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Evolving role of a CA - Shift towards strategic decision making

The traditional role of a chartered accountant restricted to accounting and auditing, has now changed substantially and there has been a marked shift towards strategic decision making and entrepreneurial roles that add value beyond traditional financial reporting. The primary factors responsible for the change are the increasing business complexities on account of plethora of laws, borderless economies consequent to giant leap in e-commerce, emergence of new financial instruments, emphasis on corporate social responsibility, significant developments in information technology, to name a few. These factors necessitate an increase in the competence of chartered accountants to take up the role of not merely an accountant or auditor, but a global solution provider. Towards this end, the scheme of education and training is being continuously reviewed so that it is in sync with the requisites of the dynamic global business environment; the competence requirements are being continuously reviewed to enable aspiring chartered accountants to acquire the requisite professional competence to take on new roles.

Skill requirements at Intermediate Level

Under the Revised Scheme of Education and Training, at the Intermediate Level, you are expected to not only acquire professional knowledge but also the ability to apply such knowledge in problem solving. The process of learning should also help you inculcate the requisite professional skills, i.e., the intellectual skills and communication skills, necessary for achieving the desired professional competence.

Auditing – Core and Practical subject

Auditing is, perhaps, one of the most practical-oriented subjects in the C.A. curriculum. This paper aims to provide knowledge of generally accepted auditing procedures and of techniques and skills needed to apply them in audit engagements. A good knowledge of the subject would provide a strong foundation to students while pursuing the Chartered Accountancy course. A good understanding of the theoretical concepts, particularly, in the context of auditing standards would make practical training an enriching and enjoyable experience. While studying this paper, students are advised to integrate the knowledge acquired in other subjects, specifically, accounting and corporate laws in a meaningful manner. Such learning would only help a student to become a better professional.
Know your Syllabus

The study material deals with the conceptual theoretical framework in detail. In each chapter, the topic has been covered in a step by step approach. The text has been explained, where appropriate, through illustrations, diagrams, tables, flowcharts, screenshots etc. You should go through the chapter carefully ensuring that you understand the topic and then can tackle the MCQs, Correct/Incorrect and other question.

For understanding the coverage of the syllabus, it is important to read the study material along with the Study Guidelines.

The entire syllabus has been divided into thirteen chapters.

Chapter-1 discusses the basics of audit such as nature, scope, objectives, advantages, limitations etc. of audit. Also, Audit Engagement; Auditor’s Independence; Role of International Auditing and Assurance Standards Board (IAASB) & Auditing and Assurance Standards Board (AASB) have been discussed.

Chapter-2 is devoted to Audit Strategy; Audit planning and Audit programme;

Chapter-3 focusses on Audit Documentation; Audit evidence; Related Party Transactions, Written Representations, External Confirmations, Subsequent Events, Going Concern.

Chapter-4 is devoted to Audit Risk, Identifying and Assessing the Risk of Material Misstatement, Risk Assessment procedures; Understanding the entity and its environment; Internal Control.

Chapter-5 discusses the Responsibility for the Prevention and Detection of Fraud; Fraud Risk Factors; Risks of Material Misstatement Due to Fraud; Communication of Fraud.

Chapter-6 extensively deals with the Impact of IT related Risks, Impact on Controls, Internal Financial Controls, Audit approach, Understanding and documenting Automated environment, data analytics for audit.

Chapter-7 discusses about Audit Sampling.

Chapter-8 deals with analytical procedures.

Chapter-9 is devoted to the Audit of Items of Financial Statements.

Chapter-10 discusses about the provisions of the Company Audit.

Chapter-11 discusses about various aspects of Auditor’s Report.

Chapter-12 deals with the Audit of Banks.

Chapter-13 extensively deals with the Appointment of Auditor, Audit Procedure and Audit Report in respect of different Category of Entities.
Structure of the Study Material

The content for each chapter/unit at the Intermediate level has been structured in the following manner –

<table>
<thead>
<tr>
<th>Components of each Chapter</th>
<th>About the component</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Learning Outcomes</td>
<td>Learning outcomes which you need to demonstrate after learning each topic have been detailed in the first page of each chapter/unit. Demonstration of these learning outcomes would help you to achieve the desired level of technical competence.</td>
</tr>
<tr>
<td>2. Chapter Overview</td>
<td>As the name suggests, this chart/table would give a broad outline of the contents covered in the chapter.</td>
</tr>
<tr>
<td>3. Introduction</td>
<td>A brief introduction is given at the beginning of each chapter/unit which would help you get a feel of the topic.</td>
</tr>
<tr>
<td>4. Content</td>
<td>The concepts and provisions of law/standard are explained in student-friendly manner with the aid of Examples/illustrations/diagrams/flow charts. These value additions would help you develop conceptual clarity and get a good grasp of the topic. Diagrams and Flow charts would help you understand the concept/provision in a better manner. Illustrations would help you understand the application of concepts/provisions.</td>
</tr>
<tr>
<td>5. Exercise Questions with Answers</td>
<td>The exercise questions and answers would help you to apply what you have learnt in problem solving. In effect, it would sharpen your application skills and test your understanding as well as your application of concepts/provisions.</td>
</tr>
<tr>
<td>6. Let Us Recapitulate</td>
<td>A summary of the chapter is given at the end to help you revise what you have learnt. It would especially help you to revise the chapter quickly the day before the examination.</td>
</tr>
<tr>
<td>7. Test Your Knowledge</td>
<td>This comprises of Multiple Choice Questions, Correct/incorrect and other questions which test the breadth and depth of your understanding of the topic.</td>
</tr>
</tbody>
</table>

We hope that these student-friendly features in the Study Material makes your learning process more enjoyable, enriches your knowledge and sharpens your application skills.

*Happy Reading and Best Wishes!*
SYLLABUS

PAPER 6: AUDITING AND ASSURANCE (100 MARKS)

(One paper – Three hours – 100 Marks)

Objective:

To develop an understanding of the concepts in auditing and of the generally accepted auditing procedures, techniques and skills and acquire the ability to apply the same in audit and attestation engagements.

1. **Nature, Objective and Scope of Audit**
   - **Auditing Concepts**: Nature, objective and scope of Audit; Relationship of auditing with other disciplines;
   - **Standard Setting Process**: Overview, Standard-setting process, Role of International Auditing and Assurance Standards Board (IAASB) & Auditing and Assurance Standards Board (AASB); Standards on Auditing, Guidance Note(s) issued by the ICAI;
   - **Engagement Standards**: Qualities of Auditor, Elements of System of Quality Control (SQC 1 Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements); Ethical requirements relating to an audit of financial statements; Inherent Limitations of an audit (SA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing); Preconditions for an audit; Audit Engagement; Agreement on Audit Engagement Terms; Terms of Engagement in Recurring Audits (SA 210 Agreeing the Terms of Audit Engagements); Leadership Responsibilities for Quality on Audits; Concept of Auditor’s Independence; Threats to Independence; Acceptance and Continuance of Client Relationships and Audit Engagements (SA 220 Quality Control for an Audit of Financial Statements).

2. **Audit Strategy, Audit Planning and Audit Programme**
   - Audit Strategy; Audit planning (SA 300 Planning an Audit of Financial statements); Audit programme; Development of Audit Plan and Programme, Control of quality of audit work - Delegation and supervision of audit work; Materiality and Audit Plan; Revision of Materiality; Documenting the Materiality; Performance Materiality (SA 320 Materiality in Planning and Performing an Audit).

3. **Audit Documentation and Audit Evidence**
   - Concept of Audit Documentation; Nature & Purpose of Audit Documentation; Form, Content & Extent of Audit Documentation; Completion Memorandum; Ownership and custody of Audit Documentation (SA 230 Audit Documentation); Audit procedures for obtaining audit evidence; Sources of evidence; Relevance
and Reliability of audit evidence; Sufficient appropriate audit evidence, Evaluation of Audit Evidence (SA 500 Audit Evidence); Written Representations as Audit Evidence; Objective of Auditor regarding Written Representation; Management from whom Written Representations may be requested; Written Representations about Management’s Responsibilities (SA 580 Written Representations); Obtaining evidence of existence of inventory; Audit procedure to identify litigation & claims (SA 501 Audit Evidence - Specific Considerations for Selected Items); External confirmation procedures; Management’s refusal to allow the auditor to send a confirmation request; Negative Confirmations (SA 505 External Confirmations); Audit evidence about opening balances; Accounting policies relating to opening balances; Reporting with regard to opening balances (SA 510 Initial Audit Engagements-Opening Balances); Meaning of Related Party; Nature of Related Party Relationships & Transactions; Understanding the Entity’s Related Party Relationships & Transactions (SA 550 Related Parties); Meaning of Subsequent Events; Auditor’s obligations in different situations of subsequent events (SA 560 Subsequent Events); Responsibilities of the Auditor with regard to Going Concern Assumption; Objectives of the Auditor regarding Going Concern; Events or Conditions that may cast doubt about Going Concern Assumption; Audit Procedures when events or conditions are identified (SA 570 Going Concern).

4. **Risk Assessment and Internal Control**: Audit Risk, Identifying and Assessing the Risk of Material Misstatement, Risk Assessment procedures; Understanding the entity and its environment; Internal control, Documenting the Risks; Evaluation of internal control system; Testing of Internal control; Internal Control and IT Environment (SA 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment); Materiality and audit risk (SA 320 Materiality in Planning and Performing an Audit); Internal audit, Basics of Standards on Internal Audit (SIAs) issued by the ICAI; Basics of Internal Financial Control and reporting requirements; Distinction between Internal Financial Control and Internal Control over Financial Reporting.

5. **Fraud and Responsibilities of the Auditor in this Regard**: Responsibility for the Prevention and Detection of Fraud; Fraud Risk Factors; Risks of Material Misstatement Due to Fraud; Communication of Fraud (SA 240 The Auditor’s responsibilities Relating to Fraud in an Audit of Financial Statements); Provisions of the Companies Act 2013 relating to fraud and rules thereunder including reporting requirements under CARO.

6. **Audit in an Automated Environment**: Key features, Impact of IT related Risks, Impact on Controls, Internal Financial Controls as per Regulatory requirements, Types of Controls, Audit approach, Understanding and documenting Automated environment, Testing methods, data analytics for audit, assessing and reporting audit findings.

7. **Audit Sampling**: Meaning of Audit Sampling; Designing an audit sample; Types of sampling; Sample Size and selection of items for testing; Sample selection method (SA 530 Audit Sampling).
8. **Analytical Procedures:** Meaning, nature, purpose and timing of analytical procedures; Substantive analytical procedures, Designing and performing analytical procedures prior to Audit; investigating the results of analytical procedures (SA 520 Analytical Procedures).

9. **Audit of Items of Financial Statements:** Audit of sale of Products and Services; Audit of Interest Income, Rental Income, Dividend Income, Net gain/loss on sale of Investments etc.
Audit of Purchases, Employee benefits expenses, Depreciation, Interest expense, Expenditure on Power & Fuel, Rent, Repair to building, Repair to Machinery, Insurance, Taxes, Travelling Expenses, Miscellaneous Expenses etc.
(The list of items is illustrative only)

10. **The Company Audit:** Eligibility, Qualifications and Disqualifications of Auditors; Appointment of auditors; Removal of auditors; Remuneration of Auditors; Powers and duties of auditors; Branch audit; Joint audit; Reporting requirements under the Companies Act, 2013 including CARO; Other Important Provisions under the Companies Act, 2013 relating to Audit and Auditors and Rules made thereunder.

11. **Audit Report:** Forming an opinion on the Financial Statements; Auditor’s Report- basic elements (SA 700 Forming an Opinion and Reporting on Financial Statements); Types of Modified Opinion; Circumstances When a Modification to the Auditor’s Opinion is Required, Qualified, Adverse, Disclaimer of Opinion (SA 705 Modification to the Opinion in the Independent Auditor’s Report); Qualification, Disclaimer, Adverse opinion, SA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report; Nature of Comparative Information; Corresponding Figure; Comparative Financial Statements (SA 710 Comparative Information – Corresponding Figures and Comparative Financial Statements).

12. **Audit of Banks:** Understanding of accounting system in Banks, Audit Approach, Audit of Revenue items, Special Consideration in Bank Audit with emphasis on Advances and NPAs.

13. **Audit of Different Types of Entities:** Appointment of Auditor, Audit Procedure and Audit Report in respect of different Category of Entities: Government; Local...
bodies and Not-for-profit organizations; Partnership Firms, Audit of different type of undertakings, i.e., Educational institutions, Hotels, Clubs, Hospitals Basics of Limited Liability Partnerships (LLPs) audit and Co-operative Societies Audit.

Note:

(i) The specific inclusions/exclusions, in any topic covered in the syllabus, will be effected every year by way of Study Guidelines.

(ii) The provisions of the Companies Act, 1956 which are still in force would form part of the syllabus till the time their corresponding or new provisions of the Companies Act, 2013 are enforced.

(iii) If new legislations/ Standards on Auditing/Guidance Notes/Statements are enacted in place of the existing legislations, the syllabus would include the corresponding provisions of such new legislations with effect from a date notified by the Institute. The changes in this regard would also form part of Study Guidelines.
## CONTENTS

### MODULE – 1
- Chapter 1: Nature, Objective and Scope of Audit
- Chapter 2: Audit Strategy, Audit Planning and Audit Programme
- Chapter 3: Audit Documentation and Audit Evidence
- Chapter 4: Risk Assessment and Internal Control
- Chapter 5: Fraud and Responsibilities of the Auditor in this Regard
- Chapter 6: Audit in an Automated Environment
- Chapter 7: Audit Sampling
- Chapter 8: Analytical Procedures

### MODULE – 2
- Chapter 9: Audit of Items of Financial Statements
- Chapter 10: The Company Audit
- Chapter 11: Audit Report
- Chapter 12: Audit of Banks
- Chapter 13: Audit of Different Types of Entities
DETAILED CONTENTS

MODULE – 1

CHAPTER – 1: NATURE, OBJECTIVE AND SCOPE OF AUDIT

Learning Outcomes ........................................................................................................................... 1.1

Chapter Overview ............................................................................................................................. 1.1

Contents:

1. Meaning and Definition of Auditing .......................................................................................... 1.2
2. Objectives of Audit ....................................................................................................................... 1.2
3. Scope of Audit ............................................................................................................................... 1.3
   3.1 Aspects to be covered in Audit .............................................................................................. 1.4
4. Types of Audit ............................................................................................................................... 1.6
5. Advantages of Audit of Financial Statements ........................................................................... 1.7
6. Inherent Limitations of Audit ...................................................................................................... 1.9
7. Relationship of Auditing with other disciplines ........................................................................ 1.11
   7.1 Auditing and Accounting ....................................................................................................... 1.12
   7.2 Auditing and Law .................................................................................................................. 1.13
   7.3 Auditing and Economics ....................................................................................................... 1.13
   7.4 Auditing and Behavioural Science ..................................................................................... 1.13
   7.5 Auditing and Statistics & Mathematics ............................................................................. 1.13
   7.6 Auditing and Data Processing ............................................................................................. 1.14
   7.7 Auditing and Financial Management .................................................................................. 1.14
   7.8 Auditing and Production ....................................................................................................... 1.14
8. Standard Setting Process .............................................................................................................. 1.15
   8.1 Role of International Auditing and Assurance Standards Board ....................................... 1.15
   8.2 Role of Auditing and Assurance Standards Board .............................................................. 1.16
9. Qualities of an Auditor ................................................................................................................ 1.18
10. Elements of a System of Quality Control .................................................................................. 1.19
    10.1 Leadership Responsibilities for Quality on Audits ............................................................ 1.20
    10.2 Ethical Requirements Relating to an Audit of Financial Statements ................................ 1.20

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<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.3 Acceptance and Continuance of Client Relationships and Audit</td>
<td>1.24</td>
</tr>
<tr>
<td>Engagements</td>
<td></td>
</tr>
<tr>
<td>10.4 Human Resources</td>
<td>1.25</td>
</tr>
<tr>
<td>10.5 Engagement Performance</td>
<td>1.26</td>
</tr>
<tr>
<td>10.6 Monitoring</td>
<td>1.26</td>
</tr>
<tr>
<td>11. Preconditions for an Audit</td>
<td>1.27</td>
</tr>
<tr>
<td>12. Agreement of Audit Engagement Terms</td>
<td>1.28</td>
</tr>
<tr>
<td>13. Recurring Audits</td>
<td>1.28</td>
</tr>
<tr>
<td>14. Limitation on Scope Prior to Audit Engagement Acceptance</td>
<td>1.29</td>
</tr>
<tr>
<td>15. Acceptance of a Change in Engagement</td>
<td>1.30</td>
</tr>
<tr>
<td>Case Study</td>
<td>1.32</td>
</tr>
<tr>
<td>Summary</td>
<td>1.33</td>
</tr>
<tr>
<td>Test Your Knowledge</td>
<td>1.34</td>
</tr>
</tbody>
</table>

**CHAPTER – 2: AUDIT STRATEGY, AUDIT PLANNING AND AUDIT PROGRAMME**

**Learning Outcomes** ........................................................................................................ 2.1

**Chapter Overview** ............................................................................................................ 2.1

**Contents:**

1. Audit Planning .................................................................................................................. 2.2
   1.1 Audit Plan- to conduct an effective audit ............................................................. 2.2
   1.2 Benefits of Planning in the audit of financial statements .................................. 2.2
2. Audit Strategy .................................................................................................................. 2.3
   2.1 Overall Audit Strategy – Assistance to auditor ..................................................... 2.3
   2.2 Establishment of overall audit strategy ................................................................. 2.4
3. Relationship Between Overall Audit Strategy and Audit Plan ......................... 2.5
4. Development of Audit Plan ............................................................................................. 2.5
   4.1 Description of Audit Plan ..................................................................................... 2.5
   4.2 Knowledge of the Client’s Business ...................................................................... 2.5
5. Audit Planning a Continuous Process ............................................................................ 2.8
6. Overall Audit Strategy and the Audit Plan – The Auditor’s Responsibility .......... 2.8
7. Changes to Planning Decisions During the Course of the Audit ....................... 2.9

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CHAPTER – 3: AUDIT DOCUMENTATION AND AUDIT EVIDENCE

Learning Outcomes .................................................................................................................. 3.1

Chapter Overview ..................................................................................................................... 3.2

Contents

1. Audit Documentation ............................................................................................................. 3.2
   1.1 Nature of Audit Documentation ..................................................................................... 3.2
   1.2 Purpose of Audit Documentation ............................................................................... 3.3
   1.3 Form, Content and Extent of Audit Documentation ..................................................... 3.3

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1.4 Examples of Audit Documentation ................................................................. 3.3
1.5 Audit File ............................................................................................................. 3.3
1.6 Assembly of the Final Audit File ................................................................. 3.3
1.7 Documentation of Significant Matters and Related Significant Professional Judgments ................................................................. 3.4
1.8 Completion Memorandum or Audit Documentation Summary ...... 3.5
1.9 Ownership of Audit Documentation .............................................................. 3.5

2. Audit Evidence ........................................................................................................... 3.6
2.1 Introduction ......................................................................................................... 3.6
2.2 Sufficiency and Appropriateness of Audit Evidence ................................ 3.6
2.3 Sources of Audit Evidence ................................................................................ 3.8
2.4 Audit Procedures to Obtain Audit Evidence ............................................... 3.9
2.5 Types of Audit Evidence .................................................................................... 3.24
2.6 Relevance and Reliability .................................................................................. 3.25

3. Written Representations .......................................................................................... 3.27
3.1 Written Representations as Audit Evidence .............................................. 3.27
3.2 The Objectives of the Auditor regarding Written Representation .............................................. 3.28
3.3 Management from Whom Written Representations Requested .............................................. 3.28
3.4 Written Representations about Management’s Responsibilities .............................................. 3.29

4. Audit Evidence-Specific Considerations For Selected Items .................. 3.30
4.1 Inventory ............................................................................................................. 3.30
4.2 Attendance at Physical Inventory Counting ............................................ 3.30
4.3 Matters relevant in Planning Attendance at Physical Inventory Counting .............................................. 3.31
4.4 Physical Inventory Counting Conducted other than at the date of the Financial Statements .............................................. 3.31
4.5 If the auditor is unable to attend Physical Inventory Counting due to unforeseen circumstances .............................................. 3.31
4.6 Attendance at Physical Inventory Counting is Impracticable .......... 3.31

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4.7 Litigation and Claims .................................................................3.33
4.8 If the auditor assesses a risk of material misstatement regarding litigation or claims—Communication with the Entity’s External Legal Counsel.................................................................3.33

5. External Confirmation.................................................................................................3.34
5.1 Definition of other Important Terms............................................................3.34
5.2 External Confirmation Procedures ................................................................3.35
5.3 Determining the Information to be Confirmed or Requested........3.35
5.4 Designing Confirmation Requests..................................................................3.35
5.5 Management’s Refusal to Allow the Auditor to Send a Confirmation Request.................................................................3.36

6. Initial Audit Engagement .................................................................................................3.37
6.1 Objective of Auditor with respect to Opening Balances in conducting an initial audit engagement....................................................3.37
6.2 Audit Procedures regarding Opening Balances.......................................3.37
6.3 Consistency of Accounting Policies relating to Opening Balances...................................................................................................................3.38
6.4 Audit Conclusions and Reporting in relation to Opening Balances...................................................................................................................3.38

7. Meaning of Related Party ................................................................................................3.38
7.1 Nature of Related Party Relationships and Transactions ......................3.39
7.2 Responsibilities of the Auditor .......................................................................3.39

8. Concept of True and Fair ..................................................................................................3.40

9. Auditor and the Subsequent Events ............................................................................3.41
10. Auditor and the Going Concern Assumption ..........................................................3.44

Summary ..............................................................................................................................3.47
Test Your Knowledge ......................................................................................................3.49

CHAPTER – 4: RISK ASSESSMENT AND INTERNAL CONTROL

Learning Outcomes ........................................................................................................4.1
Chapter Overview........................................................................................................4.1

Contents:
1. Audit Risk .........................................................................................................................4.2
   1.1 Assessment of Risks - Matter of Professional Judgement.................................4.2

© The Institute of Chartered Accountants of India
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2</td>
<td>What is not included in Audit Risk?</td>
<td>4.2</td>
</tr>
<tr>
<td>1.3</td>
<td>Risks of Material Misstatement at Two levels</td>
<td>4.3</td>
</tr>
<tr>
<td>1.4</td>
<td>Components of Risk of Material Misstatement</td>
<td>4.4</td>
</tr>
<tr>
<td>1.5</td>
<td>Combined Assessment of the Risk of Material Misstatement</td>
<td>4.5</td>
</tr>
<tr>
<td>1.6</td>
<td>Detection Risk</td>
<td>4.6</td>
</tr>
<tr>
<td>2.</td>
<td>Identifying and Assessing the Risks of Material Misstatement</td>
<td>4.6</td>
</tr>
<tr>
<td>2.1</td>
<td>Identify and Assess the Risks of Material Misstatement</td>
<td>4.6</td>
</tr>
<tr>
<td>2.2</td>
<td>Understanding of the Entity- A Continuous Process</td>
<td>4.10</td>
</tr>
<tr>
<td>2.3</td>
<td>The Required Understanding of the Entity and Its Environment</td>
<td>4.10</td>
</tr>
<tr>
<td>3.</td>
<td>Internal Control</td>
<td>4.11</td>
</tr>
<tr>
<td>4.</td>
<td>Evaluation of Internal Control by the Auditor</td>
<td>4.24</td>
</tr>
<tr>
<td>4.1</td>
<td>The Narrative Record</td>
<td>4.27</td>
</tr>
<tr>
<td>4.2</td>
<td>A Check List</td>
<td>4.27</td>
</tr>
<tr>
<td>4.3</td>
<td>Internal Control Questionnaire</td>
<td>4.28</td>
</tr>
<tr>
<td>4.4</td>
<td>A Flow Chart</td>
<td>4.28</td>
</tr>
<tr>
<td>5.</td>
<td>Testing of Internal Control</td>
<td>4.28</td>
</tr>
<tr>
<td>6.</td>
<td>Internal Control and “IT” Environment</td>
<td>4.31</td>
</tr>
<tr>
<td>7.</td>
<td>Materiality and Audit Risk</td>
<td>4.33</td>
</tr>
<tr>
<td>8.</td>
<td>Documenting the Risk</td>
<td>4.34</td>
</tr>
<tr>
<td>9.</td>
<td>Internal Audit</td>
<td>4.34</td>
</tr>
<tr>
<td>9.1</td>
<td>Applicability of Provisions of Internal Audit</td>
<td>4.34</td>
</tr>
<tr>
<td>9.2</td>
<td>Who can be appointed as Internal Auditor</td>
<td>4.35</td>
</tr>
<tr>
<td>9.3</td>
<td>Internal Audit Function</td>
<td>4.35</td>
</tr>
<tr>
<td>10.</td>
<td>Basics of Standards on Internal Audit issued by ICAI</td>
<td>4.37</td>
</tr>
<tr>
<td>11.</td>
<td>Basic of Internal Control and Reporting requirements</td>
<td>4.37</td>
</tr>
<tr>
<td>12.</td>
<td>Difference between Internal Financial Control and Internal Control over Financial Reporting</td>
<td>4.39</td>
</tr>
<tr>
<td></td>
<td><strong>Summary</strong></td>
<td>4.39</td>
</tr>
<tr>
<td></td>
<td><strong>Test Your Knowledge</strong></td>
<td>4.41</td>
</tr>
</tbody>
</table>
CHAPTER – 5: FRAUD AND RESPONSIBILITIES OF THE AUDITOR IN THIS REGARD

Learning Outcomes........................................................................................................................... 5.1

Chapter Overview............................................................................................................................... 5.2

Contents:
1. Meaning of Fraud.................................................................................................................. 5.2
2. Characteristics of Fraud ...................................................................................................... 5.3
   2.1 Fraud is Intentional........................................................................................................... 5.3
   2.2 Fraud is a broad legal concept ........................................................................5.3
3. Detection of Fraud and Error: Duty of an Auditor.................................................... 5.9
   Case Study ............................................................................................................................ 5.10
4. Fraud Risk Factors and Possibility of Fraud...............................................................5.12
   4.1 Fraud Risk Factors.......................................................................................................5.12
   4.2 Circumstances Relating to Possibility of Fraud ........................................5.16
5. Fraud Reporting................................................................................................................... 5.19
6. Auditor unable to continue the engagement..........................................................5.24

Summary ..............................................................................................................................5.25

Test Your Knowledge ......................................................................................................5.26

CHAPTER – 6: AUDIT IN AN AUTOMATED ENVIRONMENT

Learning Outcomes .................................................................................................................. 6.1

Chapter Overview............................................................................................................................... 6.2

Contents:
1. What is an automated environment? ........................................................................... 6.2
   1.1 Key features of an Automated Environment............................................................... 6.2
2. Relevance of ‘IT’ in an Audit .............................................................................................. 6.3
3. Risk & Controls in an Automated Environment ............................................................. 6.5
   3.1 Understanding and Documenting Automated Environment .......................... 6.5
   3.2 Impact of IT related risks i.e. on Substantive Audit, Controls and Reporting.................... 6.7
   3.3 Types of Controls in an Automated Environment ........................................ 6.8

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CHAPTER – 7: AUDIT SAMPLING

Learning Outcomes ................................................................. 7.1

Chapter Overview ................................................................. 7.1

Contents:
1. Sampling: An audit Procedure ................................................. 7.2
2. Meaning of Audit Sampling ...................................................... 7.2
   2.1 Population ........................................................................ 7.3
3. Approaches to Sampling .......................................................... 7.4
   3.1 Statistical Sampling- More scientific ................................. 7.4
   3.2 Non-statistical Sampling .................................................... 7.5
   3.3 Appropriateness of Sampling Approaches ......................... 7.6
4. Sample Design, Size and Selection of Items for testing ............... 7.7
   4.1 Sample Design .................................................................. 7.7
   4.2 Sample Size ...................................................................... 7.9
   4.3 Selection of Items for Testing ............................................. 7.12
   4.4 Sample Selection Methods ................................................ 7.12
   4.5 Sampling and Non-Sampling Risk ....................................... 7.15
5. Performing Audit Procedures .................................................. 7.16

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CHAPTER – 8: ANALYTICAL PROCEDURES

Learning Outcomes ........................................................................................................... 8.1

Chapter Overview ............................................................................................................ 8.1

Contents:
1. Meaning of Analytical Procedures ................................................................................ 8.2
2. Purpose and timing of Analytical Procedures ............................................................ 8.3
   2.1 Purpose of Analytical Procedures ................................................................... 8.3
   2.2 Timing of Analytical Procedures ...................................................................... 8.5
   2.3 Analytical Procedures in Planning the Audit ............................................. 8.6
3. Substantive analytical procedures .................................................................................. 8.6
   3.1 Factors to be considered for Substantive Audit Procedures ................ 8.6
   3.2 Techniques available as Substantive Analytical Procedures ............... 8.7
   3.3 Analytical Procedures used as Substantive Tests ...................................... 8.8
4. Suitability of Particular Analytical Procedures for given Assertions .................. 8.9
5. Extent of Reliance of Analytical Procedures .............................................................. 8.10
6. Risk of material Misstatements ..................................................................................... 8.11
7. Investigating Results of Analytical Procedures ........................................................ 8.11
8. Analytical Procedures that Assist when forming an Overall conclusion ........8.12
9. Considerations specific to Public sector entities ..................................................... 8.12

Summary ............................................................................................................................. 8.12

Test Your Knowledge ................................................................................................... 8.13