

S4 - AUDIT & ASSURANCE (Strategic Level-2)

INTRODUCTION

This course is divided into four main areas of audit. The syllabus starts with the nature, purpose and scope of assurance engagements both internal and external, including the statutory audit, its regulatory environment, and legal consideration relating to appointment and removal of auditors. It then leads into planning an audit. The syllabus then covers a range of areas relating to an audit of financial statements including the scope of internal control. These include evaluating internal controls, audit evidence, and a review of the financial statements. In addition to final review and reporting procedures, the last section concentrates on cost audit procedures.

OBJECTIVE

To provide the students an in-depth knowledge of financial audit and cost audit to enable them to:

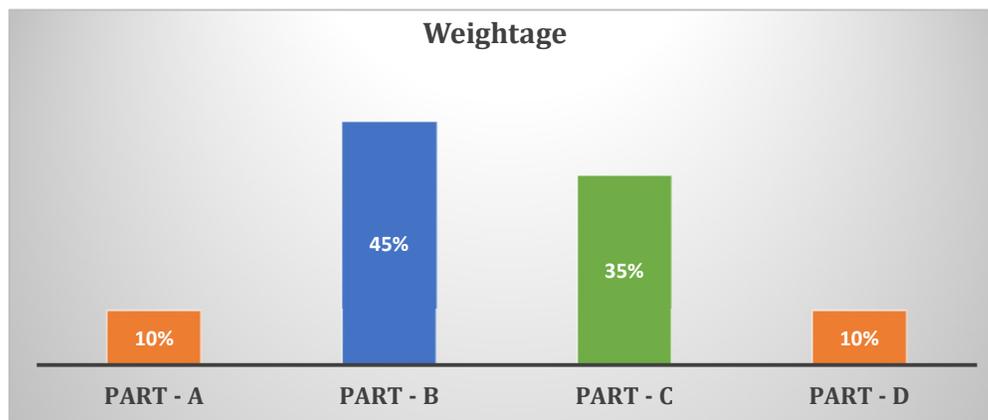
- Conduct audit effectively, and
- Identify and advise management to take appropriate remedial actions in those areas where major risks are involved.

LEARNING OUTCOMES

On completion of this course, students will be able to:

- Explain the concept of audit and assurance and the functions of audit,
- Determine legal and ethical considerations relating to the appointment and removal of auditor,
- Describe and evaluate internal controls, techniques and audit tests to identify and communicate control risks and their potential consequences, making appropriate recommendations,
- Identify and describe the work and evidence obtained by the auditor and others required to meet the objectives of audit engagements and the application of the International Standards on Auditing
- Explain how consideration of subsequent events and the going concern principle can inform the conclusions from audit work and are reflected in different types of audit report, written representations and the final review and report.
- Prepare an audit report, keeping in view types of qualifications,
- Plan and perform the Cost Audit;
- Comprehend nature, objectives, functions, scope, planning and procedures of cost audit and perform audit of material, labour and overhead costs
- Apply review procedures and provide other assurance and related services

SYLLABUS CONTENTS



PART - A

1. Audit framework and regulation

- Application of ISAs, ISREs, ISAEs, ISRSs
- Audit and other assurance engagements (Describe the concepts of assurance engagement)
- Discuss the types and levels of assurance i.e., absolute, reasonable and limited assurance including elements of an assurance engagement, assurances provided by audit and review engagement)
- Explain assurance and non-assurance engagement with examples
- Statutory audit and regulation
- Legal consideration relating to appointment and removal of auditor (Companies Act 2017)
 - Section 246: Appointment, removal and fee of auditors
 - Section 247: Qualification and disqualification of auditors
 - Section 248: Auditors' right to information
 - Section 249: Duties of auditor.
 - Section 251: Signature of auditor's report
 - Ethical principles, Code of Ethics and Quality Control frame work.

PART - B
2. Planning and risk assessment General Principles and Responsibilities

- ISA 200, Overall objectives of the Independent Auditor and the conduct of an Audit in accordance with International Auditing Standards
- ISA 210, Agreeing the terms of Audit Engagements
- ISA 220, Quality Control for an Audit of Financial Statements,
- ISA 230, Audit Documentation
- ISA 240, The Auditor's responsibilities relating to fraud in an audit of financial statements
- ISA 250, Consideration of laws and regulations in an audit of financial statements
- ISA 260, Communication with those charged with governance
- ISA 265, Communicating deficiencies in internal control to those charged with governance and management

3. Risk Assessment and Response to Assessed Risk

- ISA 300, Planning an audit of financial statements
- ISA 315, Identifying and assessing the risks of material misstatement through understanding the entity and its environment
- ISA 320, Materiality in planning and performing an audit
- ISA 330, The auditor's response to assessed risks
- ISA 402, Audit considerations relating to an entity using a service organization
- ISA 450, Evaluation of misstatements identified during the audit.

4. Internal Control

- Internal control
- Testing the controls regarding
- Inventory
- Sales
- Purchases
- Cash and bank
- Revenue and capital expenditure
- Non-current tangible assets
- Payroll
- Explain the concept of Computer Assisted Audit Techniques, test data and audit software with advantages and disadvantages
- Application of I. T Controls

5. Internal Audit

- Internal audit and code of corporate governance, 2019
- Distinction among external and internal auditing
- Scope of and need for internal auditing
- Nature and types of internal operation audits
- Relationship between internal and external auditors
- Nature and types of internal audits

6. Audit Evidence

- ISA 500, Audit Evidence
- ISA 501, Audit Evidence-specified consideration for selected items
- ISA 505, External confirmation
- ISA 510, Initial audit engagements-opening balances
- ISA 520, Analytical procedures
- ISA 530, Audit Sampling
- ISA 540, Auditing accounting estimates, including fair value accounting estimates, and related disclosures
- ISA 550, Related parties
- ISA 560, Subsequent events
- ISA 570, Going concern
- ISA 580, Written representation

7. Collecting Audit Evidence

- Collecting Audit Evidence of:
 - Non-current assets
 - Inventory
 - Receivables
 - Cash and bank
 - Liabilities, capital and directors' emoluments
 - Not-for-profit organization

PART - C
8. Using the Work of Others

- ISA 600, Special consideration-audits of group financial statements (including the work of component auditors)
- ISA 610, Using the work of internal auditors
- ISA 620, Using the work of auditor's expert

9. Audit Conclusions and Reporting

- ISA 700, Forming an opinion and reporting on financial statements
- ISA 705, Modifications to the opinion in the independent auditor's report
- ISA 706, Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
- ISA 710, Comparative information-corresponding figures and comparative financial statements
- ISA 720, the auditor's responsibilities relating to other information in documents containing audited financial statements.
- ISA 800 (revised): Special Considerations-Audits of Financial Statements prepared in accordance with special purpose frameworks
- ISA 805 (revised): Special Considerations-Audit of Single statements and specific elements, accounts or items of a financial statement
- ISA 810 (revised): Engagement to report on summary financial statements

10. Other Assurance Engagement and Related Services

- ISRE 2400: Engagements to review historical financial statements

- ISRE 2410: Review of interim financial information performed by the independent auditor of the entity
- ISAE 3000: Assurance engagements other than audits or reviews of historical financial information
- ISAE 3400: The examination of prospective financial information
- ISAE 3402: Assurance reports on controls at a service organization
- ISAE 3410: Assurance engagements
- ISAE 3420: Assurance engagements on Greenhouse Gas Statements
- ISRS 4400: Engagements to perform agreed upon procedures regarding financial information
- ISRS 4410: Compilation engagement

- Amended international framework for assurance engagement
- Apply Ethical Principles

PART - D**11. Cost Audit**

- Nature, Objectives, Functions, advantages and Scope of Cost Audit
- Companies Act 2017 (section 250. Audit of cost accounts)
- Planning the Cost Audit
- Provision of Cost Accounting Records Rules
- Material Cost
- Labor Cost
- Overheads
- Sales, Royalty, Inter-Company Transactions
- Companies audit of cost accounts rules