

CA FINAL ADVANCED AUDITING ASSURANCE AND PROFESSIONAL ETHICS

NEW COURSE

Talking **Quest? on Bank**

For Jan 26 / May 26

CA. Sarthak Niraj Jain

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- This question bank covers questions of **latest ICAI SM, previous exams, RTPs, MTPs** of ICAI relevant for CA Final with updated answers as per new syllabus.

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CA FINAL ADVANCED AUDITING, ASSURANCE AND PROFESSIONAL ETHICS

Question Bank

CA. Sarthak Niraj Jain

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Chapter 1

Quality Control

SQC-1 Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements

&

SA -220 Quality Control for an Audit of Financial Statements

1. Continuance of Client Relationship

PQR Associates are the statutory auditors of a large un-listed company, which is engaged in manufacturing of auto components. Subsequent to re-appointment of auditors in the Annual General Meeting, the Company shared the appointment letter with PQR Associates, seeking acknowledgement and acceptance letter. CA. R is the engagement partner and is planning to issue the acceptance letter. During the current financial year, there was a search by the Income Tax authorities on the company, and certain accounting records were seized for verification. Based on the information available on social media, CA. R noted that the promoters' brother, is contemplating to contest in the ensuing elections, under the banner of a political party. One of the current senior engagement team manager, who has been doing the audit engagement till last year, has left PQR Associates and is planning to provide some accounting services to one of the associate companies. PQR Associates are yet to recruit another senior manager having adequate experience in the audits of clients engaged in automotive sector.

Elaborate the matters to be considered by PQR Associates with respect to acceptance & continuance of client relationships considering the above issues.

(May-2024, MTP-May-2025, SM)

Ans.



Acceptance and Continuance of Client Relationships:

As per SQC 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements," a firm before accepting an engagement should **acquire vital information** about the client. Such an information should help firm to **decide about:** -

- **Integrity of Client, promoters, and key managerial personnel.**
- **Competence (including capabilities, time, and resources) to perform engagement.**
- **Compliance with ethical requirements.**

The firm should **obtain such 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. **Where issues** have been **identified**, and the firm decides to accept or continue the client relationship or a specific engagement, it should **document how the issues were resolved.**

Further, as per SA 220, "Quality Control for an Audit of Financial Statements", the engagement partner shall **form a conclusion on compliance with independence requirements** that apply to the audit engagement. In doing so, the engagement partner shall obtain relevant information from the firm and, where applicable, network firms, to **identify and evaluate circumstances and relationships that create threats to independence.**

In view of the above, PQR Associates should:

- ✓ **follow their firm's policies and procedures** for client acceptance and continuance. This includes **evaluating the integrity of the client, assessing potential risks** associated with the engagement, and **ensuring the firm has the necessary resources and expertise** to perform the engagement effectively. The engagement team, should assess, whether the company is involved in any funding activities, to the political parties, and if so enquire and assess the risks related to such transactions.

- ✓ **communicate clearly** with the client regarding the scope of the engagement, the responsibilities of both parties, and any limitations on the services to be provided. This helps manage expectations and ensures alignment between the firm and the client.
- ✓ **independence and objectivity throughout the engagement.** Any potential threats to independence, such as relationships with the client's affiliates or involvement in political activities by related parties, should be evaluated and mitigated appropriately. Since the senior manager who was on this engagement is providing certain accounting services, to one of the group companies, the engagement partner, should assess, whether it would have any impact on the audit and examine the relevant ethical/independence requirements.
- ✓ **continually monitor the client relationship for any changes or developments** that may impact the firm's ability to provide services effectively. This includes staying informed about significant events such as the income-tax search, changes in client management, or potential conflicts of interest. Since there was an income-tax raid on the organisation, the engagement partner should evaluate the risks of material misstatements, and non-disclosure of tax disputes and liabilities.
- ✓ **ensure that their engagement team possesses the necessary competence and capabilities to perform the audit effectively.** The departure of a senior manager and the need to recruit a replacement with specific industry experience should be addressed promptly to maintain audit quality. Since one of the senior engagement team members has left PQR Associates, the engagement partner should assess, whether he would be in a position to devote adequate time on the engagement or whether to recruit another resource, before commencement of the audit.

2.

Independence of the firm

RST Ltd. is a company listed in India. The Company has appointed M/s R & Co. as auditors. CA. R has recently joined the firm and has been appointed as the engagement partner for the first time. During the audit planning, the engagement partner discovers that a relative of a team member holds a significant financial interest in RST Ltd. The team member had not reported this relationship earlier.

He understands that it is necessary to ensure compliance of independence for the audit team as per standard audit practices. But he could not find as such any policies and procedures available with the firm in documented form.

Why do you think that the firm should have policies and procedures to ensure the independence of the firm in every assignment? How does an engagement partner ensure the compliance of independence? Discuss with reference to relevant SAs (MTP-Sept-2025)

OR

SS Ltd. is a company listed in India. The Company has appointed M/s Z & Co. as auditors. Mr. Q, a CA has recently joined the firm and has been appointed as the engagement partner for the first time. He understands that it is necessary to ensure the compliance of independence for the audit team as per standard audit practices. But he could not find as such, any policies and procedures available with the firm in documented form.

Why do you think that the firm should have policies and procedures to ensure the independence of the firm in every assignment? How does an engagement partner ensure the compliance of independence? Discuss with reference to relevant SAs. (Nov-2023)

Ans.



As per SQC 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements," the firm should establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including experts contracted by the firm and network firm personnel), maintain independence where required by the Code.

Such policies and procedures should enable the firm to:

- (i) **Communicate its independence requirements** to its personnel and, where applicable, to others subject to them; and
- (ii) **Identify and evaluate circumstances and relationships that create threats to independence, and to take appropriate action** to eliminate those threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the engagement.

Further, as per SA 220, "Quality Control for an Audit of Financial Statements", the engagement partner shall form a conclusion on compliance with independence requirements that apply to the audit engagement.

In doing so, the engagement partner shall:

- (i) **Obtain relevant information from the firm and**, where applicable, **network firms**, to identify and evaluate circumstances and relationships that create threats to independence;
- (ii) **Evaluate information on identified breaches**, if any, of the firm's independence policies and procedures to determine whether they create a threat to independence for the audit engagement; and
- (iii) **Take appropriate action to eliminate such threats or reduce them to an acceptable level** by applying safeguards, or, if considered appropriate, to withdraw from the audit engagement, where withdrawal is permitted by law or regulation. The engagement partner shall promptly report to the firm any inability to resolve the matter for appropriate action.

3.

Considerations as to Integrity of Clients

MB & Associates is a partnership firm of the Chartered Accountants which was established seven years back. The firm is getting new clients and has also been offered new engagement services with existing clients. The firm is concerned about obtaining such information as it considers necessary in the circumstances before accepting an engagement with a new client and acceptance of a new engagement with an existing client. The firm is looking to work with only select clients to adhere to the Quality Control Standards. Guide MB & Associates about the matters to be considered with regard to the integrity of a client, as per the requirements of SQC 1. (SM, Nov-2019)

OR

BSS & Associates is a partnership firm of Chartered Accountants which was established five years back. The firm was offering only advisory services at the beginning, however, after audit rotation and advent of GST, firm sees lot of potential in these areas also and started looking for opportunities in these areas also. These services being assurance in nature, the firm required some internal restructuring and set up some policies and procedures for compliance year on year.

The firm started getting new clients for these new services and is now looking to obtain such 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. Where issues have been identified and the firm decides to accept or continue the client relationship or a specific engagement, it has been setting up a process to document how the issues were resolved.

The firm is now looking to work with only select clients which are in line with the policies of the firm. The firm understands that the extent of knowledge it will have regarding the integrity of a client will grow within the context of an ongoing relationship with that client. With regard to the integrity of a client, you are required to give some examples of the matters to be considered by the firm as per the requirements of SQC1.

(RTP-May-2019)

Ans.



As per SQC 1, the firm should obtain **such 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.

Where **issues have been identified**, and the firm decides to **accept or continue** the client relationship or a **specific engagement**, it should document how the issues were resolved.

With regard to the integrity of a client, matters that the firm considers include, for example:

- a) **The identity and business reputation** of the client's principal owners, key management, related parties and those charged with its governance.
- b) **The nature of the client's operations**, including its business practices.
- c) **Information concerning the attitude of the client's** principal owners, key management and those charged with its governance towards such matters as aggressive interpretation of accounting standards and the internal control environment.

- d) Whether the client is aggressively concerned with maintaining the **firm's fees as low as possible**.
- e) Indications of **an inappropriate limitation** in the scope of work.
- f) Indications that the **client might be involved in money laundering** or other criminal activities.
- g) The **reasons for the proposed appointment** of the firm and **non-reappointment of the previous firm**.

The **extent of knowledge** a firm will have **regarding the integrity of a client** will generally grow within the context of an **ongoing relationship** with that client.

3A.

Acceptance in Audit Engagement

SDC & Associates, a medium-sized audit firm, is appointed as an auditor of Neuronix Ltd., a listed pharmaceutical company engaged in extensive R&D with complex global operations. CA Rashi an engagement partner of SDC & Associates is leading the audit team for the audit of the same. Neuronix Ltd. was earlier audited by a Big 4 firm that withdrew from the engagement citing scope limitations. During the audit planning, CA Rashi realises that while her team is skilled in standard manufacturing audits, they lack experience in pharma R&D and associated regulatory frameworks. The firm is under pressure to complete the audit in time to meet the listing obligations of Neuronix Ltd. The Managing Partner insists on continuing the audit and advises CA Rashi to rely on the firm's standard procedures to ensure timely delivery.

In light of SQC 1 and SA 220, analyse the quality control considerations CA Rashi must evaluate before continuing with the engagement. What actions should she take to uphold audit quality and professional standards?

(RTP-Sept-2025)

Ans.



As per SQC 1, "Quality Control for firms that perform audits and reviews of historical financial information, and other assurance and related services engagements", CA Rashi, as the engagement partner, is required to evaluate whether the firm has the capabilities, competence, time and resources to undertake an engagement, following matters have to be taken into consideration: -

- Firm personnel have knowledge of relevant industries or subject matters;
- Firm personnel have experience with relevant regulatory or reporting requirements, or the ability to gain the necessary skills and knowledge effectively;
- The firm has sufficient personnel with the necessary capabilities and competence;
- Experts are available, if needed;
- Individuals meeting the criteria and eligibility requirements to perform engagement quality control review are available, where applicable; and
- The firm would be able to complete the engagement within the reporting deadline.

Under SA 220, "Quality Control for an audit of financial statements", the responsibility of an engagement partner in this regard in an audit engagement is on lines of SQC 1 which requires the firm should obtain such 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 like integrity of principal owners, competence of engagement team and consideration of necessary capabilities including time and resources, compliance with relevant ethical requirements and significant matters arisen during current or previous audit engagement and their implications assist the engagement partner in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and audit engagements are appropriate.

In the given case:

- SDC & Associates lacks experience in pharmaceutical R&D audits, a highly regulated and technical field.
- The previous auditor's withdrawal citing scope limitations is a warning sign that must be evaluated.
- The engagement team lacks relevant expertise, and there is pressure from the managing partner to proceed regardless.
- Proceeding without addressing these issues would violate the requirements of SQC 1 and SA 220.

CA Rashi must not proceed with the engagement unless satisfied that all conditions under SQC 1 and SA 220 are met. She should:

- Assess the firm's capability and consider engaging external experts.
- Understand the reason for previous auditor's withdrawal.
- Ensure that a qualified EQCR reviewer is appointed and review is completed before issuing the audit report.

This will help maintain audit quality, ensure compliance with professional standards, and protect the firm from regulatory repercussions.

4.

Familiarity Threat

XYZ and Associates, Chartered Accountants, is an audit firm, giving services to the various types of clients in the field of auditing, taxation and management consultancy. It has been doing statutory audit of B Ltd., a listed entity since last seven years. CA X who has been the engagement partner for the company since beginning has a complete idea about the strengths and weaknesses of the internal controls of the company. He maintains good relations with the management and those charged with the governance. Every year audit is completed in a cordial and healthy manner. During current year the quality control reviewer insisted to change the engagement partner for the company saying that continuation of same engagement partner poses certain audit risk and threats to the organization and advises to review the firm's policies and procedures in relation to the engagement partner. The management of the company does not wish to change the engagement partner. How do you view the above situation from the view point of quality control system in audit firm in terms of requirements of SQC 1 ? Guide the firm in establishing the policies and procedures in respect of an engagement partner.

(May-2025)

Ans.



Quality control system in an audit firm (SQC 1): SQC 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements," lays special emphasis on familiarity threat. Using the same senior personnel on assurance engagements over a prolonged period may impair the quality of performance of the engagement.

Therefore, the firm should establish criteria for determining the need for safeguards to address this threat. In determining appropriate criteria, the firm considers such matters as

- the nature of the engagement, including the extent to which it involves a matter of public interest, and
 - the length of service of the senior personnel on the engagement.
- ◆ The familiarity threat is particularly relevant in the context of financial statement audits of listed entities. For these audits, the engagement partner should be rotated after a pre-defined period, normally not more than seven years (except in cases where audit of listed entities is conducted by a sole practitioner). However, to ensure quality control exists in such firms and appropriate reports are issued, there is a process for mandatory peer review of such firms.

In the given situation, XYZ and Associates, Chartered Accountants, has been conducting the statutory audit of B Ltd., a listed company, for the past seven years. CA X served as the engagement partner throughout this period. CA X has developed an in-depth understanding of the company's internal controls and maintains a strong, cordial relationship with the management and those charged with governance. However, during the current year, the firm's quality control reviewer raised concerns about the continued involvement of CA X, citing the continuation of the same engagement partner poses certain audit risk and threats to the organisation, and advised reviewing the firm's policies regarding engagement partner rotation.

In view of SQC 1, the continued involvement of the same engagement partner, CA. X with a listed entity for an extended period, i.e., more than 7 years, poses a familiarity threat, potentially impairing audit quality and independence. Therefore, the firm should implement a policy of mandatory partner rotation and review its quality control procedures to ensure compliance with professional standards and maintain the integrity of the audit process.

The firm should establish policies and procedures requiring that:

- (I) The identity and role of the engagement partner are communicated to key members of the client's management and those charged with governance;
- (II) The engagement partner has the appropriate capabilities, competence, authority, and time to perform the role; and
- (III) The responsibilities of the engagement partner are clearly defined and communicated to that partner.

5. Difference of Opinion

BNE & Co. are in midst of audit process of a listed company. During the course of audit, an issue arose relating to revenues from contracts with customers in terms of Ind AS 115. The engagement partner took a certain stand. However, engagement quality control reviewer recommended otherwise after review. The engagement partner is not willing to accept recommendations of reviewer. How can **this conflict** be **resolved**? **(SM)**

Ans.



In case, recommendations of engagement quality control reviewer are **not accepted** by engagement partner and **matter** is **not resolved** to reviewer's satisfaction, the **matter should be resolved by following established procedures of firm** like by consulting with another practitioner or firm, or a professional or regulatory body. The **audit report** should **be issued only after resolution of matter**.

6. Difference of Opinion/Limitation on Auditor

You are an audit senior working for the firm Bohra & Company. You are currently carrying out the audit of Wisdom Ltd., a manufacturer of waste paper bins. You are unhappy with Wisdom Ltd.'s inventory valuation policy and have raised the issue several times with the audit manager. He has dealt with the client for a number of years and does not see what you are making an objection about. He has refused to meet you on site to discuss those issues. As the audit manager had dealt with Wisdom Ltd. for so many years, the other partners have decided to leave the audit of Wisdom Ltd. in his capable hands. Comment on the situation outlines above.

Ans.



(i) Provision:- SQC-1 "Quality Control for Firms that perform Audits and Reviews of Historical Financial Information and Other Assurance and Related Services Engagements" requires:

- A firm to establish the **policies & procedures for dealing/resolving differences of opinion** with in engagement team. first attempt success tutorials
- An **engagement partner** is usually **appointed to each audit engagement** undertaken by the firm, to **take responsibility for the engagement** on behalf of the firm. Assigning the audit to an **experienced audit manager** is **not sufficient**.

(ii) SA 220 "Quality Control for an Audit of Financial Statement":- Requires that the **audit engagement partner** takes responsibility for **settling disputes** in accordance with the **firm's policy** in respect of **resolution of difference of opinion** required by SQC 1.


(iii) In the present case:

- Partners of the firm have decided to **leave the audit in the hands of Audit manager** and **no engagement partner has been assigned**.
- The lack of an audit engagement partner also means that **several of the requirements of SA 220**, about ensuring that engagements in relation to **independence** and **directing, supervising** and **reviewing** the audit are not in place.
- Further, the **audit manager and senior have conflicting views** about the valuation of inventory. This does not appear to have been handled well, with the manager refusing to discuss the issue with the senior.


(iv) Conclusion: Failure to resolve the **difference of opinion** is a **breach of the firm's policy under SQC** It indicates that the firm **does not have a suitable policy** concerning such disputes required by SQC1.

7. Engagement File

Ramanujan, a CA final student, feels that engagement file in audit engagement should be ready prior to issue of audit report. Discuss whether Ramanujan's view is in order. **(SM)**

Ans.  The firm should **establish policies and procedures** for engagement teams **to complete the assembly of final engagement files** on a timely basis after the engagement reports have been finalized. Engagement files should be **completed in not more than 60 days after date of auditor's report** in case of audit engagements. Thus, view of Ramanujam is **not in order**.

8. Date of Signing of Audit Report
 OP & Associates are the statutory auditors of BB Ltd. BB Ltd is a listed company and started its operations 5 years back. The field work during the audit of the financial statements of the company for the year ended March 31, 2024 got completed on May 1, 2024. The auditor's report was dated May 12, 2024. During the documentation review of the engagement, it was observed that the engagement quality control review was completed on May 15, 2024. Engagement partner had completed his reviews in entirety by May 10, 2024 and signed the report on May 12, 2024. Comment.
(MTP-Nov-2018, MTP-May-2024, SM)

Ans.  **(i) As per SA 220, "Quality Control for an Audit of Financial Statements"**

- The engagement partner shall take **responsibility for reviews being performed** in accordance with the **firm's review policies and procedures**.
- For audits of financial statements of listed entities, the engagement partner shall:**
 - Determine that an **engagement quality control reviewer** has been appointed;
 - Discuss significant matters arising** during the audit engagement, including those identified during the engagement quality control review, with the engagement quality control reviewer; and
 - Not date the auditor's report** until the completion of the engagement quality control review.


(ii) SA 700, "Forming an Opinion and Reporting on Financial Statements", requires:

- The auditor's report to be **dated no earlier than** the date on which the auditor has **obtained sufficient appropriate evidence** on which to base the auditor's opinion on the financial statements

(iii) In the present case:- OP & Associates are the **statutory auditors of a listed company** which started its operations **5 years back**. The field work during the audit of the financial statements of the company for the year ended **March 31, 2024** got completed on **May 1, 2024**. The auditor's report was **dated May 12, 2024**. During the documentation review of the engagement, it was observed that the engagement quality control review was **completed on May 15, 2024**.

(iv) Conclusion:- Signing of auditor's report i.e. on **May 12, 2024 which is before the completion of review** engagement quality control review i.e. **May 15, 2024, is not in order**.

9. Relying on Work Performed by Another Partner
 M/s Suresh Chandra & Co. has been appointed as an auditor of SC Ltd. for the financial year 2021-22. CA. Suresh, one of the partners of M/s Suresh Chandra & Co., completed entire routine audit work by 29th May, 2022. Unfortunately, on the very next morning, while roving towards office of SC Ltd. to sign final audit report, he met with a road accident and died. CA. Chandra, another partner of M/s Suresh Chandra & Co., therefore, signed the accounts of SC Ltd., without reviewing the work performed by CA. Suresh. State with reasons whether CA. Chandra is right in expressing an opinion on financial statements the audit of which is performed by another auditor.
(RTP-May-2025, MTP-May-2018)

Ans.  **(i) As per SA 220, "Quality Control for an Audit of Financial Statements":**

The engagement partner shall take **responsibility for reviews** being performed in accordance with the **firm's review policies and procedures**. Review procedures **consists of the considerations, whether,**

- The work has been performed in accordance with **professional standards and regulatory and legal requirements;**
- Significant matters** have been raised for further consideration;
- Appropriate consultations** have taken place and the resulting conclusions have been documented and implemented;

4. The work **performed supports the conclusions reached** and is appropriately documented;
5. The **evidence obtained is sufficient and appropriate** to support the auditor's report; and
6. The **objectives of the engagement procedures** have been achieved.

(ii) **Using work performed by other**

- When the auditor **delegates work to assistants** or **uses work performed by other auditors/experts** he will continue to be **responsible for forming and expressing** his opinion on the financial statements.
- However, **he will be entitled to rely on the work performed by others**, provided he exercises **adequate skill and care** and is not aware of any reason to believe that he should not have so relied.
- The auditor should carefully **direct, supervise and review work delegated** to assistants.
- He **should obtain reasonable assurance** that work performed by other auditors/experts and assistants is adequate for his purpose.

(iii) **In the instant case:-** Mr. Suresh, a partner of the **firm had completed routine audit work** and **died before signing** audit report. Mr. Chandra another **partner of the firm has signed the accounts** of SC Ltd, relying on the work performed by Mr. Suresh.

(iv) **Conclusion:-** CA. Chandra is **allowed to sign the audit report**, though, will be **responsible for expressing the opinion**. He may rely on the work performed by **CA. Suresh** provided **he further exercises adequate skill and due care** and **review** the work performed by him.

10.

Withdrawal

SPS & Associates, Chartered Accountants, are statutory auditors of Grec Limited for the last two years. Grec Limited is engaged in the manufacturing and marketing of pharmaceutical goods in India. During the year 2023-24, the company has **diversified and commenced providing software solutions** in "e-commerce" in India as well as in certain African countries. SPS & Associates, while carrying out the audit, noticed that the company has expanded its operations into a new segment as well as in a new country. SPS & Associates does not possess the necessary expertise and infrastructure to carry out the audit of these diversified business activities and accordingly wishes to withdraw from the engagement and client relationship. Discuss the issues that need to be addressed before deciding to withdraw.

(Nov-2022, MTP-Nov-2024, SM)

Ans.



As per SQC 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements", the firm should establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide it with reasonable assurance that it will undertake or continue relationships and engagements only where it is competent to perform the engagement and has the capabilities, time and resources to do so.

In the given case, SPS & Associates, Chartered Accountants, statutory auditors of Grec Limited for the last two years, came to know that the company has expanded its operations into a new segment as well as in new country. SPS & Associates does not possess the necessary expertise for the same, therefore, SPS & Associates wish to withdraw from the engagement and client relationship. Policies and procedures on withdrawal from an engagement or from both the engagement and the client relationship address issues that include the following:

Discussing with the appropriate level of the client's management and those charged with its governance regarding the appropriate action that the firm might take based on the relevant facts and circumstances.

If the firm determines that it is appropriate to withdraw, discussing with the appropriate level of the client's management and those charged with governance withdrawal from the engagement or from both the engagement and the client relationship, and the reasons for the withdrawal.

Considering whether there is a professional, regulatory, or legal requirement for the firm to remain in place, or for the firm to report the withdrawal from the engagement, or from both the engagement and the client relationship, together with the reasons for the withdrawal, to regulatory authorities.

Documenting significant issues, consultations, conclusions, and the basis for the conclusions.

SPS & Associates should address the above issues before deciding to withdraw.

11.	Engagement Quality Control Review PQR & Associates are statutory auditors of a listed company. There arose an issue during the course of audit relating to related party transactions. The engagement partner wants to consult engagement quality control reviewer on this matter during the course of audit process itself. Can he consult with engagement quality control reviewer? Discuss. (SM)
Ans. 	It is necessary to maintain objectivity of reviewer. Therefore, participation in engagement or making decisions for engagement team is to be avoided at all costs. However, engagement partner may consult engagement quality control reviewer during the review so as not to compromise his objectivity and eligibility to perform the role.
12.	Engagement Quality Control Review Beta Private Limited has approached a firm of Chartered accountants to assist them in preparation of financial statements and issue a compilation report in this regard. Does CA firm have responsibility in relation to quality control for above said engagement? Discuss with reasons. (SM)
Ans. 	Such kind of services fall in category of “related services” . SQC 1 is applicable to all type of engagements including engagement pertaining to “related services”.
13.	EQCR: Eligibility & Approach CA Ragini is offered an appointment to act as Engagement Quality Control Reviewer (EQCR) for the audit of the financial year 2022-23 of XPM Limited, a listed company operating from a small town. She is also based in the same town and was not engaged previously to conduct an audit of a listed entity. She accepts the appointment to act as ECQR. She performs the review by ticking a Yes/No checklist and signing on some of the working papers prepared by the engagement team. The audit file does not contain any material misstatement which shows that the work of EQCR is separate from the work of the engagement team. Do you agree with the approach adopted by EQCR? Comment. (MTP-Nov-2023)
Ans. 	<p>As per SQC 1 engagement quality control reviewer can be a partner, other person in the firm (member of ICAI), suitably qualified external person, or a team made up of such individuals, with sufficient and appropriate experience and authority to objectively evaluate, before the report is issued, the significant judgments the engagement team made and the conclusions they reached in formulating the report.</p> <p>It also states that the engagement quality control reviewer for an audit of the financial statements of a listed entity is an individual with sufficient and appropriate experience and authority to act as an audit engagement partner on audits of financial statements of listed entities.</p> <p>In addition, the work of EQCR involves objective evaluation of the significant judgments made by the engagement team and ensuring that the conclusions reached by the team in formulating audit report are appropriate.</p> <p>It is necessary for EQCR to have the requisite technical expertise and experience to enable her to perform the assigned role of evaluating the work of engagement team so that any possible misstatement can be avoided.</p> <p>Without ensuring the appropriate technical expertise and experience, the whole purpose of EQCR is defeated. Therefore, it was not appropriate for her to accept appointment as ECQR for listed entity.</p> <p>Further, SA 220 states that</p> <ul style="list-style-type: none"> the engagement quality control reviewer shall document, for the audit engagement reviewed, that the procedures required by the firm’s policies on engagement quality control review have been performed. it shall also be documented that the reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions they reached were not appropriate. <p>In the given situation,</p> <ul style="list-style-type: none"> CA Ragini is offered an appointment to act as Engagement Quality Control Reviewer (EQCR) for the audit of the financial year 2022-23 of XPM Limited, a listed company operating from a small town.

- She has accepted the appointment and performed the review by ticking a Yes / No checklist and signing on some of the working papers prepared by the engagement team.

In the instant case,

- there are **no working papers to show that evaluation has been done** by EQCR on conclusions reached by engagement team.
- **Mere ticking of a Yes/No checklist and signing on some working papers** of engagement team **shows that no such evaluation and review of work performed** by engagement team has been made by EQCR.

Therefore, **her approach was not proper** in performing work of EQCR.

14.

Engagement Quality Control Review

PQR & Associates, Chartered Accountants, is a partnership firm having 3 partners CA P. CA Q and CA R. PQR & Associates are appointed as Statutory Auditors of ABC Limited, a listed entity for the financial year 2021- 22 and CA P is appointed as Engagement Partner for the audit of ABC Limited. Before issuing the Audit Report of ABC Limited, CA P asked CA R to perform Engagement Quality Control Review and is of the view that his responsibility will be reduced after review by CA R. Whether the contention of CA P is correct? What are the aspects that need to be considered by CA R while performing engagement Quality Control Review for audit of financial statements ABC Limited ?

(May-2022)

Ans.



As per SQC 1, "Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements", the review does not reduce the responsibilities of the engagement partner. Hence, contention of CA. P that after engagement quality control review by CA. R, his responsibility will be reduced, is not correct.

However, CA. R needs to **consider the following aspect while performing Engagement Quality Control Review** for audit of financial statements of a listed entity ABC Ltd.:

1. The engagement team's **evaluation of the firm's independence in relation to the specific engagement.**
2. **Significant risks identified** during the engagement **and the responses to those risks.**
3. **Judgments made**, particularly with respect to materiality and significant risks.
4. Whether appropriate **consultation has taken place on matters involving differences of opinion or other difficult or contentious matters**, and the **conclusions** arising from those consultations.
5. The **significance and disposition of corrected and uncorrected misstatements identified** during the engagement.
6. The **matters** to be **communicated** to management and those charged with governance and, where applicable, other parties such as regulatory bodies.
7. Whether **working papers selected for review** reflect the work performed in relation to the significant judgments and support the conclusions reached.
8. The **appropriateness of the report** to be issued.

Engagement quality control reviews for engagements other than audits of financial statements of listed entities may, depending on the circumstances, include some or all of these considerations.

14A.



Engagement Quality Control Review

Munir & Co. is a practicing-chartered accountants' firm having its Head Office at Mumbai. Mr. A, a dedicated and capable article assistant associated with Munir & Co. for the past three years, recently qualified as a Chartered Accountant. Recognizing his strong analytical skills, attention to detail, and in-depth understanding of audit, the firm inducted him as a Partner on 1st February, 2025. On joining the firm, he accepted his first assignment to act as an Engagement Quality Control Reviewer (EQCR) for J & J Limited, a listed entity, for the financial year 2024-25. Before finalizing the Balance Sheet of the Company for the year 2024-25, CA A signed on few working papers of the engagement team as a token of review performed by him in terms of firm's policies on engagement quality control review without going through the audit file. He made no further documentation, assuming that the team who performed the audit of the company for the year 2024-25, was the same team who performed the audit of the company for the financial year 2023-24.


Comment on the act of CA A in accordance with relevant professional standards.

(Sept-2025)

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