

## ANNEXURE II (Reporting Format) FOR LEVEL I & Level II PRACTICE UNITS

### Compliance according to SQC 1

Questions	Reviewer's Comments
<b>Quality Control, Ethical Requirement &amp; Independence</b>	
1. Does the PU's system of quality control include policies and procedures addressing each of the following elements:	
a) Leadership responsibilities for quality within the PU	
b) Ethical requirements	
c) Acceptance and continuance of client relationships and specific Engagements	
d) Human resources	
e) Engagement performance	
f) Monitoring	
2. Does each engagement document adequately cover the following common elements?	
(a) An introduction explaining that the purpose of the engagement document is to confirm the member's understanding of the terms of the engagement?	
(b) The purpose of the engagement?	
(c) The scope of the engagement, including the period of appointment and time schedules, the applicability of any legislation and professional standards relevant to the engagement, information required of the client or any other pertinent matter?	
(d) For taxation audit engagements, a description of the self-assessment rules (e.g. substantiation audits, reasonable care) which informs clients of their responsibilities and the penalties relating to any tax shortfall?	
(e) For taxation audit engagements, a statement in writing that the responsibility for the accuracy and completeness of the particulars and information provided by the client rests with the client. That any advice given to the client is only an opinion based on your knowledge of the client's particular circumstances. Finally, that a taxpayer has obligations under self assessment to keep full and proper records in order to facilitate the preparation of accurate returns.	
(f) For compilation engagements, a reference to an appropriate disclaimer of liability and the limitations of the engagement?	
(g) The client's responsibility for the completeness and accuracy of the financial information/report?	

(h) For audit engagements, the objective of the audit, the scope of the audit and an explanation as to the extent to which an audit can be relied on to detect material misstatements?	
(i) The request for the client to confirm the terms of the engagement by acknowledging receipt of the engagement document?	
3. Does the firm have an established mechanism to deal with potential conflicts of interest and for its proper resolution? Was there any such instance available in the file? [Standard on Quality Control (SQC) 1]	
4. How does the firm deal with situations where new information at hand would have caused the firm to decline an engagement? [Standard on Quality Control (SQC) 1]	
5. Does the firm have a system of seeking Management Representation Letters (MRL) from clients?	
6. Is the former accountant of each new client contacted by letter, with the new client's written permission, requesting appropriate information to assist the firm in deciding whether to accept the appointment?	
7. Are the firm's policies and procedures designed to ensure appropriate consultation takes place, with either internal or external professionals possessing the relevant expertise, to resolve difficult or contentious matters. [ SA 220]	
8. Whether the firm used checklists, manual, working papers, etc. to ensure consistency of the quality of each assignment and for providing guidance to new or junior staff?	
9. Whether the checklist manual used is updated on timely basis ? if so who has taken the responsibility to update the same in the PU and when was latest updation done to manual?	
<b>Engagement Documentation</b>	
10. Was there a system of file noting to document unusual issues that were not covered in the standard working papers?	
11. Was there a system of maintaining carry forward working papers?	
12. Does the PU have proper policies and procedures in place to ensure appropriate monitoring of tax audit assignments?	
13. Does the PU have proper procedures in place to keep track of changes that take place from time to time to avoid submission of misleading information to any authority or its client(s)?	
<b>Audit Planning and Risk Assessment</b>	
14. Does the file contain an audit strategy? (SA 300) If so, does it consider/contain evidence that the PU has obtained a general understanding of the applicable financial reporting framework, and the legal and regulatory framework applicable to the entity?	

<p>15. Is the PU audit strategy designed to provide an understanding of whether the entity's selection and application of accounting policies are appropriate for its business including their internal controls and consistent with the applicable financial reporting framework and accounting policies used in the relevant industry? [SA 300 ]</p>	
<p>16. Does the file contain an audit plan that includes, at a minimum, a description of the nature, timing and extent of planned risk assessment procedures as well as further audit procedures at the assertion level? (SA300)</p>	
<p>17. Has the PU performed the following risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial report and assertion levels: (SA 315 and 300,320,330)</p> <p>(a) Inquiries of management and others within the entity;  (b) Analytical procedures; and  (c) Observation and inspection?</p>	
<p>18. Has the PU demonstrated an understanding of control activities necessary to assess the risks of material misstatement at the assertion level and design further audit procedures responsive to assessed risks? (SA 315,320,300,330) And where applicable, have there been discussions within the team regarding the susceptibility of the financial reports to material misstatement? [SA 330]</p>	
<p>19. Has the PU identified and assessed the risks of material misstatement at the financial report level, and at the assertion level for classes of transactions, account balances, and disclosures to provide a basis for designing and performing further audit procedures? (SA 315) Has the PU documented these risks? (SA 315)</p>	
<p>20. As part of the risk assessment, has the PU determined whether any of the risks identified are, in the PU's judgment, significant risks (SA315,330)</p>	
<p>21. Does the audit plan include evidence that the PU has identified and assessed risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment? [ SA 300,315,320,330]</p>	
<p>22. Does the audit plan outline the nature, timing and extent of direction and supervision of engagement team members and the review of their work? [SA300]</p>	
<p>23. Where the PU used information obtained from previous experience with the entity and from previous audits, did the PU determine whether changes had occurred since the previous audit that may have affected its relevance to the current audit? (SA 300)</p>	
<p>24. Has the PU performed audit procedures and related activities to obtain information relevant to identifying the risks of material misstatement associated with related party relationships and transactions? [ SA 550]</p>	

25. Is there evidence that the PU remained alert, when inspecting records or documents, for arrangements or other information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the PU? [SA 550]	
26. If expertise in a field other than accounting or auditing was necessary to obtain sufficient audit evidence, did the PU consider using the work of an expert, including the work of an actuary? [SA 620 ]	
+ whether the expert has the necessary competence, capabilities and objectivity for the PU's purposes? (SA 620)	
+ the adequacy of the expert's work for the PU's purposes? (SA620)	
27. Where a component\branch auditor has performed work, has the PU obtained a sufficient understanding of, among other things, the capabilities, competence and independence of that component\branch auditor? [SA 600]	
28. As the external\Statutory auditor, has the PU considered whether the work of the internal auditors has an effect on the external\Statutory audit procedures? (SA 610)	
29. In performing risk assessment procedures to understand the entity and its environment, has the PU audit considered whether there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern? (SA570)	
30. Is there evidence that the PU has planned and performed the audit with professional skepticism and using professional judgment? (SA 200, SA240)	
31. In planning and performing the audit of a single financial statement or of a specific element of a financial statement, has the PU applied all Standards on Auditing relevant to the audit as necessary in the circumstances of the engagement? (SA 805)	
<b>Audit Sampling and Other Selective Testing Procedures</b>	
32. (a) Has the PU designed and performed further audit procedures whose nature, timing, and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level? (SA 330)	
(b) Has the PU designed and performed tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls where: (SA330)	
(d) In the design of tests of control and tests of details, has the PU determined appropriate means of selecting items for testing that are effective in meeting the purpose of the audit procedure?  (SA 500, SA 530) Examples include:	
(i) selecting all items (100% examination);	
(ii) selecting specific items; and	

(iii) audit sampling.	
(d) Has the PU designed and performed appropriate substantive procedures for each material class of transactions, account balance, and disclosure? (SA 330 and SA 520 ,SA 320 & 315)	
(e) Did the PU's substantive procedures include the following audit procedures related to the financial report closing process:(SA 330)	
(i) agreeing or reconciling the financial report with the underlying accounting records; and	
(ii) examining material journal entries and other adjustments made during the course of preparing the financial report?	
(f) If the PU has identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, has the PU obtained sufficient appropriate audit evidence to determine whether or not a material uncertainty exists through performing additional audit procedures, including consideration of mitigating factors? [SA 570 ]	
(g) When undertaking an audit sample, did the member:	
(i) determine a sample size sufficient to reduce sampling risk to an acceptably low level? (SA 530)	
(ii) select items for the sample in such a way that each sampling unit in the population had a chance of selection?(SA 530)	
<b>Materiality</b>	
33. Has the PU determined:	
(a) materiality for the report as a whole, and if applicable classes of transactions, balances and disclosures (SA 320); and performance materiality for the purpose of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures? (SA320)	
(b) Where management refused to correct some or all of the misstatements communicated by the PU, did the PU: (i) determine whether such uncorrected misstatements were material, individually or in aggregate? (SA450) (ii) evaluate whether the financial report as a whole was free from material misstatement? (SA450)	
<b>Audit Documentation</b>	
34. (a) Has the PU documented discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussion took place? (SA230)	
(b) When information has been identified that is inconsistent with the PU's final conclusion regarding a significant matter, has the PU documented how the inconsistency was addressed? (SA 230)	

c) Has the PU prepared documentation that provides a sufficient and appropriate record of the basis for the auditor's report and evidence that the audit was planned and performed in accordance with Auditing Standards and applicable legal and regulatory requirements? (SA 230)	
(d) Has the PU prepared audit documentation:	
(i) on a timely basis; and (SA 230)	
(ii) that is inadequate which would result in an experienced auditor being unable to understand: (SA 230)	
(e) When existing audit documentation has been modified, or new audit documentation has been added after the assembly of the final audit file has been completed, has the PU, regardless of the nature of the modifications or additions, documented:(SA230)	
(i) the specific reasons for making them; and	
(ii) when and by whom they were made and reviewed?	
(f) Has the PU adopted appropriate procedures for maintaining the confidentiality, safe custody, integrity, accessibility and retrievability of the audit documentation and the needs of the practice in accordance with legal requirements of record retention? (SA 230,200)	
<b>Audit Evidence</b>	
35. (a) Has the PU considered whether external confirmation procedures are to be performed as substantive audit procedures? [ SA 500,501,505 ]	
(b) Has the PU designed and performed audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement. [SA501]	
(c ) For initial audit engagements, has the PU obtained sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period's financial report? (SA 510)	
(d) Has the PU obtained an understanding of the following in order to provide a basis for the identification and assessment of the risks of material misstatement for accounting estimates: (SA540)	
(i) the requirements of the applicable financial reporting framework relevant to accounting estimates, including related disclosures;	
(ii) how management identifies those transactions, events and conditions that may give rise to the need for accounting estimates to be recognised or disclosed in the financial report, and	
(iii) how management makes the accounting estimates, and an understanding of the data on which they are based?	
(e) Has the PU determined whether the financial report includes the comparative information required by the applicable financial reporting framework and whether such information is appropriately classified?	

(SA710)	
(f) Has the PU obtained sufficient appropriate audit evidence about whether: (SA 540)	
+ management's decision to recognize, or to not recognize, the accounting estimates in the financial report;	
+ the selected measurement basis for the accounting estimates, and	
+ the disclosures in the financial report related to accounting estimates, are in accordance with the requirements of the applicable financial reporting framework?	
(g) Has the PU obtained sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the PU to draw reasonable conclusions on which to base their opinion? (SA200)	
(h) Has the PU evaluated, based on the audit evidence, whether the accounting estimates in the financial report are either reasonable in the context of the applicable financial reporting framework, or are misstated? (SA 540)	
(i) Has the PU communicated in writing any significant deficiencies in internal control identified during the audit to those charged with governance and, where appropriate, to management, on a timely basis? (SA 265)	
(j) Has the PU maintained control over external confirmation requests, ensuring that, among other things, return information for responses are sent directly to the PU? (SA 505]	
(k) Has the PU obtained an understanding of the services provided by a service organization to the client, and has the PU evaluated the design and implementation of the client's internal control relating to these services?(SA 402)	

Signature

Date:

Name of the Reviewer

Membership No.

RE No.

Email Id:-