

Auditing
Professional – III

OBJECTIVES:

To provide the students with a detailed knowledge of theory and practice of auditing including cost accounting records for all industries in accordance with the legal and professional requirements:

ABILITY REQUIRED:

Specialised knowledge and skills.

<u>WEIGHTAGE</u>	<u>CONTENTS</u>
5	1. NATURE AND PURPOSE OF AUDITING: Nature, definition, objective and scope of an audit, types of audit, relationship between internal and external audit, audit evidence.
5	2. PRINCIPLES OF AUDITING: Accounting concepts, engagement letter, true and fair, materiality, audit risk, going concern.
5	3. LEGAL AND PROFESSIONAL CONSIDERATIONS: Appointment, remuneration, resignation, removal, powers, duties, qualifications and dis-qualifications etc., of auditor under/Companies Ordinance, 1984, appointment of auditor under section 32 (A) of the Income Tax Ordinance 1979, investigations and appointment of inspectors under Companies Ordinance 1984, international auditing standards and guidelines, statements of standard accounting and auditing practices and technical releases issued by local professional institute of Pakistan, professional ethics.
10	4. AUDIT PLANNING AND CONTROL: Review of the client's business and accounting requirements, systems and procedures, preceding year's financial statements, client generated information, determining the audit risk and materiality level, audit planning memorandum, audit plans, detailed audit programmes, multi-location engagements, allocation and supervision of work, audit working papers, monitoring time and costs.
10	5. DOCUMENTATION AND EVIDENCE OF AUDIT WORK: Documentation of work done, evidence of review, conclusions drawn and action taken, types of working papers, recording of significant points; objectives, existence, ownership, valuation, completeness (cut-off), nature and sources, sufficiency, relevance, reliability.

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| 10 | 6. | INTERNAL CONTROL AND INTERNAL AUDIT:
Definition, meaning objectives, types, principles and techniques of internal control, limitations on the effectiveness of internal control/audit, evaluation of internal controls and accounting systems, impact of internal controls and audit work, reliance on internal audit by external auditor, internal control in an EDP environment, issuance of management letter. |
| 10 | 7. | AUDIT TECHNIQUES AND PROCEDURES:
Inspection, observation, enquiry (including third party confirmation), computation, management representations, sampling techniques, compliance techniques, substantive testing, analytical review, use of computer assisted audit techniques (CAATs), reliance on other auditors, reliance on experts. |
| 10 | 8. | COMPLETION STAGE OF AN AUDIT:
Post balance sheets events, contingent liabilities and commitments, completion procedures, review of audit work, review of the company's report and accounts. |
| 5 | 9. | THE REPORTING FUNCTION:
Audit reports, their meaning and qualifications, management letters (including communication with audit committee), subsequent discovery of facts existing at the date of the auditors' report, dating of the auditors' report, other information in report containing audited financial statements, reports on un-audited financial statements, partnerships and sole traders, special purpose reports and reports on forecasts and estimates, reporting and related services (compilation and review engagements), report on prospectus, report relating to bonus issue. |
| 10 | 10. | SPECIAL AUDIT:
Such as proprietary audit, systems audit, operational audit, investigations etc. |
| 10 | 11. | ADVANCED AUDITING PRACTICES AND PROCEDURES:
Controlling the audit, including advanced aspects of audit planing, audit programme design and testing, statistical sampling and sampling methods, evaluation of audit risk and test results, organising and planning complex audit situations, including group audits, joint audits, working with specialists, utilisation of CAATs; reviewing financial statements for their compliance with Generally Accepted Auditing Principles (I.A.S.C.); evaluating other critical areas - going concern status, related party transactions, pending legal action, illegal acts by clients; reviewing the auditors' responsibility for preceding year amounts; reviewing un-audited information included with audited financial statements; managing the audit client, including compiling and reviewing information on clients throughout the year. |

- 10 12. **CURRENT ISSUES AND CONTROVERSIES:**
The evaluation of current issues and controversies relating to auditing, including audit expectations, the regulation of audits; the monitoring and evaluation of international issues affecting auditing including EC developments; monitoring developments in auditing theories and their implications for the profession.

CORE READINGS:

AUTHORS:

PUBLISHER :

Principles of Auditing	Prof. Dr. Khawaja Amjad Saeed	Institute of Business Management, G.P.O. Box No. 1164, Lahore.
Advanced Auditing	Prof. Dr. Khawaja Amjad Saeed	Institute of Business Management, G.P.O. Box No. 1164, Lahore.
International Auditing Standards		International Accounting Standards Committee, 166 Fleet Street, London EC4A 2DY.

ADDITIONAL READINGS:

De paula's Auditing	Frank A. Attwood & Neil D. Stein	Pitman Publishing, 128 Long Acre, London WC2E 9AN.
Spicer & Peglar's Practical Auditing	Spicer and Peglar	Butterworth & Co. Ltd. 88 Kingsway, London WC2B 6AB and 4 Hill Street, Edinburg EH2 3JZ.
Internal Auditing Publications		I. I. A.