

	Parts:	When will be tested?	No. of lectu
part 1	Corp gov-ce - preparerers of fin statements		
	scope	midterm test	lecture 1
	structure	midterm test	lecture 1
	IC	midterm test	lecture 2
part 2	Assurance - assurares of fin statements		
	general	midterm test	lecture 2, le
	Stages of audit		
part 3	Acceptance of client	midterm test	lecture 4
part 4	Planning of audit	final exam	lecture 5, le
part 5	Audit tests	final exam	lecture 7, le
part 6	Audit report	final exam	lecture 9, le

Note: topics for midterm test will be also included into final exam

ire class MU week

Total split of points:

		Task	Points	Comments:
	wk1			
	wk1	presentation of 1 case	20	schedule w
	wk2	midterm test	20	will be on N
ecture 3	wk2, wk3	final exam	60	will be in Ja
		<u>total</u>	<u>100</u>	
	wk4			
ecture 6	wk5,wk7			
ecture 8	wk8, wk9			
<u>ecture 10</u>	<u>wk10, wk11</u>			
		max grade	100 points (A)	

:

with cases and dates will be confirmed. Complex case can be presented by two persons and simple case s
Nov 4, 2020. Duration of test will be confirmed later
January 2021. Date and duration will be confirmed later.

ould be presented by one person.

Part I. Corp gov-ce (CG) - is about how company is managed on day-to-day basis

- 1 purpose of CG - to direct and control resources owned by investors and intraste
- 2 why CG is needed? - management, shareholders and government (as major sha
objectives of management - to sustain listing on the exchange, to im
objectives of shareholders - to have environment within which they
objectives of government - to create conditions for growth and emp
- 3 scope of CG (see see principles of corporate gove-ce as per Code of corp gov-ce
board of directors aka those charged with governance

responsibilities of effective board:

- lead the company strategy
- set company's values
- meet regularly
- issue annual report
- to uphold the law
- to safeguard the assets of the organization
- should ensure that chairman and non-execut
- should ensure that non-executive directors (N
- no one person or group should be able to do
- should be of appropriate size, right balance o
- at least of half of the board should be made u
- NED should

- not be an employee within the la
- not have business relationships w
- be only remunerated with a fee fc
- no lclose family ties to the compar
- no cross-directorship
- any NED who has been on the boæ
- not be a major shareholder
- advantages and disadvantages of

advantages

- provide exp
- provide mc
- demonstra
- facilitate sh
- facilitate cc

disadvantages

- this will cre
- NEDs do nc
- some NEDs

types of companies depending on role of board:

- unitary board - board represents superviosry
- two-tier board - shareholders and stakeholde

committees - report to the board

- they allow the board to offload responsibility for a partic
- they provide a forum to focus on a limited and distinct ta

they should provide an expertise in the given area of operation

they should provide disclosure to shareholders

they provide assurance to shareholders

types of committees:

audit committee

organization:

should consist of at least

at least 1 member who

responsibilities

make recommendations

review and monitor external

review and monitor internal

review of company's financial

review and monitor effectiveness

provide advice on whether

to review cases of which

benefits of audit committee

it assists to external auditors

it increases confidence

it follows up external auditors

limitations of audit committee

it imposes additional costs

difficulty in finding members

audit committee and internal auditors

AC should ensure that

review and assess internal

receive periodic reports

review and monitor management

meet with head of internal

risk management committee

responsibilities

advise the board on risk

monitor company to ensure

help to identify major risks

receive reports from management

receive report from internal

ensure all risk-related

benefits of risk committee

independence in decision

support for board of directors

if committee works effectively

more predictable

impact of decisions

greater confidence

phases of risk management

identify risks. risks may

impact of risk

fraud
regulations
estimate impact and p
develop solutions
implement risk strateg
review, adapt and disc

nomination committee
remuneration committee

all directors should get induction and training
board, its committies and individual directors should hav
directors should be elected at least every 3 years (for FTS
significant proportion of remuneration of directors shoul
remuneration should consider industry level.

board should insure sound system of controls, the effect
if the board has the audit committee, it should be made

board should have regular dialogue with shareholders ar
chairman and COE

should not be the same person
chairman leads the board, sets agenda for board's meeti
CEO runs the company
chairman is key contact for shareholders

4 CG and internal controls

IC - is system of values, rules, procedures and systems (IS) impleme
Controls are designed by risk management committee as response t
=> Impact of quality of IC on scope of statutory audit

if IC are strong (there is low control risk) the a
if IC are weak (there is high control risk), the a

purpose of IC

to prevent and detect errors (unintentional or ontention.
to help safeguard the assets (against theft)
to ensure the business runs cost efficiently

components of IC

control environment

management attitudes and values
staff attitudes and values

control procedures

application controls
general controls

comparison
authorization
reconciliation
computer control
arithmetical control
physical control
segregation of duties

risk assessment

information systems

monitoring of existing controls

limitations of IC

- human error
- collusion to commit fraud
- the cost/time to implement the controls may outweigh
- it may be impossible to design a control for one-off trans

IC are designed and implemented within each accounting cycle. For

sales cycle - stages, risks emerging at each stage and con

Stage	Risks	Control p
Order received	Orders not recorded accurately.	Confirm o writing.
	Customers cannot pay, or do not pay on time.	All new ci subject to check bef accepted checks pe existing c
	Orders cannot be honoured, and customer goodwill is lost.	Credit lim on custom
		All orders by sales ; production

Stage	Risks	Control p
Goods despatched	Goods are not despatched.	Sequential numbered order pads
	Incorrect goods sent.	Copy of or the warehc picking.
		Weekly on to ensure ; is complet missing)

missing).

Order sign
inventory p

Goods des
(GDN) ma
order (stap
and file).

Customer
copy of the
returns it to
receipt of c

Use sequen
numbered
review freq
incomplete
and unmat
items.

Stage	Risks	Control pr
Invoice raised	Invoices may be missed, incorrectly raised or sent to the wrong customer.	Copy of GC accounts matched to the invoice.
	Credit notes may be raised incorrectly.	Unmatched be periodic reviewed.
		Copy invoic as agreed to order, GDN customer p
		Copy invoic to agree ar accuracy.
		Credit note allocated to relates to a authorised manager.

Stage	Risks	Control pro
Sale recorded	Invoices may be inaccurately recorded	Review rece ledger for cr balances

recorded, missed or recorded for the wrong customer. Perform a re-ledger record. Double check to invoice. Customer's sent out (could let you know wrong).

Stage	Risks	Control pro
Cash received	<p>Incorrect amounts received.</p> <p>Customer does not pay.</p>	<p>Agree cash back to the</p> <p>Review receipt ledger for balances (could overpaid).</p> <p>Review age listing and old balance</p> <p>Debt chasing procedures control.</p>
Cash recorded	<p>Cash incorrectly recorded or the wrong account</p> <p>Cash stolen</p>	<p>Monthly customer statements</p> <p>Bank reconciliation</p> <p>Regular banking/physical security over (i.e. a safe).</p> <p>Reconciliation banking to customer receipts received</p> <p>Segregation duties.</p>

purchases cycle

Stage	Risks	Control pro
Requisition raised	Unauthorised purchases made.	All requisitions authorised by manager. Central purchasing dept. Check inventory levels first.
Order placed	Invalid or incorrect orders made or recorded The most favourable terms not obtained	Sequentially numbered purchase orders, copies numerically with copy of order stapled to invoice. Request order confirmation in writing. Preferred suppliers and agreed prices. Check quotations against supplier list.
Goods received	Goods stolen. Goods may be accepted that have not been ordered or are of wrong quantity or inferior quality.	One secure storage area. Inventory regularly updated on a first-in, first-out basis. Goods inspected for condition and quantity & cost agreed to on goods received note (GRN). Copy of purchase order (PO) sent to warehouse.

warehouse, sequentially numbered, 1 matched to

Raise GRN stamp it, sign goods check PO and check quality.

Stage	Risks	Control pro
Invoice received	<p>Invoices not recorded resulting in non-payment and loss of supplier goodwill.</p> <p>Invoices may be logged for goods not received.</p> <p>Invoices may contain errors.</p>	<p>Copy of sequentially numbered GRN to invoicing department, matched to invoice (stamp)</p> <p>If no GRN a supplier for delivery + match PO (authorised) mentioned a</p>
Purchase recorded	<p>Purchases missed or recorded incorrectly.</p>	<p>Batch control input.</p> <p>Stamp the invoices to indicate received; check all file invoices are stamped.</p> <p>Suppliers see monthly statements reconcile the suppliers ledger account.</p>
Cash paid	<p>Invoices not paid or incorrect amount paid.</p>	<p>Stamp invoices paid; check invoices stamped.</p> <p>Keep paid invoices separately from unpaid ones</p>

Cheque sign
 check to inv
 when signin
 cheque/aut
 BACS.

Have author
 cheque sign

Get invoices
 as authorise
 relevant ma

payroll cycle

Stage	Risks	Control proc
Timesheets submitted	Bogus employees paid or employees paid for hours not worked.	Supervision o clocking in ar Check numbe cards to num employees. Keep all spar locked in cup Supervisor to authorise all timesheets.
Standing data input	Standing data could be changed without authorisation. Unprocessed updates may mean employees who have left are paid or joiners are missed.	Monthly print changes to g senior manaç for review anc signature. Standing dat regularly prin and sent to department managers for confirm. Restriction to standing dat e.g. passwor Managers sh complete a leavers/joiner noting date o

departure/arrival
send prompt
payroll dept.

Stage	Risks	Control process
Processing of data	Inaccurate processing of data could lead to wages and taxes being incorrectly calculated.	Sample of wages recalculated manually. Exception report produced automatically anyone paid incorrectly \$xxx, or paid \$yyy. Sample of deductions (PAYE, NIC) recalculated. Managerial review of weekly payroll summaries.

Stage	Risks	Control process
Recording of payroll	Recorded payroll may not match actual payroll.	Nominal ledger signs payroll journal to confirm entries double-checked and printed. Senior manager review wages and expenses for reasonableness.

Staff paid	Staff may not be paid. Bogus staff could be paid.	Have two people present when wages are paid. Responsible individual should review any Budget payroll summary to paying staff to confirm review.
-------------------	--	--

and to those charged with governance so that to contribute to creating long-term shareholder value.
shareholders) have different objectives. Corporate governance is a glue that keeps objectives of these three
implement best practices in managing of entrusted resources, to attract investments
can invest with minimum risk
employment, to attract global investments
from OECD)

independent directors (NED) meet without executives to consider their performance
NED) meet without chairman to consider the performance of chairman
independently
diversify the board
of skills and experience. This includes diversity, including gender.
composition of NEDs

at least 5 years
within the last 3 years
no director duties - no profit share or share options
independently

director for longer than 9 years is assumed to no longer be independent and should be re-appointed annually

having NEDs in the board

to advertise
monitoring to curb excessive behavior of executives
to ensure that decisions are made in shareholder's best interests
shareholder representation on the board
to promote and create balance on the board

to incur high costs and may slow down decision-making
do not work full time for the company. It is debatable how much they actually know about the company and
they are too willing to accept what executives tell them.

at the executive and management level
directors who have an active interest in running the company represent supervisory tier and board representation

to monitor regular activity
to monitor risks

tion

at least 3 NEDs (for smaller companies - 2)
should have recent and relevant financial experience

rights to the board in relation to appointment, re-appointment and removal of external auditor
external auditor's independence and objectivity and effectiveness of audit process
how external auditor recommendations are followed up once statutory audit is over
internal controls
effectiveness of company's internal audit function
whether the annual report and accounts taken as a whole is fair, balanced and understandable and provides
clear information

auditors => better communication between external auditor and the board
rights in the company's financial controls and reporting mechanisms.
external auditor's recommendations with regard to internal control weaknesses

costs
members with the right experience at the market
audit department
IAD has direct access to the chairman and that it is accountable to IA
workplan
reports on the results of IAD work
management responsiveness to IAD's findings and recommendations
at least once a year without presence of management

an appropriate risk strategy for the company
ensure the risk strategy is embedded and strategy not being ignored by certain departments/staff
identify risks, suggest solutions
engage other departments on their specific risk issues
review and assess their recommendations
disclosures are in Annual report

decision-making
directors and for AC
effectively, then:
predictable cash flows are produced
liability is limited
confidence among investors, employees, customers, suppliers and partners

risks arise from many sources:
new technology or changing competition

priority in their tackling

lose

re performance appraisal at least annually
E-350 companies re-election should be every year.
ld be performance-based

iveness of which should be reviewed every year as part of annual report.
up of at least 3 NEDs. Main role of such committee is to liason with internal (i.e. internal audit departr
ld encourage debate through AGM (annual general meetings)

ngs ensuring there is enough time for important matters

nted by a company to ensure the integrity of financial and accounting information, promote accountal
o identified internal and external risks and volnurabilities and which are reviewed regularly by internal
auditors can rely on these controls and reduce the amount of detailed (substantive) testing that they d
auditors cannot rely on these controls and they must increase the amount of detailed (substantive) tes
al)

the benefit of following them so the controls are ignored
 actions e.g. determining a provision for a court case. Controls work best in systems where there is a high
 example:

control procedures to minimize the existing and potential risks

Tests used by auditors during planning stage to assess effectiveness of system controls



Procedures	Example tests of controls
Order in	Select a sample of sales made and inspect copy of order retained on file.
customers	
credit	Inspect a sample of new customer's files to ensure a satisfactory credit check has been obtained.
before order	
and regular	
performed on	
customers.	
limits imposed	With the client's permission, attempt to enter a sales order which will take a customer over the agreed credit limit, the system should reject the order.
orders.	
approved	
and	
senior managers.	Inspect a sample of sales orders for approval by an appropriate senior member of staff.
<hr/>	
Procedures	Example tests of controls
Order held by	Inspect orders held by warehouse to ensure sequence is complete.
customer	
orders.	
Order sent to	Visit warehouse and observe the goods despatch process to assess whether all goods are double checked against the order and goods despatch note (GDN) prior to sending out.
warehouse for	
Order check	
sequence	
check (i.e. none)	Inspect documentary evidence of sequence check.

signed by inventory picker.

Inspect a sample of orders to ensure signed by inventory picker.

Dispatch note attached to order together

Inspect a sample of GDNs and ensure an signed copy of the order is attached and filed with it.

Signs a GDN and to confirm goods.

Select a sample of GDNs and reperform matching to order, to ensure goods and quantities agree and any differences are noted/followed up.

Check GDNs and quantities for sequence checked

Inspect GDNs for incomplete sequence and unmatched items.

Inspect a sample of GDNs and ensure a copy was signed by the customer and filed with the original.

Procedures

GDN sent to customer with copy of invoice.

Example tests of controls
Inspect sample of GDNs and agree that a valid sales invoice has been correctly raised.

Check GDNs to ensure they are all valid.

Inspect file of unmatched GDNs to ensure no old GDNs remain unmatched (i.e. unmatched GDNs are being reviewed periodically).

Ensure all invoices are signed as agreed to original order, GDN and price list.

Inspect sample of invoices to ensure signed as agreed to original order, GDN and price list.

Ensure all invoices are signed as agreed to original order, GDN and price list.

Inspect sample of invoices and agree prices to current authorised price list.

Recalculate sample of invoices to confirm arithmetical accuracy.

Inspect sample of credit notes to ensure authorised by appropriate manager.

Procedures

Inspect receivables ledger for credit balances.

Example tests of controls
Inspect receivables ledger for credit balances.

receivables reconciliation.	Inspect sample of reconciliations.
check back	Reperform receivables ledger reconciliation.
statements customers if	Inspect customer correspondence re. statements sent out for reported errors.
procedures	Example tests of controls
receipt invoice.	Agree sample of cash receipts during the year to the copy invoice.
receivables redit customer	Inspect aged debt listings for evidence of review.
old debt investigate is.	Inspect receivables ledger for evidence of review.
ing /credit	Inspect aged debt listing and enquire what action has been taken regarding old balances, obtaining corroborative evidence.
customer sent out. reconciliation.	Review credit control procedures and inspect evidence of compliance with procedures.
physical for cash	Select a sample of customers with outstanding debts and ensure reconciliation.
tion of cash ords.	Reperform bank reconciliation.
of	Inspect a sample of bank reconciliations to ensure reconciliations performed on a timely basis and evidenced as reviewed.
	Obtain paying-in slips to ensure cash banked regularly.
	Observe cash receipt and recording procedures to ensure adequate segregation of duties.

Procedures	Example tests of control
Orders authorised by purchasing department	Inspect sample of requisitions to ensure authorised by manager.
Inventory	Inspect sample of requisitions for evidence of inventory levels having been checked first.
By requisition as filed with order file.	Inspect a sample of requisitions and ensure an order is attached, and supplier confirmation filed with it.
Order number in	Inspect requisitions held by purchasing department and ensure sequence is complete.
Suppliers/price lists.	Inspect sample of orders and ensure price agrees to agreed price list.
Fixed price supplier price	Inspect sample of orders and ensure placed with supplier on preferred suppliers list.

Procedures	Example tests of control
Delivery	Visit a warehouse and inspect delivery area for security of goods.
Records up to date	Inspect a sample of recent delivery notes to ensure inventory records updated.
Goods received note	Visit a warehouse and observe goods receipt process to assess whether all goods are double checked against PO & GRN and inspected for quality.
Goods received note	Inspect sample of GRNs for evidence of signature confirming checks.
Purchase order sent to	Inspect sample of POs and ensure

GRN raised and filed with, and enquire about action taken re. outstanding POs.

For a sample of GRNs reperform matching to PO to confirm amount and description received agrees to amount and description ordered.

Procedures

Inspect sample of GRNs and check that an invoice has been recorded and payment made for the goods received. Obtain explanations for any missing invoices/payments.

Example tests of control

Inspect sample of invoices to ensure signed as agreed to PO, GRN and supplier's price list.

Inspect sample of invoices and match to PO, GRN and supplier's price list.

Inspect batch control sheets for evidence of performance of batch controls.

Inspect sample of invoices for record stamp.

Reperform supplier statement reconciliations for a sample of suppliers.

Reperform supplier statement reconciliations for a sample of suppliers.

Reperform supplier statement reconciliations for a sample of suppliers.

Reperform supplier statement reconciliations for a sample of suppliers.

Reperform supplier statement reconciliations for a sample of suppliers.

Procedures

Inspect sample of invoices for payment stamp.

Example tests of control

Inspect sample of invoices for payment stamp.

Observe procedures for keeping paid invoices separate from unpaid ones.

Observe procedures for keeping paid invoices separate from unpaid ones.

natory to
roice
ig
horising

Inspect evidence of cheque
signatory reviewing invoices before
payment.

rised
natories.

Review authorised cheque
signatories for appropriate seniority
of signatories and limits.

s signed
ed by
nager.

Inspect sample of invoices for
authorisation by relevant manager.

cedures
of
nd out.

Example tests of controls

Observe procedures for supervision
of clocking in and out.

er of
iber of

Reconcile recorded number of
cards issued to number of
employees.

re cards
board.

Observe procedures for locking
spare cards away.

)

Inspect sample of timesheets for
supervisor authorisation.

: of any
to to
gement
d

Inspect monthly print of changes to
standing data for senior
management signature.

a files
ted out

Inspect sample of printed standing
data files for evidence of
department manager's confirmation

r them to

Attempt (with client's permission)
to access and amend standing
data without the appropriate
passwords

)
a files,
ds.

Select a sample of leavers forms
and inspect payroll records to
ensure leavers were not paid after
departure date.

ould

is form
if

Select a sample of joiners forms
and inspect payroll records to
ensure first pay date is correct,
and joiners are paid the correct

ival and
ly to

and generate and print the correct
amount.

cedures
ages

Example tests of controls

Reperform manual recalculation of
sample of wages.

port

Review exception report produced
and evidence of action taken in
respect of exceptions identified.

for
over
under

Reperform recalculation of sample
of deductions.

ductions

Inspect evidence of managerial
review of weekly payment
summaries.

view of
ent

cedures

Example tests of controls

er clerk
print out
tries
ed to

Inspect payroll print out for ledger
clerk's signature.

gement

Inspect evidence of managerial
review of wages expenses.

ss.

ople
re cash
aid.

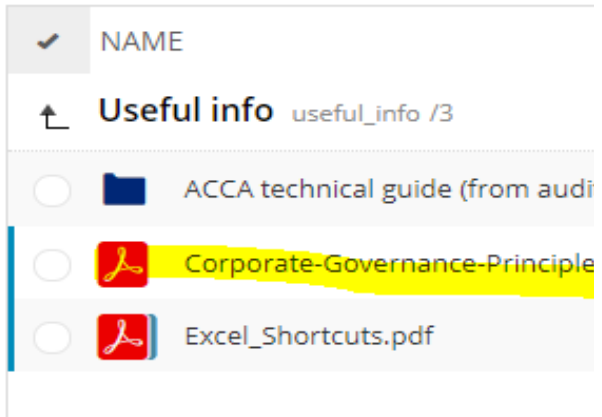
Observe procedures in place for
payment of cash wages.

ould
ACS
tary prior
ff – sign
viewed.

Inspect BACS payroll summary for
signature of responsible individual.

e parts together.

- 1 purpose of
- 2 need for CC
- 3 scope of CC
- 4 CG and IC



lly after this

d how much they can add value

1sts the management tier

the information necessary for shareholders to assess the company's performance and strategy

ment) and external auditors on all matters

bility, and prevent fraud.

I audit department and which are tested by external auditors during statutory audit.





o

sting that they do. Audit statistics indicate that sample sizes needed should be tripled to compensate for |

igh volume of routine transactions.

of IC of the client

CG
3
3

	POSTED BY	UPLOADE...	RIGHTS
	Lemeshko, O.	15/9/2019	
it client perspective) acca_technical_guid...	Lemeshko, O.	15/9/2019	
es-ENG.pdf	Lemeshko, O.	14/10/2020	
	Lemeshko, O.	15/9/2019	

poor internal control

Part II. Assurance engagement

1 need for external assurance

stewardship and agency theory

directors are stewards of shareholders, to whom shareholders

auditors are agents of shareholders who give assurance to

2 purpose of assurance service

to increase confidence

to reduce risk of users of services

3 levels of assurance and types of assurance services

reasonable (aka positive) - e.g. external audit which confirms that financial

Note! Reasonable assurance is not = to 100% guarantee of

use of testing - because it is impracticable to test

inherent limitations of IC

audit just like financial statements under audit is based on

many audit conclusions are based on judgement

possibility of fraud

Also many users of audit report often assume that audit is

limited (aka negative) - e.g. review which states that nothing was

4 external audit

objectives

to obtain reasonable assurance about whether the financial

statements are true in all material aspects

elements of audit engagement

3 parties - assurer (i.e. auditor), intended users (of financial

statements) - subject matter - financial statements

suitable criteria - reporting framework (e.g. IFRS) plus law

sufficient appropriate evidence

written report (i.e. audit report)

5 external auditor

who can be external auditor

pass an approved set of qualifications set by Recognized

Qualifying Body

must not be either director or employee of the client or its

associated entities

ethical requirements

professional scepticism - auditor should have open and

critical judgement - auditor should exercise professional

judgement - auditor should evaluate audit risk throughout

appointment of external auditor

candidate is proposed by board and approved by shareholders

removal of external auditor

resignation

before resignation

in this case auditors need to write

to speak at the GM to shareholders

after resignation

auditors need to issue a statement

forced removal

this should be agreed on GM by shareholders

quality control

quality control procedures are internal controls implemented
characteristics (components) of strong quality control environment

- appointment of quality control partner
- have documented processes for staff to follow
- ensure all staff are trained in these processes
- have strict recruitment policies
- ensure appraisal process to recognize high quality
- ensure careful selection of assignment teams
- have a cold review process where a selection

quality control during audit engagement

pre-appointment checks should be carried out
all work of audit team should be

- directed
- supervised by senior members of the firm
- recorded in working papers
- reviewed by senior

there should be appropriate consultations with
a hot review should be done before audit is finalized
there should be careful procedures on acceptance

6 internal auditor

role of internal auditor

role of IA department is to provide a feedback on effectiveness
having of IA department is best practice rather than requirement
for IA department to be effective the following should be

- appropriate resourcing: money, time, training,
- good organization (incl. audit documentation)
- regular reviews of work performed
- independence - reporting to audit committee

Note! If it is impossible to insure independence

advantages of outsourcing:

- it can be cheaper
- it gives an access to expertise
- it gives higher flexibility
- it gives maximum independence
- it ensures that auditors are objective
- it reduces management bias
- it reduces training cost

disadvantages of outsourcing:

- less depth of knowledge
- can be exposed to selection bias
- management has less direct control

limitations of IA department

- independence - reporting to financial director instead of audit committee
- scope - scope of EA's work is defined by statute and cannot be expanded
- familiarity - IA can become friendly with their colleagues for long time
- appointment - IA are appointed by management, while External Auditors are appointed by shareholders
- quality - EA keep their knowledge up-to-date and undergo regular training
- length - IA employed for a long period of time may be experienced

assignments

VFM (value-for-money) checks (also known as operational effectiveness check - what should be achieved
efficiency - if such department's objectives are met
economy - to purchase stock/services needed
customer experience

IT - IA (and EA as well) check the security of company's IT, financial - fraud investigations, management accounts, legal - regulatory compliance

assistance of IA to EA:

assignments for IA

testing of accuracy of management accounts (IC testings during the year
attendance at the inventory count

pre-requisites of assistance of IA to EA

experience and qualification of IA
whether or not the recommendations of IA are of quality and organization of work of IA department

7 Professional ethics

Role of auditor (external) is to increase confidence of end users of financial statements
independence in mind - decision making of auditor is not influenced by client
independence in appearance - audit needs to be seen to be independent

Ethical principles of audit professions

professional behavior
integrity (=straightforwardness and honesty)
professional competence and due care
confidentiality
objectivity (without bias)

Ethical threats - exposure to all the threats below needs to be regulated

self-interest threat
self-review threat
familiarity threat
advocacy threat
intimidation threat

Confidentiality - auditors should never share client information with third parties
mandatory disclosure

client is suspected of money laundering
client is suspected of terrorism
qualifying body is investigating auditor's work
court order is obtained requiring the auditor to disclose

voluntary disclosure

client gives permission
auditor feels it is in public interest to do so
auditor has to defend himself in the court or a tribunal

Conflict of interest - auditors must be seen to act in the best interest of clients

if such situation arises, all clients involved must be informed
if consent is received, auditors need to

assign different audit teams headed by different auditors
procedures to monitor confidentiality should be put in place

if consent is not received, auditors should decline an appointment

Directors entrust their capital for management to shareholders over financial statements prepared by directors

Financial statements are true and fair. To be able to provide reasonable assurance, the auditor needs to perform procedures that verify that financial statements are true and fair. This is known as 'expectation gap'. The reasons for this are the following: to test all transactions, tests should be done on samples. Problems can be as follows: tests can be designed

based on many judgements and estimates of auditors on transactions and estimates done by directors and built into financial statements

Auditors are required to detect fraud. BUT: auditors are required to do testing, gather evidence and issue an opinion. It could suggest that statements are not true and unfair has come to attention of auditors. If the auditor has performed

procedures, financial statements as a whole are free from material misstatement i.e. are true and fair

Financial statements i.e. shareholders), responsible party (for issued financial statements i.e. board)

Standards and regulations plus assurance framework (IAAS) plus materiality threshold

Qualifying Body

Not an associated company
Not from the client or its associated company

Questioning mind
Professional judgement in planning and performing audit
All stages of audit

Shareholders at AGM by ordinary resolution (i.e. >50% of shareholders are required and shareholders must be given

a written explanation to shareholders about reasons of their resignation
Shareholders must explain their reasons of resignation

of circumstances.

(voting)

nted by auditors to ensure that they produce high quality work
vironment in audit firm

v

ality of work
based on skills, experience, overall workload
of completed assignments are checked to help future work be performed better

t on all clients

the team

h others where matters are unclear
nished for those audits where audit risk is high
ance/continuance of client relationships

iveness of systems and procedures (including control procedures) in place
ed by law
fulfilled:
quality of staff and leadership

greatly strengthens internal auditors' independence.
y of IA department, then it is better to outsource it

perts
y
ence
s have up-to-date techniques and methodologies
it time
s

ge about client
lf-review threat
ection and control over the audit

creases IA's independence to minimum
ot be limited by company's management while IA's work is defined by company's management
om other departments.
A are appointed by shareholders
go regular trainings while IA might not (e.g. due to limited resources available for their department in th
poused to familiarity threat.

Internal audits) - what should be achieved by particular department/activity of the company? (effectiveness)
by particular department/activity of the company? (effectiveness)
are achieved with min resources?
at economic cost

/IS
orders for contracts, VAT returns

during the year

are taken seriously by the company and implemented
management

Internal statements by reducing the level of risk of misstatement hidden in financial statements. Thus the auditor needs
to be influenced by client
to behave in professional manner

regularly assessed during whole course of the audit and other assurance arrangements. If there is any threat

to third parties. Exceptions are:

to disclose

at disciplinary hearing
of their clients at all times.. Before accepting any new appointment auditors must be aware of any potential
conflict and give their consent to auditors to continue to act

Independent partners so the team are kept physically separated
to be put in place (e.g, assign independent partner to oversee if it is fulfilled)
appointment

1
2
3
4
5
6

in first a lot of work on subject matter, particularly substantive tests.

How:

done incorrectly, can use not representative samples, can be done by not qualified e

opinion and it is responsibility of directors to prevent fraud in their financial statements
performed only limited amount of work over subject matter, for example, only ana

(given 21 days' notice prior voting)

e company)

eds to be trusted by end users. This can be achieved only by independence of audi

it, appropriate safeguard needs to be taken. If safeguard cannot be take or if It is

ncila conflicts of interest:

need for external assurance
purpose of external assurance
levels of external assurance
external auditor
internal auditor
professional ethics

ough employees, tests can have bad timing

.
alytical procedures without substantive testing, then assurer is bale to confirm that nothing has come to









tor from preparer of fin statements.

not effective, then auditor needs to resign (as ultimate measure).

light to suggest that errors or problems exist.






✓ NÁZEV

↑ Lectures (slides) 60366333 /8

-  By phase - Evaluating and reporting
-  By cycle - Sales and collection By_cy
-  By phase - Testing and evidence By.
-  By phase - Planning By_phase_-_Plar
-  Fundamentals - Ethics Fundamental
-  By phase - Acceptance By_phase_-_A
-  Introduction. Fundamentals - audit
-  Fundamentals - CPA Fundamentals_

✓ NÁZEV ▾

↑ Useful info useful_info /5

-  ACCA technical guide (from audit cli
-  ethical_threats.pdf
-  ethical_threats_UK.pdf
-  Corporate-Governance-Principles-E
-  Excel_Shortcuts.pdf

	VLOŽIL	VLOŽENO ▾	PRÁVA
	Lemeshko, O.	28. 11. 2015	
By_phase_-_Reporting.pptx	★ Lemeshko, O.	21. 11. 2015	
..._Sales_and_collection.pptx	Lemeshko, O.	15. 11. 2015	
..._phase_-_Testing.pptx	Lemeshko, O.	7. 11. 2015	
...ning.pptx	Lemeshko, O.	26. 10. 2015	
...s_-_Ethics.pptx	Lemeshko, O.	11. 10. 2015	
Acceptance.pptx	Lemeshko, O.	11. 10. 2015	
market Introduction._Fundamentals_-_a...	Lemeshko, O.	5. 10. 2015	
..._CPA.pptx	Lemeshko, O.	5. 10. 2015	

	VLOŽIL	VLOŽENO ▾	PRÁVA
	Lemeshko, O.	15. 9. 2019	
...ient perspective) acca_technical_guid...	Lemeshko, O.	15. 9. 2019	
	Lemeshko, O.	21. 10. 2020	
	Lemeshko, O.	21. 10. 2020	
NG.pdf	Lemeshko, O.	14. 10. 2020	
	Lemeshko, O.	15. 9. 2019	

Part III. Client assessment

1 before accepting the client auditor should

check available resources and integrity of client

agree on fee and deadlines

determine the level of audit risk

check professional clearance

ask client permission to contact predecessor if there any

if client refuses to give permission - test is failed

if client gives its permission but predecessor confirms tha

check formal preconditions for accepting the client

what is the reporting framework used by client

if management of client agrees to provide to auditor acc

2 after accepting the client

prepare engagement letter with description of all conditions of the u

objective and scope of audit

management's responsibilities

auditor's responsibilities

form and content of any reports to be issued

description of audit procedures

arrangements regarding planning and performance of auc

risk assessment matters

auditor's use of external specialists and internal auditors

access to information

communication between auditor and client

basis of fees and billing arrangements

agreement of management to inform the auditor of facts

agreement of management to make available to auditor a

reasons why new auditor needs to decline acceptance of this client

if there are such reasons - discuss this with client and if not fully agreed on all potential issues, decline a

cess to all information relevant for the audit

incoming audit. It should contain info about:

dit

that may affect financial statements

all supporting evidence related to prepared financial statements

1 actions of auditor before accepting the client
2 actions of auditor after accepting the client

accepting this client

↑ Lectures (slides) 60366333 /8

- P** By phase - Evaluating and reporting By_phase_-_Reporting.pptx
- P** By cycle - Sales and collection By_cycle_-_Sales_and_collection
- P** By phase - Testing and evidence By_phase_-_Testing.pptx
- P** By phase - Planning By_phase_-_Planning.pptx
- P** Fundamentals - Ethics Fundamentals_-_Ethics.pptx
- P** By phase - Acceptance By_phase_-_Acceptance.pptx
- P** Introduction. Fundamentals - audit market Introduction,_Fur
- P** Fundamentals - CPA Fundamentals_-_CPA.pptx

	Lemeshko, O.	28. 11. 2015	
ptx	Lemeshko, O.	21. 11. 2015	
i.pptx	Lemeshko, O.	15. 11. 2015	
	Lemeshko, O.	7. 11. 2015	
	Lemeshko, O.	26. 10. 2015	
	Lemeshko, O.	11. 10. 2015	
	Lemeshko, O.	11. 10. 2015	
ndamentals_-_a...	Lemeshko, O.	5. 10. 2015	
	Lemeshko, O.	5. 10. 2015	

Part III. Planning of audit

1 Planning - it is not a discrete phase of audit but it is a continual process that starts with planning helps the auditor to:

- devote appropriate attention to important areas of the audit
- identify audit risks
- identify and solve potential problems on a timely basis
- properly organize and manage the audit engagement so as to
- select engagement team members with appropriate level of expertise
- direct and supervise engagement team and to review the work done
- coordinate the work done by external experts

2 Stages of planning

setting up of audit strategy

parts of strategy

- scope of audit
- timing of individual audit procedures
- direction of procedures

it is based on such assertions

- initial assessment of materiality
- initial identification of risk areas
- about the nature, timing and resources needed

preparing of detailed audit plan - it is a set of instructions

parts of plan

- detailed description of client
- description of accounting policies and internal controls
- detailed materiality assessment
- results of preliminary analytical procedures or other procedures
- likely audit approach to each area of financial statements
- detailed description of high risk areas and how to address them
- specific audit testing issues (e.g. if external experts are used)
- timing of specific procedures
- details of staffing, a budget and a timetable

special areas for planning

fraud and error

fraud vs error

- fraud - intentional act by one or more persons
- error - unintentional mistake, can be corrected

types of fraud

- misstatement (i.e. fraudulent financial reporting)
- misappropriation of assets (i.e. theft of assets)
- responsibilities of management and auditors
- management - has primary responsibility for preventing and detecting fraud
- auditors - should consider the risk of fraud

any audit evidence that indicates the possibility of fraud should be investigated

impact of fraud on audit strategy

reduction in materiality level

increased level of testing in areas
reduced reliance on evidence generated
reduced reliance on management
reporting of fraud - if fraud is identified the auditor should report to the
audit committee if it exists
highest level of management
shareholders if fraud was committed
to 3d parties (official authorities)
Note! Communication should be confidential
keep management and client informed
discover what actions should be taken
evaluate the likelihood of detection
discover what if any legal consequences

law and regulations

auditors cannot know and understand every law
any breach of the law may need to make provisions in the
audit procedures to get assurance in terms of compliance
obtain general understanding of compliance
inspect correspondence with the law
obtain written representation that the company complies with the law

materiality

during audit auditors concentrate on identifying
misstatements incl. omissions are considered
auditors must design their audit procedures to detect
there is no specific methodology for calculating materiality
however some guidance as to when misstatements are material
1/2 - 1% of turnover/revenue
5-10% of profit before tax
1-2% of gross assets
overall vs performance materiality vs tolerable materiality
overall materiality - level of materiality
performance materiality - amount of misstatement
initial assessment of materiality may change
all misstatements discovered should be reported
clearly trivial misstatements
not trivial misstatements
material - report
immaterial - do not report

analytical procedures (AP)

AP are important tool used by auditors. When used
AP are used at many different stages throughout the audit
at planning
AP are compulsory. They help to identify areas of risk
during testing
AP are optional. They help to identify areas of risk
at completion
AP are compulsory. Auditors should use AP to identify areas of risk

How to use AP

AP can be used in the following ways:
ratio analysis (profitability)
trend analysis
proof in total
process to be followed
auditors create their own
compare their expectations
investigate any significant
possible reference points for used
vs last year
vs budget/forecast
vs industry average
vs change in gross margin

internal controls

there are two audit approaches based on initial
when IC are assessed as strong - a
when IC are assessed as weak - in
Usually IC are tested during interim audit which
Tests of IC

Tests used by auditors during planning

assistance from internal audit department

internal audit is part of the client's system of
types of work the external auditor
tests of effectiveness of
fraud investigations
observation of inventories
compliance with laws and regulations
substantive procedure
tracing transactions through
see also: **assignments for IA**
pre-conditions which should be met
IA's work is properly supervised
persons from IA department
sufficient and appropriate
conclusions drawn are
recommendations made
see also: **pre-requisites**

Note! External auditor cannot devolve responsibility
If external auditors plan to use help from IA department
management must agree in writing
internal auditors must provide written
external auditor will provide direct

starts at the end of previous audit and continues until the end of the current audit.

audit

that it is performed in an effective and efficient manner

skills of capabilities and competence to respond to anticipated risks and the proper assignment of work to
their work

necessary to perform the engagement

control systems

in the draft of financial statements

statements

with these to be dealt with

(expertise will be needed)

more individuals among management, those charged with governance, employees or 3rd parties to obtain
include accidental misapplication of accounting policies, oversights or misinterpretation of facts

(reporting)

(effect)

responsibility for prevention and detection of fraud. Implementing of an effective system of internal control,

avoid material misstatement due to fraud. Auditors should be alert to:

it contradicts other audit evidence

putting pressure on results

where fraud is suspected
generated internally and increased focus on externally generated evidence
representations if management is suspected of involvement with fraud
auditor should report if to appropriate level of management

led by highest level of management and no audit committee is in place

done asap in order to:
1 directors informed and to ensure that they understand the position correctly
they have taken or intend to take to rectify the position
2 that the irregularity had recurred or will recur
3 legal advice is needed

law and regulation that affects every client but they should be aware of those that could materially affect
visions for future legal costs and fines
3 laws and regulations
4 client's legal and regulatory environment
5 authorities depending on company's business
6 that directors have disclosed all instances of known and possible noncompliance to the auditors

7 identification of significant risks of material misstatements in financial statements
8 to be material if they individually or in aggregate can influence economic decisions of users taken on the
9 to reduce the risk of material misstatements to an acceptable level
10 using materiality because it is a matter of professional judgement and this ultimately lies with the audit partner
11 misstatements should be noted and therefore be brought to partner's attention exists:

12 the misstatements
13 materiality set by auditors for the financial statements as a whole at the planning stage.
14 is set by auditors at below overall materiality to reduce to an appropriately low level the probability that
15 when final draft of financial statements becomes available for auditors. Also materiality must be constantly
16 should be categorized into
17 misstatements
18 errors - all are required to be corrected by management
19 management cannot refuse to correct such misstatements if they are discovered. Refusal to correct the
20 - immaterial can refuse to correct such misstatements motivating its rejection by the immateriality of each

21 in performing analytical procedures auditors compare numbers, ratios or even non-financial information in order
22 throughout the audit.

23 they help to identify risk. Large changes are suspect and might point to errors unless a good explanation is
24 help to substantiate balances. If balances are roughly in line with last year's then that is some evidence
25 audit partner stands back and looks at the overall financial statements to see if they look sensible and credible

ays
ility, efficiency, liquidity, return etc)

wn expectations of what they think the figure should be
itions to actual figure
:ant differences
l for comparison

gin/sales

al assesment of state of internal controls of the client
uditor will approach the audit by testing the effectiveness and operation of that control system. If cont
this case the only way the audit risk can be kept low is by performing a very high amount of work then
ch is done 2-3 months before year-end date of the client.

ining stage to assess effectiveness of system of IC of the client

internal control. Thus it may well reduce control risk and the need for external auditor to perform deta
r may wish to use assistance from internal auditors
of control

ry count
and regulations
s involving limited judgement
rough the IS relevant to fin reporting

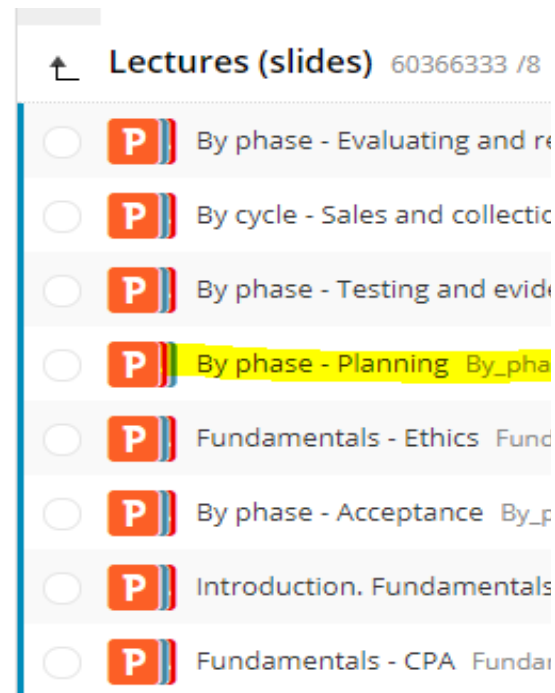
et if external auditors are going to use help of internal auditors:
pervised, reviewed and documented
tment have relevant experience and training
iate evidence has been obtained
valid given the results of the work performed
de have been acted on by management

tes of assistance of IA to EA

rsibility for the audit opinion onto the internal audit department.
epartment following has to be agreed:

g that IA department can provide such assistance and that they will not intervene in that work
itten confirmation that they will keep the external auditors information confidential
t, supervision and review of the internal auditor's work

o them



identification of risk areas is done through obtaining understanding of entity and its environment:

- industry, regulatory and other external factors

- nature of the entity (products and services, customers and suppliers, location, group structure)

- its objectives, strategies and risks (e.g. new products and services, expansion plans)

- internal control (all components)

- financial performance (key ratios and statistics, forecasts and budgets, credit rating, trends)

audit risk - the risk that auditors give the wrong opinion on the financial statements

- it can be uncovered at any stage of the audit

- in the light of the work done the level of risk may be reappraised

- risk assessment procedures

 - enquires of management and others within the entity

 - observation and inspection

 - analytical procedures (e.g. ratio analysis, comparing actuals and budget)

 - unusual relations

 - unusual trends

- risk components

in an unjust or illegal a inherent risk - a possibility of incorrect or misleading information in financial statements

- control risk - a risk that company's controls fail to prevent or detect material fraud

- detection risk - a risk that the auditor's procedures do not detect material misstatements

auditor's responsibility in regard of audit risk - auditors have to

- assess the risk

- address the risk

the directors should re review the results to make sure that audit risk was reduced to acceptable level

auditor's responses to assessed risk:

- design audit procedures (e.g. tests of control and substantive tests) to address the risk

- assign more experienced staff or those with special skills or using experts

- incorporate additional elements of unpredictability

ect fin statements (particularly money laundering)

he basis of fin st6atements

artner.

=>

at the aggregate of uncorrected and undetected misstatements exceeds overall materiality. In simple t
reviewed as audit progresses and it may change due to misstatements discovered:

ism will lead to qualification of audit report.

ch such misstatement. If management refuses to correct immaterial misstatemens auditors need to ch

rder to identify unexpected trends or unexpectedrelationships which may indicate the existence of err

is received.

· supporting the figures. If balances are very different, more evidence is needed.

.

controls are indeed found to be operating well, then the risk of an error in the financial statements is low and the auditor can rely on the controls to achieve a very low detection risk. This means an audit based on full substantive testing rather

than limited substantive testing. This will be obviously taken into account during the planning phase of the audit.

	Lemeshko, O.	28. 11. 2015
Reporting By_phase_-_Reporting.pptx	Lemeshko, O.	21. 11. 2015
on By_cycle_-_Sales_and_collection.pptx	Lemeshko, O.	15. 11. 2015
ence By_phase_-_Testing.pptx	Lemeshko, O.	7. 11. 2015
ise_-_Planning.pptx	Lemeshko, O.	26. 10. 2015
damentals_-_Ethics.pptx	Lemeshko, O.	11. 10. 2015
hase_-_Acceptance.pptx	Lemeshko, O.	11. 10. 2015
s - audit market Introduction._Fundamentals_-_a...	Lemeshko, O.	5. 10. 2015
mentals_-_CPA.pptx	Lemeshko, O.	5. 10. 2015

ure etc.)

;))

its resulting from something other than failure of controls. For example, use of judgments and approxi
aud or errors because they do not exist, or are designed badly or they do not operate properly. Lack of
:atements, either individual or in aggregate. It can happen due to choosing an unrepresentative sample

the risk areas

terms, performance materiality is the 'working materiality'. It sets a numerical level which helps guide a

check if such accumulated immaterial misstatements remaining as uncorrected do not in aggregate cons

ors.

! auditor will perform relatively little substantive testing on the financial statements amounts. This results in a
! than relying on internal controls. This will usually result in an inefficient, expensive audit because of t



mations like in case of complex fin instruments, nonroutine accounts or transactions
controls may be due to costs of their implementation: installation of new equipment, employment of €
à to test, human error, lack of training, inexperience, misinterpretation og results of test

auditors to do enough work (but, importantly, not too much) to support their audit opinion. In compari

stitute a material amount.

in efficient and relatively inexpensive audit because the auditors work is reduced.
:he high amount of audit work needed.

extra staff, time taken by additional administrative procedures

ison with overall materiality, performance materiality is a lower figure.

Part IV. Testing

1 Assertions built into annual accounts (fin statements)

PL assertions

occurrence - means that transactions and events and other matters

Relevant test – select a sample of entries from

completeness - all transactions have been recorded in the financial

Relevant test – select a sample of customer orders

accuracy - amounts and other data relating to transactions and events

Relevant test – reperformance of calculations

cut off - transactions and events have been recorded in the correct

Relevant test – recording last goods received

classification - transactions recorded in the appropriate account

Relevant test – check purchase invoices posted

presentation - information about transactions and events is appropriate

Relevant test – confirm that the total employees

BS assertions

existence - assets, liabilities and equity interests (capital and reserves)

Relevant tests – physical verification of non-current

completeness

Relevant tests – A review of the repairs and expenses

valuation - all items have been included in the financial statements

Relevant tests – Vouching the cost of assets to

rights and obligations - the entity has a right to its assets – ie it is

Relevant tests – in the case of property, deed

classification

Relevant tests – the test for transactions of classification

presentation - information about account balances is appropriate

Relevant tests – auditors often use disclosure

approach

identify the assertion that needs to be tested

Identify the audit procedure

Choose the assertion that will be tested

Identify the risk that will cause a material misstatement

Think of the audit procedures that should be applied

2 Evidence

auditors are seeking for two types of evidence

evidence that controls are operating effectively. This evidence is

evidence that amounts presented in financial statements are true and

characteristics of audit evidence - in order to form an opinion on financial statements

sufficient and

sufficiency is about quantity

the riskier the item is, the more evidence

the more material the item is, the more

the less reliable audit evidence is, the

appropriate audit evidence in form of

reliable

auditor generated evidence is more reliable
external (3d party) evidence is more reliable
written evidence is more reliable than oral
original documents are more reliable than copies

relevant

evidence collected by auditors should be relevant to the audit objectives

evidence gathering techniques

- analytical procedures
- external confirmations
- inspections
- enquiries
- observations
- recalculation
- re-performance

see also here:

[risk assessment procedures](#)

auditing accounting estimates - estimates are particularly difficult area for auditors
types of estimates

provisions

- doubtful debt provisions
- legal provision
- warranty provision

values

- depreciation
- net realisable value
- fair value
- deferred tax
- deferred income

audit approach

auditors need to obtain an understanding of the entity and its environment, including internal control, to assess the risks of material misstatement and to design and perform audit procedures that are responsive to those risks. The audit approach involves:
- how management identifies those risks
- how management actually makes those risks
- procedures the auditors need to do in response to those risks
- review the outcome of the estimates
- discuss with management their procedures
- develop an independent estimate
- review subsequent events - for example

sampling

audit sample - application of audit procedures to less than 100% of the population - a set of data about which an auditor wishes to draw conclusions
sampling is used in auditing because it is usually impossible to examine 100% of the population
risks connected with sampling

- sampling risk - risk that selected sample is not representative of the population
- non-sampling risk - other factors not related to sampling

sampling methods

statistical sampling - when every member of population has a known chance of being selected
methods:

random sampling
systematic sampling
monetary unit sampling
non-statistical sampling - when items selected
haphazard selection of items - non-statistical
judgemental sampling - non-statistical

ers that have been recorded actually took place – and relate to this organisation
n the sales account in the general ledger and trace to the appropriate sales invoice and supporting goo
cial statements – ie all assets, liabilities, equity interests (capital and reserves) and other disclosures ha
rders and check to dispatch notes and sales invoices and the posting to the sales account in the genera
events have been recorded at the correct amounts – ie at the amounts appearing in the source docum
s on invoices, payroll, etc, and the review of control account reconciliations are designed to provide ass
ect accounting period – for example, if goods are delivered prior to year end, they are included in the c
notes and dispatch notes at the inventory count and tracing to purchase and sales invoices to ensure t
s – for example, the purchase of raw materials has not been posted to repairs and maintenance.
ngs to general ledger accounts.

ropriately presented and disclosed, and disclosures are clearly expressed so as to make them understa
ee benefits expense is analysed in the notes to the financial statements under separate headings– ie w

erves) are physically present/belong to the entity on the reporting date.
current assets, circularisation of receivables, payables and the bank letter.

xpenditure account can sometimes identify items that should have been capitalised and have been orn
nts at appropriate amounts according to company policy and the relevant financial reporting framewo
o purchase invoices and checking depreciation rates and calculations.
s free to use or dispose of the assets as it sees fit. Furthermore, the entity is obliged to pay off the liabi
s of title can be reviewed. Current assets are often agreed to purchase invoices although these are pri

hecking purchase invoice postings to the appropriate accounts in the general ledger will be relevant ag
tely presented and disclosed, and disclosures are clearly expressed so as to make them understandable
: checklists to ensure that financial statement presentation complies with accounting standards and rel

:statement in the financial statements – the audit risk is the total value of PPE that may be misstated d
performed in order to avoid the risk mentioned

More:
[https://ww](https://www)
[https://ww](https://www)

: collected by performing tests of conrols
l fair. This evidence is collected by performing substantive tests.
ents auditors must obtain

}

:vidence should be collected
re evidence about it is needed
the more evidence is needed

re reliable than external (3d party) evidence
re reliable than client generated evidence
than oral evidence
ible than copies and faxes

ould support the particular assertion which they are testing

he audit as they involve considerable judgement and are based on future events. Thus estimates are n

re transactions, events and conditions that give rise to the need for estimate
the estimates including the control porcedures in place to minimize the risk of misstatement
ise to above assessment
tes made in the prior period
rocess for calculating the estimate and assess whether this appears reasonable
to use as reference point (i.e. for comparison) - for this it may be needed to obtain an independent ex
mple if there is a pending legal case with the legal provision in the balance sheet as per the year-end, t

of items within an account balance or population such that all items have a chance of selection
v conclusions
xamine all transactions and ti inspect every asset.

t representative: if auditor would test the whole population, the result would be different.
to sample itself e.g. human error or inexperience from side of audit team

opulation has an equal chance of selection in the sample

;

d by auditor into sample are based on professional judgement of auditor e.g.

non-statistical technique used to approximate random sampling by selecting sample items without any conventional statistical technique in which the sample members are chosen only on the basis of the researcher's knowledge

goods dispatched notes and customer orders.
have been included in the financial statements.
physical ledger.
accounts.
assurance about accuracy.
cost of goods sold, not inventory.
that goods received before the year end are recorded in purchases at the year end and that goods dispatched

understandable to the users. For this, the disclosures should use simple language and state matters clearly and concisely. Examples include: wages and salaries, pension costs, social security contributions and taxes, etc.

deducted from non-current assets. Reconciliation of payables ledger balances to suppliers' statements is particularly important. Furthermore, any allocations or valuation adjustments required (like impairment) have been made

liabilities that are shown in the statement of financial position. Long term liabilities such as loans can be agreed to the relevant loan agreement.

Also that research expenditure is only classified as development expenditure if it meets the criteria set out in the relevant legislation. These cover all items (transactions, assets, liabilities and equity interests) and would

due to over-valuation/ undervaluation of PPE

www.accaglobal.com/in/en/student/exam-support-resources/fundamentals-exams-study-resources/f8/t
www.accaglobal.com/in/en/student/exam-support-resources/fundamentals-exams-study-resources/f8/t

tests of controls and substantive tests

not susceptible to logical, scientific evidence gathering techniques as other amounts such as value of sa

pert opinion e.g. correspondence with layers regarding a legal provision o surveyor's report for evidence
he case may have been settled by the time of the audit and therefore will provide evidence as to wheth

conscious bias and without any specific reason for including or excluding items
discretion and judgment

atched are recorded in sales.

concisely.

rimarily designed to confirm completeness although it also gives assurance about existence.
and financial and other information is disclosed fairly and at appropriate amounts.

ment.

a specified in IAS® 38 Intangible Assets.

ely.

include for example confirming that disclosures relating to non-current assets include cost, additions,

[echnical-articles/audit-procedures.html](#)

[echnical-articles/ISA330-responses-assessed-risks.html](#)

les and electricity costs in fin statements.. Accounting estimates are threfore easy to manipulate and n

ce of an environment provision

er the provision was reasonably stated. Also accrual can be compared with actual amount of invoice re

ESF:MPF_AAUD

SOUBORY

DOKUMENTY



<input checked="" type="checkbox"/>	NÁZEV
<input type="checkbox"/>	Lectures (slides) 60366333 /
<input type="checkbox"/>	P By phase - Evaluating and
<input type="checkbox"/>	P By cycle - Sales and collect
<input type="checkbox"/>	P By phase - Testing and evi
<input type="checkbox"/>	P By phase - Planning By_pl
<input type="checkbox"/>	P Fundamentals - Ethics Fu
<input type="checkbox"/>	P By phase - Acceptance By
<input type="checkbox"/>	P Introduction. Fundamenta
<input type="checkbox"/>	P Fundamentals - CPA Fund

disposals, depreciation, etc.

may be subject to significant management bias.

received after year-end by the client by the time of the audit.

Auditing

ÚŘEDNÍ DESKA

STUDIJNÍ MATERIÁLY

MŮJ WEB

ÚSCHOVNA

https://is.muni.cz/auth/el/econ/podzim2020/MPF_AAUD/um/60366333/

	VLOŽIL	VLOŽENO ▾
'8	Lemeshko, O.	28. 11. 2015
reporting By_phase_-_Reporting.pptx	Lemeshko, O.	21. 11. 2015
tion By_cycle_-_Sales_and_collection.pptx	Lemeshko, O.	15. 11. 2015
idence By_phase_-_Testing.pptx	Lemeshko, O.	7. 11. 2015
hase_-_Planning.pptx	Lemeshko, O.	26. 10. 2015
ndamentals_-_Ethics.pptx	Lemeshko, O.	11. 10. 2015
r_phase_-_Acceptance.pptx	Lemeshko, O.	11. 10. 2015
als - audit market Introduction,_Fundamentals_-_a...	Lemeshko, O.	5. 10. 2015
amentals_-_CPA.pptx	Lemeshko, O.	5. 10. 2015



PRÁVA

- A small icon consisting of a solid yellow circle at the bottom left and three white circles with black outlines arranged in a diagonal line extending towards the top right.
- A small icon consisting of a solid yellow circle at the bottom left and three white circles with black outlines arranged in a diagonal line extending towards the top right.
- A small icon consisting of a solid yellow circle at the bottom left and three white circles with black outlines arranged in a diagonal line extending towards the top right.
- A small icon consisting of a solid yellow circle at the bottom left and three white circles with black outlines arranged in a diagonal line extending towards the top right.
- A small icon consisting of a solid yellow circle at the bottom left and three white circles with black outlines arranged in a diagonal line extending towards the top right.
- A small icon consisting of a solid yellow circle at the bottom left and three white circles with black outlines arranged in a diagonal line extending towards the top right.
- A small icon consisting of a solid yellow circle at the bottom left and three white circles with black outlines arranged in a diagonal line extending towards the top right.
- A small icon consisting of a solid yellow circle at the bottom left and three white circles with black outlines arranged in a diagonal line extending towards the top right.
- A small icon consisting of a solid yellow circle at the bottom left and three white circles with black outlines arranged in a diagonal line extending towards the top right.