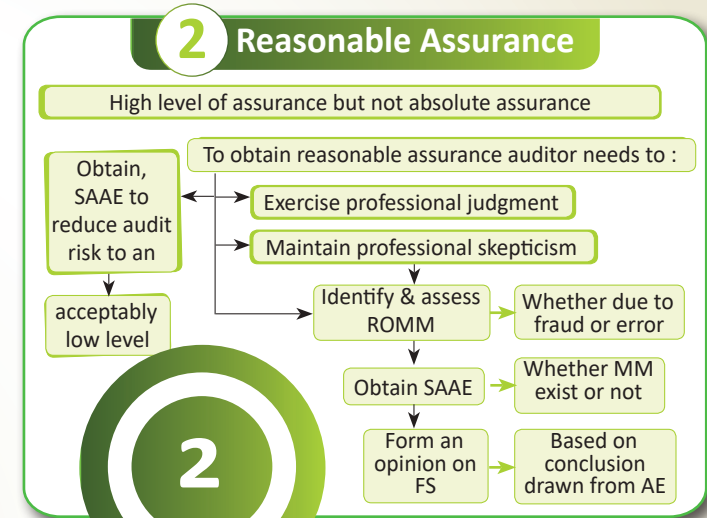
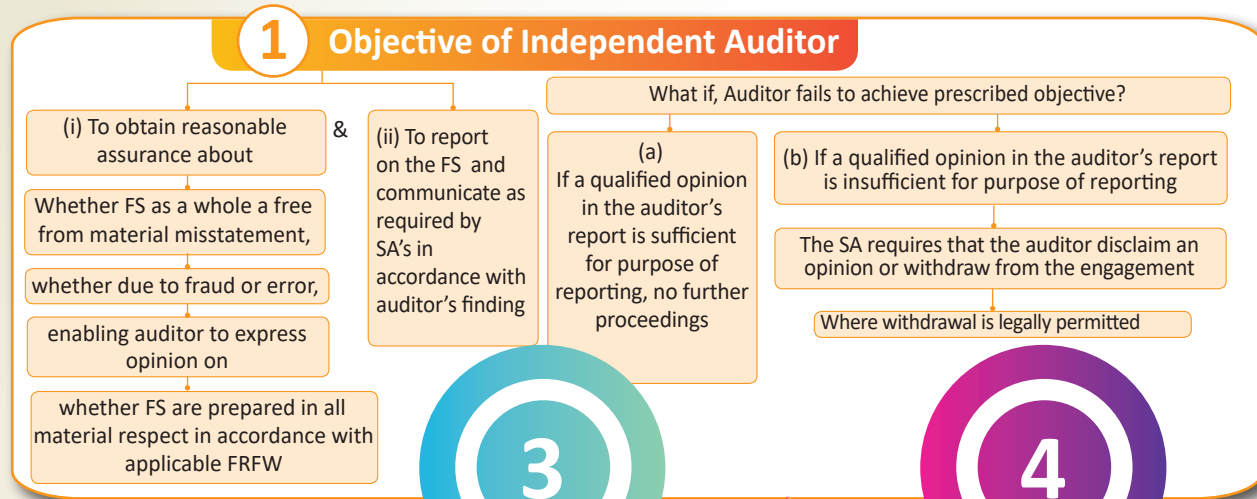
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Author
CA. Sarthak Niraj Jain

Special Thanks to
Naeem Shaikh





5 Conduct of an audit in accordance with SA's

(i) Complying with SA's relevant to audit

- 1. Required to understand complete text of SA's its various sections which includes:**
- (a) Introduction
 - (b) Objective of SA
 - (c) Definitions
 - (d) Requirements
 - (e) Applications other explanatory material
 - (f) Appendix, if any

- 2. Any non compliance of SA :**
To be reported in audit report else held guilty under clause-9 of Part-I of Sch.-II of CA Act, 1949

(ii) Objective stated in individual SAs:

- Achieve objectives by-
- a) Determining need for any additional audit procedure
 - b) Evaluating whether SAAE has been obtained

(iii) Complying with relevant requirements auditor shall comply with each requirement of SA unless in circumstances:

- (a) Entire SA is not relevant
- (b) Requirement is conditional & condition does not exist

(iv) Failure to achieve an objective:

Determine the need of modified opinion or withdrawal



8 Inherent limitation of Audit

(i) Nature of Financing Reporting

- Involvement of management judgment (like – Accounting estimates etc.)

(ii) Nature of Audit Procedure

- Incomplete information by management
- Fraudulent evidences like fake evidence
- Inability to conduct → Search or investigation
- AE – Persuasive not conclusive

(iii) Balance between Cost & benefit

- User expectation to get AR within a reasonable period and at reasonable cost

(iv) Other matters

- Fraud involving senior management
- Related Party Transactions
- Non compliance with L&R
- Auditing Accounting estimates and going concern

6 Professional Skepticism

• Attitudes that includes a questioning mind being alert to condition which may indicate possible misstatement due to fraud or error and a critical assessment of audit evidence

1. Professional skepticism includes being alert to, for example

- (i) Contradictory audit evidence
- (ii) Reliability of documents
- (iii) Conditions indicating possible frauds
- (iv) Circumstances requiring audit procedures in addition to those required by SA's.

2. Maintaining Professional Skepticism throughout the audit is necessary

To reduce the risk of

- Overlooking of unusual transaction
- Overgeneralizing
- Using inappropriate assumption in determine NTE of AP & result evaluation

Critical assessment of audit evidence

- Questioning on contradictory audit evidence
- Response to inquiries & other info
- Consideration of S&A of AE

7 Professional Judgment

- The application of relevant
 - Training
 - Knowledge &
 - Experience

- Within the context provided by
 - Auditing
 - Accounting &
 - Ethical standard

- That are appropriate in the circumstances of audit engagement

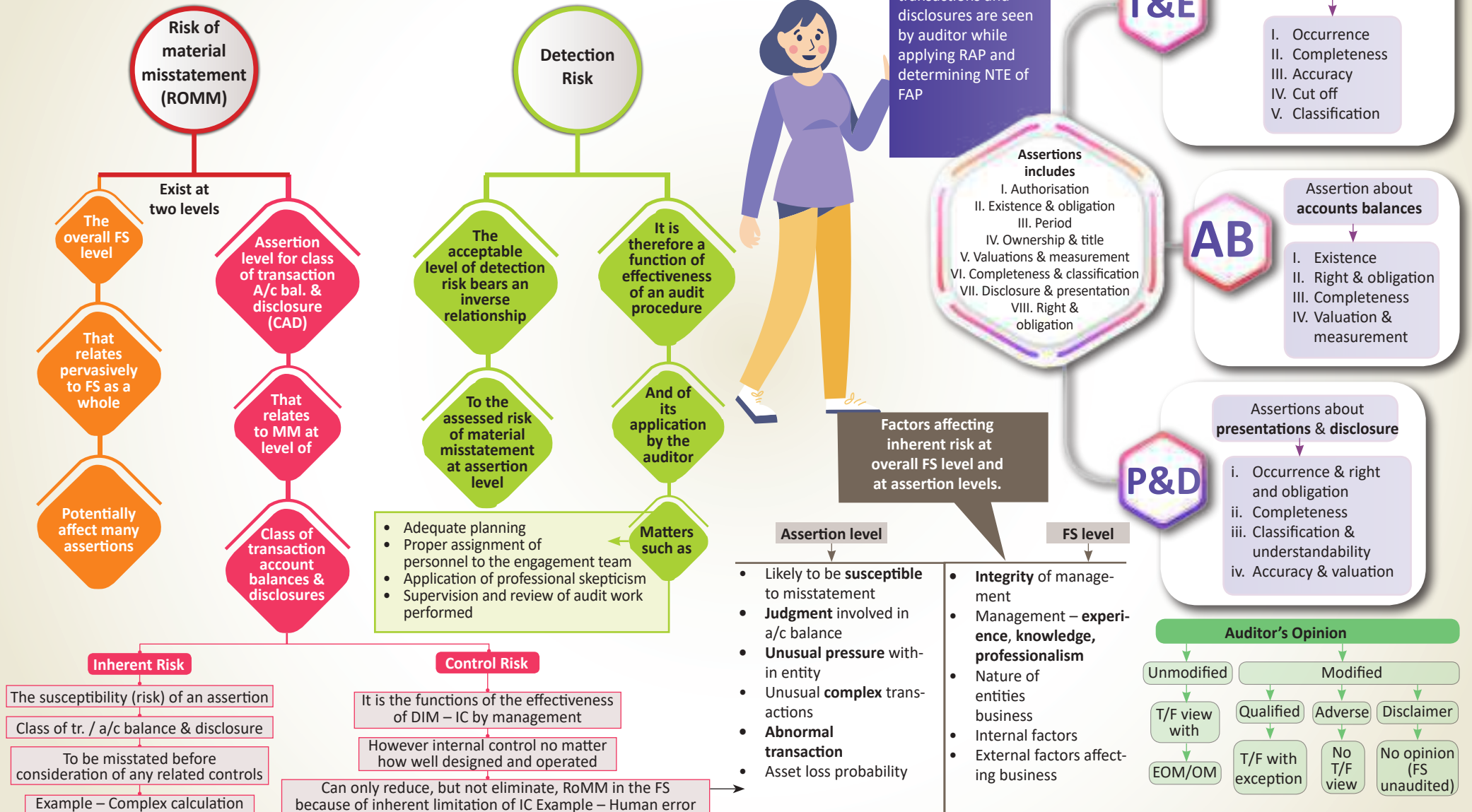
- In making informed decisions about the course of action

Few areas requiring professional judgment

- 1 Materiality & audit risk
- 2 NTE of AP
- 3 Evaluating sufficiency & appropriateness of AP
- 4 Evaluating management judgment in applying applicable FRFW
- 5 Drawing conclusions based on audit evidence

Audit Risk (SA 200 + 315)

The risk that the auditor expresses an inappropriate audit opinion when the FS are materially misstated.



1. Objective of Auditor

The objective of the auditor is to accept or continue an audit engagement only when the basis upon which it is to be performed has been agreed, through:

- (a) Establishing whether the preconditions for an audit are present; and
- (b) Confirming that there is a common understanding between the auditor and management and TCWG, of the terms of the audit engagement.

3. Limitation on Scope Prior to Audit Engagement Acceptance

Note: For limitations imposed post acceptance of audit, refer SA 705

Auditor shall not accept such a limited engagement as an audit engagement, unless required by law or regulation to do so.

4. Agreement on Audit Engagement Terms

Engagement letter shall include:

- a. The **objective and scope of the audit** of the FS;
- b. The **responsibilities of the auditor** (Refer SA 200);
- c. The **responsibilities of MGT** (design and maintenance of internal controls, selection of accounting policies, making accounting estimates, making information available for the purpose of audit, prevention / detection and correction of frauds and errors, etc.)
- d. Identification of the **applicable FRFW**; and
- e. Reference to the **expected form and content of any reports**.

Form and Content of the Audit Engagement Letter – **Other Matters**

- **Elaboration of the scope** of the audit, including reference to applicable legislation, regulations, SAs, and ethical and other pronouncements of professional bodies to which the auditor adheres.
- The **form of any other communication of results** of the audit engagement.
- The fact that because of the **inherent limitations of an audit**, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with SAs.
- **Arrangements regarding the planning** and performance of the audit, including the composition of the audit team.
- The **expectation that management will provide written representations**.

When relevant, the following points could also be made in the audit engagement letter:

- Arrangements concerning the **involvement of other auditors and experts** in some aspects of the audit.
- Arrangements concerning the involvement of **internal auditors** and other staff of the entity.
- Arrangements to be made with the **predecessor auditor**, if any, in the case of an initial audit.
- Any **restriction of the auditor's liability** when such possibility exists.
- A **reference to any further agreements** between the auditor and the entity.

If **law or regulation prescribes in sufficient detail** the terms of the audit engagement, the auditor need not record them in a written agreement, except for a **letter acknowledging**:

- a. **the fact** that such law or regulation applies and
- b. that **MGT acknowledges and understands** its responsibilities of **audit premise**.

The auditor shall agree the terms of the audit engagement with MGT or TCWG, as appropriate. It will be in **form of written letter by auditor to mgt**.

2. Preconditions for an Audit

a. Determine whether the FRFW in acceptable; and

Determining the **Acceptability** of the FRFW

- Whether law or regulation prescribes the applicable FRFW.
- The nature of the entity
- The nature of the FS
- The purpose of the FS

Factors affecting assessment of **suitability** of framework

- Relevance
- Completeness
- Reliability, in that the information provided in the FS
- Neutrality
- Understandability

b. MGT acknowledges and understands its responsibility (**AUDIT PREMISE**):

Preparation of the FS in accordance with the applicable FRFW

For IC necessary to enable the preparation of FS that are free from MM, whether due to fraud or error; and

To provide the auditor with:

a. Access to all information such as records, documentation and other matters;

b. Additional information that the auditor may request for audit; and

c. Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.

1

2

3

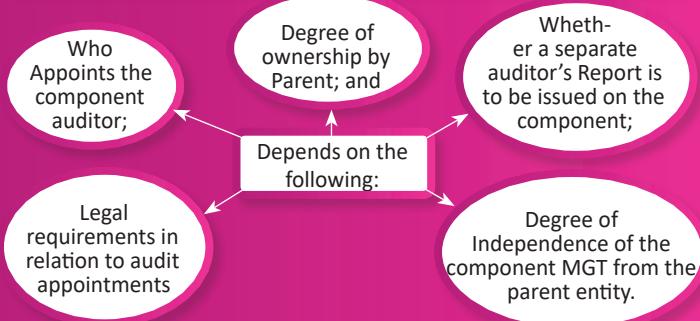
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5

6

Audits of Components

Whether to send a separate audit engagement letter to the component?



7

Recurring Audits

The auditor may decide not to send a new audit engagement letter or other written agreement each period.

Misunderstands

Any indication that the entity misunderstands the objective and scope of the audit.

Change

- Any revised or special terms of the audit engagement.
- A recent change of senior MGT.
- A significant change in ownership.
- A significant change in nature or size of the entity's business.
- A change in legal or regulatory requirements.
- A change in the FRFW adopted in the preparation of FS.
- A change in other reporting requirements.

8

Acceptance of a Change in the Terms of the Audit Engagement

1. Accept only if **reasonable justification** for doing so if there is reduction in scope
2. New terms – **New agreement in writing**
3. If **terms change unsuitable** to auditor and MGT refuses to continue, auditor to:
 - a. **Withdraw**; and
 - b. Determine **whether there is any obligation**, either contractual or otherwise, **to report** the circumstances to other parties, such as TCWG, owners or regulators.

9

Additional Considerations in Engagement Acceptance

- Financial Reporting Standards supplemented by Law or Regulation
- Financial Reporting Standards prescribed by Law or Regulation – Other Matters Affecting Acceptance
- Auditor's Report Prescribed by Law or Regulation

Financial Reporting Standards **SUPPLEMENTED** by Law or Regulation (Additional Disclosure required by Law)

Financial Reporting Standards **PRESCRIBED** by Law or Regulation – Other Matters Affecting Acceptance

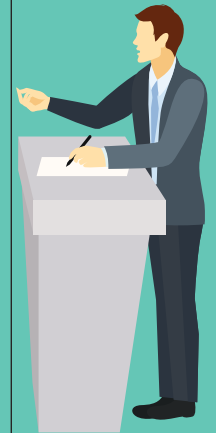
Auditor's Report Prescribed by Law or Regulation

- a. The additional requirements can be met through additional **disclosures** in the FS,
- b. The **description of the applicable FRFW** in the FS can be **amended** accordingly.



If, according to auditor, FRFW prescribed by law or regulation would be unacceptable, he shall **accept the audit engagement only if:-**

- a. MGT **agrees to provide additional disclosures** required to avoid statements being misleading, &
- b. The terms of audit engagement specifies that:-
 - i. Auditor's **Report shall incorporate an Emphasis of Matter Paragraph**, drawing users attention to this, &
 - ii. Auditor's Report shall **not include phrases 'Present Fairly**, in all material aspects' or 'give a T&F View in accordance with applicable FRFW', unless the law or regulation so requires.



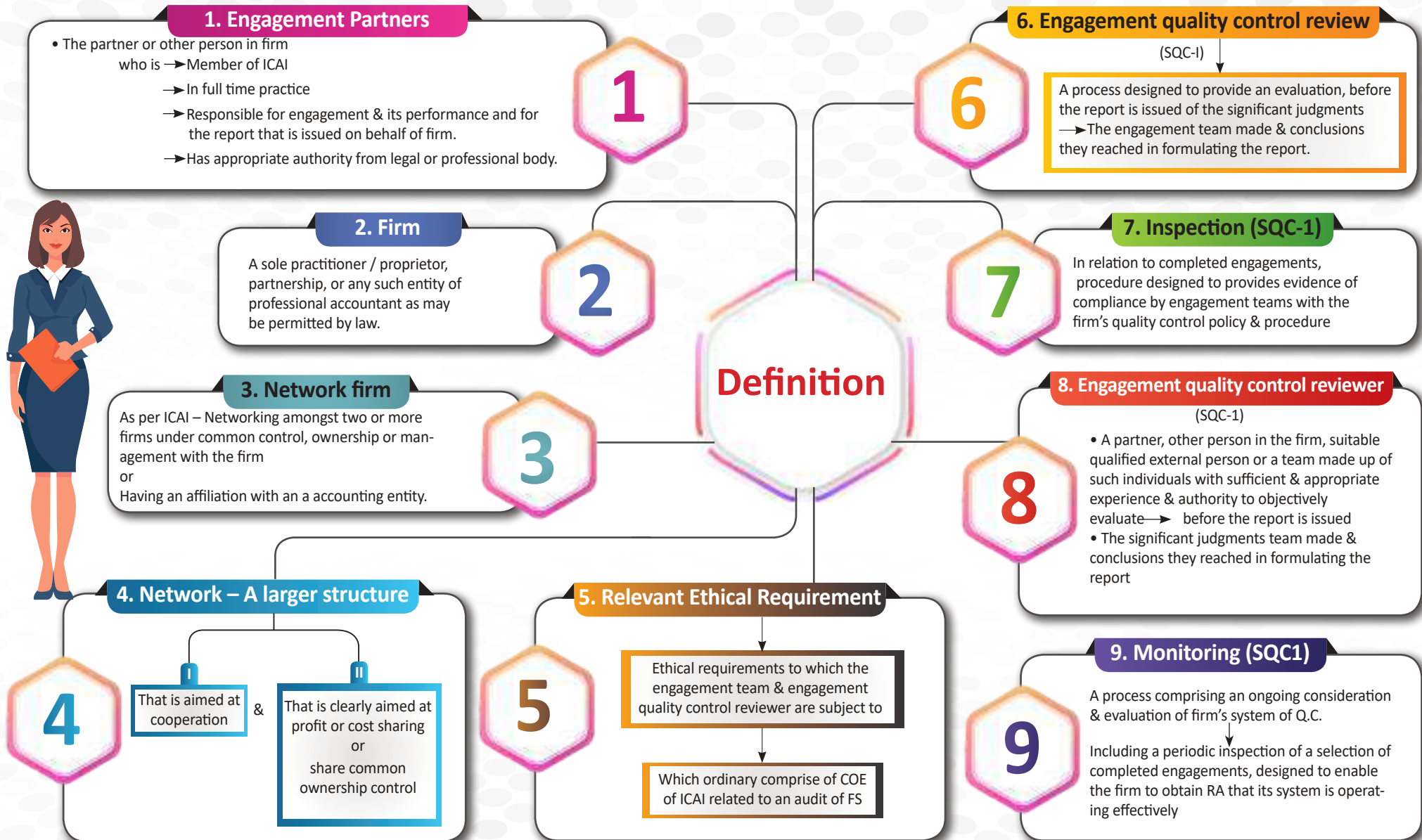
1. In many cases, the **law or regulation** applicable to the entity **prescribes layout or wording of the auditor's report** in a form or in items that are significantly different from the requirements of SAs.

2. In such case, the auditor shall evaluate, whether users might misunderstand the assurance obtained from the audit of the FS, and if so happens, **whether additional explanation in the auditor's report can reduce the possible misunderstanding.**

3. If, according to auditor, the **additional explanation cannot reduce** such misunderstanding the auditor shall **not accept audit engagement.**

4. The auditor shall **not include** any reference within the auditor's report to the audit having been **conducted in accordance with SAs.**

5. However, the auditor should disclose that he is encouraged to apply SAs.



LEGEND : SQC = Standard's on Quality Control | COE = Code of Ethics | RA = Reasonable Assurance



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