

*Sample only – parts are extracted from random parts of the full version

Topic 1 Auditing

What is Auditing?

Obtaining and evaluating evidence about assertions to form an opinion about those assertions and communicate that opinion to interested users

Who cares about audit reports?

1. Shareholders
 - Are they going to get a return on their shares?
2. Employers
 - Are they going to be able to keep their job?
 - What if the company goes into liquidation?
3. Banks/creditors
 - Are they going to get their money back?
 - Is it safe to lend money?
4. Government/regulators
 - Is the company following regulations?
5. Potential investors
 - Is the company safe to invest in?
 - Would they get a return on their investment?
6. Suppliers/customers

Assurance Engagements

An engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria eg., an audit or a review engagement

Attestation Services

A type of assurance service in which the public accounting firm issues a written communication that expresses a conclusion about the reliability of a written assertion/statement of another party

Different types of audit

1. Financial statement audit

- are financial statements presented according to accounting standards?

2. Compliance audit

- is the audit client complying with rules and regulations?

3. Performance audit

- relates to efficiency, effectiveness & economy

4. Comprehensive audit

- combination of 1, 2, 3

5. Environmental audit

- is the company doing its best to minimize harm on the environment?

Topic 3 Corporate Governance, Audit Quality, Ethics & Independence

Audit Committee

Has oversight responsibility for:

- the outside reporting of the company
- risk monitoring and control processes
- both internal and external audit functions

Consists of directors and monitors management

Must operate effectively, i.e. should have members with accounting and finance expertise and should meet frequently

Auditors should communicate with the audit committee frequently

Internal Audit

Can support and enhance the work of the audit committee

Help strengthen the independence of internal auditors:

- The internal audit function should report directly to the audit committee
- The audit committee should be involved in hiring and firing the chief internal auditor

External audit

- Auditors are viewed by the public as trusted professionals in the provision of assurance services
- Auditors have responsibilities not only to their clients but to society at large

Audit Expectations Gap

- Gap between auditors' stated objectives and users' perceptions as to the role of an audit
- Public expects auditors to detect all fraud
- Public thinks unqualified audit report guarantees the accuracy of financial report and that there is no fraud or error
- "True and fair" is not defined, hence public and professional expectations differ

APES110 Part A Fundamental Principles

Section 110 Integrity

Be straightforward & honest in all professional & business relationships

Section 120 Objectivity

Not allow bias, conflict of interest or undue influence of others to override professional or business judgments

Section 130 Professional Competence and Due Care

Maintain professional knowledge and skill at the level required to ensure that a client/employer receives competent professional services based on current developments in practice, legislation and techniques