

QUALITY CONTROL FOR AN AUDIT OF FINANCIAL STATEMENTS: CAS 220

Leadership Responsibilities for Quality on Audit

- The **engagement partner** is responsible for the **overall quality** on each audit engagement

Ethical Requirements

- Throughout the audit the engagement partner needs to be **alert for evidence of non-compliance of ethical requirements** by the engagement team
- **Ethical requirement** = integrity; objectivity; competence and due care; confidentiality; professional behaviour

Independence

- The engagement partner needs to form a **conclusion on compliance** with independence requirements by doing the following:
 - Obtaining information from the firm to **identify** and evaluative circumstances and relationships that create **threats to independence**
 - Evaluate **identified breaches of independence** and determine if it creates a threat to the current audit engagement; and
 - Take action to **eliminate threats** to independence or reduce them to an acceptable level by applying **safeguards** (if this cannot be done, withdraw from the audit)

Acceptance and Continuance of Client Relationships and Audit Engagements

- The engagement partner needs to ensure that **appropriate acceptance and continuance procedures** are followed
- If the engagement partner obtains information that would have caused the firm to decline the engagement had this information been available earlier, the partner must inform the firm

Assignment of Engagement Teams

- The engagement needs to ensure that the engagement team and experts (whether employed by the firm or not) **collectively** have the **appropriate competence and capabilities** to:
 - Perform the audit engagement in accordance with professional standards; and
 - Enable the appropriate auditor's report to be issued

Engagement Performance

- The engagement partner needs to take responsibility for:
 - The **direction, supervision and performance** of the audit engagement in compliance with professional standards (training, scheduling, tacking progress planning, identify issues)
 - Ensuring that the work of less experienced team members is **reviewed** by more experienced team members
 - On or before the date of the auditor's report, the engagement partner should, through a **review of the audit documentation** and **discussion with the engagement team**, be **satisfied that sufficient appropriate audit evidence** has been obtained to support the conclusions reached and for the auditor's report to be issued
 - Ensuring that the engagement team is undertaking **appropriate consultation** on difficult matters
 - For audits of the F/S of **public companies** or **any other engagement for which the firm has determined that a quality control review is required**; the engagement partner shall:

- Ensure that a **quality control reviewer has been appointed**;
- **Discuss significant matters** arising during the audit engagement with the quality control reviewer;
- Ensure that the **audit report is not dated earlier** than the completion of the quality control review
- **Differences of opinions** within the engagement team, experts, or quality control reviewers are resolved

Engagement quality control reviewer

- The engagement quality control reviewer **objectively evaluates** the **significant judgements** made by the engagement team, and the **conclusions reached** in formulating the auditor's report
- The engagement quality control reviewer performs the following:
 - **Discuss significant matters** with the engagement partner;
 - **Review the F/S** and the proposed **auditor's report**;
 - **Review** selected (not all) **audit documentation** relating to significant judgements
 - **Evaluate the conclusions reached** in formulating the auditor's report and consider whether the auditor's report is appropriate

Documentation

- The auditor must document the following:
 - Issues identified with **non-compliance with ethical** requirements and how they were resolved
 - Conclusions on compliance with **independence** requirements
 - Conclusions reached regarding **acceptance and continuance**
- The engagement quality control reviewer should **document the following statements**:
 - **Procedures** required by the firm for quality control reviews have been performed
 - The quality control review has been completed **on or before the auditor's report**
 - 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 it reached were not appropriate