

# Advanced Auditing

Level CPA P-II    Subject Code PP404    Exam Marks 100

**Assessment Level: Advanced/Conceptual/Practical/Expert/Professional**

## Assessment Strategy

Section A: MCQ's 10(15Marks)	Competency Questions 6 (21Marks)	Case Studies/Scenario base Question 1 (9Marks)
Section B: MCQ's 05(10Marks)	Competency Questions 5 (15Marks)	Case Studies/Scenario base Question 1(10Marks)
Section C: MCQ's 0	Competency Questions 0	Case Studies/Scenario base Question 1(20Marks)

## Syllabus

	Lead Topics	Indicative Syllabus
Section A: 45 %	Audit strategy, planning and programming	Planning the flow of audit work; audit strategy, planning programme and importance of supervision: review of audit notes and working papers; drafting of reports; principal's ultimate responsibility; extent of delegation; control over quality of audit work; reliance on the work of other auditor, internal auditor or an expert.
	Risk Assessment and Internal Control	Evaluation of internal control procedures; techniques including questionnaire, flowchart; internal audit and external audit, coordination between the two New engagements, the strategic design and planning of an audit and knowledge of the client's business, The review of financial statements to include analysis and critical assessment, Quality control and recording of the audit, The evaluation and testing of control procedures and audit evidence, The design and carrying out of tests of substance on specific audit areas, Consideration of materiality, audit risk, reliance on other specialists, events after the reporting period, contingencies, related parties, Use of experts, Characteristics of fraud and the responsibility of auditors for detecting material misstatement due to fraud.

<p><b>Special audit techniques</b></p>	<p>Selective verification; statistical sampling: Special audit procedures; physical verification of assets, direct confirmation of debtors and creditors, Analytical review procedures, Risk-based auditing</p>
<p><b>Audit of limited companies</b></p>	<p>Audit reports; qualifications, notes on accounts, distinction between notes and qualifications, detailed observations by the statutory auditor to the management vis-a-vis obligations of reporting to the members. Audit Committee and Corporate Governance Audit of Consolidated Financial Statements, Audit Reports and Certificates for Special Purpose engagements; Certificates under the Payment of Bonus Act, import/export control authorities, etc.; Specific services to non-audit clients; Certificate on Corporate Governance Special features of audit of banks, insurance companies, co-operative societies and non-banking financial companies Cost audit Special audit assignments like audit of bank borrowers, audit of stock and commodity exchange intermediaries and depositories; inspection of special entities like banks, financial institutions, mutual funds, stock brokers.</p>
<p><b>Sarbanes – Oxley Act, 2002</b></p>	<p>Salient features of Sarbanes – Oxley Act, 2002 with special reference to reporting on internal control.</p>
<p><b>Evaluation of critical areas</b></p>	<p>Appropriateness of going concern assumption. Evaluating the effects on reporting responsibilities of an auditor resulting from:</p> <ol style="list-style-type: none"> <li>i. pending legal action;</li> <li>ii. fraud and error;</li> <li>iii. non-compliance with laws and regulations; and</li> <li>iv. Taxation and tax related contingencies.</li> <li>v. other post balance sheet events</li> </ol> <p>Audit of accounting estimates.</p>

<b>Section B: 35%</b>	<b>Special reports</b>	<p>Special purpose reports e.g. on forecasts and estimates etc.  Reporting and related services (compilation and review engagements).  Reports on prospectuses.  Certificates of auditors on statutory reports.  Reports relating to bonus issues.  Reports on prospective financial information.  Audit reports on special purpose audit engagements.  Special audit reports relating to forensic assignments.  Reporting on due diligence engagements.  Reporting on compliance with the Code of Corporate Governance.  Report on component of financial statements  Certificates on break-up value, net worth, right issue, other matters as specified from time to time by Regulating authorities.</p>
	<b>Special audits</b>	<p>Non statutory audits, cost audits, management audit, systems audits, operational audits, forensic assignments (including money laundering aspects), due diligence reviews, internal audit functions (in house and outsourced).  Audits of specialized enterprises e.g. banks, insurance companies, investment companies, housing finance companies, employees» retirement funds</p>
	<b>Quality control for audit work</b>	<p>Quality control policies and procedures:  i. at audit firms (peer reviews); and  ii. at individual audits  Specifying quality control procedures:  i. the independence of the audit firm and audit personnel;  ii. The skills and competence of audit personnel;  iii. Procedures for review of the audit documentation  iv. Handling and safeguarding the audit documentation</p>
	<b>Management of audit clients and client relationships</b>	<p>Managing the audit clients, including compiling and reviewing information on clients throughout the year.  Managing the audit relationship including negotiating the fee for services and discussion of administration and results of audit  c. Confidentiality.  d. Independence.</p>

<b>Section C:20%</b>	<b>International standards and Ethical Aspects</b>	International Standards on Assurance, Auditing & Related Services, and International Auditing Practice Statements Professional and ethical considerations
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