This Study Material has been prepared by the faculty of the Board of Studies. The objective of the Study Material is to provide teaching material to the students to enable them to obtain knowledge and skills in the subject. In case students need any clarifications or have any suggestions to make for further improvement of the material contained herein, they may write to the Director of Studies.

All care has been taken to provide interpretations and discussions in a manner useful for the students. However, the Study Material has not been specifically discussed by the Council of the Institute or any of its Committees and the views expressed herein may not be taken to necessarily represent the views of the Council or any of its Committees.

Permission of the Institute is essential for reproduction of any portion of this material.

© THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

All rights reserved. No part of this book may be reproduced, stored in retrieval system, or transmitted, in any form, or by any means, Electronic, Mechanical, photocopying, recording, or otherwise, without prior permission in writing from the publisher.

Revised Edition : January, 2017
Website : www.icai.org
Department/ Committee
E-mail : bos@icai.in
ISBN No. :
Price : ₹
Published by : The Publication Department on behalf of The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi-110 002, India.
Typeset and designed at Board of Studies.
Printed by : Sahitya Bhawan Publications, Hospital Road, Agra 282 003
CONTENTS

MODULE – 1
Chapter 1 – Auditing Standards, Statements and Guidance Notes – An Overview
Chapter 2 – Audit Strategy, Planning and Programming
Chapter 3 – Risk Assessment and Internal Control
Chapter 4 – Audit under Computerised Information System (CIS) Environment
Chapter 5 – Special Audit Techniques
Chapter 6 – The Company Audit
Chapter 7 – Liabilities of Auditors
Chapter 8 – Audit Report
Chapter 9 – Audit Committee and Corporate Governance
Chapter 10 – Audit of Consolidated Financial Statements

MODULE – 2
Chapter 11 – Audit of Banks
Chapter 12 – Audit of General Insurance Companies
Chapter 13 – Audit of Co-Operative Societies
Chapter 14 – Audit of Non Banking Financial Companies
Chapter 15 – Audit under Fiscal Laws
Chapter 16 – Cost Audit

MODULE – 3
Chapter 17 – Special Audit Assignments
Chapter 18 – Audit of Public Sector Undertakings
Chapter 19 – Internal Audit, Management and Operational Audit
Chapter 20 – Investigation and Due Diligence
Chapter 21 – Peer Review
Chapter 22 – Professional Ethics
CHAPTER 17: SPECIAL AUDIT ASSIGNMENTS

17.1 Audit of Members of Stock Exchanges ......................................................... 17.1
17.2 Functioning of Stock Exchanges ................................................................. 17.1
17.3 Rolling Settlement ...................................................................................... 17.9
17.4 Derivatives ................................................................................................. 17.10
17.5 Circuit Filters or Circuit Breakers ............................................................... 17.11
17.6 Accounting for Stock Exchange Transactions ........................................... 17.12
17.7 Conduct of Audit ....................................................................................... 17.13
17.8 Auditor’s Report ......................................................................................... 17.21
17.9 Audit of Mutual Funds .............................................................................. 17.22
17.10 Audit of Depositories ............................................................................... 17.28
17.11 Environmental Auditing .......................................................................... 17.30
17.12 Energy Audit ............................................................................................ 17.34
17.13 Audit of Accounts of Non-Corporate Entities (Bank Borrowers) ........ 17.36

CHAPTER 18: AUDIT OF PUBLIC SECTOR UNDERTAKINGS

18.1 Introduction ................................................................................................. 18.1
18.2 Framework for Government Audit ............................................................. 18.2
18.3 Objective and Scope of Public Enterprises Audit ...................................... 18.5
18.4 Audit of Government Companies ............................................................... 18.7
18.5 Financial Audit ........................................................................................... 18.8
18.6 Compliance Audit ...................................................................................... 18.8
18.7 Performance Audit ..................................................................................... 18.9
18.8 Comprehensive Audit ............................................................................... 18.17
18.9 Propriety Audit ......................................................................................... 18.19
18.10 Audit Report of the Comptroller and Auditor General ........................... 18.26
CHAPTER 19: INTERNAL AUDIT, MANAGEMENT AND OPERATIONAL AUDIT

19.1 Internal Audit ...........................................................................................................19.1
19.2 Management functions and scope of Internal Auditing .......................................19.3
19.3 Integrity, Objectivity and Independence of Internal Auditor ...............................19.6
19.4 Qualifications of Internal Auditor .........................................................................19.6
19.5 Internal Audit Report ..............................................................................................19.6
19.6 Relationship between Internal and External Auditors .........................................19.11
19.7 Management Audit ...............................................................................................19.16
19.8 Operational Audit .................................................................................................19.31
19.9 Review of Systems and Procedures ......................................................................19.41
19.10 Management Audit Questionnaire .......................................................................19.44

CHAPTER 20: INVESTIGATION AND DUE DILIGENCE

20.1 Introduction .............................................................................................................20.1
20.2 Audit versus Investigation ......................................................................................20.1
20.3 Steps in Investigation .............................................................................................20.6
20.4 Special Issues in Investigation .................................................................................20.9
20.5 Special Aspects in Connection with Business Investigation .................................20.11
20.6 Types of Investigation ............................................................................................20.17
20.7 Due Diligence ..........................................................................................................20.39

CHAPTER 21: PEER REVIEW

21.1 Introduction .............................................................................................................21.1
21.2 Objectives of Peer Review ......................................................................................21.1
21.3 Scope of Peer Review .............................................................................................21.2
21.4 Applicability ...........................................................................................................21.4
21.5 Peer Review Board .................................................................................................21.6
21.6 The Peer Review Process .......................................................................................21.7
CHAPTER 22: PROFESSIONAL ETHICS

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.1</td>
<td>Introduction</td>
<td>22.1</td>
</tr>
<tr>
<td>22.2</td>
<td>Fundamental Principles</td>
<td>22.2</td>
</tr>
<tr>
<td>22.3</td>
<td>Membership of the Institute</td>
<td>22.3</td>
</tr>
<tr>
<td>22.4</td>
<td>Chartered Accountants in Practice</td>
<td>22.6</td>
</tr>
<tr>
<td>22.5</td>
<td>Chartered Accountants in Service</td>
<td>22.13</td>
</tr>
<tr>
<td>22.6</td>
<td>Disciplinary Procedure</td>
<td>22.13</td>
</tr>
<tr>
<td>22.7</td>
<td>Types of Misconduct- Professional or Other</td>
<td>22.15</td>
</tr>
<tr>
<td>22.8</td>
<td>Schedules to the Act</td>
<td>22.16</td>
</tr>
<tr>
<td>22.9</td>
<td>Council Guidelines</td>
<td>22.73</td>
</tr>
<tr>
<td>22.10</td>
<td>Recommended Self-Regulatory Measures</td>
<td>22.79</td>
</tr>
</tbody>
</table>