

*Commercial's*

# AUDIT SAAR

Handwritten Notes

**ADVANCED AUDITING, ASSURANCE & PROFESSIONAL ETHICS**

for CA FINAL (New Syllabus 2023)

*Applicable for May 2024 and onwards Examinations*

### Key Highlights

- Update with all Relevant Amendments
- Reference to RTPs and MTPs Questions
- Author's views for Conceptual Clarity
- Charts for Cross References

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# CHAPTER 1. QUALITY CONTROL

WHAT TO STUDY?

A] INTRODUCTION TO ENGAGEMENT & QUALITY CONTROL

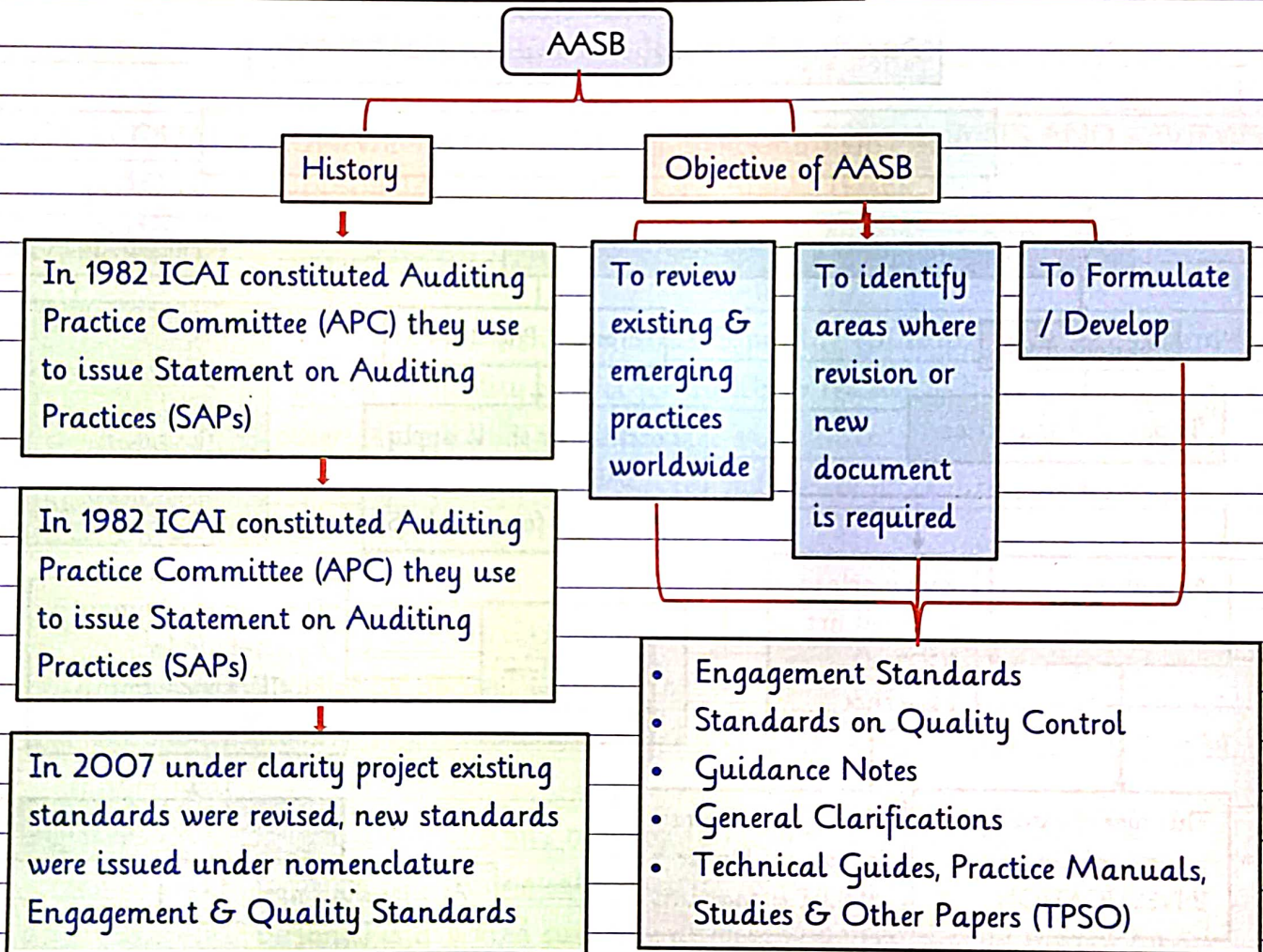
B] SQC - 1

C] SA 200

D] MECHANISM FOR REVIEW OF QUALITY CONTROL

A] INTRODUCTION TO ENGAGEMENT & QUALITY CONTROL

I] AUDITING & ASSURANCE STANDARD BOARD (AASB)



## Different terms

Standards - Mandatory in nature unless exempted.

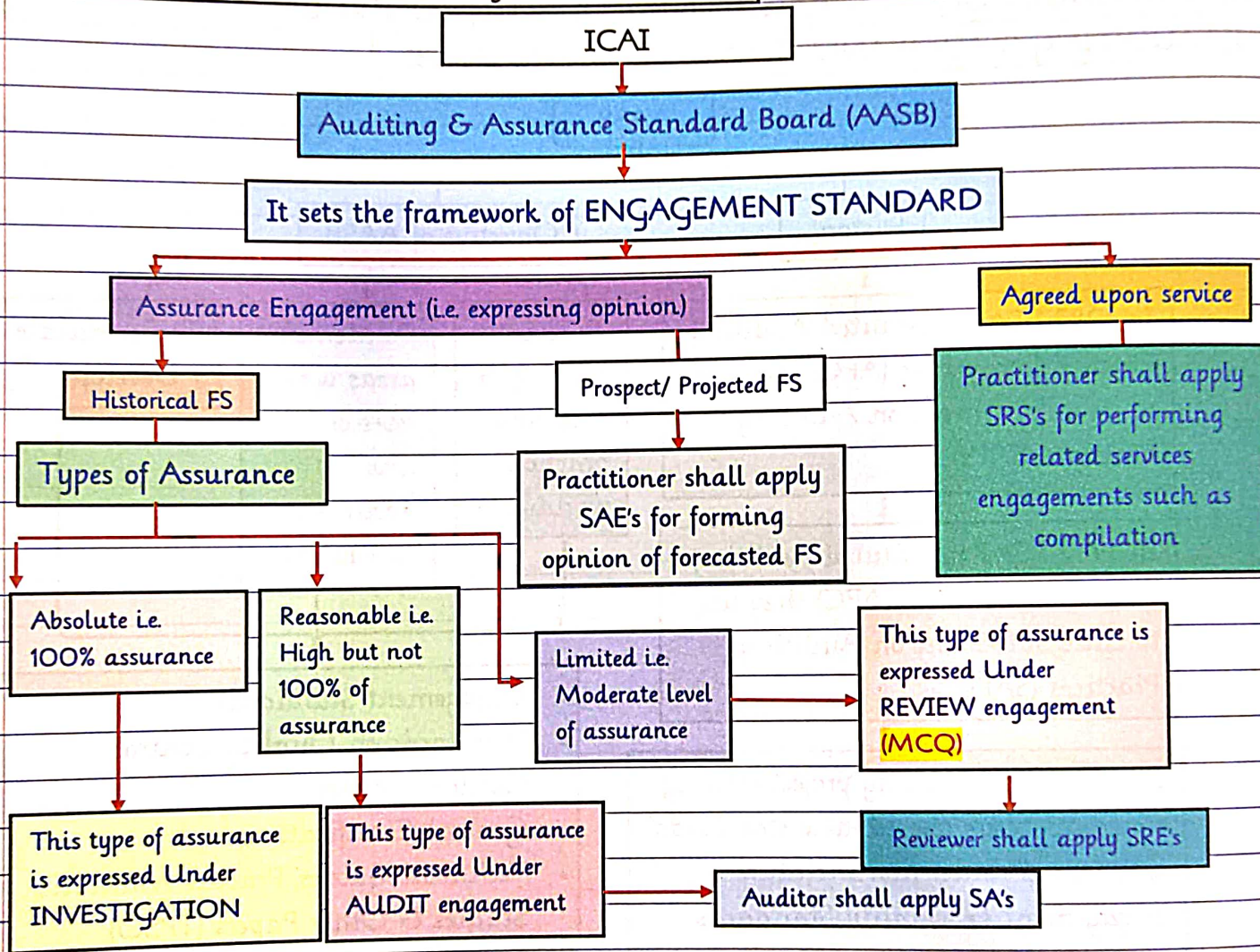
Statements - Statements and standards are same. Earlier we use to call them statements but now as per international trend, we call them standards. So we can say that statement is old name of standards

General Clarification - Issued to explain content given in Standards/Statements.

Guidance Notes - Recommendatory in nature we may not follow them if there are justified reasons. E.g., Guidance note on Bank Audit.

Technical Guides, Practice Manual, Studies and other papers (TPSO) - ICAI used to issue them to provide checklists and specimen working papers helpful for practicing chartered accountants. Now a days ICAI issues them in the name of Implementation Guide or Practitioners Guide.

**Overview of Engagement & Quality Control Standard**



SA → Standard on Auditing (SA-100-999)

SRE → Standard on Review Engagement (SRE 2000-2699)

Examples of SRES:

- SRE 2400 Engagements to Review Historical Financial Statements
- SRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

SAE → Standard on Assurance Engagement (SAE 3400-3402)

Examples of SAES

- SAE 3400 The Examination of Prospective Financial Information
- SAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus
- SAE 3402 Assurance Reports on Controls at a Service Organization

SRS → Standards on Related Services (SRS 4400-4410)

Examples of SRSS

- SRS 4400 Engagements to perform agreed-upon procedures regarding financial information
- SRS 4410 Compilation engagements

B] SQC → QUALITY CONTROL FOR FIRMS THAT PERFORM AUDITS AND REVIEWS OF HISTORICAL FINANCIAL INFORMATION, AND OTHER ASSURANCE AND RELATED SERVICES ENGAGEMENTS

### I] INTRODUCTION

The purpose of this SQC is to establish standards & provide guidance regarding a firm's responsibility for its system of quality control for audits & reviews of historical financial information & for other assurance & related service engagements.

The firm's system of quality control should include policies & procedures addressing each of the six elements of such system.

### II] ELEMENT OF QUALITY CONTROL

1) Leadership responsibilities for quality within the firm

- i) Firm should promote internal culture recognising quality as essential in performing engagement
- ii) Firm's CEO (or equivalent) or firm's managing partner to assume ultimate responsibility for firm's system of quality control
- iii) If some other person(s) is assigned such operational responsibility, he should have sufficient & appropriate experience, ability & authority to assume that responsibility

2) Ethical Requirements

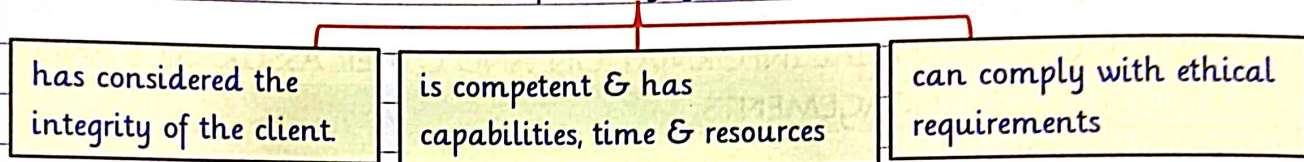
Firm's policies & procedures should

- (i) Assurance that the firm & its personnel comply with ethical requirements of: (Key COPPI)
  - a) Integrity;
  - b) Objectivity;

- c) Professional competence & due care,
- d) Professional behaviour
- (ii) Emphasize the fundamental principles which are reinforced in particular by the leadership of firm, education & training, monitoring & process for dealing with non-compliance.
- (iii) Provide it with reasonable assurance that the network firms maintain independence to:
  - a) Communicate its requirements to management
  - b) Identify & evaluate circumstances & relationship that create threats to independence & take appropriate action.
- (iv) Provide it with reasonable assurance that it is notified of breaches of independence requirement & to enable it to take appropriate action.

### 3) Acceptance & Continuance of client relationships & specific engagements

- (i) Firm's policies & procedures should provide it with reasonable assurance that it will undertake or continue relationships & engagements only when it:



For consideration the integrity of the client consider following

- a) The identity and business reputation of the client's principal owners, key management, related parties and those charge with governance
- b) The nature of the client's operations, including its business practices
- c) Indications of an inappropriate limitation in the scope of work.
- d) 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.
- e) 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
- f) Indications that the client might be involved in money laundering or other criminal activities
- g) Whether the client is aggressively concerned with maintaining the firm's fees as low as possible.
- (ii) When the firm obtains information that would have caused it to decline an engagement if that information had been available earlier, the firms policies & procedures should consider
  - a) The professional & legal responsibilities

b) The possibility of withdrawing from the engagement & client relationship

(iii) Policies & procedures for withdrawal include:

a) Discussing with appropriate level for appropriate action & the reasons for withdrawal

b) Considering professional, or legal regulatory

c) Documenting significant issues, consultations, conclusions & the basis for conclusion

#### 4) Human Resources

(i) Firm's policies & procedures should provide it with reasonable assurance that:

a) it has sufficient personnel with the capabilities, competence, commitment to ethical principles.

b) enable the firm to issue appropriate reports.

(ii) Firm's performance evaluation, compensation & promotion procedures give due recognition & reward to the development & maintenance of competence & commitment to ethical principles

(iii) The firm should assign responsibility for each engagement to an engagement partner.

(iv) The firm should also assign appropriate staff with capabilities, competence & time to perform engagements

#### 5) Engagement performance

(i) Firm's policies & procedures should provide it with reasonable assurance that:

a) Engagements are performed in accordance with professional standards, legal & regulatory requirements

b) That the firm issue appropriate report

(ii) Firm should establish policies & procedures w.r.t.

a) Consultation

b) Resolving differences of Opinion

c) Engagement quality control review & its documentation.

d) Confidentiality, safe custody, accessibility & retrieval, retention, ownership of engagement documentation.

Engagement quality control review (EQCR): The firm should establish policy and procedures For reviewing audit engagement **listed entities**. Such review provides an objective reevaluation of significant judgement and conclusion reached.

Areas of review under EQCR: **(PEQ Nov 22)**

(i) The engagement team's evaluation of the firm's independence in relation to the specific engagement.

(ii) Significant risks identified during the engagement and the responses to those risks.

(iii) Judgments made, particularly with respect to materiality and significant risks.

- (iv) 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.
- (v) The significance and disposition of corrected and uncorrected misstatements identified during the engagement.
- (vi) The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies.
- (vii) Whether working papers selected for review reflect the work performed in relation to the significant judgments and support the conclusions reached.
- (viii) The appropriateness of the report to be issued.

### Documentation of system of quality control

Establish policies & procedures requiring appropriate documentation for

- Evidence of operation of each element of its system.
- Retention for period of time sufficient to permit those performing monitoring procedures to evaluate firm's compliance with its system of quality control, or for a longer period if required by law or regulation.
- Complaints, allegations & responses to them.
- Depending upon the size of firm, number of office, nature & complexity of firm.

Large firms may use electronic databases to document matters like independence confirmations, performance evaluations & the results of monitoring inspections.

Smaller firms may use more informal methods in documentation such as manual notes, checklists & forms.

### 6) Monitoring

- (i) Firm's policies & procedures should provide it with reasonable assurance that:
  - a) the policies & procedures relating to the system of quality control are relevant, adequate and operating effectively.
  - b) it includes an ongoing consideration & evaluation of firm's system of quality control, including a periodic inspection of a selection of completed engagements.
- (ii) Firm should evaluate the deficiencies noted as a result of monitoring process & should communicate to relevant engagement partners & other appropriate personnel.
- (iii) Firm should also design policies & procedures to appropriately address the complaints & allegations.



## Concept of allegation & claim PEQ Jan'21

- (i) The firm should establish policies and procedures designed to provide it with reasonable assurance that it deals appropriately with:
  - (a) Complaints and allegations that the work performed by the firm fails to comply with professional standards and regulatory and legal requirements; and
  - (b) Allegations of non-compliance with the firm's system of quality control.
- (ii) Complaints and allegations (which do not include those that are clearly frivolous) may originate from within or outside the firm. They may be made by firm personnel, clients or other third parties. They may be received by engagement team members or other firm personnel.
- (iii) As part of this process, the firm establishes clearly defined channels for firm personnel to raise any concerns in a manner that enables them to come forward without fear of reprisals.
- (iv) The firm investigates such complaints and allegations in accordance with established policies and procedures. The investigation is supervised by a partner with sufficient and appropriate experience and authority within the firm but who is not otherwise involved in the engagement, and includes involving legal counsel as necessary. Small firms and sole practitioners may use the services of a suitably qualified external person or another firm to carry out the investigation. Complaints, allegations and the responses to them are documented.
- (v) Where the results of the investigations indicate deficiencies in the design or operation of the firm's quality control policies and procedures, or non-compliance with the firm's system of quality control by an individual or individuals, the firm takes appropriate action.

**Note:** - As per para A27 of SQC 1, auditor of listed entity should have to be internally rotated within a span of 7 years (PEQ May 22)

## C] SA 220 QUALITY CONTROL FOR AN AUDIT OF FS

→ As the auditor is member of ICAI its duty is to observe QC's.

SA - 220 seeks to establish standards of Quality Controls on:

- 1) Audit Firm: Implementation of policies and procedures at the audit firm level.
- 2) On Individual Audit: Implementation of policies and procedures to the work delegated at the audit level.

### I] OBJECTIVE

Auditor complies with professional standard & other legal & regulatory requirement

Audit Report is appropriate in all circumstances

## II] COMPONENTS REQUIREMENTS OF QUALITY CONTROL : (Key - L E A H E M)

### 1] LEADERSHIP RESPONSIBILITIES

EP should emphasize the ET the following: -

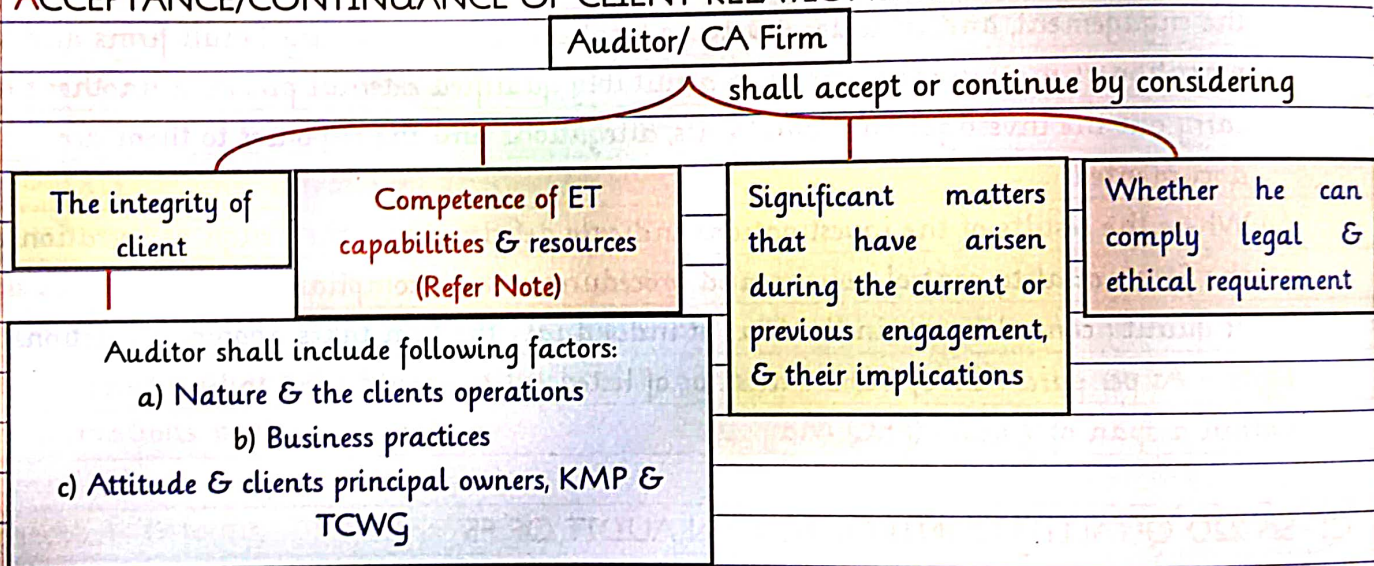
- (i) Compliance with professional standard and legal requirements
- (ii) Compliance with firm's Q.C. policies
- (iii) Issuance of appropriate audit report
- (iv) Ability to raise concerns without fear of reprisals
- (v) Quality is essential and indispensable performance

### 2] ETHICAL REQUIREMENTS (same as SA 200)

The firm should establish policies & procedures to ensure compliance with: (Key - C O P P I I)

- |  |   |
|--|---|
| (i) <b>C</b> = Confidentiality                     | (iv) <b>O</b> = Objectivity                     |
| (ii) <b>P</b> = Professional competence & due care | (v) <b>P</b> = Professional behaviour           |
| (iii) <b>I</b> = Integrity and                     | (v) <b>INDEPENDENCE</b> in mind & of appearance |

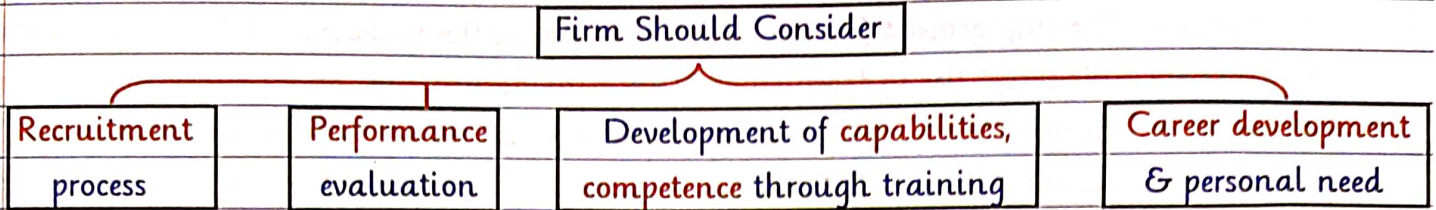
### 3] ACCEPTANCE/CONTINUANCE OF CLIENT RELATIONSHIP



Note: - For considering **competence & capacities** auditor may consider **(important)**:

- (i) Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.
- (ii) Understanding of professional standards and regulatory and legal requirements.
- (iii) Technical expertise, including expertise with relevant information technology and specialised areas of accounting or auditing.
- (iv) Knowledge of relevant industries in which the client operates.
- (v) Ability to apply professional judgment.
- (vi) Understanding of the firm's quality control policies and procedures.

#### 4] HUMAN RESOURCES



#### 5] ENGAGEMENT PERFORMANCE

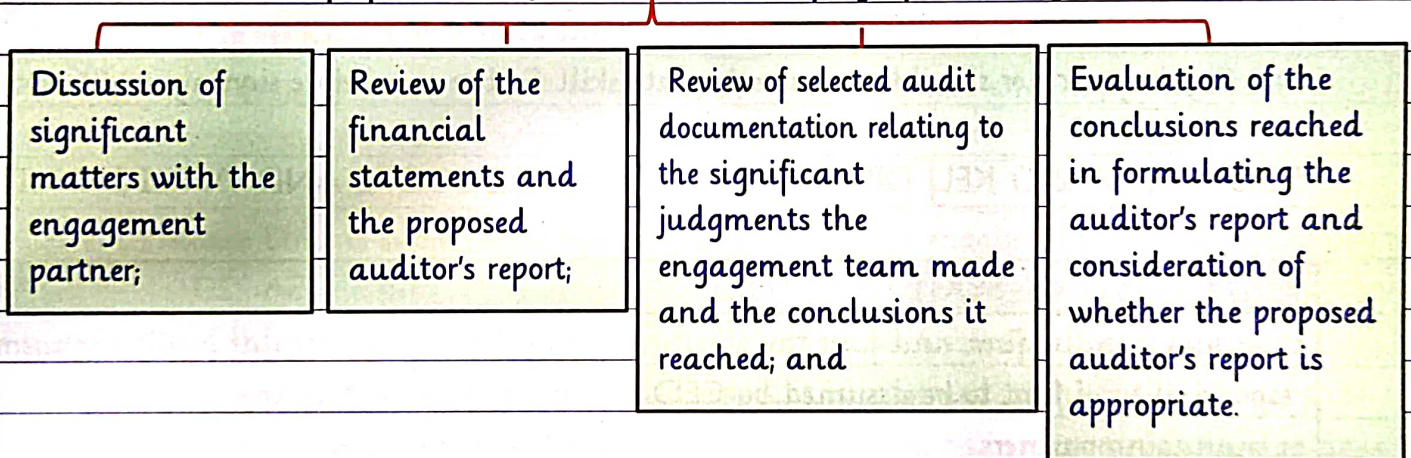
C = Consultation:

Engagement Partner shall: -

- (i) Take responsibility for the engagement undertaking appropriate consultations.
- (ii) Be satisfied that Engagement Team have undertaken appropriate consultation during the course of audit (within & outside the firm)
- (iii) Be satisfied that nature and scope of consultation are agreed with the party consulted.
- (iv) Conclusion are implemented.

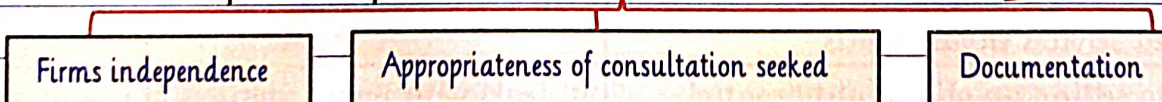
E = Engagement quality control review (EQCR): - (RTP M 19)

- i) It is process designed to provide an objective evaluation, *before* the report is issued.
- ii) The reviewer shall perform an objective evaluation of significant judgement, it includes



iii) EQCR is mandatory for audit of Listed Entities

iv) For review of audits of listed entities the reviewer shall consider (RTP M 19)



v) EQCR does not reduce the responsibilities of engagement partner.

Difference of opinion

Follow the firm's policies and procedures for dealing with and resolving differences of opinion.

Report shall not be issued in case of difference of opinion.

#### → Important Question

Q. During the audit of RTV Ltd, a listed company, Engagement Partner (EP) completed his

reviews & also ensured compliance with independence requirements that apply to the audit engagement. The engagement files were also reviewed by the Engagement Quality Control Reviewer (EQCR) except the independence assessment documentation. Engagement Partner was of the view that matters related to independence assessment are the responsibility of the Engagement Partner & not EQCR. EQCR objected to this & refused to sign off the documentation. Please advise as per SA 220. (RTP M 19)

Ans. In the given case, Engagement Partner is not right. The independence assessment documentation should also be given to EQCR for his review.

### M = MONITORING

An effective system of quality control includes a monitoring process designed to provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. The engagement partner shall consider the results of the firm's monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms and whether deficiencies noted in that information may affect the audit engagement.

### → Important Question

\* Q. If Signing partner is different than engagement partner (RTP N 19)

Ans. Signing partner should exercise adequate skill & due care before signing audit report

### SQC 1 VS. SA 220 KEY DIFFERENCES IN NATURE, SCOPE AND APPLICABILITY

SQC1	SA 220
It applies to entire firm and fixes the responsibility of firm to be assumed by CEO or managing partners.	It applies to a particular audit engagement and engagement partner takes responsibility of the same.
It is applicable to audits, reviews of historical financial information, and other assurance and related services engagements.	It is applicable to audit engagements only.
It relates to setting up of a quality control system consisting of policies and procedures for firm as a whole.	It deals with responsibilities of engagement teams to implement quality control procedures that are applicable to audit engagements.
It pertains to establishing a system of quality control designed to provide firm with a reasonable assurance that a firm and its personnel comply with professional standards and regulatory and legal requirements so	It is premised on the basis that firm is subject to SQC 1. Therefore, SQC 1 is a sine qua non for applicability of SA 220. It is within overall context of a firm's system of quality control, engagement teams implement quality

that reports issued by firm or engagement partners are appropriate in circumstances.

control procedures applicable to audit engagements.

## D] MECHANISMS FOR REVIEW OF QUALITY CONTROL

### 1) Peer Review Board

Peer review Board is constituted by Council of ICAI. The main objective of Peer review Board is to ensure that, in carrying out assurance assignments

Technical, professional and ethical standards including regulatory requirements are complied with by members of ICAI

Proper systems are in place including documentation thereof which amply demonstrate quality of assurance services provided by members.

The peer review is meant for purpose of enhancing quality of professional work resulting in more reliable and useful audit reports.

Peer review means an examination and review of the systems and procedures to determine

Whether the same have been put in place by the Practice Unit for ensuring the quality of assurance services as envisaged by the technical, professional and ethical Standards or any other regulatory requirements.

Once a Practice Unit is subjected to Peer review, its assurance engagement records pertaining to the Peer review period is subject to examination and review by the Peer Reviewer. On completion of this exercise, a "peer review certificate" is issued in case of unqualified report issued by Peer Reviewer. In case of a qualified report, it is informed to the Practice Unit that same cannot be issued along with the reasons therefor as well as inform about the due date for conducting a follow-on review as may be decided by the Board.

### 2) Quality Review Board

Quality review Board has been set up by Central government. It consists of members nominated by Central govt and Council of ICAI. The functions of QRB are:

To make recommendations to the Council regarding the quality of services provided by the members of the Institute

To guide the members of the Institute to improve the quality of services and adherence to the various statutory and other regulatory requirements

To review the quality of services provided by the members of the Institute including audit services

The statutory auditors in respect of the companies are identified for their audit quality review based upon risk-based approach. The review is carried out by technical reviewers who are empanelled by QRB on engagement basis from across the country.

### 3) National Financial Reporting Authority (NFRA)

NFRA has been constituted in terms of Section 132(1) of Companies Act, 2013. Duties of NFRA also include the following:

Monitor and enforce compliance with accounting standards and auditing standards

Oversee the quality of service of the professions associated with ensuring compliance with such standards and suggest measures for improvement in the quality of service

It has power to monitor and enforce compliance with accounting standards and auditing standards and oversee the quality of service under section 132(2) or undertake investigation under section 132(4) of the auditors of certain class of companies. Such companies include listed companies, insurance companies, banking companies and other companies as provided for in rule 3 of NFRA Rules, 2018.

Therefore, overseeing quality of audit services of listed companies falls under the purview of NFRA. QRB can review quality of audit services provided by the members of the Institute only in respect of entities other than those specified under Rule 3 of NFRA Rules, 2018 and those referred to QRB by NFRA under relevant rules.

#### Students Note:

## CHAPTER 2. GENERAL AUDITING PRINCIPLES AND AUDITORS RESPONSIBILITIES

What to Study?

- A) SA 240 – The Auditor's Responsibilities Relating to Fraud in an Audit
- B) SA 250 – Consideration of Laws and Regulations in an Audit
- C) SA 260 – Communication with those Charged with Governance
- D) SA 299 – Joint Audit of Financial Statements
- E) SA 402 – Audit Considerations Relating to an Entity using a Service Organisation

→ INTRODUCTION

A) SA 240 - Dealing with Fraud in Audits:

SA 240 focuses on how auditors should handle the possibility of fraud during an audit. Auditors need to be watchful throughout the process to catch any potential misleading information caused by fraud.

B) SA 250 - Auditors and Laws/Regulations:

Auditors need to be aware of the many laws and rules that companies must follow. If a company doesn't follow these rules, it can lead to fines or other problems that affect the financial statements. SA 250 explains how auditors should handle this aspect during an audit.

C) SA 260 - Communication with TCWG:

SA 260 highlights the importance of auditors talking regularly with the leaders of the company. This communication is valuable for various reasons and helps in conducting a successful audit.

D) SA 299 - Special Considerations in Joint Audits:

SA 299 provides special guidance for auditors who are working together on an audit. It covers considerations unique to joint audits.

## A] SA 240. FRAUD & RESPONSIBILITIES OF THE AUDITOR IN THIS REGARDS

→ The objectives of the auditor in accordance with SA 240 are: -

Objectives of the Auditor

To identify and assess the risks of material misstatement in the financial statements due to fraud;

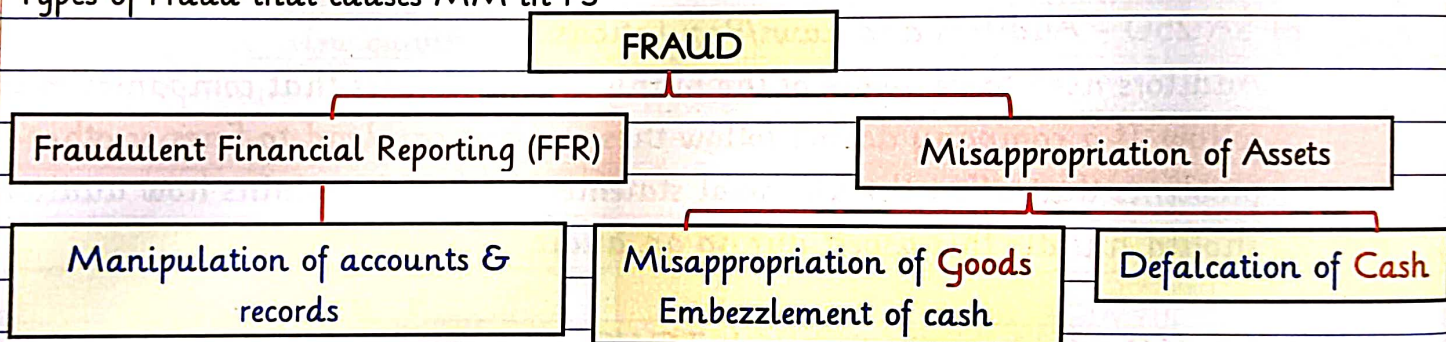
To obtain sufficient appropriate audit evidence about the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses;

To respond appropriately to identified or suspected fraud.

### I] MEANING & TYPES OF FRAUDS & ERROR

1) Meaning: - "An **intentional act** by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an **unjust or illegal advantage**".

2) Types of Fraud that causes MM in FS



Students Note



### 3) Manipulation of Accounts

Why this type of fraud is generally committed?

(Reasons)

- a. To **avoid** incident of **income-tax** or other taxes
- b. For declaring a dividend when there are **insufficient profits**
- c. To withhold declaration of dividend even when there is adequate profit (this is often done to **manipulate the value of shares** in stock market to make it possible for selected persons to acquire shares at a lower cost)
- d. For **receiving higher remuneration** where managerial remuneration is payable by reference to profits

How this type of fraud is committed

(Methods)

N2020

- a. Inflating or suppressing **purchases and expenses**
- b. Inflating or suppressing **sales** and other items of **income**
- c. Inflating or deflating the value of closing **inventory**
- d. Failing to adjust **outstanding liabilities** or **prepaid expenses**
- e. Charging items of **capital expenditure** to revenue or by **capitalizing revenue expenses**

4) FFR can be accomplished by: -

- i) **Manipulation, falsification** (including forgery), or alteration of accounting records or supporting documentation from which the financial statements are prepared.
- ii) **Misrepresentation in or intentional** omission from, the financial statements of events, transactions or other significant information.
- iii) **Intentional misapplication** of accounting principles relating to amounts, classification, manner of presentation, or disclosure.

5) Misappropriation of assets can be accomplished by: -

- i) **Embezzling** receipts (e.g. misappropriating collection on account receivables)
- ii) **Stealing** physical assets (e.g. Stock for personal use)
- iii) Causing an entity to **pay for goods** and services **not received**. (e.g. payment to fictitious vendor or employee)
- iv) Using an entity assets for **personal use**. (e.g. loan to related parties)

Students Note

6)

## Defalcation of cash

## Inflating Cash Payments

- Eg :-
- i) Payments against fictitious vouchers
  - ii) Inflating amount of payment
  - iii) Manipulation in wage totals
  - iv) Casting a larger totals of expenditure

## Suppressing Cash Receipts

- i) Teaming & Lading i.e. leading or lagging in recording payment or revenue
- ii) Adjusting unauthorized rebates, allowances discounts
- iii) Not allowing cash sales Or miscellaneous receipt
- iv) Writing down asset value

## Casting wrong totals in the cash book

- i) Wrong to totaling

7)

## Presumed / Deemed Risk

(i) Revenue Recognition

(ii) Management Override Control

(i) Audit Procedures relating to Revenue Recognition

Apply procedure of SA 330, Includes responding in following manner:

- a) Apply professional scepticism
- b) Evaluates operating effectiveness of internal control
- c) Check assignments of personal (i.e. Skill & Ability)
- d) Check A/c policies and principle are followed consistently

(ii) Audit procedures relating to evaluate MOC: -

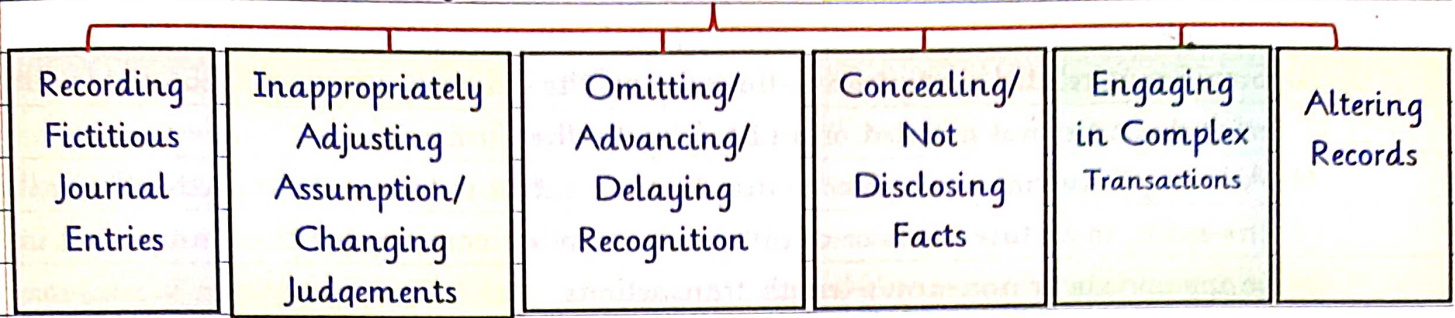
Responses to assessed Risk: -

Management is at a unique position it can be involved in fraudulent activity management posses ability to manipulate accounting record and prepare fraudulent financial reports by overriding controls.

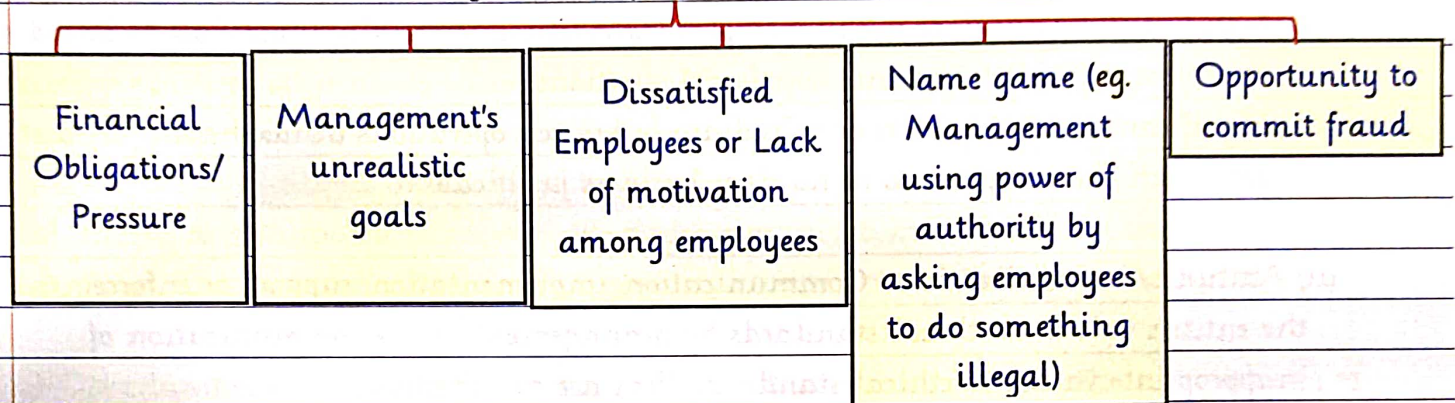
Therefore, auditor shall design and perform audit procedure to:

- a) Check appropriateness of Journal Entries
- b) Check adjustments made at the year end (case study)
- c) Review estimates and evaluate that there is no Fraud involved
- d) Inquire about personnel involved in financial reporting procedures

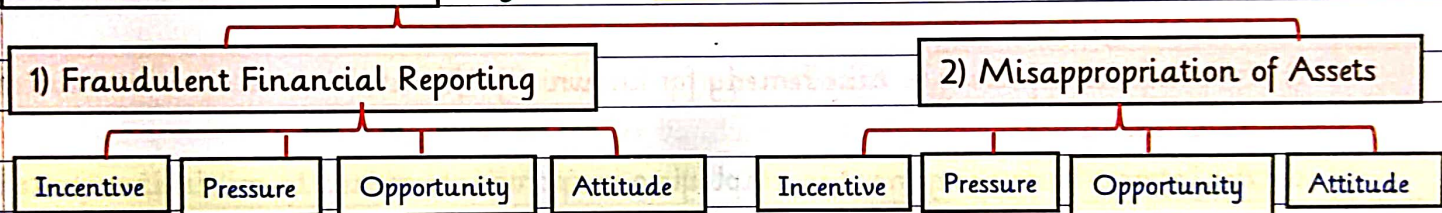
8) Techniques by which Management Override Control (Nov 2020)



9) Circumstances induces management/employee to commit fraud (PEQ July 21)



II] FRAUD RISK FACTORS Key IPO-A (DEC 21)



1) Risk Factors Arising from Misstatements Arising from Fraudulent Financial Reporting

Examples of risk factors relating to misstatements arising from fraudulent financial reporting:

- i) Incentives/ Pressures : Financial stability or profitability is threatened by economic, industry, or entity operating conditions, such as (or as indicated by):
  - a) High degree of **competition** or market saturation, accompanied by declining margins.
  - b) High vulnerability to **rapid changes**, such as changes in technology, product obsolescence, or interest rates.
  - c) Significant **decline in customer demand** and increasing business failures in either the industry or overall economy.
  - d) **Operating losses** making the threat of bankruptcy, foreclosure, or hostile takeover imminent.
  - e) Recurring **negative cash flows** from operations or an inability to generate cash flows from operations while reporting earnings and earnings growth.
  - f) **New** accounting, statutory, or regulatory **requirements**.

ii) Opportunities : The nature of the industry or the entity's operations provides opportunities to engage in fraudulent financial reporting that can arise from the following :

- a) Significant **related-party transactions** not in the ordinary course of business or with related entities not audited or audited by another firm.
- b) A strong financial presence or **ability to dominate** a certain industry sector that allows the entity to dictate terms or conditions to suppliers or customers that may result in inappropriate or non-arm's-length transactions.
- c) Assets, liabilities, revenues, or expenses based on significant estimates that involve subjective judgments or **uncertainties** that are difficult to corroborate.
- d) Significant, unusual, or **highly complex transactions**, especially those close to period end that pose difficult "substance over form" questions.
- e) Significant bank accounts or subsidiary or branch operations in tax-haven jurisdictions for which there appears to be **no clear business justification**.

iii) Attitudes/Rationalizations: Communication, implementation, support, or enforcement of the entity's values or ethical standards by management, or the communication of inappropriate values or ethical standards, that are not effective.

- a) **Known history of violations** of securities laws or other laws and regulations.
- b) Excessive **interest by management in maintaining or increasing the entity's inventory price** or earnings trend.
- c) Management **failing to take remedy** for known significant deficiencies in internal control on a timely basis.
- d) An interest by management in employing **inappropriate means** to minimize reported earnings for **tax-motivated reasons**.
- e) The owner-manager makes **no distinction between personal and business transactions**.
- f) The **relationship between management and the current or predecessor auditor** is strained, as exhibited by the following:
  - **Frequent disputes** with the current or predecessor auditor on accounting, auditing, or reporting matters.
  - **Unreasonable demands** on the auditor, such as unrealistic time constraints regarding the completion of the audit or the issuance of the auditor's report.
  - Restrictions on the auditor that **inappropriately limit access to people** or information or the ability to communicate effectively with those charged with governance.
  - **Domineering management** behaviour in dealing with the auditor, especially involving attempts to influence the scope of the auditor's work or the selection or continuance of personnel assigned to or consulted on the audit engagement.