

AUDIT WORKBOOK

Prepared by :

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AUDIT WORKBOOK

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Terbitan Pertama 2024

Hak Cipta Terpelihara

Hak cipta buku ini adalah terpelihara. Setiap bahagian daripada penerbitan ini tidak boleh diterbitkan semula, disimpan untuk pengeluaran atau dipindahkan kepada bentuk lain, sama ada dengan cara elektronik, mekanikal, gambar, rakaman dan sebagainya, tanpa izin bertulis daripada Politeknik Port Dickson.

Diterbitkan oleh:

Politeknik Port Dickson
KM 14, Jalan Pantai, 71050, Si Rusa
Negeri Sembilan

PRAKATA

Assalamualaikum w.b.t dan Salam Sejahtera,

Bismillahirrahmanirrahim. Alhamdulillah bersyukur ke hadrat Ilahi kerana dengan limpah kurniaNya buku Audit Workbook edisi 1 berjaya dihasilkan. Saya Norjannah Binti Abu Bakar bersama dua orang rakan yang lain iaitu Azelawati binti Che Husain dan Nor Afzan binti Abd Ghani ingin mengucapkan ribuan terima kasih dan sekalung penghargaan kepada Pn Rohana binti Mat selaku Ketua Jabatan Perdagangan, Politeknik Port Dickson (PPD) yang sentiasa memberi tunjuk ajar dan kerjasama sepanjang proses penghasilan buku ini.

Tujuan buku ini dihasilkan adalah untuk kegunaan pelajar semester 4 yang mengambil kursus Audit 1 (DPA40123) sebagai bahan tambahan untuk latihan bagi meningkatkan kefahaman dan pengetahuan pelajar. Buku ini terdiri daripada Enam (6) bab yang merangkumi semua aspek dalam silibus Audit 1.

Akhir kata, diharapkan agar buku ini dapat memberikan manfaat kepada pelajar dan pensyarah politeknik khususnya Jabatan Perdagangan bagi memenuhi keperluan pengajaran dan pembelajaran.

Norjannah Binti Abu Bakar
Azelawati Binti Che Husain
Nor Afzan Binti Ab Ghani

4 Januari 2024
Port Dickson

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CHAPTER 1

INTRODUCTION TO AUDITING



CHAPTER 1

INTRODUCTION TO AUDITING



LET'S DISCUSS....

- 1.1 Nature of auditing
- 1.2 Types of auditors & audit services
- 1.3 Auditing profession
- 1.4 Professional skepticism
- 1.5 Auditing standards
- 1.6 Auditing regulators function
- 1.7 Companies Act 2016 provision
- 1.8 Governing bodies

DEFINE AUDITING



DEFINITION

SCOPE



PURPOSE

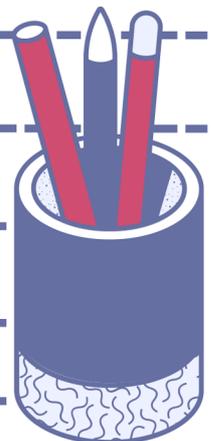
CONCEPT

Differences between Auditing & Accounting

Auditing



Accounting



EXPLAIN TYPES OF AUDITORS

INTERNAL AUDITORS

EXTERNAL AUDITORS

TODAY'S AFFIRMATION

TOMORROW I LOOK FORWARD TO

NOTES

TYPES OF AUDIT SERVICES

GIVE YOUR EXPLANATION!!!

FINANCIAL STATEMENT AUDITING

PERFORMANCE/ OPERATIONAL
AUDITING

COMPLIANCE AUDITING

TAX AUDITING

SYARIAH AUDITING

PUBLIC SECTOR AUDITING

AUDITING PROFESSION

Discuss auditing profession...

01

02

03

04

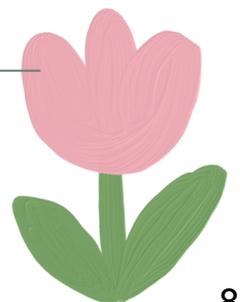
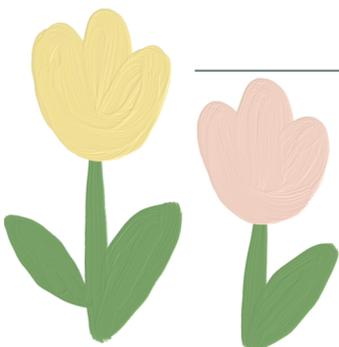


Explain professional skepticism



1)

2)



Auditing Standard

MALAYSIA APPROVED AUDITING STANDARD (MASA) :



MALAYSIAN INSTIT
OF ACCOUNTANTS

BY - LAW



International
Federation
of Accountants

OUTLINE THE IMPORTANCE OF STANDARDS



.....



.....



.....



.....



.....



.....



.....



.....



.....



Discuss regulators' Function



Mood

A rounded rectangular box with a green border containing the word 'Mood' in orange text above five yellow smiley face icons. From left to right, the icons represent: a wide smile (happy), a neutral smile (neutral), a straight line for a mouth (neutral), a downward curve for a mouth (sad), and a downward curve with furrowed brows (angry).

mia MALAYSIAN INSTITUTE OF ACCOUNTANTS

-
-
-
-
-
-

A light blue rounded rectangular area containing the MIA logo at the top left and a vertical list of six white circles on the left side.

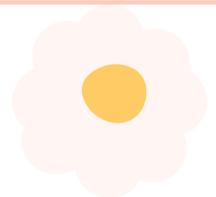
MICPA
MALAYSIA

A white rounded rectangular area with an orange border containing the MICPA logo at the top center.



IFAC International Federation of Accountants

An orange rounded rectangular area containing the IFAC logo at the top left.



For tomorrow

A rounded rectangular box with a green border containing the text 'For tomorrow' in orange.

Discuss Responsibility, power & auditors

a)

b)

c)

d)

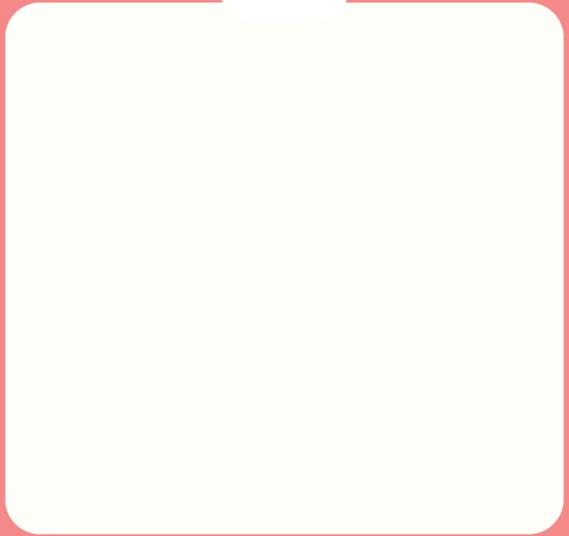
make your discussion agenda more organized

EXPLAIN APPOINTMENT OF AUDITORS

01

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02

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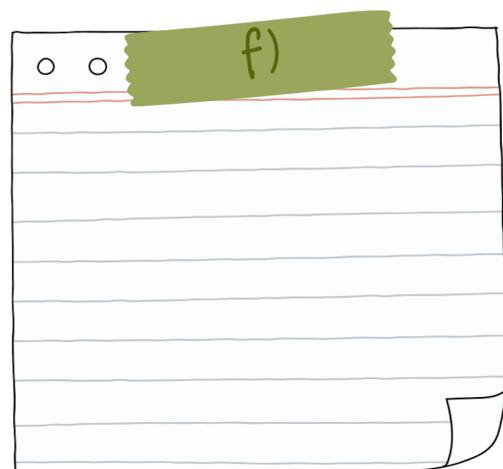
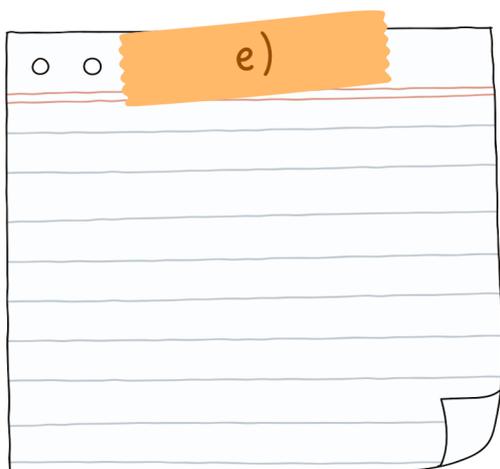
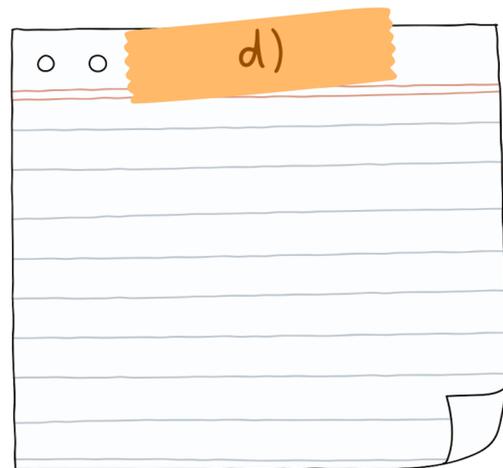
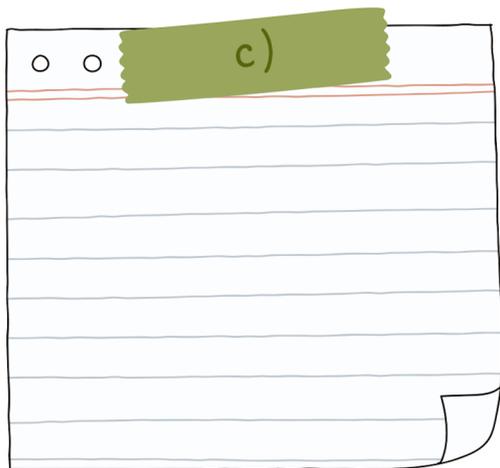
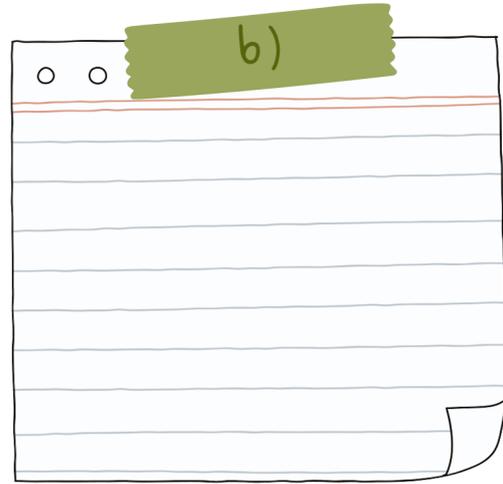
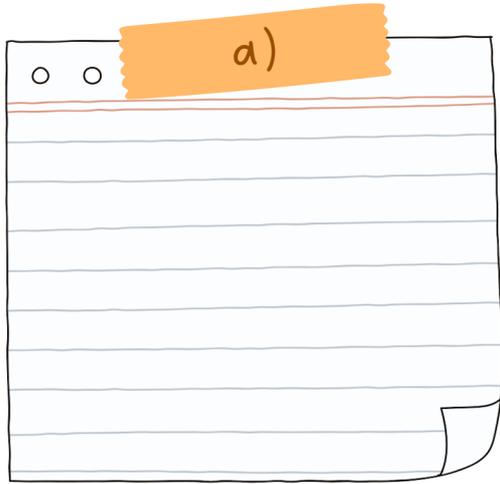
03

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04

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EXPLAIN DISQUALIFICATION AUDITORS

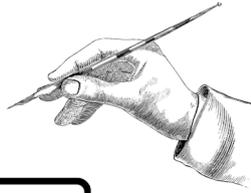


How do you feel about this lesson?



DISCUSS THE REPORTING DUTIES OF AUDITORS

DATE:



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RESIGNATION & TERMINATION OF AUDITORS



Explain the RESIGNATION of
Auditors



Explain the TERMINATION of
Auditors

Discuss the governing bodies below

**AUDIT OVERSIGHT BOARD
(AOB)**



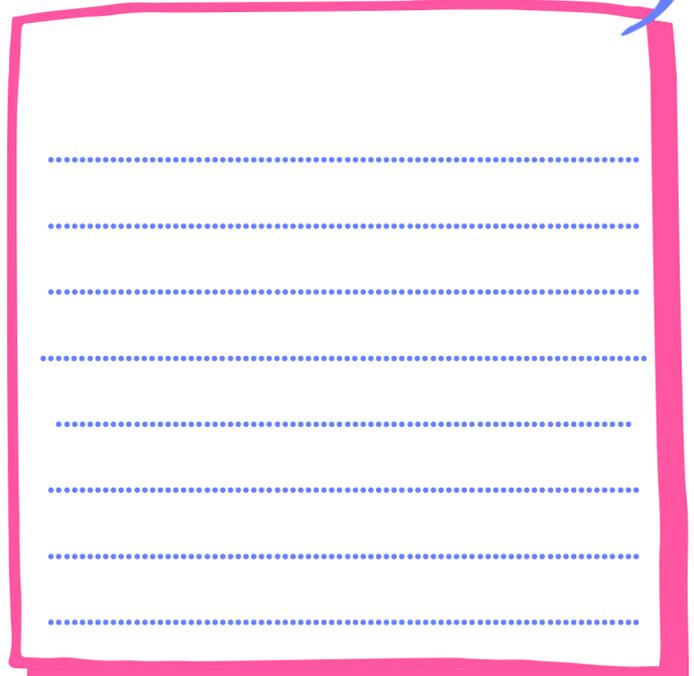
**PRACTICE REVIEW
COMMITTEE (PRC)**



**ETHICS STANDARD
BOARD (ESB)**



**AUDITING & ASSURANCE
STANDARD (AASB)**



FINAL EXAMINATION QUESTION



- a) List FIVE (5) purposes of auditing.

- b) Discuss FIVE (5) power and rights of an auditor under the Companies Act 2016.

- c) Standards are a set of systematic guidelines used by auditors when conducting audits on companies' financial records. Provide FIVE (5) importance of standards.



ANSWER SHEET :

*Good
Luck*



ANSWER SHEET :

*Good
Luck*

A series of horizontal dashed lines providing space for writing answers.

FINAL EXAMINATION QUESTION



- a) Auditing can be conducted for different purposes. List FIVE (5) types of audit.

- b) Discuss FOUR (4) reasons of disqualifications of an Auditor as stated in section 264(1)(c)

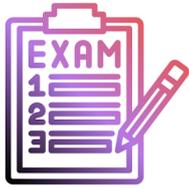
- c) Write the process of a termination of an auditor.



ANSWER SHEET :

Good Luck

A series of horizontal dashed lines provided for writing the answers to the questions.



ANSWER SHEET :

*Good
Luck*

A series of horizontal dashed lines providing space for writing answers.

**FINAL EXAMINATION
QUESTION**



- a) Generally, there are four types of audits as Financial Statements audit, compliance audit, Operational audit, and Forensic audit. Define Compliance Audit according to functional aspects and characteristics.

- b) Explain of the powers and duties of an auditor as govern under Section 206 of the Companies Act 2016.

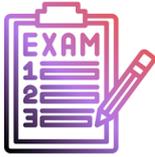
- c) Section 267 to 281 under the Companies Act 2016 covers appointments, removals, remunerations, fees, and resignations of auditors. Demonstrate the appointments of auditor.



ANSWER SHEET :



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*Good
Luck*

ANSWER SHEET :

A series of horizontal dashed lines providing space for writing answers.

CHAPTER 2

OBJECTIVES AND SCOPE OF FINANCIAL STATEMENT AUDIT (ISA 200)



CHAPTER 2

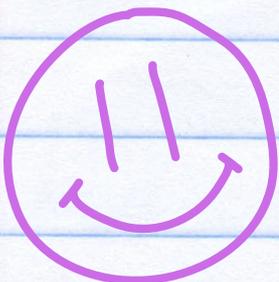
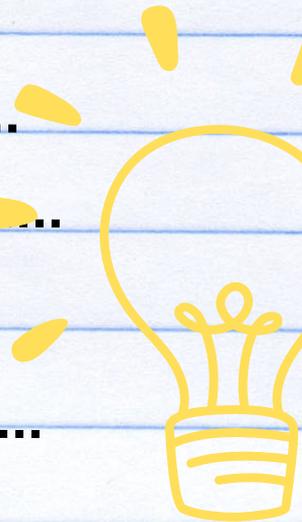


2.1 Audit Objectives

Basic Principles Governing Audit
Process of audit

2.2 Auditors' Responsibilities for Detecting Fraud

2.3 Auditing assertions



DISCUSS ON EACH AUDIT OBJECTIVES

COMPANIES ACT

ISA 200

ALL ABOUT BASIC PRINCIPLES OF GOVERNING AN AUDIT

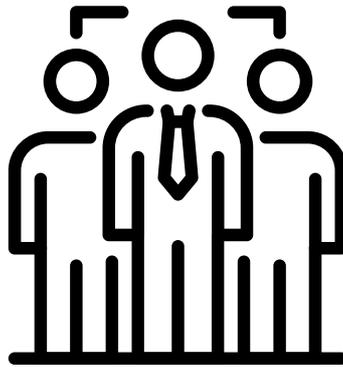
Identify basic principles in auditing standards

1)

.....

2)

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3)

.....

4)

.....

5)

.....

Explain of each basic principles with appropriate cases

1) INTEGRITY

2) OBJECTIVITY

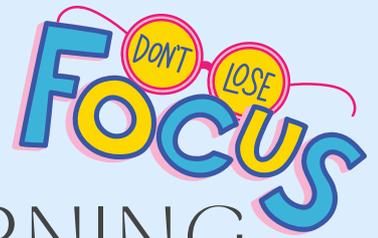
3) PROFESSIONAL COMPETENCE & DUE CARE

4) CONFIDENTIALITY

5) PROFESSIONAL BEHAVIOR



POPIC



PRINCIPLES GOVERNING AN AUDIT

THERE THREE CONSTANT IN LIFE...CHANGE, CHOICE & PRINCIPLES....

P	<u>PROFESIONAL</u> <u>COMPETENCE DUE</u> <u>CARE</u>	
O	<u>OBJECTIVITY</u>	
P	<u>PROFESSIONAL</u> <u>BEHAVIOR</u>	
I	<u>INTEGRITY</u>	
C	<u>CONFIDENTIALITY</u>	



OVERALL PROCESS OF AUDIT

Communicate with internal auditor

01



Meet management

02



Reporting phase

03



Prepare & deliver summary report

04



AUDITORS' RESPONSIBILITY

ISA 240 definition:



ISA 315 definition:



ISA 330

Differences between FRAUD & ERROR



AUDITORS' RESPONSIBILITY BY ISA REQUIREMENTS

a)

b)

c)

d)

e)

f)

g)

h)

Differences between FRAUD & ERROR

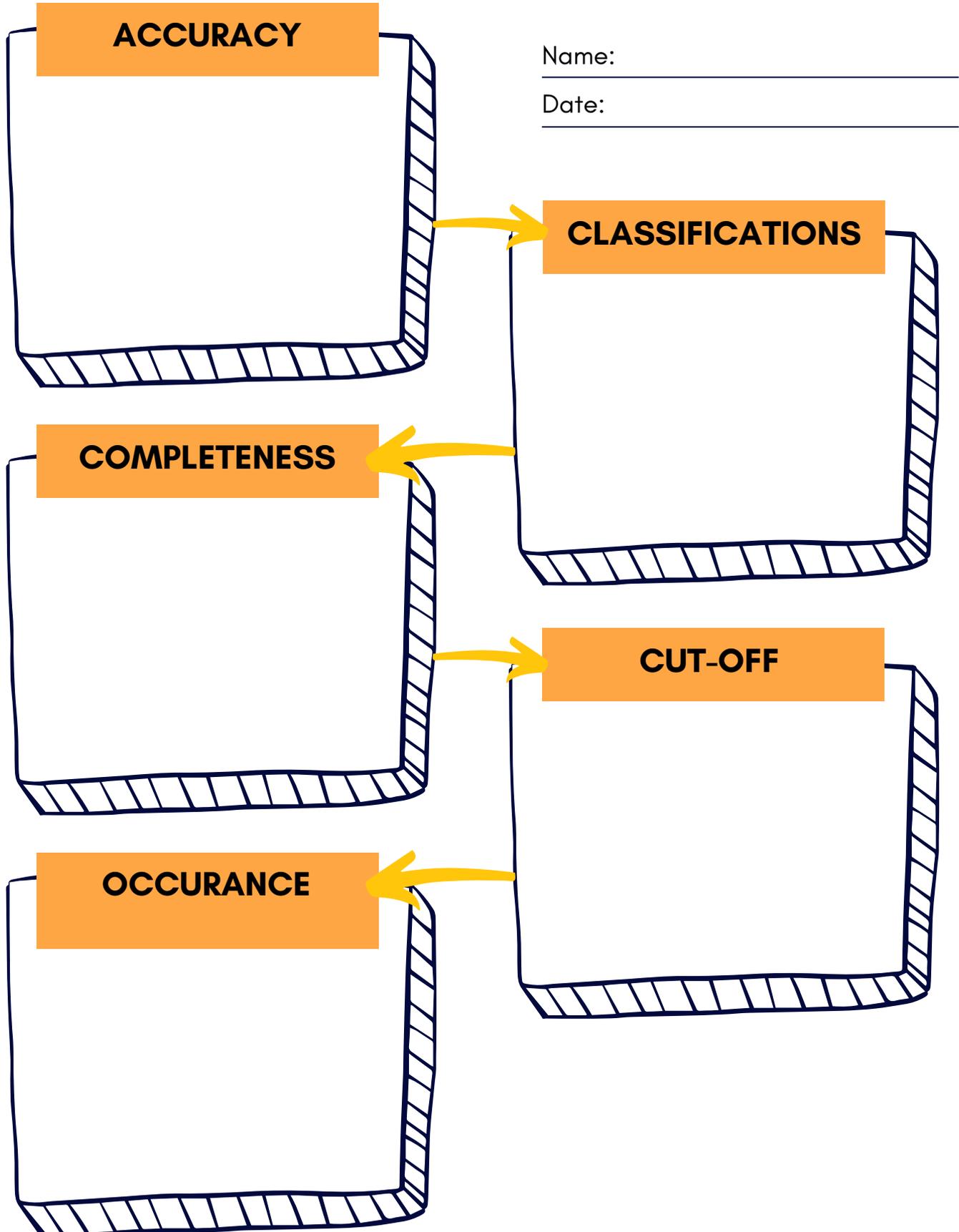


FRAUD



ERROR

TRANSACTION LEVEL ASSERTIONS



ACCOUNT BALANCE ASSERTIONS

- 1** List the assertions
- 2** Explain each assertions

ALL ABOUT ASSERTIONS

ACCOUNT
BALANCE

3

**Right &
Obligations**

1

Completeness

2

Existence

4

Valuation

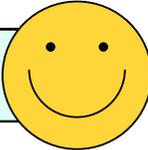
PRESENTATION & DISCLOSURE ASSERTIONS

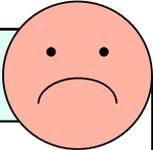


ACCURACY

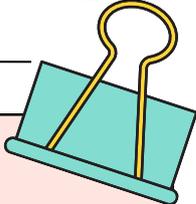
My name is: _____

My favourite subject is: _____

COMPLETENESS 

OCCURANCE 

RIGHT & OBLIGATIONS

UNDERSTAND ABILITY 

FINAL EXAMINATION QUESTION



a) The primary objective of an audit is to form an independent opinion on the financial statements whether the financial statements show a true and fair view, and have been properly prepared in accordance with the approved accounting standards. State **FIVE (5)** ways of proving the truth and fairness of financial statements purposes.

(5 marks)



ANSWER SHEET :

Good Luck

A series of horizontal dashed lines provided for writing the answer to the question.

FINAL EXAMINATION QUESTION



b) An auditor should comply with the MIA By-Laws (on Professional Ethics, Conduct and Practice) and the Code of Ethics for Professional Accountants issued by the IFAC as the general principles in conducting an audit. Explain FIVE (5) fundamental principles which the auditor is required to comply with.

(10 marks)



ANSWER SHEET :

Good Luck

A series of horizontal dashed lines providing space for writing the answer to the question.

FINAL EXAMINATION QUESTION



c) Assertions are characteristics that need to be tested to ensure that the financial records and disclosures are correct and appropriate. Assertions are evaluated in the transaction-level assertions, account balance assertions and presentation and disclosure assertions. Write the elements that need to be highlighted in the presentation and disclosure assertions.

(10 marks)



ANSWER SHEET :

Good Luck

A series of horizontal dashed lines provided for writing the answer.

FINAL EXAMINATION QUESTION



a) State any TWO (2) management assertions to in the specific balance-related audit objectives of the account receivable.

(5 marks)



ANSWER SHEET :

Good Luck

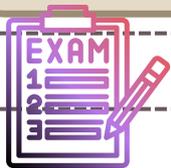
A series of horizontal dashed lines providing space for the student to write their answer.

FINAL EXAMINATION QUESTION



b) The overall objective of an audit of a financial statement as stated in ISA 200 is to enable the auditor to express an opinion as to whether the financial statements are prepared in accordance with an applicable financial reporting framework. Elaborate FIVE (5) presentation and disclosure assertions.

(10 marks)



ANSWER SHEET :

Good Luck

A series of horizontal dashed lines providing space for writing the answer.

CHAPTER 3

INTERNAL CONTROL SYSTEM

CHAPTER 3: **INTERNAL CONTROL**

Learning Outcomes:

-  **Fundamental concept of internal control**
-  **Importance of internal control**
-  **Documentation of internal control system**
-  **Strength and weaknesses of internal control**
-  **Management letter**



Chapter 3: Internal Control



Definition of
internal
control

Describe **FOUR (4)** importance of internal control.

A red and white checkered sticker is placed on the top left corner of the green box.

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Two types of Internal Control

1

2

5 ELEMENTS OF INTERNAL CONTROL

Lists (**FIVE**) **5** elements of internal control:

Advantages of Internal Control

1

2

3

Limitations of Internal Control

1

2

3



Good Job!!!!

How do you feel after learn this chapter?



Good



Confused



Happy



Angry

Today I feel

CHOOSE EITHER TRUE OR FALSE ANSWER FOR EACH QUESTIONS BELOW.

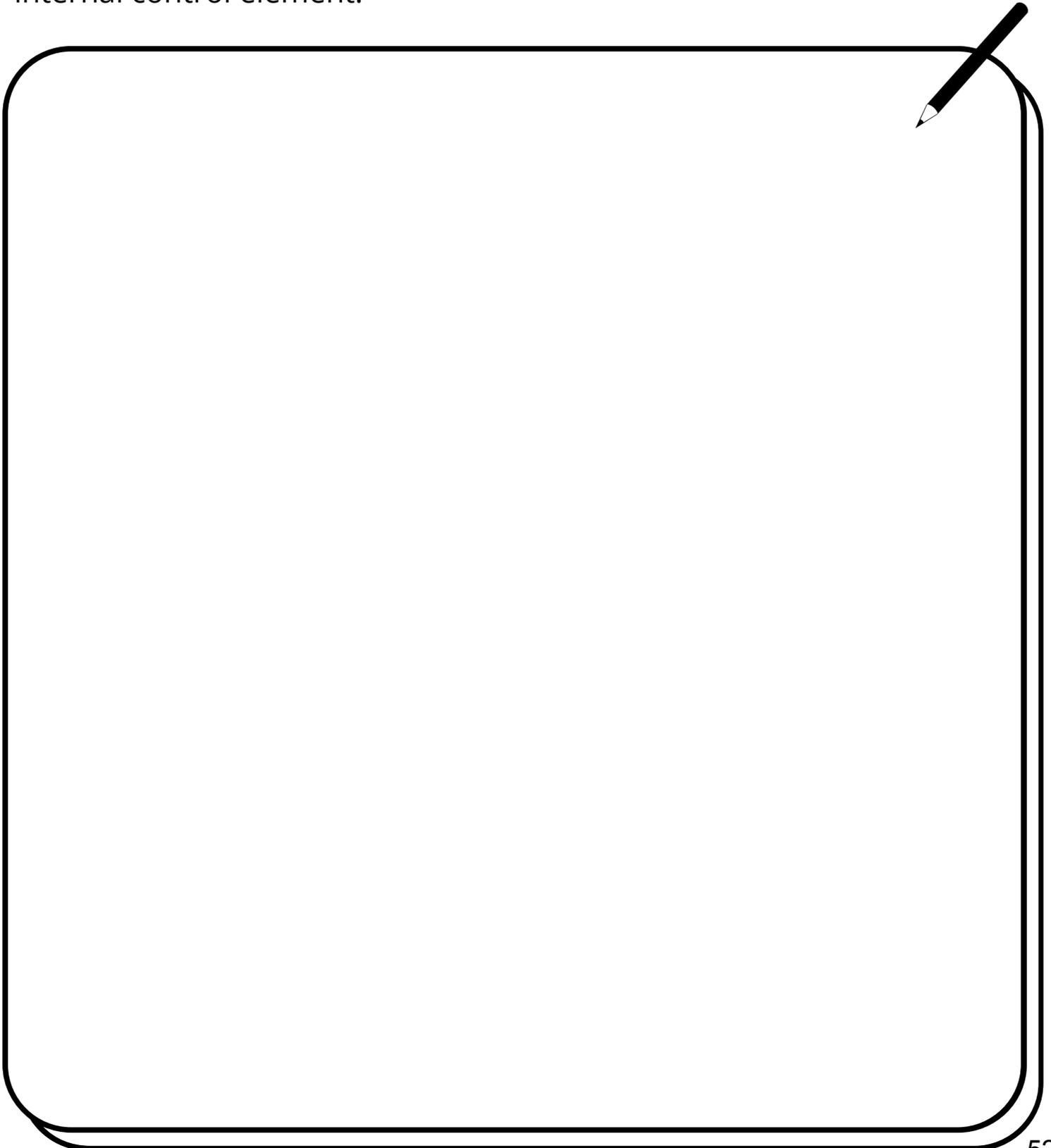
1. Internal controls are put in place to prevent fraud and misappropriation of assets within an organization.
(True, False)
2. Segregation of duties is an important internal control measure that involves separating responsibilities for authorization, custody, and recordkeeping to reduce the risk of errors and fraud.
(True, False)
3. Internal controls are important for organizations of all sizes, as they help mitigate risks and ensure the reliability of financial reporting.
(True, False)
4. An effective internal control system helps ensure that financial statements are prepared in accordance with applicable accounting standards and regulatory requirements.
(True, False)
5. Internal controls provide reasonable assurance but cannot guarantee that errors and irregularities will never occur within an organization.
(True, False)
6. Internal controls play a vital role in detecting and correcting errors and irregularities in financial reporting, thus enhancing the accuracy and reliability of financial information.
(True, False)
7. Regular monitoring and periodic evaluations of internal controls are necessary to ensure their effectiveness and identify any weaknesses or deficiencies that need to be addressed.
(True, False)
8. While the internal audit function contributes to the establishment and maintenance of effective internal controls, it is the responsibility of management and all employees to support and adhere to these controls.
(True, False)

9. Effective internal controls help reduce the risk of non-compliance with laws and regulations governing an organization's operations.
(True, False)

10. Internal controls can be both manual and automated, depending on the specific processes and activities of an organization.
(True, False)

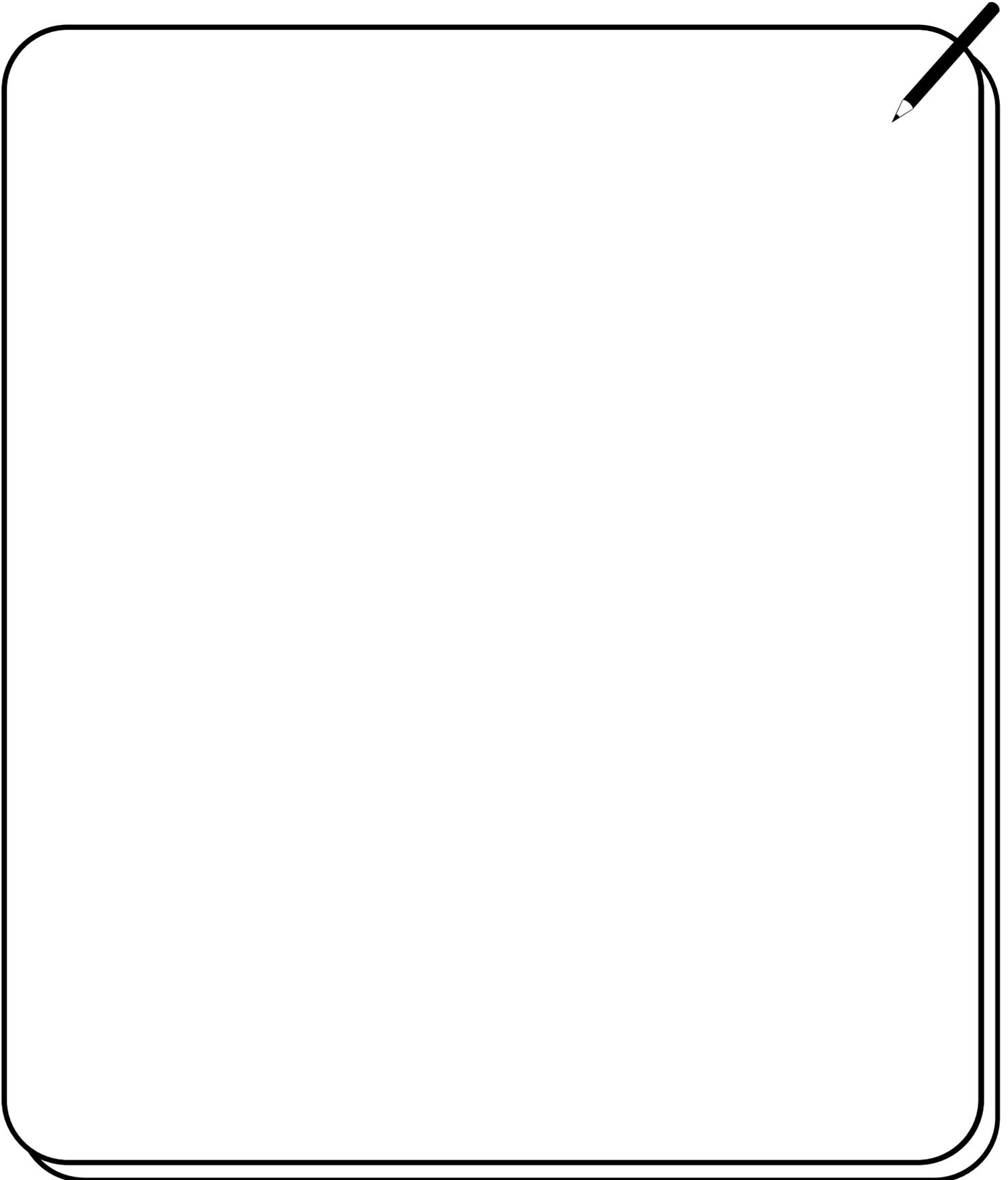
PAST YEAR QUESTION

1. Internal control is policies and procedures designed to provide the management with reasonable assurance that the company achieves its objectives and goals. An auditor would assess a client's internal control to find out whether the controls compiled by the management are effective or not. Write **FIVE (5)** components of internal control in the internal control element.



PAST YEAR QUESTION

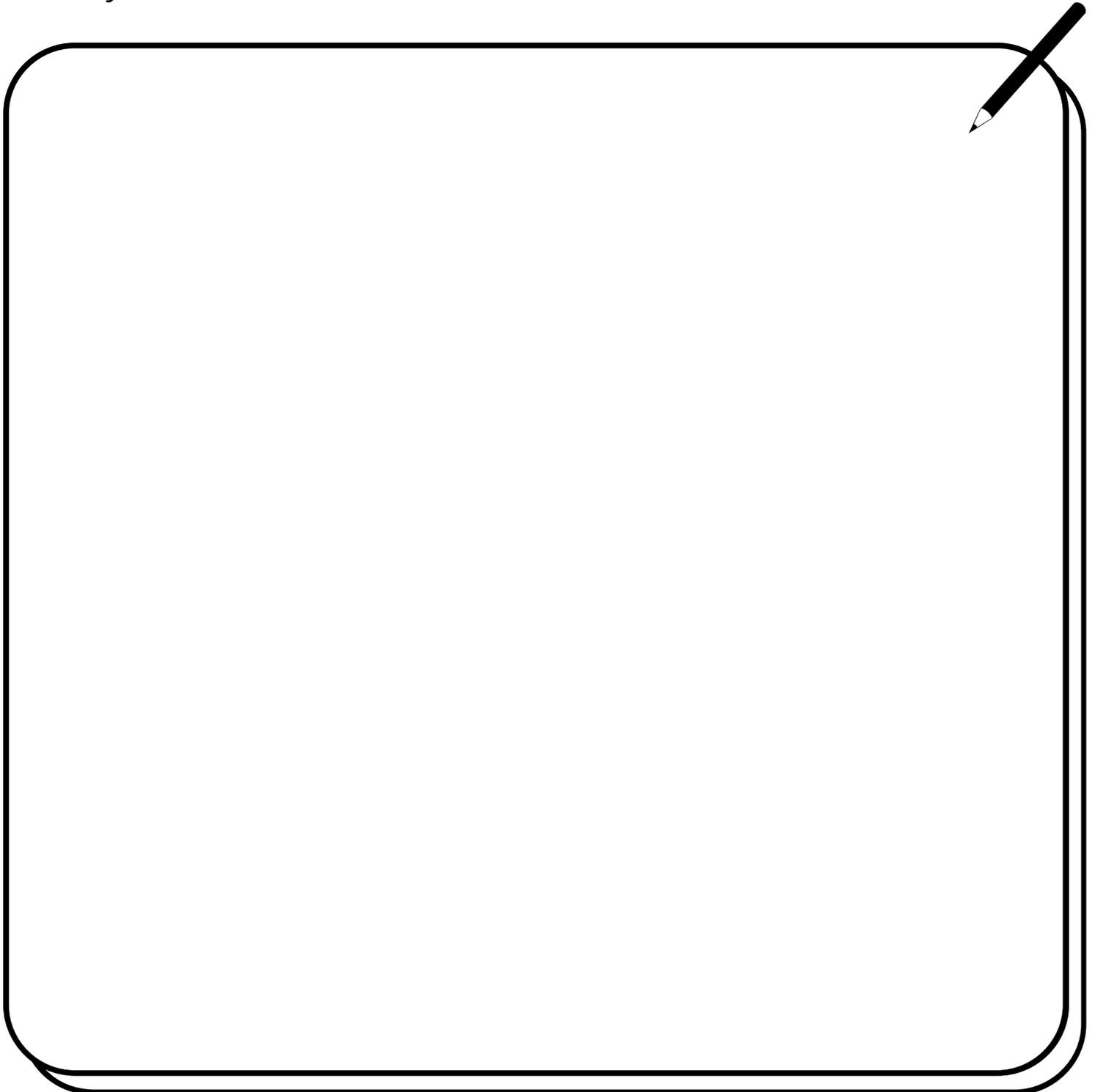
2. Write **FOUR (4)** weaknesses in an internal control that might occur in an organization.

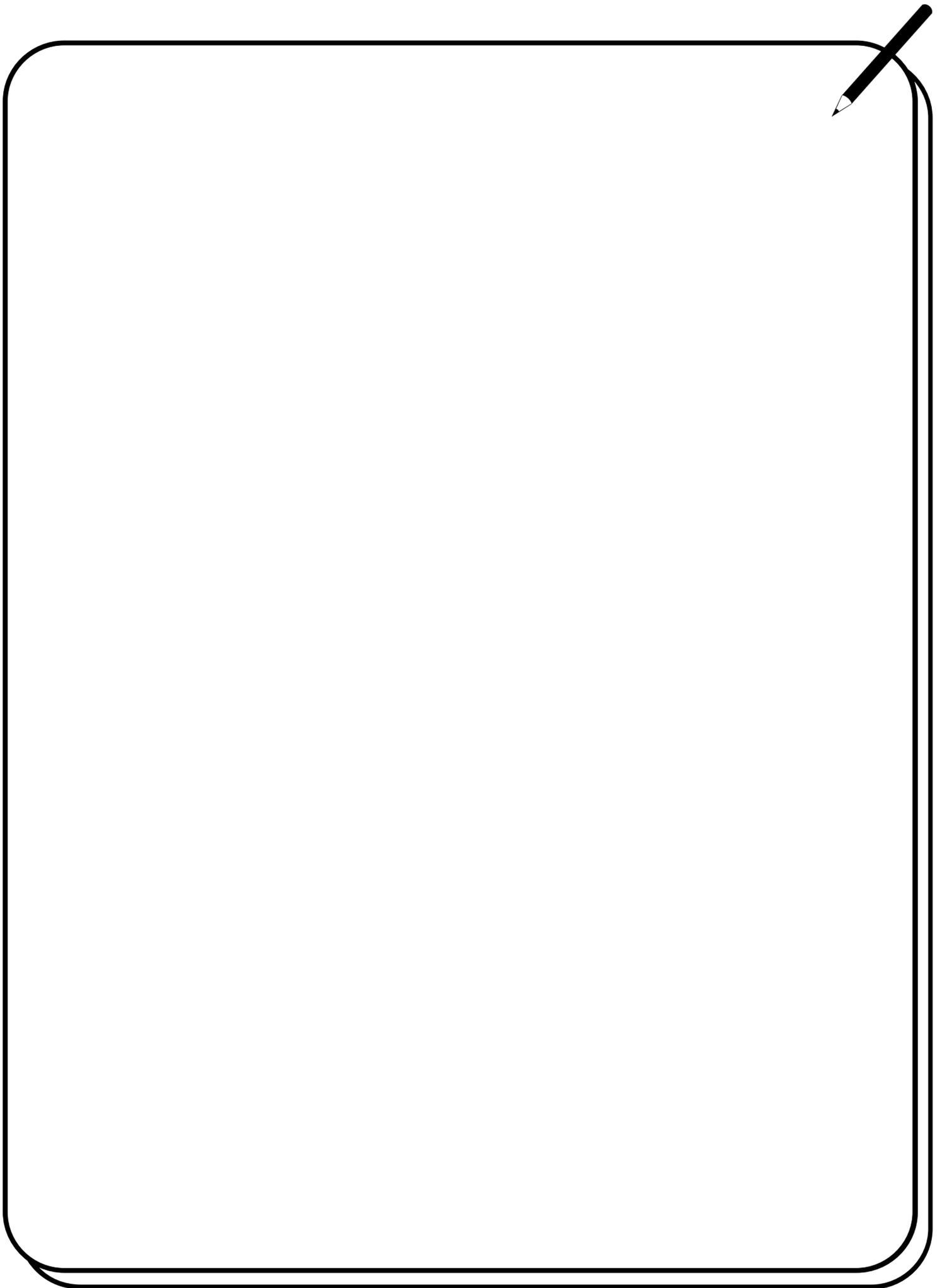


PAST YEAR QUESTION

3. Control activities are policies and procedures that help to ensure that necessary actions are taken to address risks to the achievement of the entity objectives. Illustrate the following control activities:

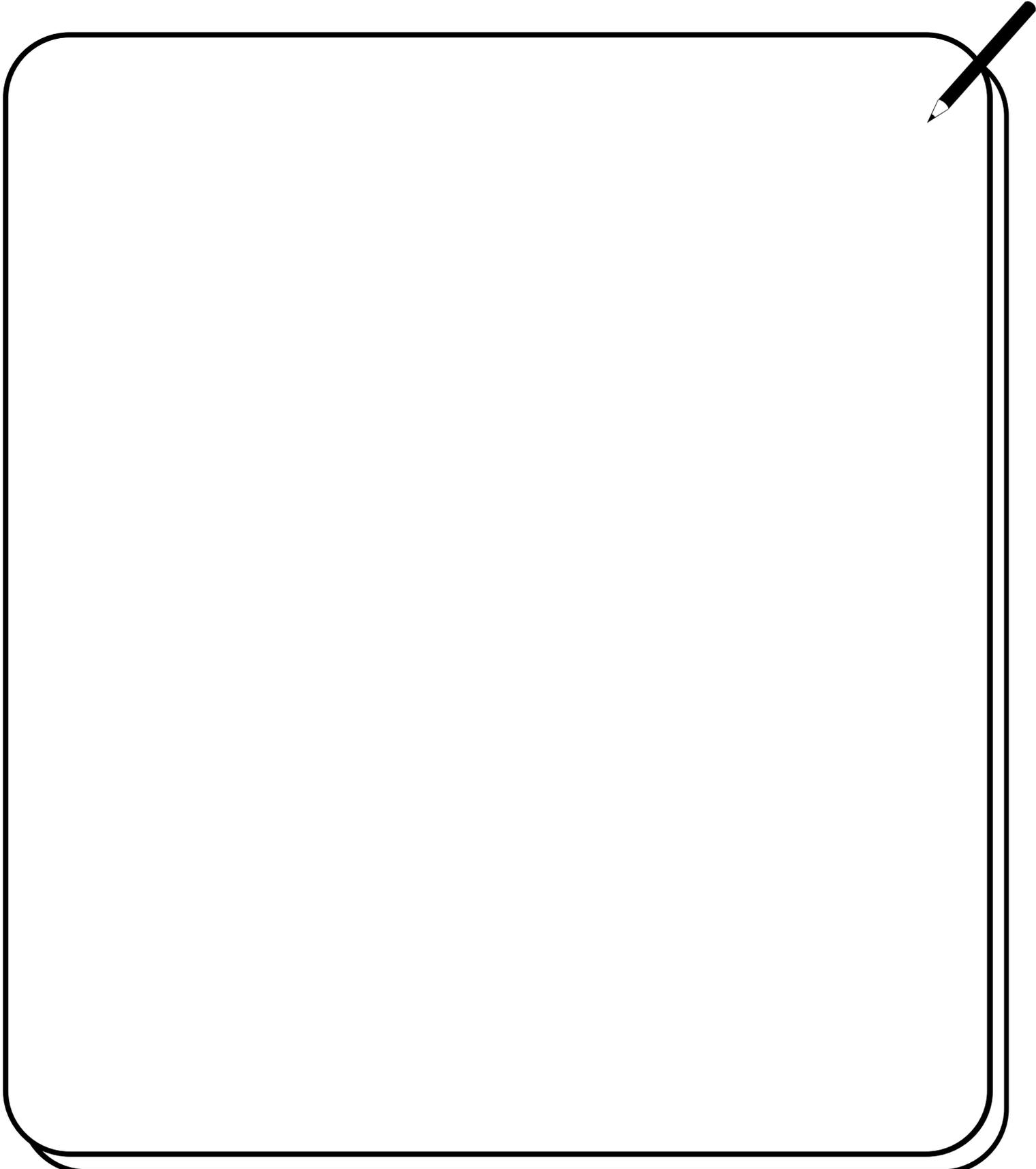
- i. Adequate separation of duties
- ii. Proper authorization of transactions and activities
- iii. Adequate documents and records
- iv. Physical control over assets and records





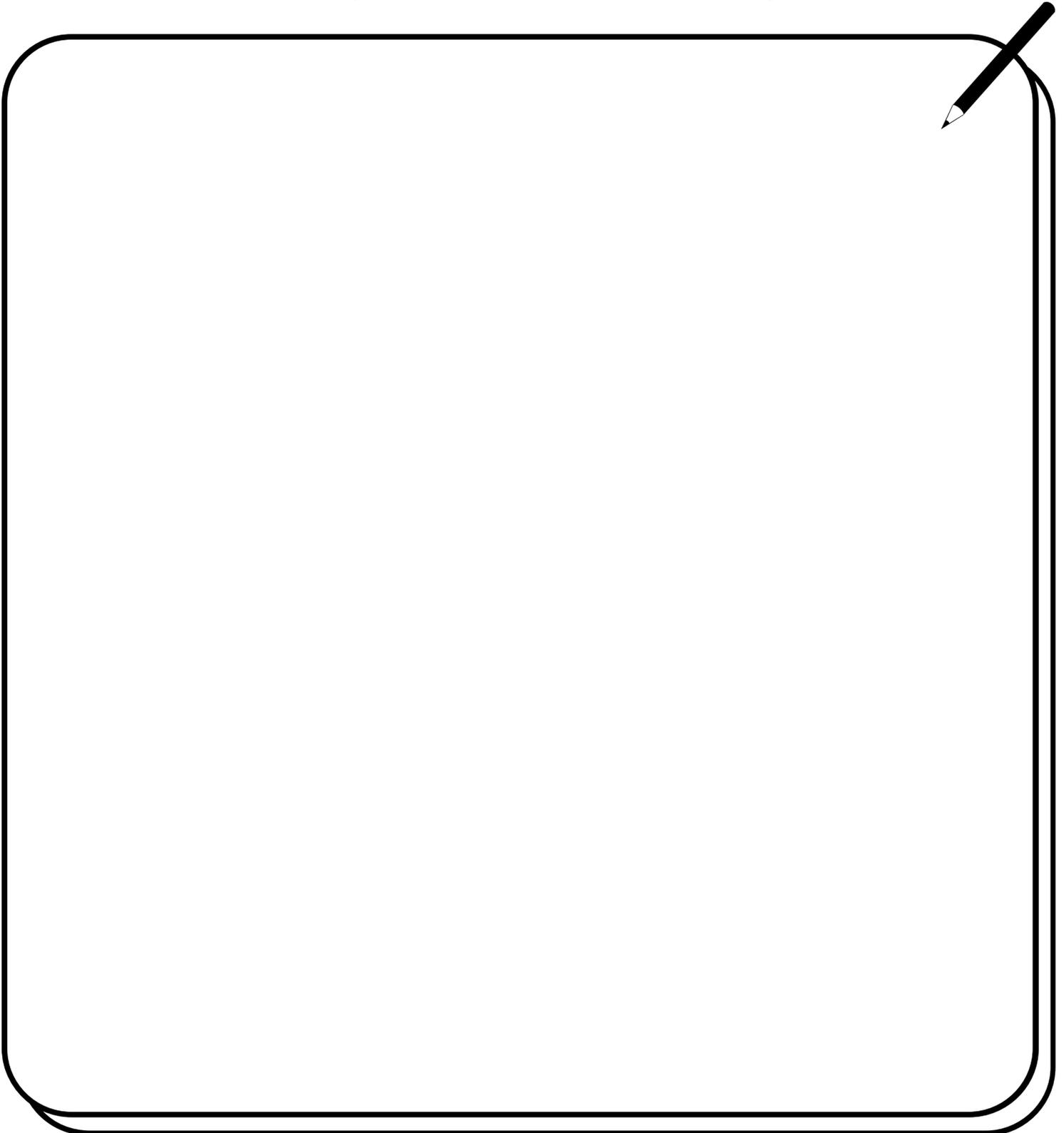
PAST YEAR QUESTION

4. Write **TWO (2)** importance of internal control to management and exhibit **TWO (2)** key inherent limitation of an internal control system.



PAST YEAR QUESTION

5. Relevant internal control activities i.e., access control to prevent entry into computer systems are available in the workplace. All employees fit into the organizational picture of internal control, whether their job responsibilities are directly related to those activities. Determine **FIVE (5)** components on the control activity.



CHAPTER 4

AUDIT PLANNING AND AUDIT RISK (ISA 500)

AUDIT PLANNING & AUDIT RISK

LEARNING *outcomes:*

1	Nature of audit planning
2	Process in audit planning
3	Analytical procedures
4	Risk assessment
5	Audit risk
6	Audit materiality

CHAPTER 4 : Audit Planning & Audit Risk

DEFINITION:

PURPOSES:



GET THINGS DONE

Issues and consideration when planning an audit

1

2

3

Issues and consideration when planning an audit

4

5

6

PRELIMINARY ENGAGEMENT ACTIVITIES



Client Acceptance & The Engagement



Initial Planning Upon Acceptance



Engagement Letter



Content of Audit Engagement Letter

1

2

3

4

5

6

Audit Risk



Inherent Risk



Control Risk



Environment Risk





Audit Risk



Detection Risk



Analytical Procedure

●	●	●	●	●	●	●	●	●	●	●	●	●	●
●	●	●	●	●	●	●	●	●	●	●	●	●	●
●	●	●	●	●	●	●	●	●	●	●	●	●	●
●	●	●	●	●	●	●	●	●	●	●	●	●	●

MATERIALIALITY

DEFINITION

Factor influencing determination of materiality:

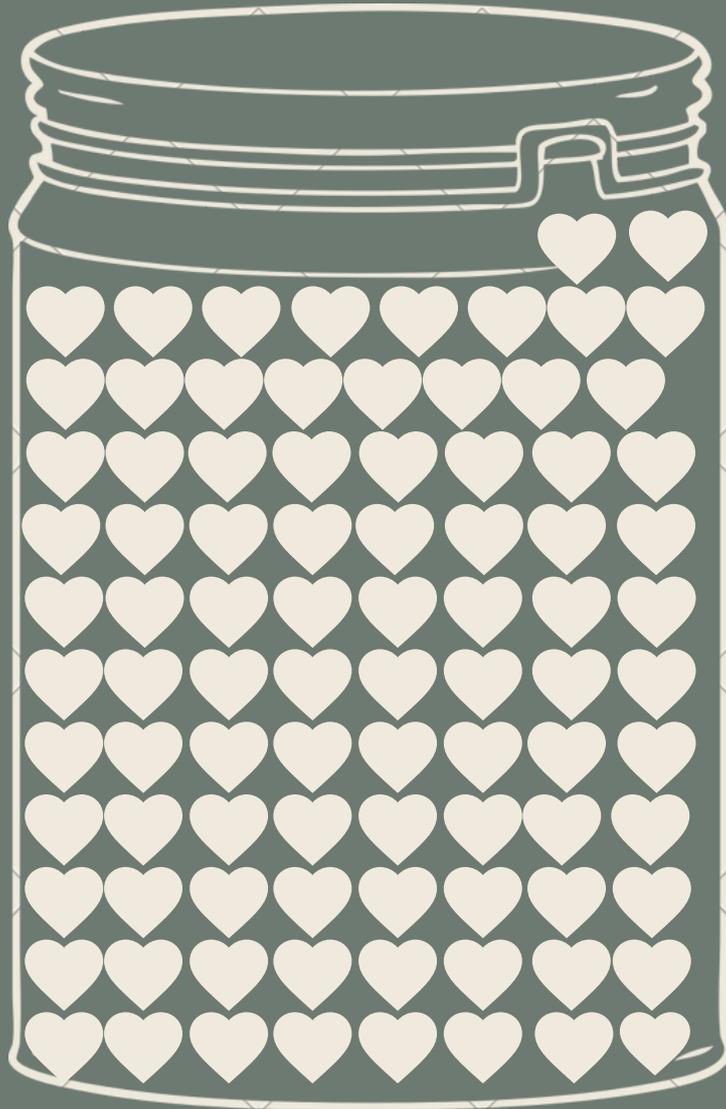
1.

2.

3.

4.

LET'S COUNT THE NUMBER OF HEARTS



Heart's Value :



Word Search Puzzle

Y T I L A I R E T A M N N D A
J V K J H Q A J K M R A G E U
C Y O A L Z O S U E G L V T D
C O V G A Q I I C P P P X E I
T I N H E R E N T R I S K C T
B G C T T Z O H E F D E C T S
T R N I R C X L C W S U G I T
F I D I G O I E R U T A N O R
M U D N M M L A N E I B I N A
A W I U I I Q R T K L S F R T
C O D N A Q T L I Y J F F I E
G N A D M W S A N S N B A S G
U R P Y C L E T N W K E T K Y
Y K J I Q Q M S U M G P S D X
Y R I S K A S S E S S M E N T

AUDIT

CONTROL RISK

STAFFING

INHERENT RISK

PLAN

MATERIALITY

AUDIT RISK

DETECTION RISK

AUDIT STRATEGY

PRELIMINARY

TIMING

RISK ASSESSMENT

GOING CONCERN

NATURE

Past Year Question



Auditors use the audit risk model to further identify the potential for misstatements in the overall financial statements. Analyze the components in audit risk model.

Past Year Question

Materiality and audit risk should also be considered together in determining the nature, timing, and extent of auditing procedures and in evaluating the results of those procedures.

- i. Exhibit the major steps in applying materiality to an audit.
- ii. Expose **TWO (2)** factors affect the preliminary judgement about materiality.

Past Year Question



Past Year Question



Audit planning is an essential part before the auditors perform the professional assignment. Write **FOUR (4)** factors accordingly priority to be considered in planning the audit by providing an explanation of each factor.

Past Year Question



Past Year Question

Determine the meaning of audit risk and differentiate the types of risks below:

- i. Inherent risk (IR)
- ii. Control risk (CR)
- iii. Detection risk (DR)
- iv. Environment risk

Past Year Question



Past Year Question



Planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan, in order to reduce audit risk to an acceptably low level. Illustrate **FIVE (5)** factors to be considered when planning an audit.

CHAPTER 5

DOCUMENTATION AND SAMPLING (ISA 230 AND ISA 530)



AUDIT DOCUMENTATION



This is me



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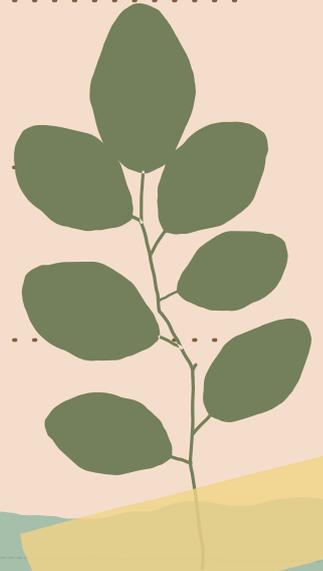


PERMANENT FILE

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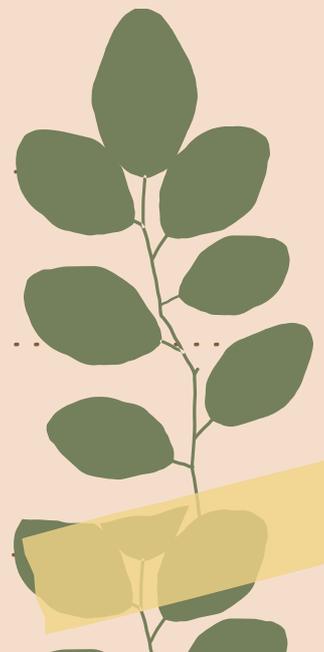
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CURRENT FILE

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Content in the current file

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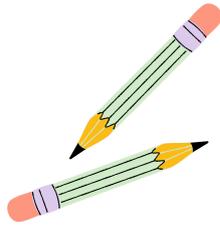
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YOU DID IT! YOU FOUND THE PENCILS!



IMPORTANCE OF AUDIT WORKING PAPER

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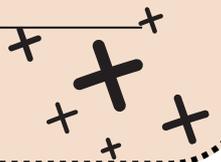
WHAT'S THAT???



Audit
programme

Working
trial
balance

Schedule
and
analysis



AUDIT WORKING PAPER REVIEW PROCESS

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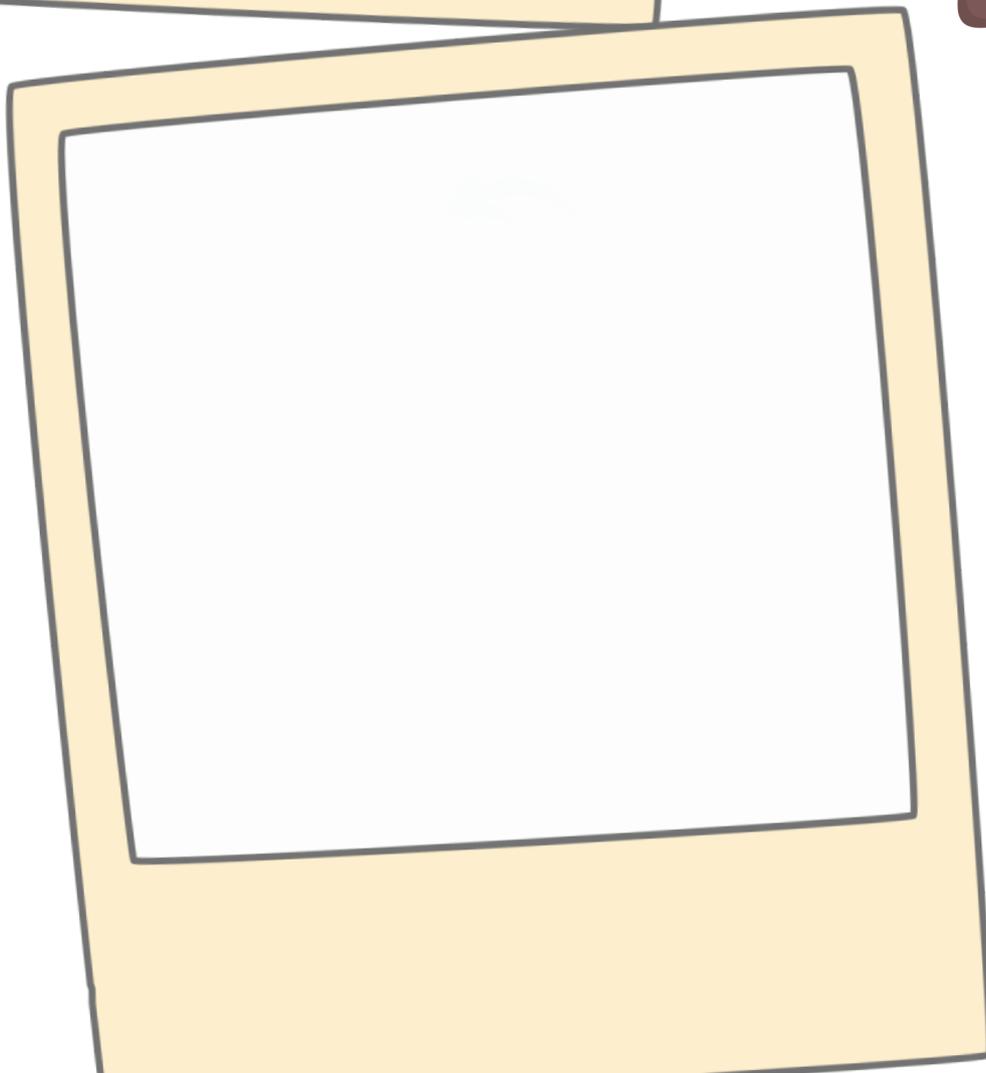
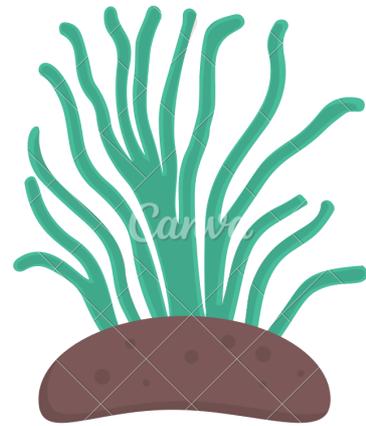
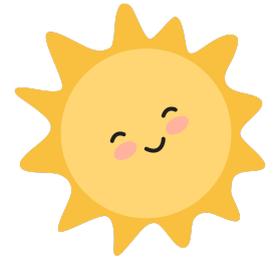
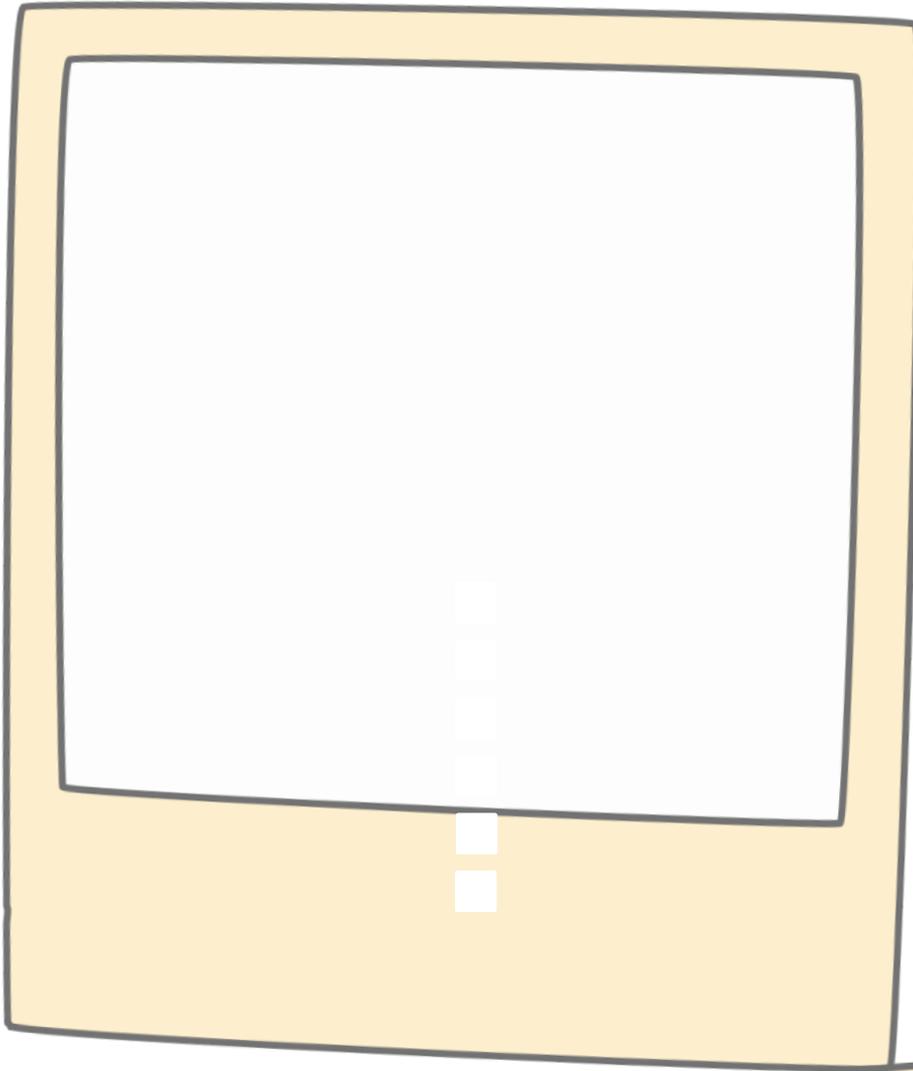
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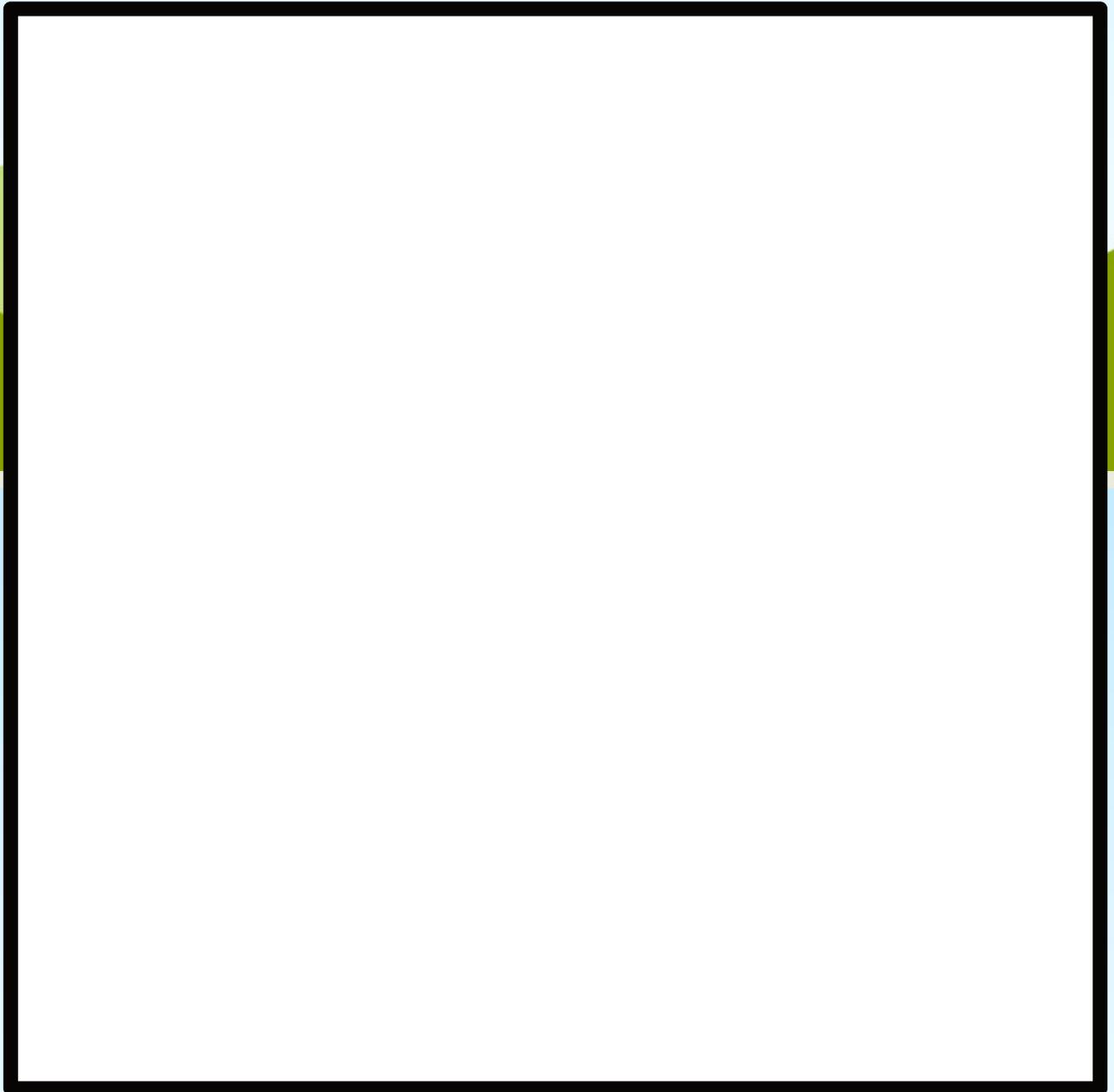
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CHANGES TO AUDIT FILE



OWNERSHIP OF AUDIT WORKING PAPER





AUDIT SAMPLING

A large, empty white rectangular area with rounded corners, framed by a thick blue border. A horizontal dashed blue line runs across the middle of the white area, dividing it into two equal halves. This area is intended for taking notes or drawing diagrams related to the audit sampling topic.

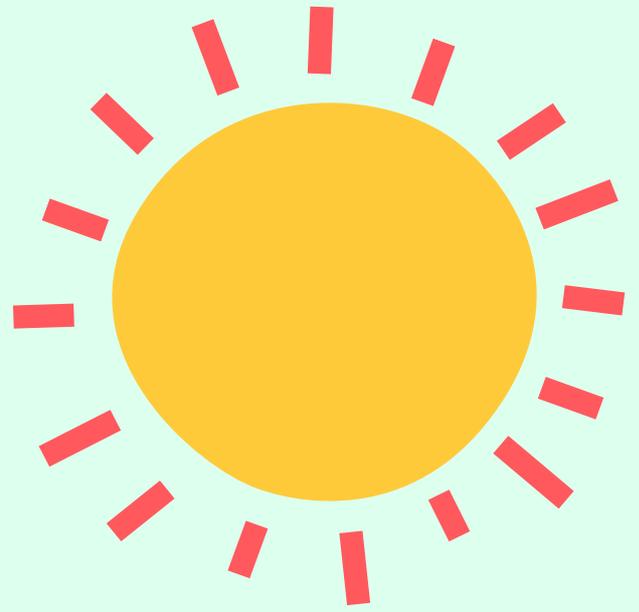
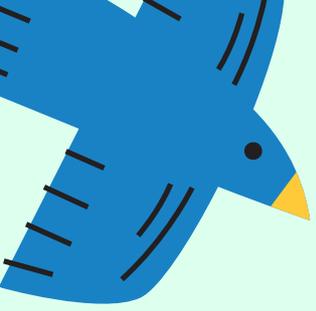
AUDIT SAMPLING PROCESS

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3

4

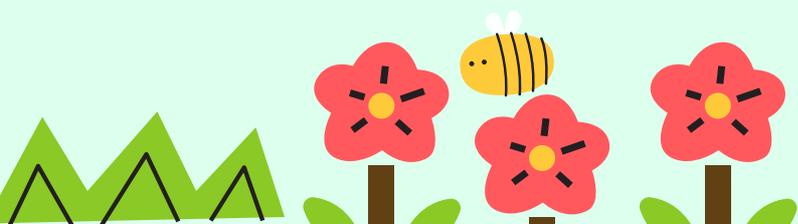


SAMPLING APPROACHES



**Statistical
Sampling**

**Non-
Statistical
Sampling**





Types of Statistical Sampling



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Sampling Risk



Non-sampling Risk



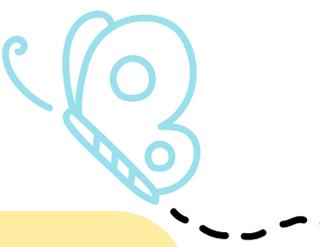
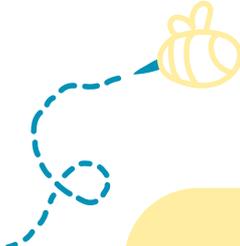
AUDIT TESTING

1.



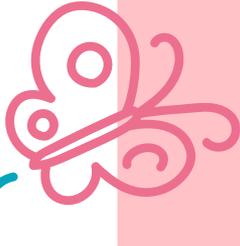
2.





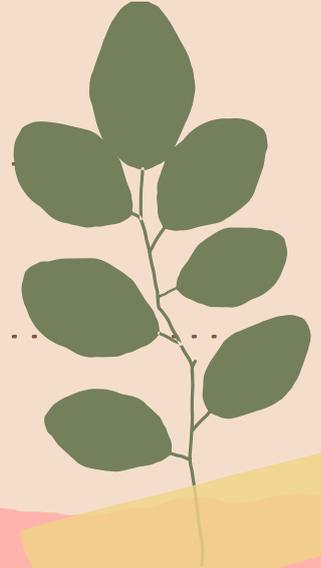
**Sampling for Test Of Control:
Attribute Sampling**

**Sampling for Substantive Test:
Probability Proportional to Size**

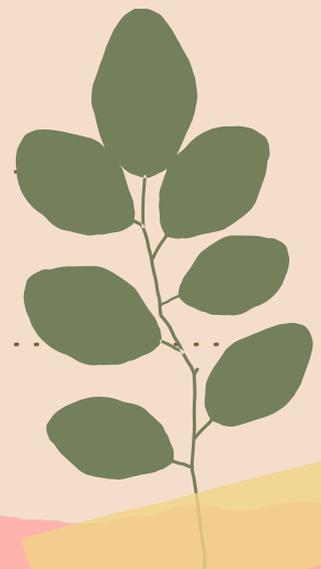


FINDINGS OF AUDIT TESTING

Test of Control



Substantive Test



CHAPTER 6

AUDIT EVIDENCE AND AUDIT PROCEDURES (ISA 500)



FEELING

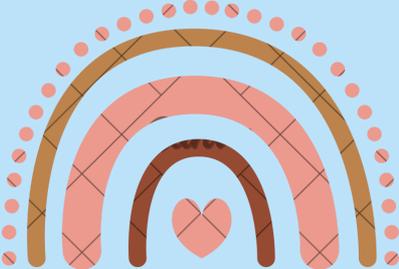
How do you feel?



**MEANING
OF AUDIT
EVIDENCE**



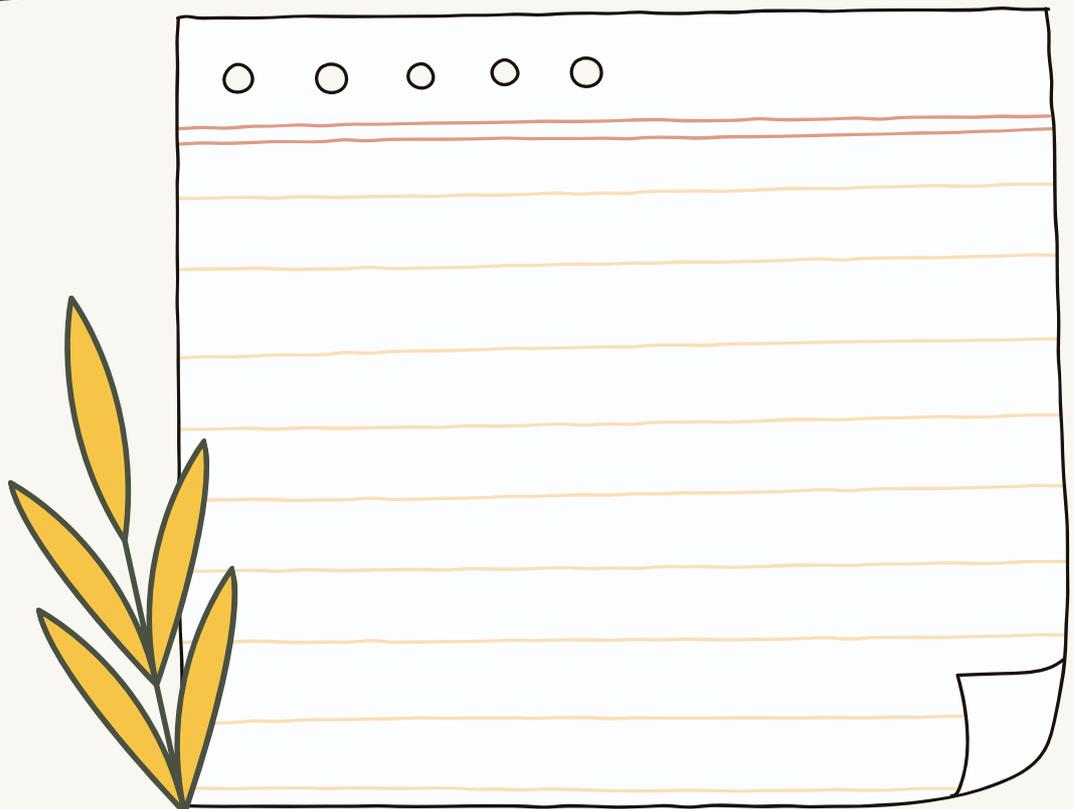
Purpose of having the audit evidence



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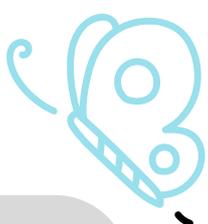


TYPES OF AUDIT EVIDENCE



SUFFICIENT EVIDENCE

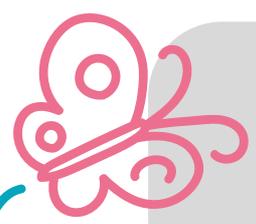
Measuring the quantity



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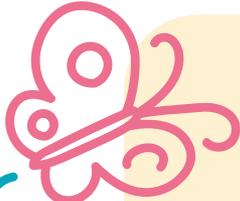
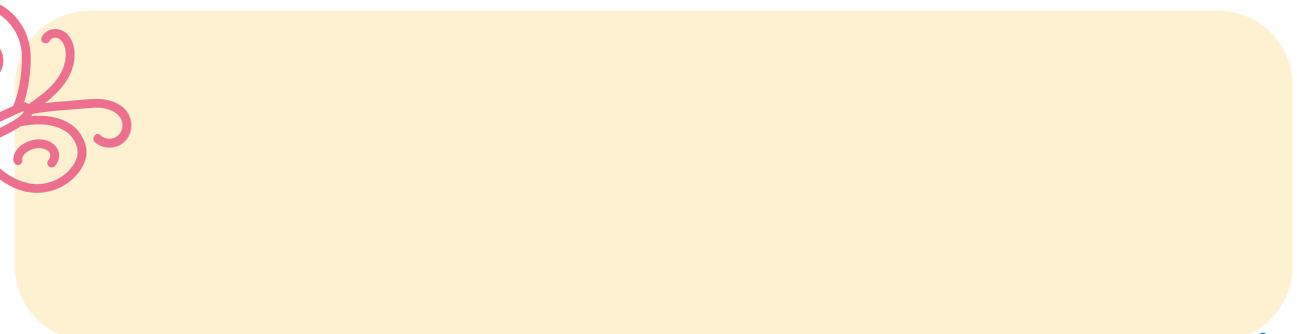
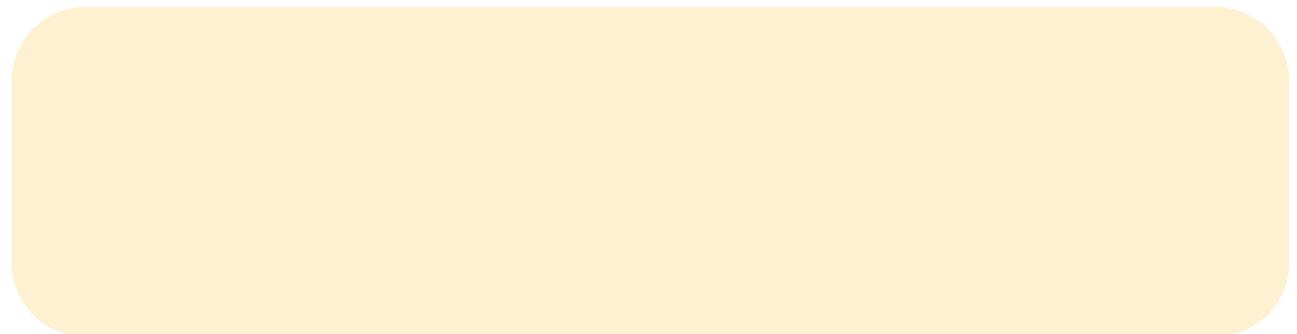
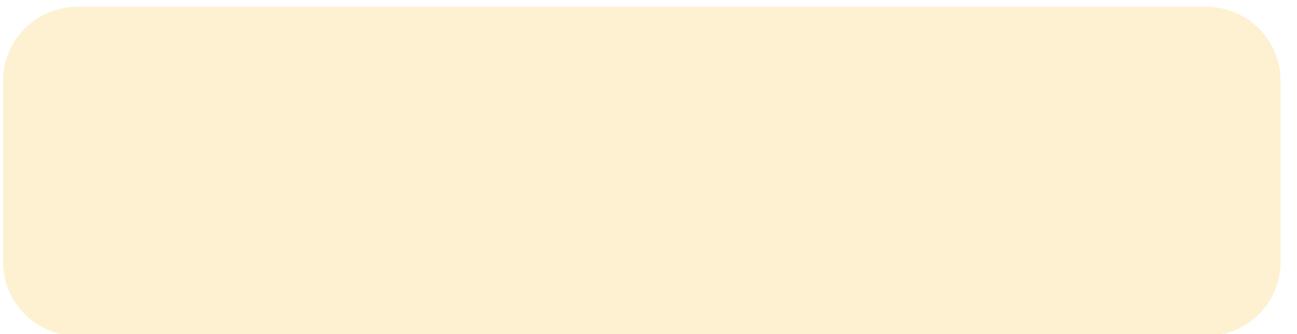
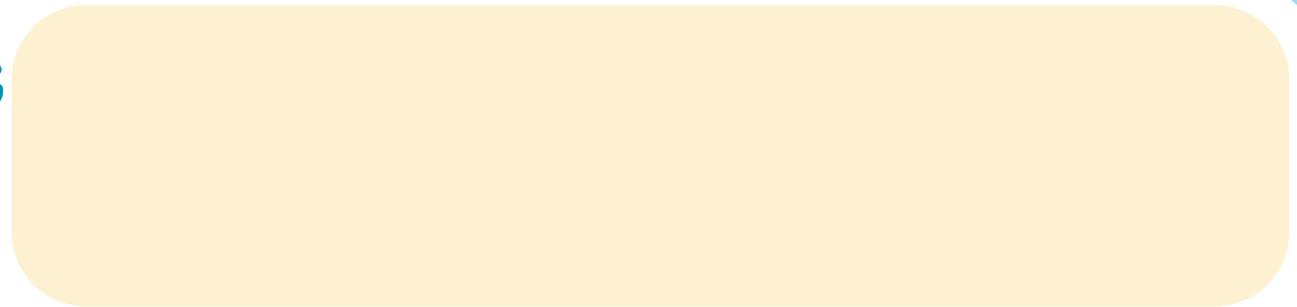


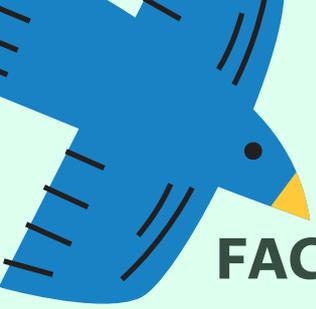
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APPROPRIATE EVIDENCE



Measuring the quality





**FACTORS TO BE
CONSIDERED
WHEN
COLLECTING
EACH TYPES OF
AUDIT EVIDENCE**



1

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2



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3

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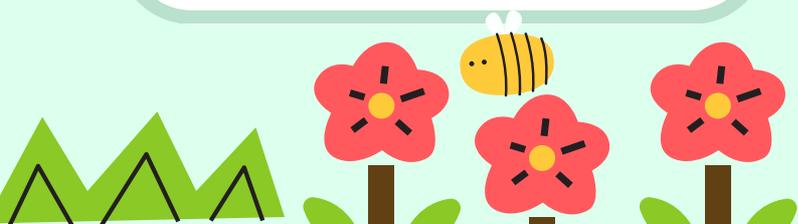
4

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5

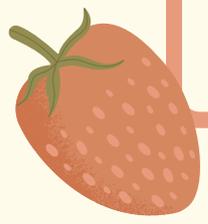
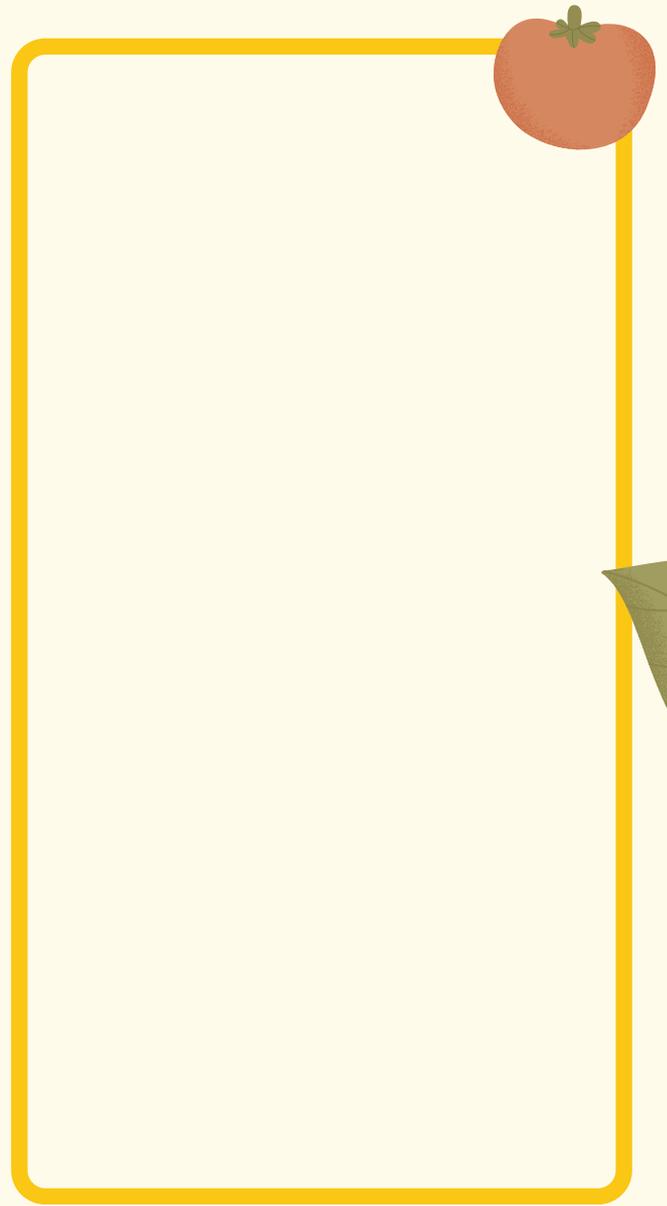


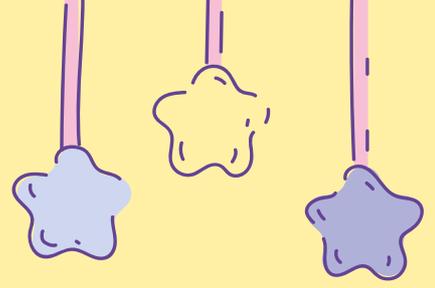
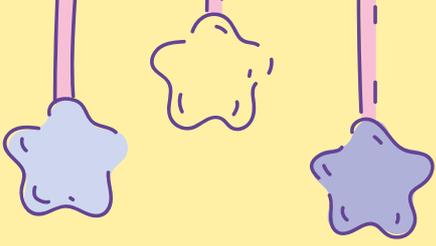
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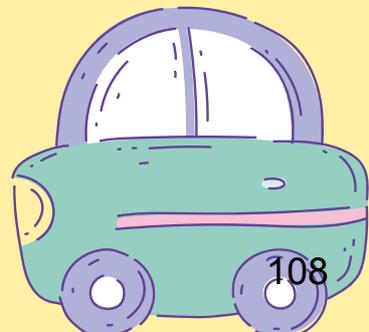


CHARACTERISTIC OF AUDIT EVIDENCE





AUDIT PROCEDURES



TYPES OF AUDIT PROCEDURES

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2

3

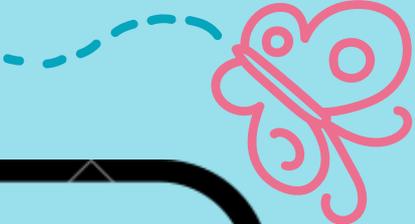
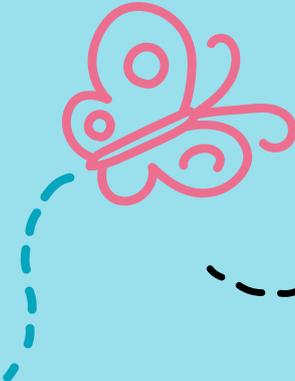
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TYPES OF AUDIT PROCEDURES

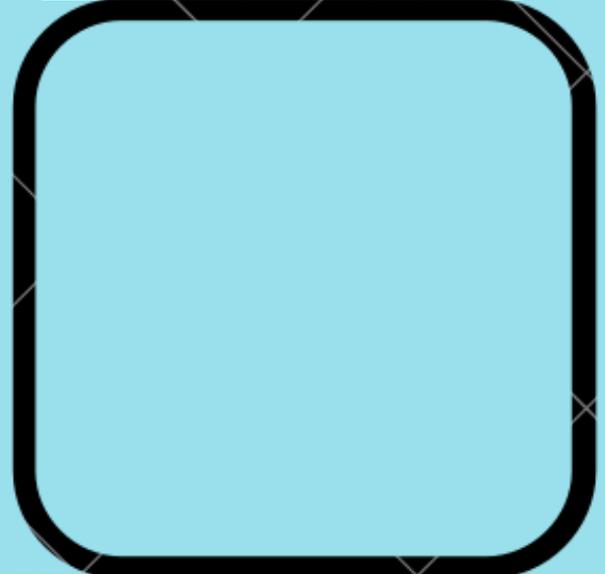
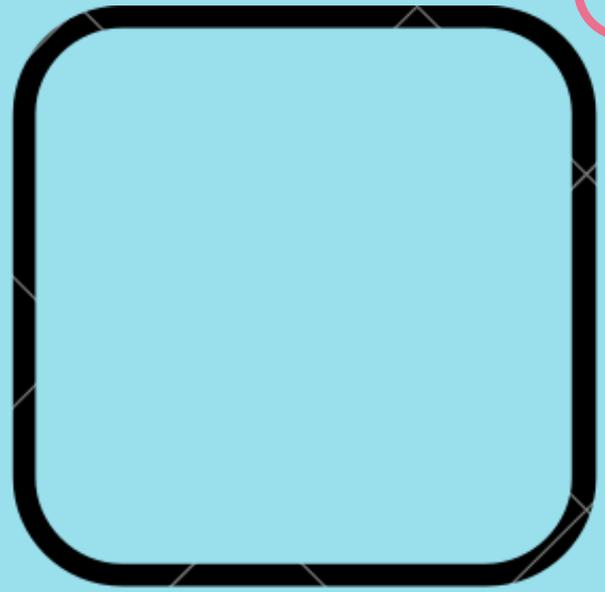
5 _____

6 _____

7 _____



CLASSIFICATION
OF AUDIT
PROCEDURES





KM 14, JALAN PANTAI,
71050, SI RUSA, PORT DICKSON,
NEGERI SEMBILAN

e ISBN 978-629-7643-16-8

