

Review Lecture

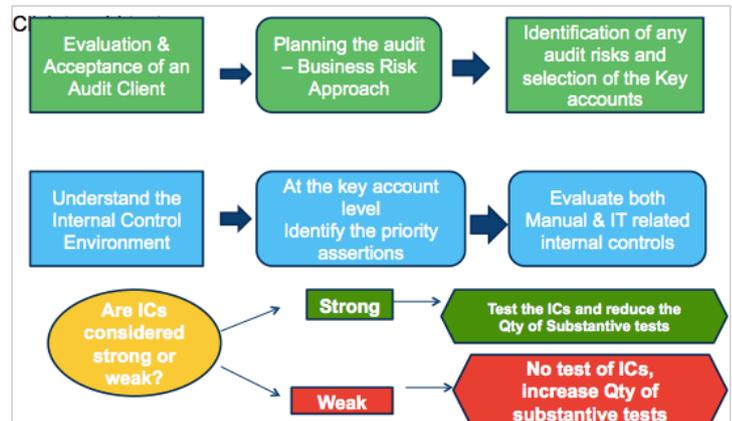
Overview of the Audit Cycle

Linking the concepts

making sure that the auditor were qualified & the client was one that auditors wanted to be involved in; could perform professional services;

planning the audit and mapping out the key issues to attack; understanding the business risks (external & internal controls) → clients operations, operating environments (inherent risks & pressure on mgmt)

→Decide whether the risk *applies* to your client. If your client is extremely robust, potentially the industry risk does not apply



Key acct = GL acct. justification of the key acct. **overstatement or understatement of the \$***. Assertions rely on this.

Internal control and its strength is as important as the external business risks. If they are strong, can reduce the level of testing. If weak, increase the volume of work.

Assertions → BS (existence, valuation, rights and obligations) & IS (occurrence, accuracy, completeness, cut-off); critically important the auditors check all of them.

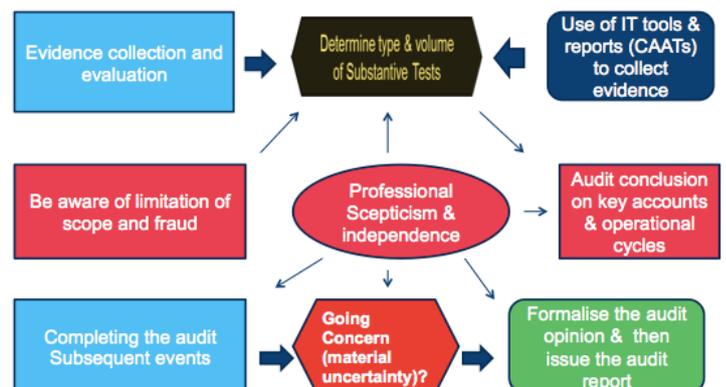
Collect appropriate and sufficient Evidence, and draw judgment → ‘professional judgment’, use of experts, review and evaluate non-accounting expertise, **what is it must the auditor evaluate on its experts*** → expert as your own staff, in parallel, recruitment & supervision?

IT controls are critically important. General (word, databases, excel) & application controls. ***How IT (GAATS) can be of assistance to the auditor? The use of GAATS report, what can be extracted, what does the auditor do with it? Simplify the selection process, print out, you collect the evidence.** →W7 tutorial, what was extracted, why was it was extracted, what was the test, documents sign, conversation w mgmt..

FINAL*** design substantive tests, having identified what to evaluate, link to the assertion. Use of IT assistance.

Fraud: Throughout the substantive tests and evaluation, limitation of scope and fraud should be considered. Requirement to detect fraud on if create material misstatement in the key acct; auditor most likely to miss it because of immaterial. If find fraud, was not material, was quarantined, absolute

obligation that auditor must report it! Fraud in any form means controls have been compromised. Auditor changed you plan & mgmt. needs to be informed because those charged w governance have to ensure policy and controls are, at all times, efficient and operational.



Limitation of scope: 2 ways in which this can occur → events have prevented the auditor from undertaking a task that is essential to the audit OR mgmt. intervention. 2 ways to deal with this: find an alternative that could equally mean asking or