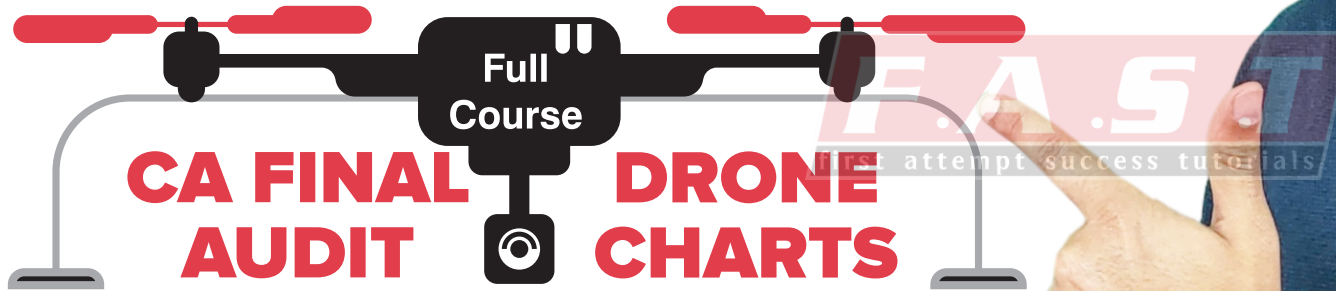




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# CA FINAL - ADVANCED **AUDITING** ASSURANCE AND PROFESSIONAL ETHICS

NEW COURSE



Full Course Summarised - Based on ICAI New Syllabus  
Scientifically Designed & Beautifully Crafted

These are not just summary charts but covers all relevant content in pictorial charts for easy understanding and quick last day revision.

Ab!  
**Audit**  
Hoga Sabse  
**Scoring**

**CA. Sarthak Niraj Jain**  
All India CA Ranker

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# AUDIT DRONE CHARTS INDEX EDITION-2



**CA Sarthak Niraj Jain**

Dear Students,  
Audit Drone Chart 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 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 and Audit Full course, Drone Charts, Question Banks 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. Surely Ab Audit Hoga Sabse Scoring.

**SHARE  
FEEDBACK**



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With Best Wishes!

*Sarthak*

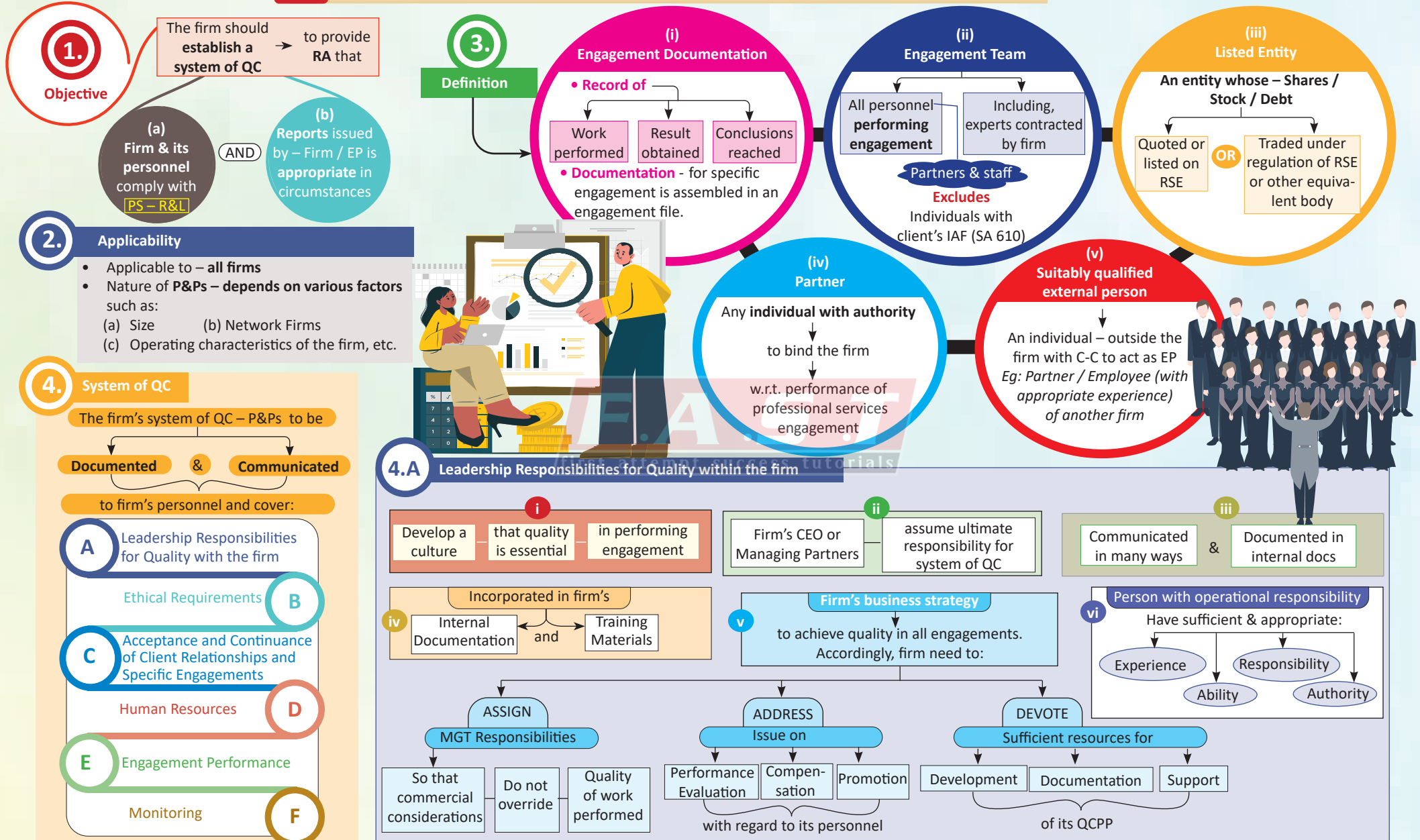
CHAPTER <b>01</b>	<b>Quality Control</b> (SQC 1, SA 220 )	<b>01</b>	<b>126</b>	<b>Prospective Financial Information and Other Assurance Services</b> (SAE 3400 SERIES )	CHAPTER <b>11</b>
CHAPTER <b>02</b>	<b>General Auditing Principles and Auditors Responsibilities</b> (SA 240, 250, 260, 299, 402)	<b>10</b>	<b>134</b>	<b>Digital Auditing &amp; Assurance</b>	CHAPTER <b>12</b>
CHAPTER <b>03</b>	<b>Audit Planning, Strategy and Execution</b> (SA 300, 600, 610, 620, 540, 520, 450)	<b>22</b>	<b>146</b>	<b>Group Audits</b>	CHAPTER <b>13</b>
CHAPTER <b>04</b>	<b>Materiality, Risk Assessment and Internal Control</b> (SA 315, 320, 330)	<b>38</b>	<b>151</b>	<b>Special Features of Audit of Banks &amp; Non-Banking Financial Companies</b>	CHAPTER <b>14</b>
CHAPTER <b>05</b>	<b>Audit Evidence</b> (SA 500, 501, 505, 510, 530, 550)	<b>52</b>	<b>179</b>	<b>Overview of Audit of Public Sector Undertakings</b>	CHAPTER <b>15</b>
CHAPTER <b>06</b>	<b>Completion and Review</b> (SA 560, 570, 580) (Additional SA 200, 210, 230)	<b>65</b>	<b>185</b>	<b>Internal Audit</b>	CHAPTER <b>16</b>
CHAPTER <b>07</b>	<b>Reporting</b> (SA 700, 701, 705, 706, 710, 720) (S.143, 145 OF CA13 & CARO) & 265	<b>78</b>	<b>192</b>	<b>Due Diligence, Investigation &amp; Forensic Accounting</b>	CHAPTER <b>17</b>
CHAPTER <b>08</b>	<b>Specialised Areas</b> (SA 800, 805, 810)	<b>103</b>	<b>215</b>	<b>Emerging Areas: Sustainable Development Goals (SDG) &amp; Environment, Social and Governance (ESG) Assurance</b>	CHAPTER <b>18</b>
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CHAPTER	<b>Review of Financial Information</b> (SRE 2400 SERIES)	<b>116</b>			

**F.A.S.T**  
first attempt success tutorials



**SQC 1**

**Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, & Other Assurance and Related Services Engagements**



# CHAPTER 1 : QUALITY CONTROL

## 4.B Ethical Requirements

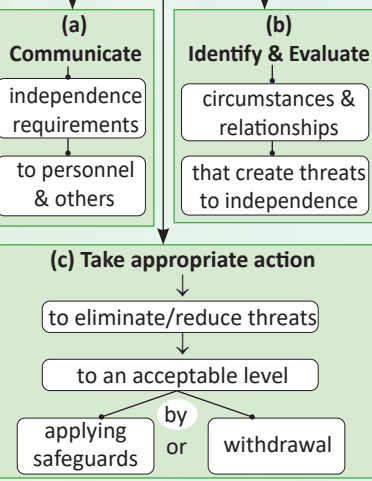
Relevant Ethical requirements

Independence

Comply with relevant ethical requirements which includes

- a Integrity;
- b Objectivity;
- c Professional competence and due care;
- d Confidentiality; and
- e Professional behavior

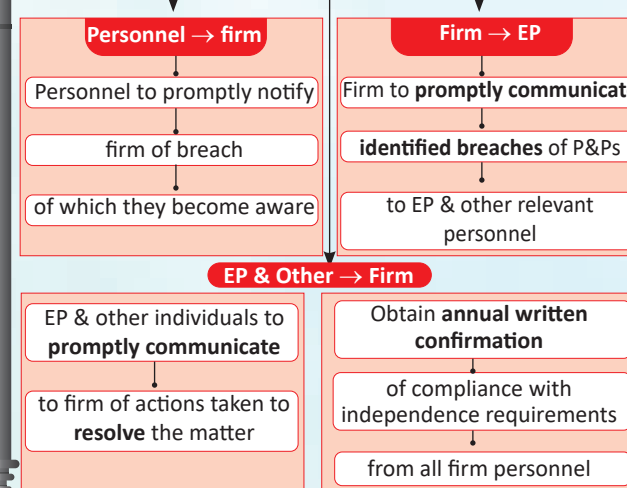
**1** Firm, its personnel & others (if any) need to:



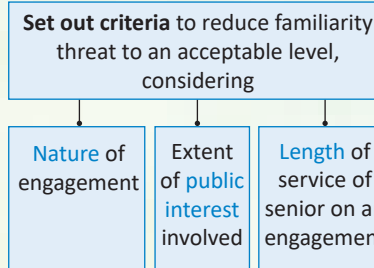
**2** P&Ps to require



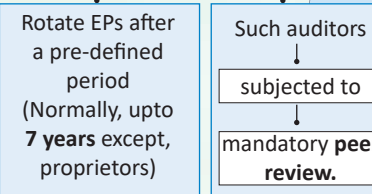
**3** In case of breaches of independence requirements P&Ps include requirements for:



**4** Familiarity Threat:



For, listed entities audits



Monitoring

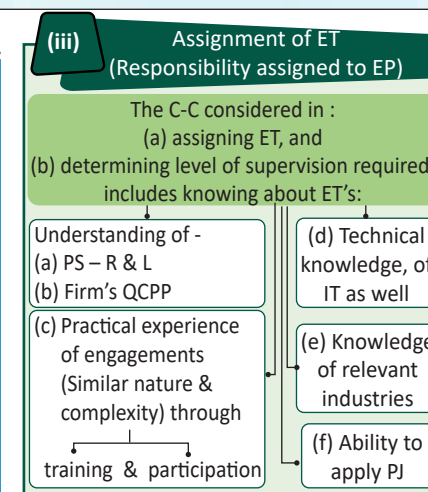
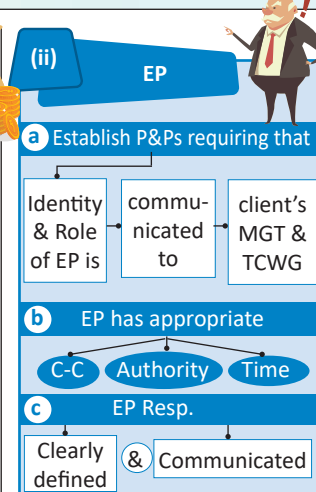
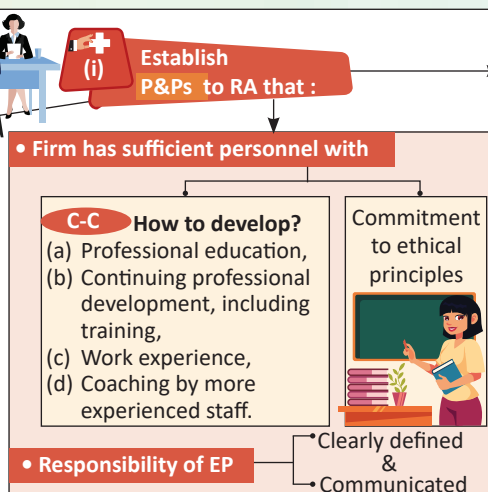
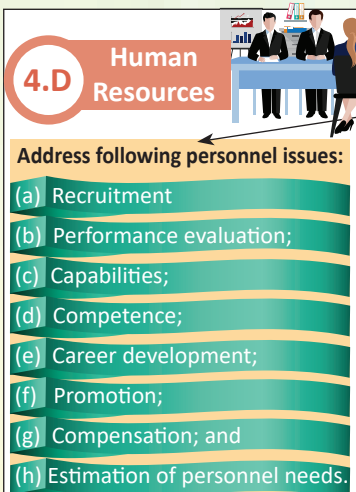
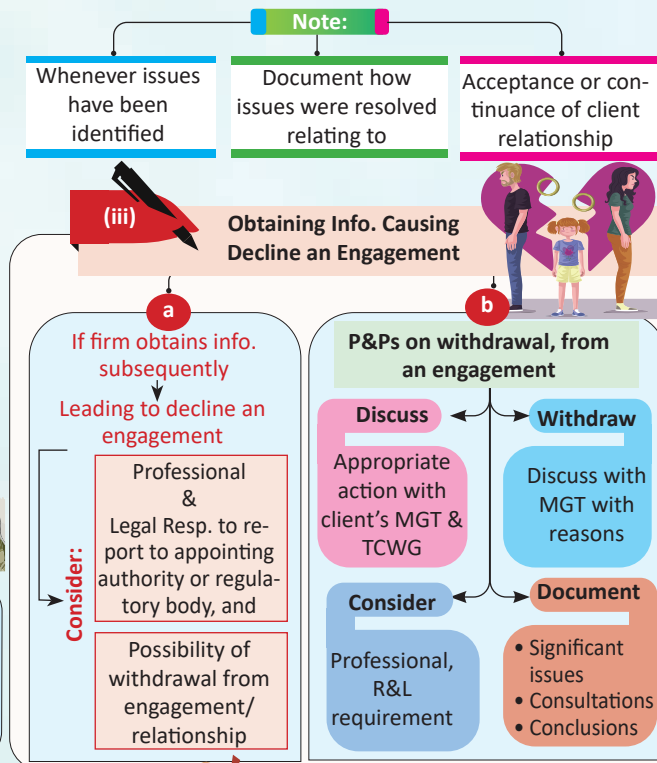
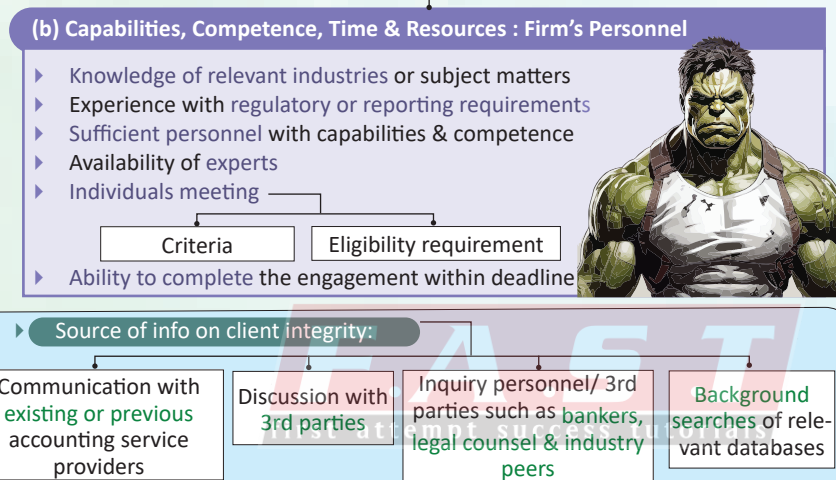
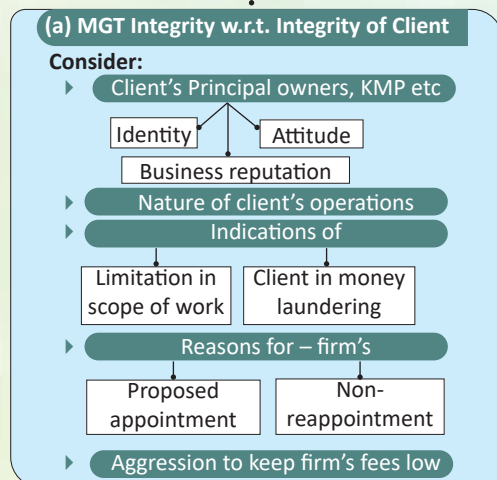
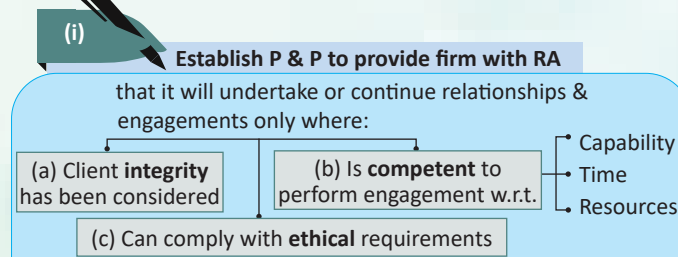
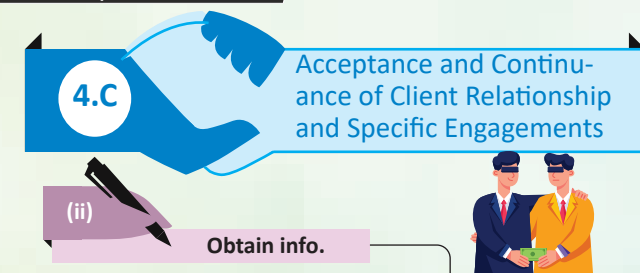
P&Ps - to emphasize Fundamental principles, reinforced by

Education & training

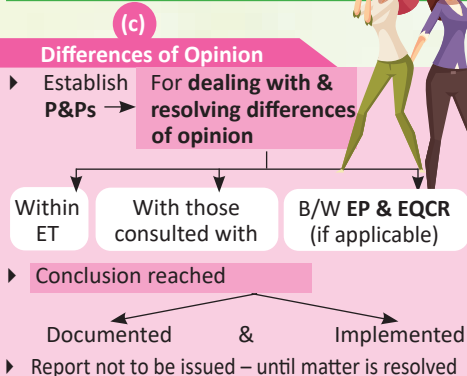
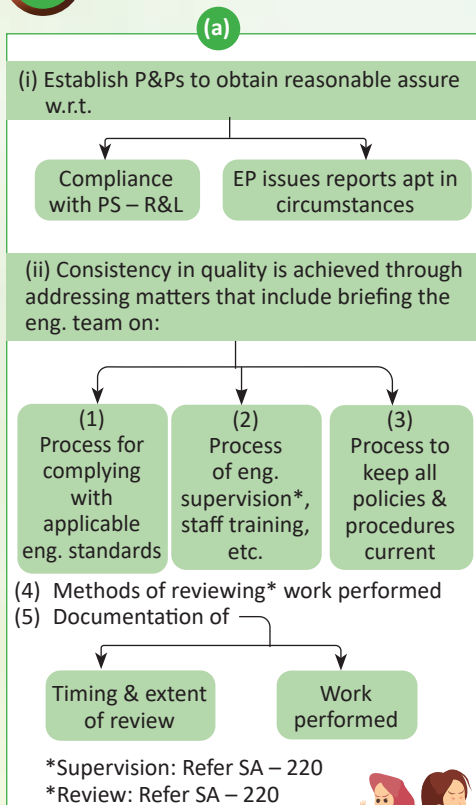
Process for dealing with non-compliance

Leadership of Firm

## CHAPTER 1 : QUALITY CONTROL



**4.E Engagement Performance**



**(b) Consultation in difficult & contentious matters**

Includes discussion within or outside the firm, having special expertise on difficult or contentious matter

**Effective consultation** needs disclosure of all relevant facts

May seek **advisory services** provided by:  
a. other firms; or  
b. professional and regulatory bodies if internal sources not appropriate

**Documentation.**

- Issue on which consultation sought
- Results of consultation
- Decisions taken basis & how they were implemented

**Establish P&P to provide RA that:**

- (a) **Appropriate consultation** taken place
- (b) **Sufficient resources** are available for such consultation to take place
- (c) **Nature & scope** of such consultations
- (d) **Conclusions - documented & implemented.**

**(d) EQC review (Required before report is issued)**

Establish P&Ps for apt. engagements on EQC review. Such P&Ps should:

- Require EQC review for all
- Audits of FS of LE**
- Engagements meeting criteria established in QCPP

Set out criteria against which all other audits & reviews services be evaluated

Criteria to include eng. (other than audit of LE) include:

- Nature of eng. (whether involves public interest)
- Unusual circumstances or risks
- Whether LorR require EQC Review.

Establish P&Ps on:

- NTE of EQC review
- Eligibility criteria for EQCR
- Documentation

**(e) EQC Policies and Procedure**

**NTE of EQC Review**

**EQC Review involves**

- Discussion** with EP
- Review of**

Significant judgments made FSs or other info. & report

Selected working papers

- Extent of review**

Depends on

Complexity & Risk

- Review does not reduce **EP responsibilities**

**LE-EQC Review includes considering:**

- Firm's independence
- Significant risks & responses identified
- Judgments made w.r.t.

Materiality

Significant risks

- Whether apt. consultation taken on matters with

Conclusions from those consultations and whether implemented

Differences of opinion

Difficult matters

Corrected

and uncorrected

Misstatements identified

- Matters to be communicated to

MGT

TCWG

Regulatory bodies, etc.

- Whether working papers

reflect work performed

support conclusion reached

- Appropriateness of report issued

**Criteria for eligibility of EQCR**

Firm's P&Ps to establish eligibility through:

Technical Qualifications

Degree to which EQCR can be consulted without compromising reviewer's objectivity

**Maintain EQCR's objectivity**

EQCR:

- (a) Is not selected by the EP;
- (b) Does not otherwise participate in the engagement during the period of review;
- (c) Does not make decisions for the ET; and
- (d) Is not subject to other considerations that would threaten the reviewer's objectivity.

**EP consultation with EQCR**

Permitted, provided EQCR eligibility (objectivity) not **compromised**

**Sole practitioners: Suitably qualified external person can be the EQCR**

**If objectivity threatened: Replace.**

**Differences of opinion: Discussed earlier.**

**Documentation of EQC review**

Procedures required on EQC review  
↓  
Performed

EQC Review  
↓  
Completed before report is issued

Reviewer not aware of unresolved matters  
↓  
That cause him to believe that  
↓  
Significant judgments & conclusion reached not apt.



**(f) Engagement Documentation**

**(i) Completion of assembly of final eng. files**

- Establish P&Ps to complete assembly timely, after reports have been finalized
  - In case of audit, **time limit – upto 60 days**
  - Where diff reports issued for same info.
- Firm's P&Ps relating to time limits addresses each report – as separate eng.

**(ii) Establish P&Ps designed to**

Maintain confidentiality, safe custody, integrity, accessibility and retrievability of ED

**(iii) Control to include**

- Use of a password,
- Appropriate back-up,
- Procedures for distributing ED to the team members; and
- Restricting access to it.

**(iv) Firm Designs & Implements Controls for ED to:**

- Determine – when & by whom documentation  
Created Changed Reviewed
- Protect integrity of info at all stages
- Prevent unauthorized changes
- Allow access to  
ET Other authorized parties  
to properly discharge their resp.

**(v) Scanned documentation**

Require ET to:

- Scan entire content of the original paper documentation, including manual signatures, cross-references and annotations;
- Integrate the scanned copies into the engagement files, including indexing; and signing off on scanned copies
- Enable the scanned copies to be retrieved and printed as necessary when original paper doc. is scanned

**(vi) Retention of ED**

**(1) Establish P&Ps for retention of ED for a period**

Sufficient to meet firm's needs\*

as required by LorR

**Need & period of doc. vary with:**

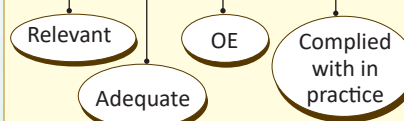
- Nature of eng. & circumstances
- Depend on local LorR
- For Audit eng: **Atleast 7 years** from date of AR
- Procedures for retention to:
  - Enable
    - Retrieval of & access to ED
    - Authorized external parties to access & review specific ED
  - Provide record of changes made to ED after eng. files have been completed.

**(2) Ownership of ED**

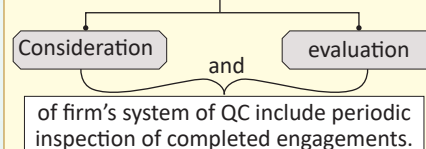
- Firm's property (unless otherwise specified by LorR)
- The firm may, at its discretion, make portions of, or extracts from ED

**4.F Monitoring (& inspection)**

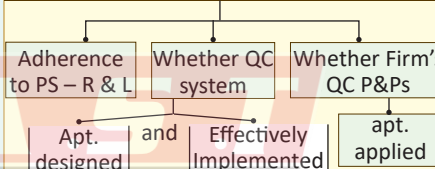
**(1) Establish P&Ps to RA that QC P&Ps are:**



**(2) P&Ps include ongoing**



**(3) Purpose of monitoring compliance with QCPP is to provide evaluation of:**



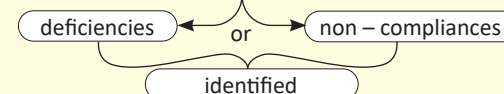
**(5) Inspection**

**Manner in which inspection cycle is organized depends on:**

- The **size** of the firm.
- The number and geographical **location** of offices.
- The results of **previous monitoring** procedures.
- The **degree of authority** both personnel and offices have.
- The nature and **complexity** of the firm's practice and organization.
- The **risks associated** with the firm's **clients and specific engagements**.

**(4) Factors affecting monitoring QC of engagement:**

- Whether QC system
  - apt. designed and effectively implemented
- Whether new developments in PS – R & L
  - Reflected in QC policies
- Entrusting monitoring process resp.
  - To partner or other persons has sufficient experience and authority
- Dealing with complaints & allegations (against firm / employee)
- Taking appropriate remedial action against non-conforming personnel.
- Taking action when



**(6) Deficiencies Noticed**

- The firm determine whether they are either:
  - Instances that indicate that the firm's system of QC is **insufficient to meet the objectives**, or
  - Systemic, repetitive or other significant deficiencies** that require prompt corrective action.
- The firm should communicate to relevant EPs and other appropriate personnel – Deficiencies noted in the monitoring process and recommendations for appropriate remedial action.
- Recommendations on each type of deficiency includes:
  - Taking appropriate **remedial action** in relation to an engagement or personnel;
  - Communication** of the findings to **person engaged in training** and development;
  - Changes to the QC** policies and procedures; and
  - Disciplinary action**.

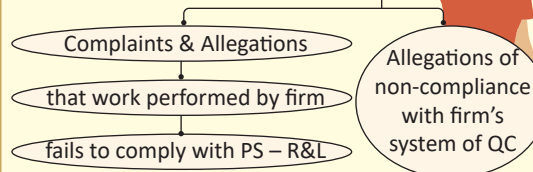
Cont. Point (6).....

**(7) Monitoring Documentation-Appropriate documentation:**

- |   |  |
|---|--|
| <p><b>a. Sets out monitoring procedures,</b> including procedure for selecting engagements to be <b>inspected</b>;</p> <p><b>b. Records the evaluation of:</b></p> <p>(i) Adherence to PS- R&amp;L</p> <p>(ii) Whether QC system has been appropriately designed and effectively implemented; and</p> | <p>(iii) Whether the firm's <b>QC P&amp;Ps</b> appropriately <b>applied</b>,</p> <p><b>c. Identifies the deficiencies</b> noted, evaluates their effect, and determining whether &amp; what further action is necessary.</p> |
|---|--|

**(8) Complaints and Allegations**

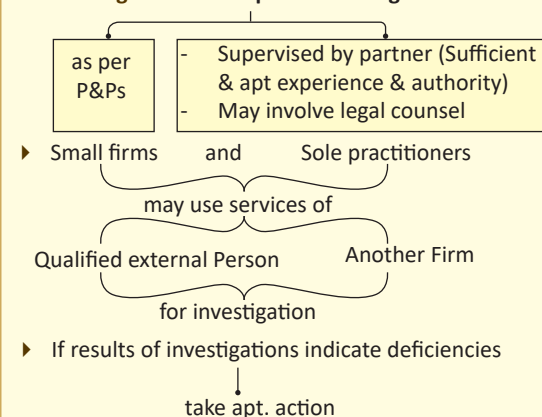
• **Establish P&Ps to address:**



• **Complaints & Allegations**

- May originate from
  - Within or outside the firm
- **Made by** – firm personnel, clients, or 3<sup>rd</sup> parties
- **Received by**
  - ET Members
  - Other Firm Personnel
- **Establishment of clear defined channels**
  - Enables firm personnel to raise concerns (if any)

• **Investigation of Complaints & Allegations**

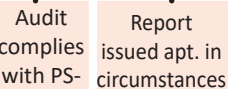


**SA 220**  
**Quality Control for an Audit of FS**

**1**

**Objective**

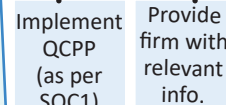
To implement QCPP to obtain RA that:



**2**

**Role of Engagement Teams w.r.t. Quality Control & its procedures.**

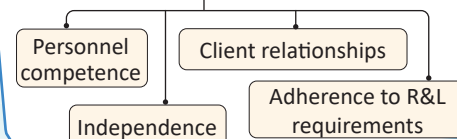
Resp. to-



**3**

**Is it mandatory for ET to rely on the firm's system of QC?**

ET to rely on firm's system of QC in relation to (unless specified otherwise)



**4 Definitions**

**1**

**Engagement Partner**

The partner or other person in the firm who is a **member** of the ICAI of India and is in **full time practice and 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.

**2**

**Firm**

A **sole practitioner/ proprietor, partnership,** or any such entity of professional accountants, as may be permitted by law.

**3**

**Network Firm**

A firm or entity that belongs to a network. As per ICAI Network firm defined as "Networking amongst two or more **firms under common control, ownership or management** with the firm or having affiliation with an accounting entity or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being part of the firm nationally".

**4**

**Network**

A **larger structure**:

- i. That is aimed at cooperation, and
- ii. That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.

**5**

**Relevant Ethical Requirements**

Ethical requirements to which the engagement team and engagement quality control reviewer are subject, to which ordinarily comprise the Code of Ethics of the ICAI related to an audit of FS.

**6**

**Engagement Quality Control Review**

A process designed to provide an **objective evaluation, before the report is issued**, of the significant judgments the engagement team made and the conclusions they reached in formulating the report.

**7**

**Engagement Quality Control Reviewer**

A **partner, other person in the firm**, 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. However, in case the review is done by a team of individuals, such team should be headed by a member of the Institute.

**8**

**Inspection**

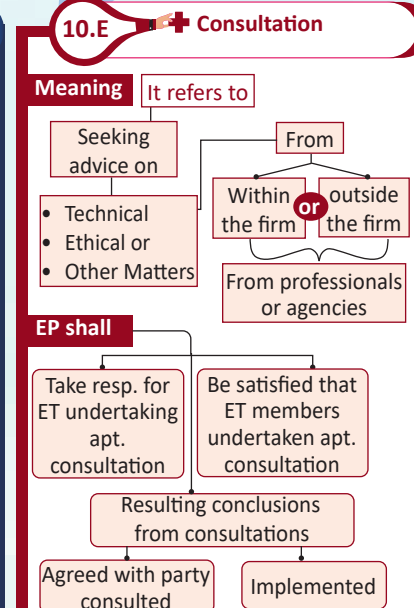
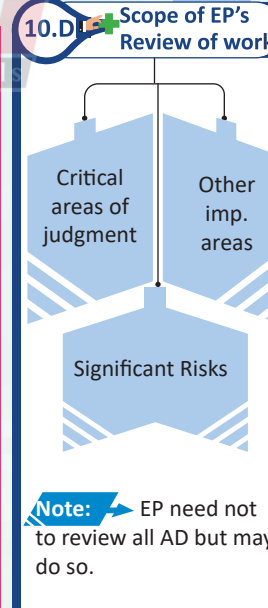
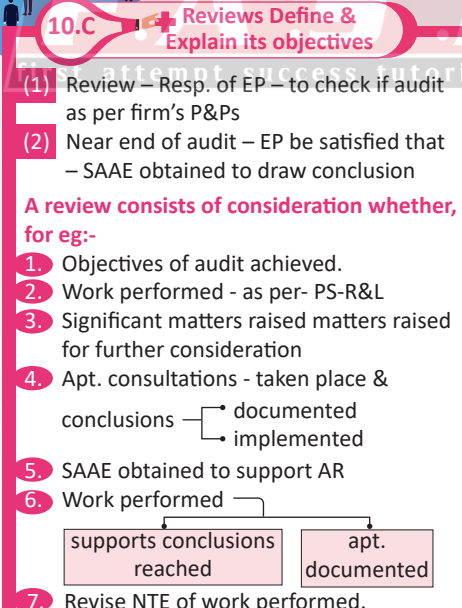
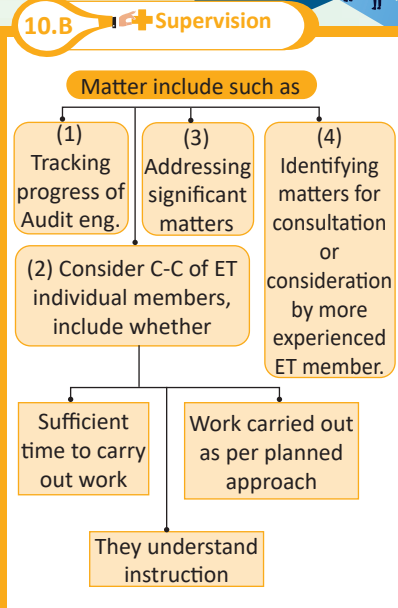
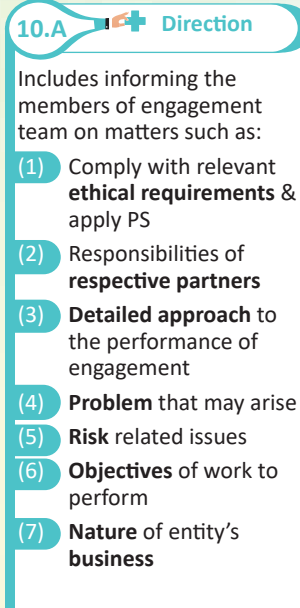
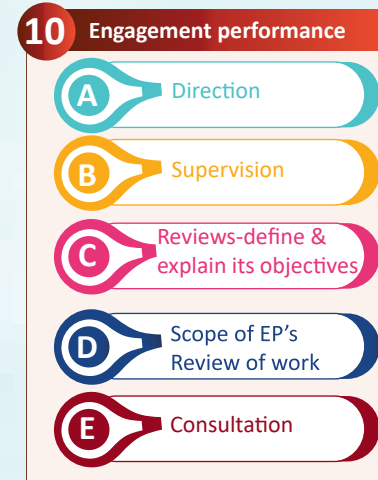
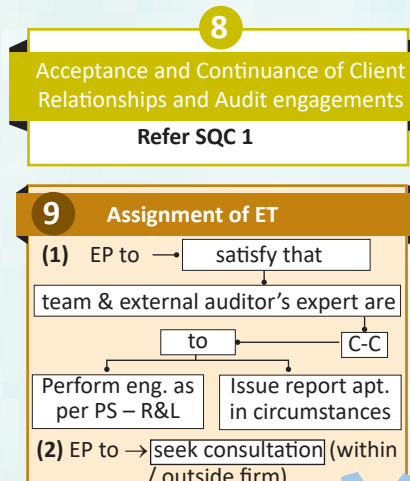
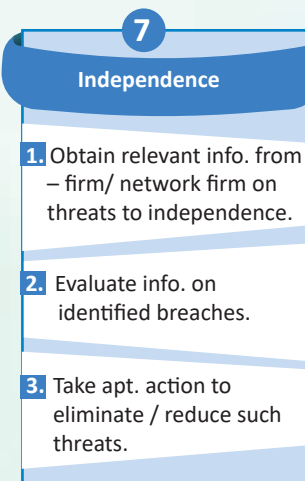
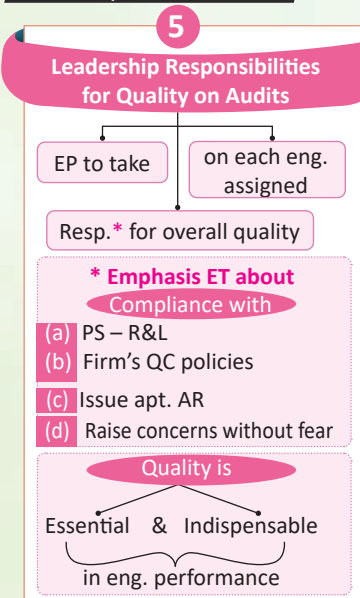
In relation to **completed engagements**, procedures designed to provide **evidence of compliance by engagement teams** with the firm's quality QCPP.

**9**

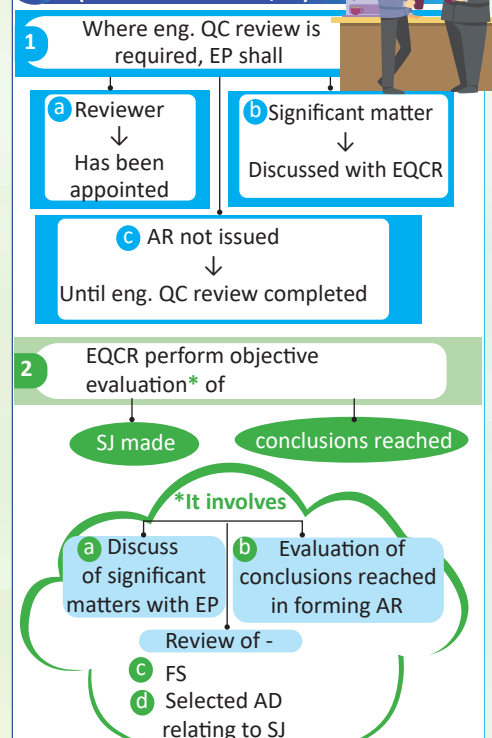
**Monitoring (SQC 1)**

A process comprising an **ongoing consideration** and evaluation of the firm's system of quality control, **including a periodic inspection** of a selection of completed engagements, designed to enable the firm to obtain reasonable assurance that its **system of quality control is operating effectively**.

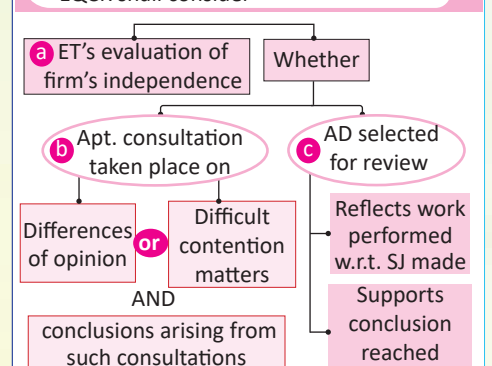




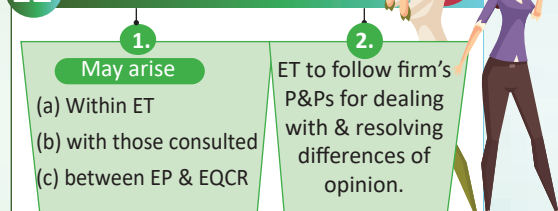
# 11 Engagement QC review (Also Covered in SQC 1)



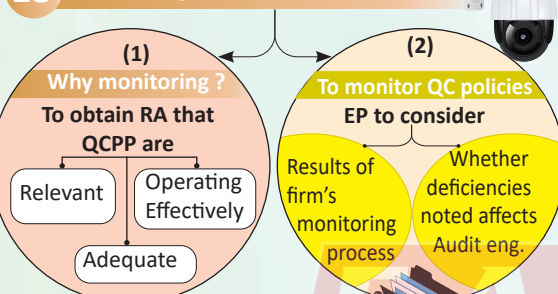
# 3 For audits of FS of listed entities, EQCR shall consider



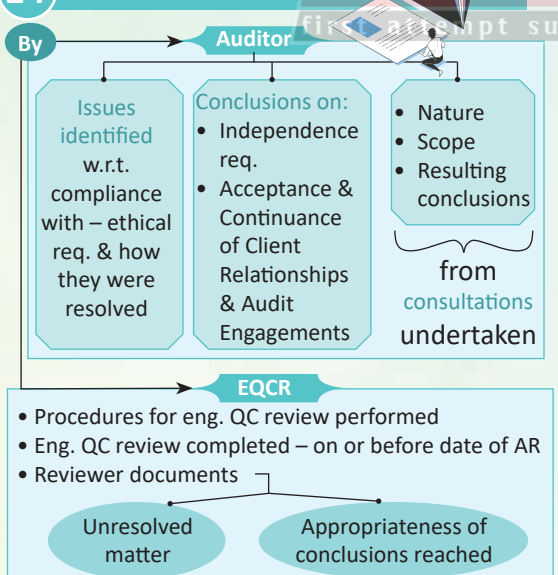
# 12 Differences of Opinion



# 13 Monitoring



# 14 Documentation



# 15 SQC 1 vs SA 220 – Key Differences in Nature, Scope and Applicability

S.No	Base	SQC 1	SA 220
1.	Scope	Applies to entire firm Responsibility - CEO or Managing partners	Specific audit engagement & engagement partner takes responsibility
2.	Applicability	→ Audits → Reviews of historical financial info. → Other assurance & → Related services engagements	Audit engagements only
3.	Deals with	Setting up QC system consisting of P&Ps for entire firm.	ET responsibilities to implement QCPP applicable to audit engagements
4.	Purpose	Establish QC system to provide firm with RA that - firm & its personnel comply with PS - R&L & reports issued are appropriate.	Firm is subject to SQC 1. SQC 1 is a sine qua non (indispensable) for SA 220 applicability

## Mechanisms for review of QC

### (A) Peer Review Board

- 1** Constituted by - Council of ICAI
- 2** Objective- In carrying out assurance assignments, ensure -
- 3** Purpose  
Enhance quality of professional work
- 4** Definition
  - It means examination & review of systems & procedures
  - to determine whether same have been put in place by PU
  - to ensure quality of assurance services
  - as envisaged by technical, professional & ethical standards or regulatory req.
- 5** Peer Reviewer  
Records related to peer review period to be examined & reviewed by Peer Reviewer.

- 6** Certificate  
"Peer Review Certificate" is issued in case of unqualified report is issued by Peer Reviewer.
- 7** Qualified Report-
  - Inform the PU – Qualified report cannot be issued and reasons for same.
  - Due-date of follow – on review as decided by Board

**(B) Quality Review Board**

- 1 Constituted by**
- Central Govt.
  - Members nominated by
    - Central Govt. &
    - Council of ICAI

**2 Functions -**

**Recommend Council**  
about quality of services provided by members

**Guide members**  
on quality improvement & adherences to statutory & other regulatory requirements

**Review quality of services**  
provided include audit services

**3 Selection review**

**Risk – based approach** is adopted to select auditors to be received

**Technical reviewers** – empaneled by QRB – conducts review.

**1**  
**Constituted –**  
In terms of S.132(1) of Companies Act, 2013

**2**  
**Duties**  
Monitor & enforce compliance with Accounting & Auditing Standards  
Oversee the quality of service of professions & recommend improvements.

**(C)**  
**National Financial Reporting Authority (NFRA)**

**3 Powers**

- Monitor & enforce – compliance with – Accounting & Auditing Standards
- Oversee the quality of service u/s 132(2)
- Undertake investigation u/s 132(4) of auditors of certain class of companies.

**5**  
**NFRA vs QRB:**

**NFRA Oversees**  
- Quality of audit services of listed Cos.

**QRB Review**  
- Quality of audit services provided by members of ICAI of entities that are:

Referred to QRB by NFRA under relevant rules.

Other than mentioned under Rule 3 of NFRA Rules, 2018

**4**  
**Scope**

Include

- Listed company
- Insurance company
- Banking company
- Other company (Rule 3 of NFRA Rules, 2018)





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