

*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 7 Internal control & Fraud

Internal Control

A process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Reliability of financial reporting

- Management has both a legal and a professional responsibility to be sure that the information is fairly prepared in accordance with reporting requirements such as accounting standards

2. Compliance with applicable laws and regulations

- Organisations are required to follow many laws and regulations

3. Effectiveness and efficiency of operations

- Controls within an organisation are meant to encourage efficient and effective use of its resources, including personnel, to optimise the company's goals

Components of internal control

1 Control environment

- Actions, policies and procedures that reflect the overall attitudes of top management, directors and owners of an entity towards internal control and its importance to the entity

2. Integrity & ethical values

- To enforce & communicate ethical values:
- Management actions to remove incentives that prompt a person to behave improperly

3. Commitment to competence

- Commitment to competence includes management's consideration of the competence levels for specific jobs and how those levels translate into requisite skills and knowledge
- If people aren't qualified → more likely to make mistakes → CR increase

4. Participation by those charged with governance

- Board delegates responsibility for internal control to management and is charged with regular independent assessments of management-established internal control

5. Management's philosophy and operating style

- Management provides clear signals to employees about the importance of internal control

6. Organizational structure

- By understanding the client's organisational structure, the auditor can learn the management and functional elements of the business and perceive how controls are implemented

7. HR policies and practices

- if employees are honest and trustworthy, other controls can be absent and financial statements will still be reliable – if they make a mistake, they are most likely to admit mistake