

# Audit 1

*Infographic Note*

*Based on Analysis Final  
Exam Question 2020-2024*



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# Copyright

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# Preface

Audit 1 – infographic note is specially written for polytechnic students who are pursuing diploma courses in accountancy. This book is primary aimed to be used as a main reference for basic auditing as it was written according to the polytechnic latest syllabus and based on Analysis Final Exam Question 2020-2024. This book also valuable to students in other higher learning institutions who also pursuing the same courses such as accounting, marketing and business studies either in diploma or certificates.

We tried our best to use the easiest approaches in order for the students to understand auditing. It written in simple English using infographic note and video presentation to enable students to obtain an understanding the important auditing principles and techniques.

Designed in line with the latest syllabus prescribe in Malaysian polytechnic, its covers six essential chapter covering all topics to fits virtually all one – semester courses in auditing or assurance services. Every chapter discussed within the necessary scope and depth relevant with diploma student level.

It is our sincere wish that students especially in IPTA may find this book useful and valuable aid to understand this subject. We hope that student and academicians will get benefit from this publication and this book will contribute to the advancement of audit education and learning in Malaysia.

***Mohd Shamsul Ismail (PKS)***

***Shaharoni Shafie (PKS)***

***Dr. Syaiful Baharee Jaafar (PTSB)***

**2024**

# Acknowledge

All praise to Allah subhanahu wa Taa'la whose help and guidance has sustains us to bring this book to completion. We sincerely hope that this book will be a valuable aid and reference to all especially students of Commerce Department throughout all polytechnics in Malaysia.

We also wish to express our grateful thanks to all my students audit who involve in the publication process directly or indirectly. There are a lot of moral support and guidance given to us during the publication and also suggestions and encouragements.

Our heartfelt appreciations to the director of Politeknik Kuching Sarawak and Politeknik Tuanku Sultanah Bahiyah Kulim Kedah, Head of Commerce Department and to all our colleagues at Commerce Department of Politeknik Kuching Sarawak and Politeknik Tuanku Sultanah Bahiyah Kulim Kedah whose always been helpful and supportive during the publication of this book.

Most of all, special thanks are due to our families members who never stop giving their supports and encouragement in getting this book published. Without their understanding and sacrifices, this book will never be completed.

Finally, we wish to express our deepest gratitude to everybody who's always helpful and we really appreciate and remember their kindness. Without cooperation and support from all parties involved, none of this will ever come true. Hopefully this book may become valuable and useful reference to gain more knowledge in this world and hereafter.

***Mohd Shamsul Ismail (PKS)***

***Shaharoni Shafie (PKS)***

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***2024***



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# Chapter 1

## INTRODUCTION OF AUDIT



# 5 Define Auditors



## by Cambridge Dictionary

- someone whose job is to carry out an official examination of the accounts of a business and to produce a report



## by Corporate Finance Institute



An auditor is a person or a firm assigned to perform an audit on an organization.

An audit is a structured, methodical process that includes an examination of books, accounts, records, or various documents.

## by Investopedia

- An auditor is a person authorized to review and verify the accuracy of financial records and ensure that companies comply with tax laws. They protect businesses from fraud, point out discrepancies in accounting methods and, on occasion, work on a consultancy basis, helping organizations to spot ways to boost operational efficiency



## by Corporate Governance Institute

- An auditor is an independent professional who examines and verifies the accuracy of a company's financial records and reports.
- Auditors are responsible for ensuring that financial statements are accurate and in compliance with various laws and regulations. Auditor's also provide assurance that an organisation's financial statements are free from misstatements and fraud.





# Purpose of auditing



**Making system improvements:**  
Since an audit looks closely at systems and controls, auditors will often suggest beneficial improvements to make an organization more efficient.

As fraud prevention from beginning as auditing may decrease the chances of fraud.

**Improving planning and budgeting:**  
Since an audit confirms the accuracy of financial statements with income, expenses, assets and liabilities being carefully examined, the information gathered can help with future financial planning, decision-making and budgeting.

01.

02.

Ensure that proper record of book keeping have been maintained by a company and thus make certain that adequate records in a company's documentation.

03.

05.

Enhance the trustworthiness of the financial statements.

05.

06.

Enable auditor to give opinion on financial statements of a company to business owners and all the users of the financial statements as to whether the financial statements show a true and fair view or not, in accordance to rules and regulations.



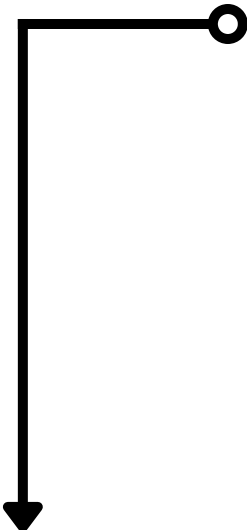
A professional who ensures organizations and companies have accurate accounting throughout the year

A person or a group of companies engaged in the internal audit committee provides useful information to make decisions making regarding the efficiency of the organisation.

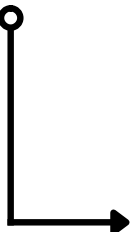
**INTERNAL**



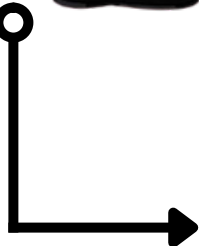
**AUDITORS**



They evaluate and improve the internal control structure and recommend improvements in business operations, conduct special investigations for management, detect and prevent errors and fraud.



Internal auditor are to collect, analyze and scrutinize all the company records to check if they are complying with all the regulations and managing the risk accordingly.



They also perform an audit on all the systems, processes and internal controls. They may also do some value-additions to reduce the management costs, optimize resources and mitigate overall risk.

**Session 1 2023/24** Approved company auditor under Section 8 of the Companies Act 1965 and is responsible for carrying out the audit of financial statements of companies incorporated under the Act.

# EXTERNAL



# AUDITORS

Independent auditor appointed by the shareholders to ensure that the high level of reliability can be achieved on the financial statements that have been prepared by management..

An external auditor may have to communicate with the internal auditors but they are not influenced by the internal auditors. An External auditor may also have to coordinate with other departments such as technology or operations if he is doing a department focussed audit.

External auditor conducts the audit once a year and he has no affiliation with the company. The work of external auditors is crucial and he is answerable to the investors and government bodies..

An external auditor is a public accountant who conducts audits, reviews, and other work for his or her clients. An external auditor is independent of all clients, and so is in a good position to make an impartial evaluation of the financial statements and systems of internal controls of those clients.

Members of the audit team may be required to hold specific titles or license as part of the audit agreement

A company or board can usually pick the audit firm but not audit team members

Audit reports are primarily used by external parties to satisfy a reporting requirement

External audits are often more formal with defined boundaries and disallowed services



# EXTERNAL VS AUDITORS INTERNAL

A company is usually able to select its own internal audit lead and team members

Internal audits may be less formal with blurred structure as the auditor provides casual guidance

Members of the audit team often do not need to have specific titles or licenses

Audit reports are primarily used by internal management to improve company operations



# Procedure to appoint auditor by written resolution - Section 279

**S 279. (1)** This section applies where a resolution is proposed as a written resolution of a private company the effect of which would be to appoint a person as an auditor in place of an outgoing auditor.

**(2)** The company shall send a copy of the proposed resolution to the person proposed to be appointed as an auditor and to the outgoing auditor.

**(3)** The outgoing auditor may make a statement in writing explaining the circumstances connected with his resignation not exceeding a reasonable length to the company within fourteen days

from receiving the proposed resolution referred to in subsection (1) and may request a copy of the statement to be sent to every member of the company.

**(4)** The company shall send a copy of the statement to every member of the company to whom resolution under this section has been circulated prior to the period for agreeing to written resolution.

**(5)** The company shall circulate the resolution in accordance with section 301 or 303 and where this subsection and subsection (4) apply—

**(a)** the period allowed under subsection 303(3) for service of copies of the proposed resolution is twenty-eight days instead of twenty-one days;

and

**(b)** subsections 303(5) and (6) shall apply in relation to a failure to comply with that subsection.

**(6)** A copy of the statement need not be circulated if, on the application either of the company or of any other person claiming to be aggrieved, the Court is satisfied that the auditor is using this section to secure needless publicity or the matter is defamatory or other grounds that the Court thinks reasonable.







## Section 266 & 286

# Power & Right Auditor of The Companies Act. 2016

### Section 266 (4)

01

to access at all reasonable times all accounting records including all company registers and any other related information from company officers and auditors.

### Section 266 (8)

03

to report to the directors any breach or non-observance in the financial statements.

### Section 266 (7)

02

to attend any general meeting, to receive all notices and communications and be heard on matters concerning the auditors

### Section 266 (9)

04

to report to the register if there is a serious offense involving fraud or dishonesty involving fraud or dishonesty committed against the company or the act by company officers.

### Section 286 (3)

05

auditors are not liable for defamation or being sued in court in relation to statements, whether oral or written or any report made in the course of duty of such report was done in good faith.

# 6 REASON OF DISQUALIFICATIONS OF AN AUDITOR - SECTION 264 (1) (C)

i  
He is not an approved company auditor;

iv  
He is responsible for or if he is the partner, employer or employee of a person responsible for the keeping of the register of members or the register of debenture holders of the company;

ii  
He is indebted to the company or to a corporation that is deemed to be related to that company by virtue of section 7 in an amount exceeding twenty-five thousand ringgit;

vi  
He has been convicted of any offence involving fraud or dishonesty punishable with imprisonment for three months or more.



he is—

iii  
(A) or his spouse is an officer of the company;

(B) a partner, employer or employee of an officer of the company;

(C) a partner or employee of an employee of an officer of the company; or

(D) a shareholder or his spouse is a shareholder of a corporation whose employee is an officer of the company;

v  
He is an undischarged bankrupt within or outside Malaysia except with leave of the Court



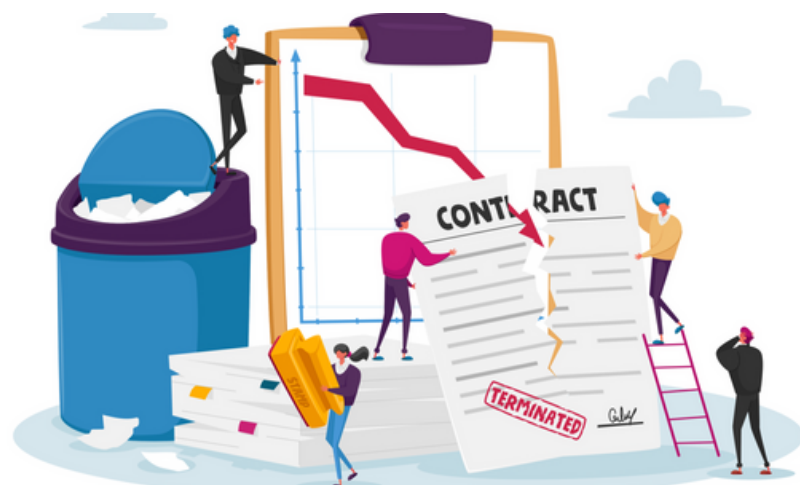
# Process of a termination of an auditor - Section 276 & 277

## Resolution to remove auditor from office

**S 276. (1) The members of a company may remove an auditor from office at any time—**

**(a) by ordinary resolution at a general meeting; and**

**(b) in accordance with section 277**



## Process of a termination of an auditor

**S 277. (1) A special notice shall be required for a resolution to remove an auditor from office at a general meeting of a company.**

**(2) Upon receipt of the special notice of such an intended resolution, the company shall immediately send a copy of the notice to the auditor proposed to be removed and the Registrar.**

**(3) The auditor may make a representation in writing not exceeding a reasonable length to the company within seven days from the receipt of the special notice and may request that prior to the meeting at which the resolution is to be considered, a copy of the representation be circulated by the company to every member of the company to whom notice of the meeting is sent.**

**(4) Upon request of the auditor referred to in subsection (3), the company shall send a copy of the representation to every member of the company to whom notice of the meeting is sent.**

**(5) If a copy of the representation is not sent as required under subsection (4), the auditor may, without prejudice to his right to be heard orally, require that the representation be read out at the meeting.**

**(6) A copy of the representation need not be circulated and the representation need not be read at the meeting if, on the application either of the company or of any other person claiming to be aggrieved, the Court is satisfied that the auditor is using this section to secure needless publicity or the matter is defamatory or some other grounds that the Court thinks reasonable.**

# Procedure to appoint auditor at a meeting of members - Section 280

**S 280. (1)** This section applies to a resolution at a general meeting of a company the effect of which is to appoint a person as an auditor in place of an outgoing auditor.

**(2)** A special notice is required of such a resolution if—

**(a)** in the case of a private company—

**(i)** no period for appointing auditor has ended since the outgoing auditor ceased to hold office due to his resignation or removal;

or

**(ii)** such a period has ended and an auditor should have been appointed but is not appointed;

or

**(b)** in the case of a public company—

**(i)** no annual general meeting is held since the outgoing auditor ceased to hold office due to his resignation or removal;

or

**(ii)** an annual general meeting is held at which an auditor should have been appointed but is not appointed.

**(3)** Upon receipt of notice of such a proposed resolution, the company shall immediately send a copy of the notice to the person proposed to be appointed as an auditor.

# Resignation of auditor - Section 281



**281. (1)** An auditor of a company may resign his office by giving a notice in writing to that effect to the company at its registered office.

**(2)** A notice of resignation under subsection (1) shall bring the auditor's term of office to an end after twenty-one days from which the notice is given or from the date as may be specified in the notice.





# Types of Audit Services





# 4 DEFINITION OF FINANCIAL AUDIT

## FINANCIAL AUDIT?

A financial audit is conducted to provide an opinion whether "financial statements" (the information is verified to the extent of reasonable assurance granted) are stated in accordance with specified criteria.

## WHAT IS A FINANCIAL AUDIT?

A process that helps you maintain the accuracy of your company's financial transactions. Audits ensure that stakeholders are provided with accurate and credible information so they can make more informed decisions about your company.

## WHAT IS A FINANCIAL AUDIT?

A financial audit is the examination of the financial records of an entity by a certified third party examiner. This examination by a knowledgeable outsider is needed to provide credibility to an organization's financial statements. If an auditor does not find any issues, then he or she releases an auditor's opinion, which accompanies the certified financial statements when they are issued.

# FINANCIAL STATEMENT

## FINANCIAL AUDIT DEFINITION

A financial audit, also referred to as a financial statement audit, is an objective evaluation of your company's financial statements. They are usually conducted on an annual basis. While financial audits can be conducted internally (by an employee), most of the time, your stakeholders will want an audit from an independent body.

# Compliance Audit

# DEFINITION OF COMPLIANCE AUDIT

A formal review of an organization's procedures and operations mainly focusing on whether an entity is complying with internal rules, regulations, policies, decisions, and procedures..

## WHAT IS A COMPLIANCE AUDIT?

A comprehensive review of an organization's adherence to regulatory guidelines. Audit reports evaluate the strength and thoroughness of compliance preparations, security policies, user access controls and risk management procedures over the course of a compliance audit.



## WHAT IS A COMPLIANCE AUDIT?

- Compliance audits systematically examine an organisation's activities to determine whether they meet all applicable legal requirements and/or internal guidelines, such as corporate bylaws, controls and policies.
- The audit report will cover the strength of compliance preparations, security policies, risk management procedures, and user access controls. It will identify any gaps in compliance while making recommendations to resolve potential issues.



## COMPLIANCE AUDIT DEFINITION

A compliance audit is an independent evaluation to ensure that an organization is following external laws, rules, and regulations or internal guidelines, such as corporate bylaws, controls, and policies and procedures.

## PERFORMANCE AUDIT?

A performance audit is an independent assessment of an entity's operations to determine if specific programs or functions are working as intended to achieve stated goals. Performance audits are typically associated with government agencies at all levels as most government bodies receive federal funding.

# DEFINITION OF PERFORMANCE AUDIT

## WHAT IS A PERFORMANCE AUDIT?

Performance audits typically test if a government or organizations is making good use of resources to effectively deliver its policy goals and achieve its intended impact. Such audits often intend to examine the implementation of a policy or policies.

## WHAT IS A PERFORMANCE AUDIT?



As carried out by SAls, performance auditing is an independent, objective and reliable examination of whether government undertakings, systems, operations, programmed, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

## PERFORMANCE AUDIT DEFINITION

- An independent, objective and reliable examination of whether public sector undertakings, systems, operations, programmes, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness.
- The main objective of performance audit is to constructively promote economical, effective and efficient governance. It also contributes to accountability and transparency.



## TAX AUDIT?

A tax audit is an examination of a taxpayer's business accounts and financial affairs to ensure that the correct amount of income has been reported and taxes paid in compliance with tax laws and regulations.

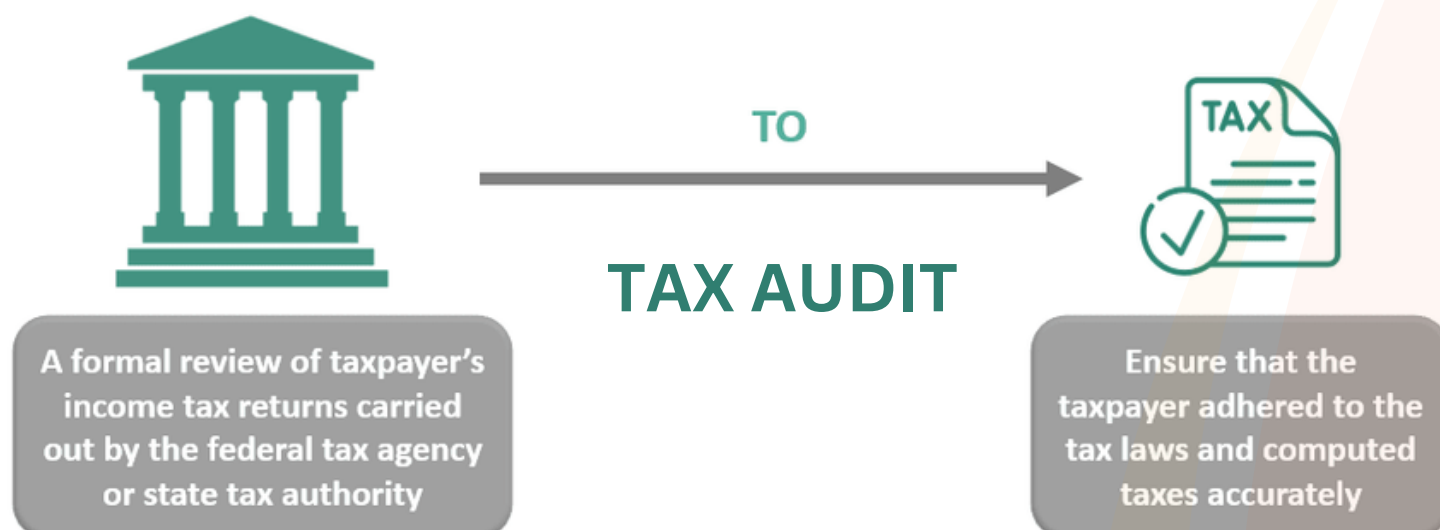
# DEFINITION OF TAX AUDIT

## WHAT IS A TAX AUDIT?

A tax audit is an examination of a person's tax returns performed by a federal or state tax agency to determine whether the income and deductions reported by the taxpayer are accurate. The purpose of conducting an audit is to minimize the tax gap.

## WHAT IS A TAX AUDIT?

Tax audit is a primary activity of the tax authorities under the Self Assessment System ["SAS"] in enhancing and encouraging voluntary compliance with the tax laws and regulations. It also ensures that a high level of compliance rate is achieved under the SAS. A taxpayer can be selected for audit at any time to ascertain that the amount of tax reported and paid are in accordance with the tax laws and regulations.



# SHARIAH AUDIT?

Shari'ah audit is a process to ensure that any activities carried out by the Islamic financial institutions do not contravene the shari'ah. The first scope of shari'ah audit could be the audit of financial statement of the IFIs.



## WHAT IS A SHARIAH AUDIT?

The objective of auditing is to ensure that all the activities and operations carried out by the organization do not conflict with established Shariah principles.

## WHAT IS A SHARIAH AUDIT?

Shariah audit refers to the periodical assessment conducted from time to time, to provide an independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the IFI's business operations, with the main objective of ensuring a sound and effective internal control .

## WHAT IS A EXTERNAL SHARIAH AUDIT?

External Shariah Audit (ESA) ensures that an adequate independent assurance is provided to the Shariah Committee and Board of the company on the shariah compliance status of its operations

# DEFINITION OF SHARIAH AUDIT

## **PUBLIC SECTOR AUDITING?**

As a systematic process in which, always objectively, the financial, administrative and technical operations carried out are evaluated, as well as the objectives, plans, programs and goals achieved by the entities and agencies of the public sector.

## **WHAT IS A PUBLIC SECTOR AUDITING?**

Auditing is an independent appraisal process often governed by statute, for examining investigating and verifying the financial statements of an organization, by a person competently appointed.

## **OBJECTIVES OF PUBLIC SECTOR AUDITING?**

To achieve these main objectives, the following three sub objectives needs to be achieved;

### **1. Legal and regulatory compliance**

To assure parliament that the transactions undertaken by the government reporting organization were with the appropriation law and specifically in line with the regulations set for the organization concern

### **2. Reliability**

To assure parliament as to the fact that, the published accounts resulting from the organizational transaction in using the appropriated fund is reliable.

### **3. Value for money**

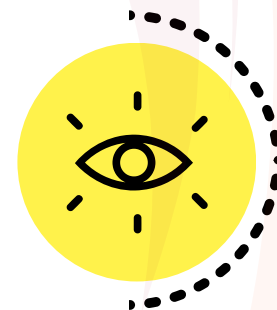
To determine the extent of economy, efficiency and effectiveness that resulted in the use of the resources that were given to the organization.

# **DEFINITION OF PUBLIC SECTOR AUDITING**



# THE IMPORTANCE OF AUDITING STANDARD

**1** An auditing standard is a form of the current best practice applicable in statutory audit engagements by approved auditors which sets a minimum level of technical proficiency to assure work done is of high quality auditing and at the same time providing high level of assurance



**2** It is a form of benchmarking the intensity of achieving objectives of the professional bodies in being a role model in the accounting profession and also safeguarding the position of auditors whilst auditing financial statements.



**3** Auditors carry out detailed works to value a subject matter whether it is of true and fair view. Once a conclusion is made, the opinion obtained would determine the level of confidence the public would have towards the financial statements





# SOURCE DOCUMENTS

A source document is the original document that contains the details of a business transaction. A source document captures the key information about a transaction, such as the names of the parties involved, amounts paid (if any), the date, and the substance of the transaction.

## 1. Bank statements

This is a summary of financial transactions that occurred at a certain institution during a specific time period. For example, a typical bank statement may show your deposits and withdrawals for a certain month.

## 2. Purchase Order

The buyer sends this to the vendor. They will then outline exactly what the order should contain and when it should arrive.

## 3. Sales Invoice

This is a process for managing account receivables. When the seller gives out goods, they will provide a document containing all relevant sale details.

## 4. Purchase Invoice

This is made for account payables. The seller will enter this as sales invoice while the buyer will enter it as purchase invoice.

## 5. Debit Note

This is evidence of reduction in purchases and can be useful to support purchases return journal. Furthermore, in customer books, debit note will reduce how much they owe to the seller.

## 6. Credit Note

This is evidence of reduced sales and support sales return journal. In addition to supplier's books, credit note reduces the amount owed by the customer.

## 7. Cheque

This is a special bank note that represents the cash paid by the customer.

## 8. Revenue receipt

This is used to record the receipt of cash which is a proof that the payment is made.

## 9. Cash register receipts

This is a business paper that listed the money coming in from customers.

## 10. Bank or Credit advice

They are debit or credit bank advice. Bank credit advice is bank documents informing the business of an increase made in the business's bank account. Unlike bank debit advice that is opposite to bank credit advice.

## 11. Deposit slips

When one receives cheque or cash from customer, the seller will take it to the bank and present.

## 12. Memorandum

Memo is a written document businesses use to communicate an announcement, policy changes, price increases or notification to take an action, such as attend a meeting, or change a current production procedure.

# Chapter 2

## OBJECTIVES AND SCOPE OF FINANCIAL STATEMENT AUDIT (ISA 200)



# 7 TYPES OF AUDIT OBJECTIVE

## Internal Audit

To Check Internal Control over financial reporting, compliance with Policies, compliance with Legal Aspects such as the applicability of the Companies Act;

## Forensic Audit

Recognize fraud cases, Control and decrease instances of fraud through the application of suggestions and recommendations and internal Audit control in the entity

## Statutory Audit

To check that an entity is following the rules and regulations of the Act under which it is registered, they have to appoint the statutory auditor to conduct the statutory audit.

## Financial Audit

To get reasonable assurance that the financial statements are free of material misstatement.

## Tax Audit

Proper maintenance of the Books of Accounts and other records of similar nature and to Maintain Proper records of Income and tax expenses and deductions of the Taxpayers.

## External Audit

To check whether the Financial Statements prepared by the Management provide an accurate and fair view

## Special Objective Audit

Conducted as per Laws, and objectives vary as per laws.





# A Definition of FRAUD

Fraud is an intentionally deceptive action designed to provide the perpetrator with an unlawful gain or to deny a right to a victim. Types of fraud include tax fraud, credit card fraud, wire fraud, securities fraud, and bankruptcy fraud. Fraudulent activity can be carried out by one individual, multiple individuals or a business firm as a whole.

ISA 240 – Fraud definition. An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

“Fraud” is any activity that relies on deception in order to achieve a gain. Fraud becomes a crime when it is a “knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment” (Black’s Law Dictionary). In other words, if you lie in order to deprive a person or organization of their money or property, you’re committing fraud.

In law, fraud is intentional deception to secure unfair or unlawful gain, or to deprive a victim of a legal right. Fraud can violate civil law (e.g., a fraud victim may sue the fraud perpetrator to avoid the fraud or recover monetary compensation) or criminal law (e.g., a fraud perpetrator may be prosecuted and imprisoned by governmental authorities), or it may cause no loss of money, property, or legal right but still be an element of another civil or criminal wrong. [1] The purpose of fraud may be monetary gain or other benefits, for example by obtaining a passport, travel document, or driver’s license, or mortgage fraud, where the perpetrator may attempt to qualify for a mortgage by way of false statements.







**PERPETRATOR :**

Employees of an organization



**EXPLANATION :**

Employees use their position to take or divert assets belonging to their employer. This is the most common type of fraud



**VICTIM :**

The employee



**EXPLANATION :**

Customer's don't pay, pay too little, or get too much from the organization through deception



**PERPETRATOR :**  
Customer of an organization



**VICTIM :**

The organization which sells to customers



# TYPES OF FRAUD



**PERPETRATOR :**

Vendor of an organization



**VICTIM :**

The organization to which the vendors sell goods or services



**EXPLANATION :**

Vendor either overbill or provide lower quality or fewer goods than agreed



**PERPETRATOR :**  
Management of company



**VICTIM :**

Shareholders and/or debt-holders and regulators



**EXPLANATION :**

Management manipulates the financial statements to make the company look better than it is. This is the most expensive type of fraud

# 7 BASIC PRINCIPLES GOVERNING THE AUDITOR

1

Independence

2

Integrity

3

Objectivity

4

Professional  
competence &  
due care

5

Confidentiality

6

Professional  
behavior

7

Technical  
standards

## Independence

The independence of the auditor from parties that may have a financial interest in the business being audited. Independence requires integrity and an objective approach to the audit process.

### Integrity

should be straightforward and honest in performing professional services.

### Objectivity

an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made.

### Professional competence & due care

A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques.

### Confidentiality

Principle Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

### Professional behavior

Auditors have a duty to adhere to high standards of behavior (e.g. honesty and candidness) in the course of their work and in their relationships whether it be personal or with the staff of audited entities.

### Technical standards

The body must have rules and practices as to the technical standards to be applied in company audit work and the manner in which they are to be applied.



1 Independence

2 Integrity

3 Objectivity

4 Professional competence & due care

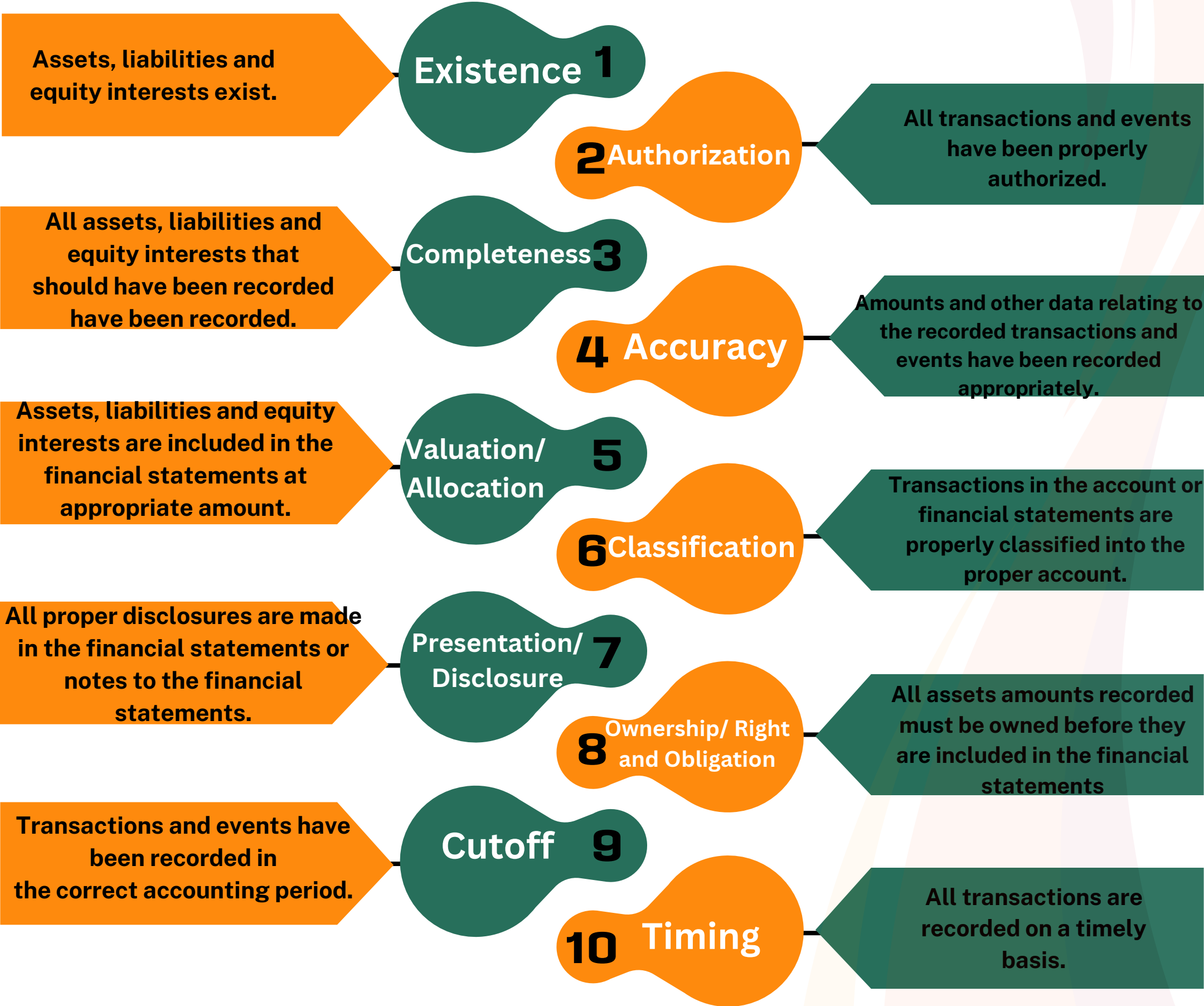
5 Confidentiality

6 Professional behavior

7 Technical standards

# BASIC PRINCIPLES GOVERNING THE AUDITOR

# 10 AUDITING ASSERTIONS





# AUDITOR INDEPENDENCE?



- The objective of an audit has been described as enhancing ‘the credibility of the financial statements by providing reasonable assurance from an independent source that they present a true and fair view’.

- An audit is necessary in order to add credibility to the financial statement. This objective will not be met if the readers of the audit report believe that the auditor could have been influenced by the directors of the company.

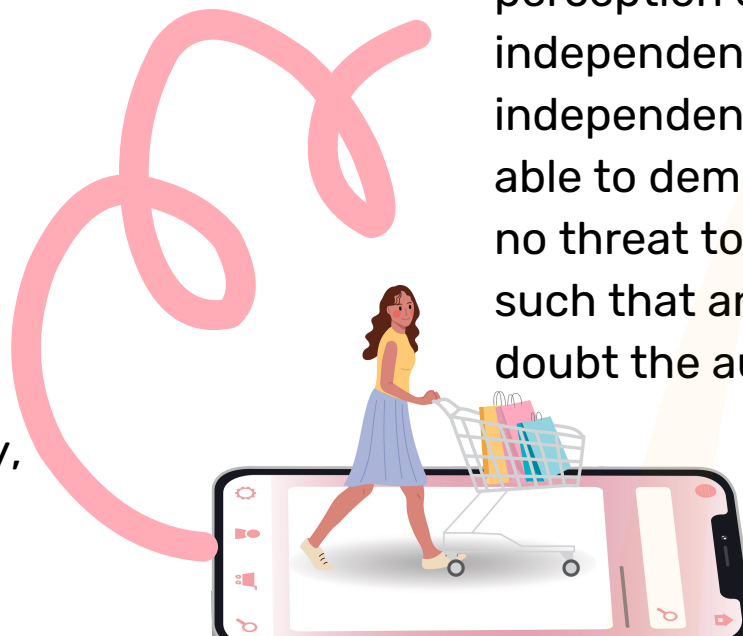
## INDEPENDENCE OF MIND?

- exist when the auditors is actually able to maintain an unbiased attitude throughout the audit. It refers to objectivity, to the quality of not being influenced by regard to personal advantage.
- The state of mind that permits the provision of an opinion without being affected by influence that compromise professional judgment allowing an individual to act with integrity, and exercise objectivity and professional skepticism.



## INDEPENDENT IN APPEARANCE?

- \* refers to the public or other’s perception of the auditor independence. To be seen to be independence, an auditor should be able to demonstrate that there is no threat to his or her independence such that an outsider would not doubt the auditor’s objectivity.



01

- provides services other than auditing e.g. prepare the financial statements.

02

- direct financial interest in the client's company either as a major shareholders or debtor.

## Activities That May Affect an Auditor's Independence

03

- the employee or officer of that client.

04

- close personal relationship business or family) with the officer of the company.

05

- obtains fringe benefit or special consideration from the client.

06

- The audit fees from one client comprise a large or substantial portion of his gross fees.

## Activities That May Affect an Auditor's Independence





# Chapter 3

## INTERNAL CONTROL SYSTEM



# 5 DEFINITION TO INTERNAL CONTROL

Internal control includes all policies and procedures adopted by the management of an entity to assist in achieving management's objectives of ensuring the efficient conduct of its business, including adherence to management policies, safeguarding of assets, prevention and detection of fraud and error, accuracy and completeness of accounting records and timely preparation of reliable financial statements.

## 2 From Investopedia :

Internal controls are accounting and auditing processes used in a company's finance department that ensure the integrity of financial reporting and regulatory compliance.

4

**CSU** The California State University

A control is any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

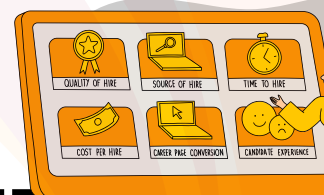
5

## From Wikipedia:.

Internal control, as defined by accounting and auditing, is a process for assuring of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to an organization

1

## From ISA 400 :.



## From Acca :

'The policies, processes, tasks, behaviours and other aspects of an organisation that taken together:





### RISK ASSESSMENT

Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed.

### CONTROL ENVIRONMENT

The control environment, as established by the organization's administration, sets the tone of an institution and influences the control consciousness of its people.

### CONTROL ACTIVITIES

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives

### INFORMATION AND COMMUNICATION

Pertinent information must be identified, captured and communicated in a form and time frame that enables people to carry out their responsibilities.

### MONITORING

a process that assesses the quality of the system's performance over time. Ongoing monitoring occurs in the ordinary course of operations, and includes regular management and supervisory activities.



# ELEMENTS / COMPONENTS OF INTERNAL CONTROL

# Types of internal control

# 8

4

## ASSET AUDITS

Auditing is the most widely used internal accounting control. Financial audits like cash reconciliations are performed regularly to verify that actual balances match accounting balances. Differences can be analyzed and investigated, where necessary, to result in accurate financial reports.

3

## REQUIRED APPROVALS

Designating managers to be responsible for transaction authorizations is an internal control function that funnels purchase decisions through the most trusted employees. Authorizations may be required for large payments, unusual expenses, and unexpected cost increases.

2

## ACCESS CONTROLS

Access controls keep people out to keep value in the organization.

1

## SEPARATION OF DUTIES

Assigning specific duties to each employee that divides accounting responsibilities is a basic control system to ensure that the people responsible for financial reporting are separate from the people tasked with making cash deposits and asset purchases.





### DATA BACKUPS

Backing up computer files to the cloud safeguards data from loss when computers become corrupted or servers fail.

### RECONCILIATIONS

Bank, supplier statement, and credit card reconciliations can factor into other accounting control systems, however conducting these reconciliations is an internal control in and of itself as well.

### TEMPLATES

Standardizing financial documents creates consistency, which makes it easier during the auditing process. While some reports like statement of comprehensive income and statement of financial position have a standard format, other documents can vary substantially between business teams.

### TRIAL BALANCES

Double-entry accounting ensures that the books are always balanced. However, errors and fraud can still exist in a double-entry accounting system, which is why trial balances should be used in conjunction with this method.

8

7

6

5

8

# Types of internal control

# IMPORTANCE OF INTERNAL CONTROL TO AUDITORS

**01**

Obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach

**02**

Use professional judgment to assess the components of audit risk and to design audit procedures to ensure it is reduced to an acceptably low level

**03**

## **It improves process performance**

As processes are implemented, the continuous monitoring of their effectiveness helps management make decisions about whether the process is working or if it needs additional attention. When processes are improved, so is the accuracy of financial reporting which management may rely on to make informed business decisions or judgments.

**04**

## **It establishes the processes**

Internal controls outline employee protocol and procedures so employees aren't left guessing how to perform their job duties or which procedure to follow.

**05**

## **It produces timely financial statements**

Timely financial statements not only aid management in making decisions about the company's future, but also protect stakeholders and the company's reputation. Regular financial statements help identify and correct small errors before they become bigger problems while building trust in the company and proving its transparency.



# 4 Example of weakness in internal control

## Data Collection

Internal control weaknesses can start with data collection if a business uses a manual or non-computerized timecard system. Control risks inherent with manual timecards focus mainly on buddy punching and falsifying timecard information. The likelihood of either of these happening increases exponentially with weak or intermittent timecard verification procedures. Weak verification procedures can also fail to catch a missing timecard, meaning that if an employee fails or forgets to submit timecard information, the employee may not get paid.

## Separation of Duties

Putting one person in charge of the entire payroll process or not enforcing separation of duties internal controls is an open invitation to embezzlement and fraud. An example of this is a ghost-employee scheme in which a fictitious employee gets entered into payroll system and continues getting paid until the scheme is uncovered. Without adherence to separation of duties controls that create a strong system of checks-and-balances the scheme could go on for an extended period of time. A comprehensive scheme to defraud a company could include numerous fictitious employees and have a profound effect on the bottom line.

## Data Security

Security controls are meant to ensure employee's personal and payroll information remain private. Weak security controls for hard copy information, blank checks and check stamping equipment can lead to theft of information, money or equipment. Identity theft can result from weak internal controls and leave the affected employee in financial ruin. This most often happens when private information is left on display when stepping away from a computer workstation – even for just a minute – or by not using strong passwords to secure private employee data. Employee information is also subject to privacy laws and violations can cost a business both financially and in terms of its reputation

## Internal Audit

Even the strongest payroll controls can't eliminate every chance or instance of errors, inconsistencies or fraud. If internal controls don't include as a last line of defense both random and regular internal audit reviews, this weakness can allow errors, inconsistencies or fraud to slip through the cracks. Ignorance is never a defense if identity theft results in legal actions. A business can prosecute an employee who misappropriates business assets or financial resources but may never recover the stolen property or the full amount of the stolen money. In addition, it can years to repair a reputation ruined by one dishonest employee

# What is a “Management Letter” in an audit?

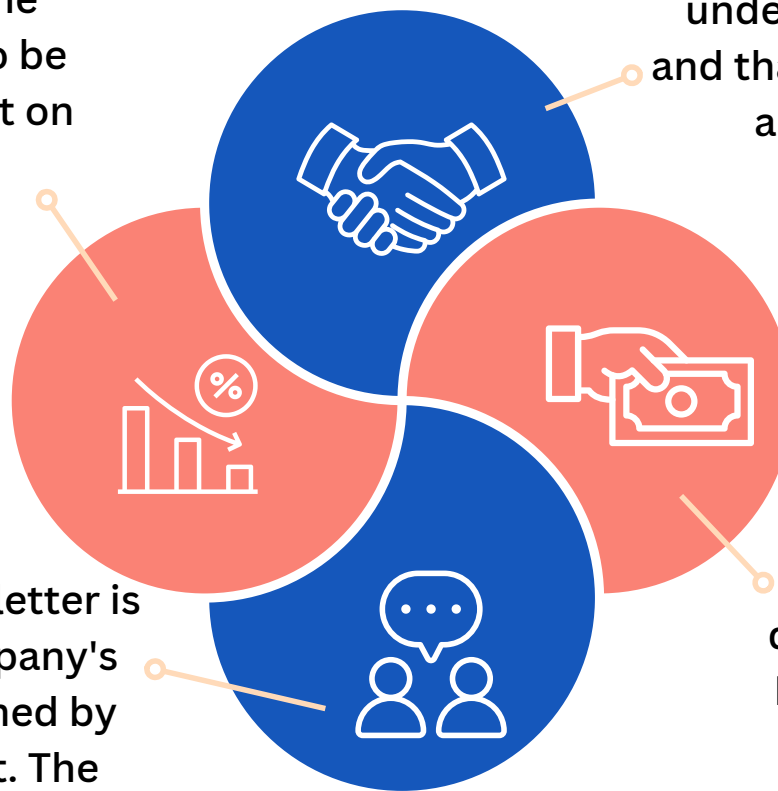
Management Letter means a letter prepared by the auditor which discusses findings and recommendations for improvements in internal control, that were identified during the audit and were not required to be included in the auditor's report on internal control, and other management issues.

A management representation letter is a form letter written by a company's external auditors, which is signed by senior company management. The letter attests to the accuracy of the financial statements that the company has submitted to the auditors for their analysis. The CEO and the most senior accounting person (such as the CFO) are usually required to sign the letter.

The letter is signed following the completion of audit fieldwork, and before the financial statements are issued along with the auditor's opinion.

A “rep” letter is the audit teams’ formal evidence that management understands their responsibilities and that management has performed all of their responsibilities.

A management letter can contain communications of reportable conditions that are significant deficiencies in the internal control. Reportable conditions are matters that auditors believe should be communicated to the client’s audit committee because they represent significant deficiencies in the design or operation of the internal controls that could adversely affect the organization’s ability to record, process, summarize, and report financial data in the financial statements.



# Chapter 4

## AUDIT PLANNING AND AUDIT RISK (ISA 500)





## THE NATURE OF AUDIT PLANNING

# DEFINE THE AUDIT PLANNING

1

ISA 300, Planning an Audit of Financial Statements, requires the auditor to plan the audit work so that the audit will be performed in an effective manner.

Under ISA 200, it is the auditor's responsibility to plan and design the audit so as to obtain reasonable assurance that the financial statements are free of material misstatements

Audit Plan/Planning is developing an overall strategy for the expected conduct and scope of the audit.

The nature, extent, and timing of planning varies with the size and complexity of the entity, experience with the entity, and knowledge of the entity's business.

4

Planning means developing a general strategy and a detailed approach for the expected nature, timing and extent of the audit."

Audit planning is a vital area of the [audit], primarily conducted at the beginning of audit process, to ensure that appropriate attention is devoted to important areas, potential problems are promptly identified, work is completed expeditiously and work is properly coordinated..

2

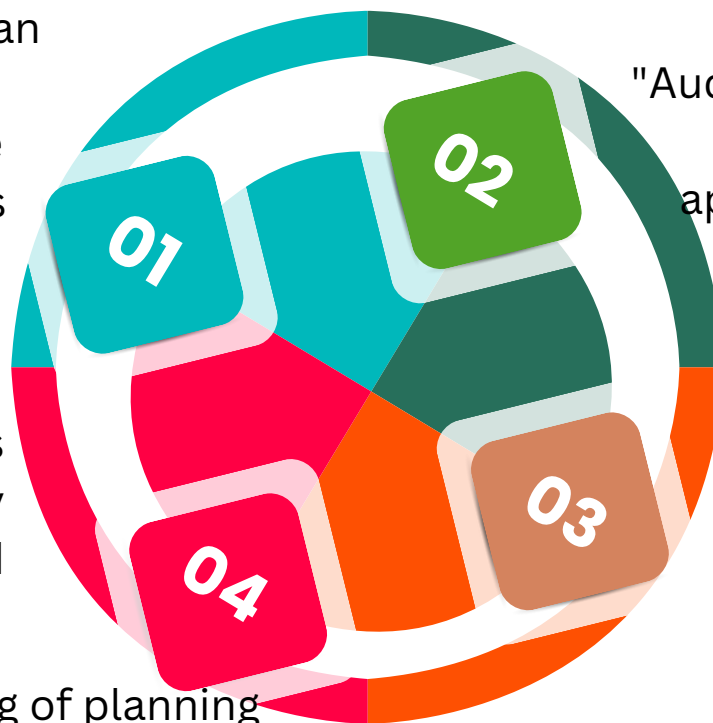
"Audit planning" means developing a general strategy and a detailed approach for the expected nature, timing and extent of the audit.

3

An audit plan states the overall strategy and detailed steps to be followed in the conduct of an audit.

The plan includes risk assessment procedures, as well as additional procedures to be followed based on the outcome of the risk assessment. .

The contents and timing of the plan will vary from year to year, depending on changes in the circumstances of the client.





# The purposes of AUDIT PLANNING

## Facilitates Coordination

01

It facilitates coordination of the audit work done by auditors and other experts.

Assisting in the selection of engagement team members with appropriate levels of capabilities and competence to respond to anticipated risks, and the proper assignment of work to them.

It ensures that work is completed properly within the specified time and no important area is left out. It also ensures that all important areas of management receive attention.

02

## Timely Completion of Work

## Better Audit Work

03

It helps in improving the quality of audit work and provides promptness and perfection in audit performance

A well-drawn and established audit plan helps in identifying potential problems.

04

## Identification of Problems

## Accomplishment of Objectives

05

Audit plan ensures that it provides right means to accomplish audit objectives. Further it also ensures that appropriate attention is devoted to important areas of audit.

# Importance of Engagement Letter

01

Show the objective  
and scope of audit

02.

Show the form of  
report

03.

Show the extent of  
auditor's responsibilities

04.

Serves as a contract  
between the auditor  
and the auditee

05.

To avoid misunderstanding  
between auditor and  
auditee

06.

Confirm the acceptance  
of an appointment



# 13 THE PRINCIPAL CONTENTS OF ENGAGEMENT LETTERS

- 1 The form of any reports or other communication of results to management
- 2 Arrangement concerning involvement of internal auditors and other client staff
- 3 To understand the feelings of the speaker and others.
- 4 The objective of the audit of financial statements
- 5 Basis for fees payment
- 6 Unrestricted access to whatever records, documentation and other information requested in connection with the audit
- 7 Explanation for the other letter or report will be produce for management
- 8 Arrangement regarding the planning of the audit
- 9 Expectation of receiving management written confirmation concerning representations made in connection with the audit
- 10 The scope of the audit, including the reference to applicable legislation, regulations or pronouncements of professional bodies to which the auditor adheres
- 11 Expectation of receiving management written confirmation concerning representations made in connection with the audi
- 12 Request for the client to confirm the terms of engagement by acknowledging receipt of the engagement letter
- 13 Management's responsibility for the financial statements

# Definition of Audit Risk

‘The risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated. Audit risk is a function of material misstatement and detection risk.’

The IAASB  
Glossary

‘Audit risk refers to the possibility that financial reports are false regardless of the audit's results. After proper analysis, finance professionals often notice inconsistencies in financial reports, either because of genuine errors or the client's partial disclosure.’

indeed

Investopedia

"Audit risk is the risk that financial statements are materially incorrect, even though the audit opinion states that the financial reports are free of any material misstatements."



AccountingTools  
<https://www.accountingtools.com/>

"Audit risk is the risk that an auditor will not detect errors or fraud while examining the financial statements of a client. Auditors can increase the number of audit procedures in order to reduce the level of audit risk. Reducing audit risk to a modest level is a key part of the audit function, since the users of financial statements are relying upon the assurances of auditors when they read the financial statements of an organization."





**Examples :**  
Decline in product demand

01

**Examples :**  
Political and economic instability

02

**Examples :**  
Technological obsolescence

03

# Client Business Risk

## ISA 315 requires :

Auditors to obtain an understanding of the entity and its environment in order to assess the risks of material misstatement of financial statements. This reinforces the importance of obtaining a bird's eye view of the entity's business and significant business risks by the auditor at the audit planning stage

**Examples :**  
Risk of fraud and theft

04

**Examples :**  
Litigations and claims

05

**Examples :**  
Increase in production costs

06

# Types of Audit Risk

## Control Risk

Control risk, which is the risk that a misstatement due to error or fraud that could occur in an assertion and that could be material, individually or in combination with other misstatements, will not be prevented or detected on a timely basis by the company's internal control



## Detection Risk

The risk that the substantive audit procedures performed will not detect a material misstatement that exist in an account balance or class of transactions. Detection risk is the risk that auditor fails to detect the material misstatement in the financial statements and then issued an incorrect opinion to the audited financial statements.

## Inherent Risk

Inherent risk is the risk posed by an error or omission in a financial statement due to a factor other than a failure of internal control. In a financial audit, inherent risk is most likely to occur when transactions are complex, or in situations that require a high degree of judgment in regard to financial estimates.

## Environment Risk

Environment risk is inherent and control risks combined. Environment risk reflects the likelihood of material misstatements occurring.

# Chapter 5

DOCUMENTATION  
AND SAMPLING  
(ISA 230 &  
ISA 530)





# The Permanent Files

The objective of this file is to give basic information about organization and transaction. This contain information that does not change a lot such as a description of the accounting system, names and addresses of the company's bankers and lawyers, organization charts, memoranda and articles of association (the company's constitution)

## AUDIT DOCUMENTATION

### 2 TYPES OF AUDIT FILES

The permanent file contains historical data about the entity that are of continuing relevance to the current audit. This file provides a convenient source of information about the audit that is of continuing interest.

Working papers for the current file include all documentation applicable to the year under audit.

## The Current Files

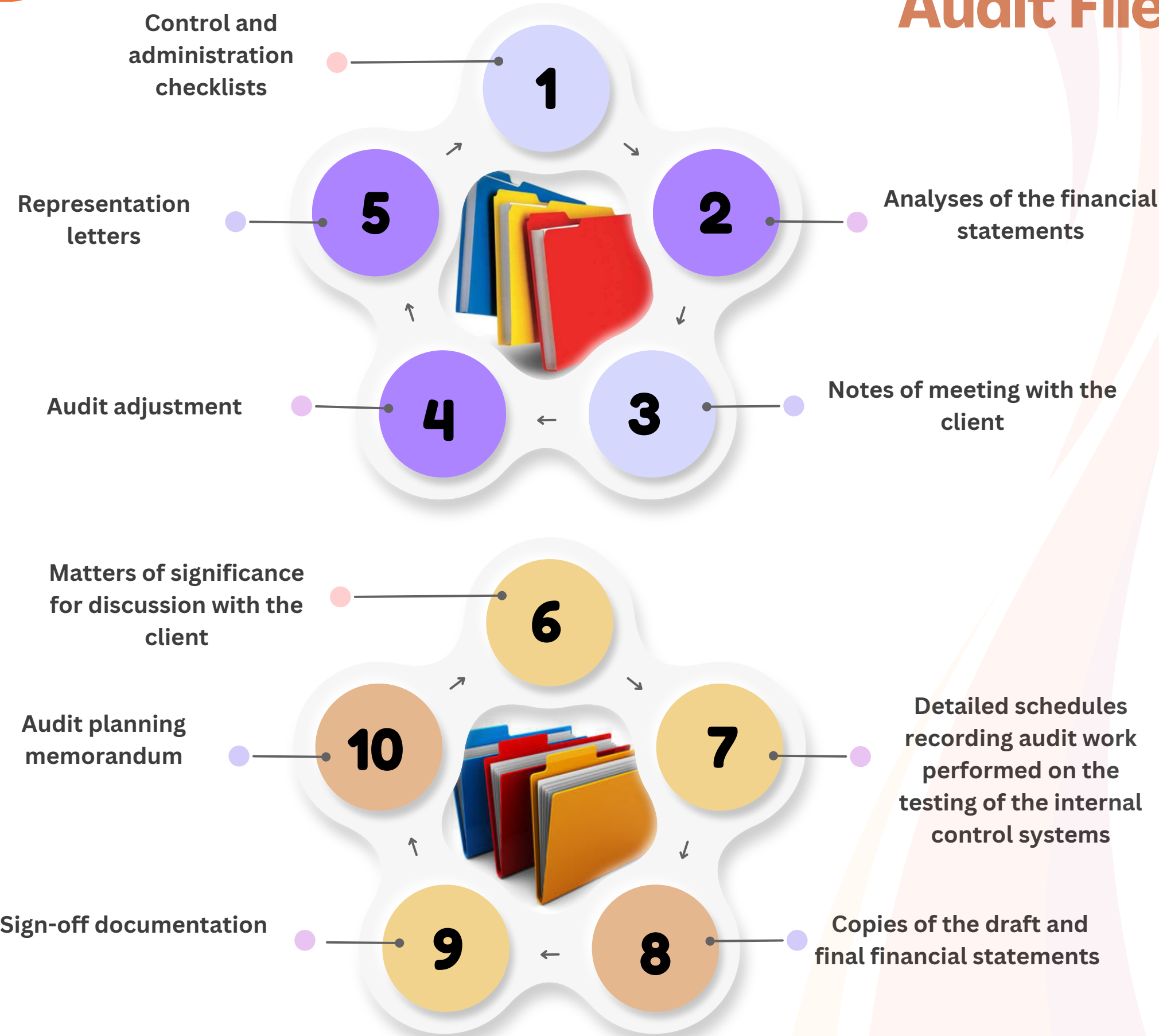
This contains the financial statements being audited and details all the audit work that has been carried out to collect sufficient appropriate audit evidence about those financial statements. Each current file should be kept for a specified time after the completion of the audit.



# Documents of Permanent Audit File

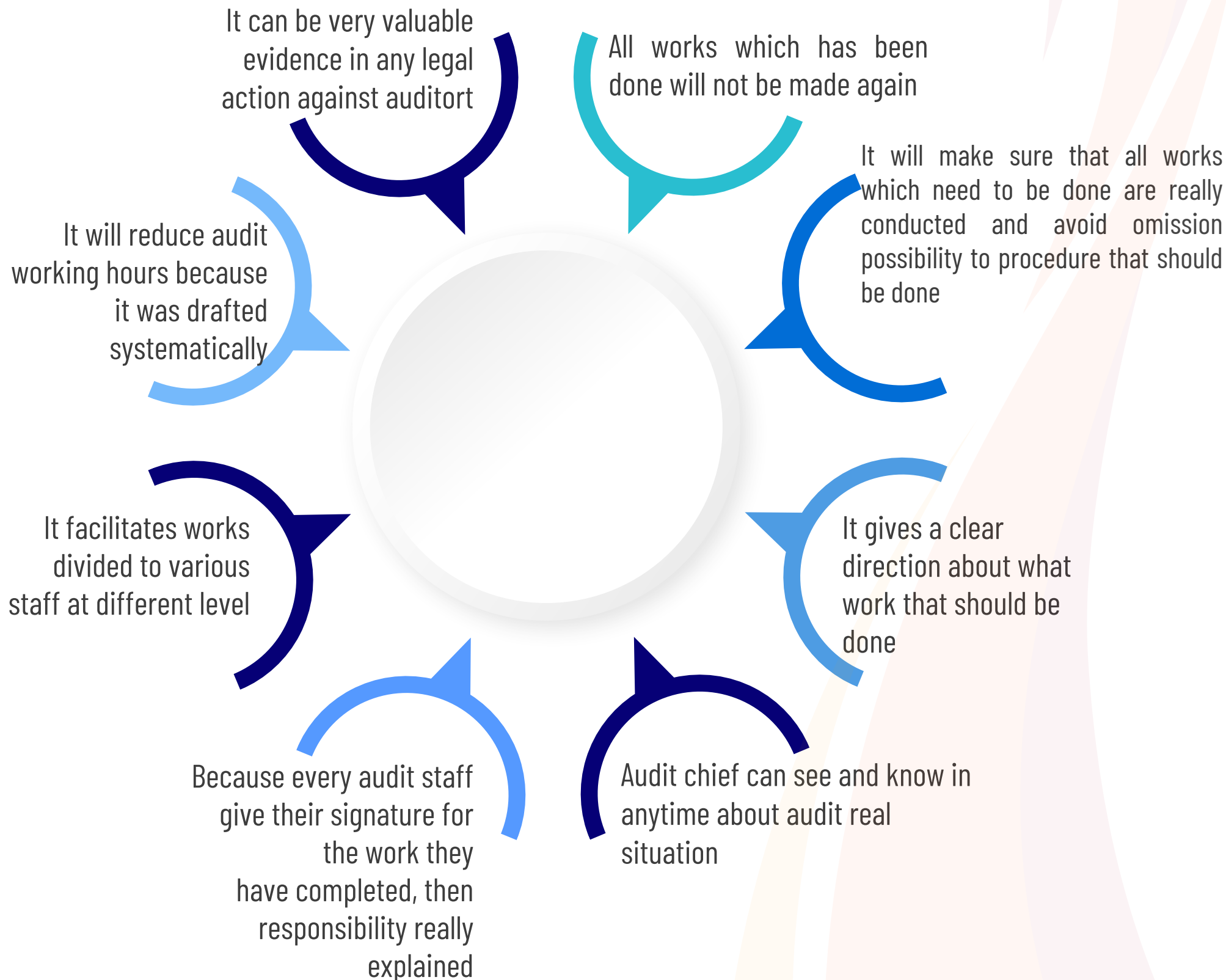


# Documents of Current Audit File



# ADVANTAGE OF Audit Programme

---



# DISADVANTAGE OF Audit Programme

Audit work becomes mechanised just like clerical work, where monotony creeps in. The staff is not able to do the work efficiently and carefully and changes in the system of internal control is not heeded too.

Audit program prepared may be face big changes according to time for examples staff exchange, amendment in accounting system etc.

There is tendency that audit clerk assume that task offered in accordance with audit program is maximum work which should be done.

A program that does not being transformed would be encouraging audit implementation by mechanical without critical thinking. Audit staff's initiative also stopped.

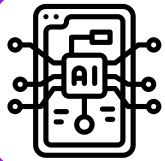
The audit programme lessens the interest and zeal of the audit staff. The audit staff has to stick to the audit programme as given by their boss-the auditor. The staff does not think it necessary to do any independent thinking.

The audit programme affects adversely the objects of auditing. Errors and Frauds are detected only by a careful and deep examination of the account books and supportive documents.

If work made according to program that does not modified and if customer staff can see the audit program, fraud can be done by customer employees.

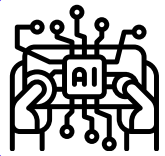
Preparation of an audit of time. Secondly, its implementation programme entails a lot and also requires time, which increases the expenses of the concern.





### PLANNING

That is, the details of the planning for each audit activity. This should include the sample size to be used



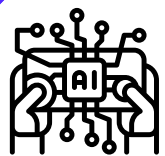
### PROCEDURES

that is, the procedures performed on the basis of the planning



### TESTS

that is, the test carried out on the basis of the planning



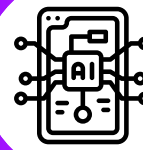
### TIME

that is, when the procedures were performed, whether at the beginning of the audit (interim audit) or at the end of the year or after the balance sheet date (year end-audit)



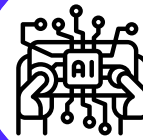
### DECISIONS

that is, what decisions are made by the auditor on the basis of the tests and procedures carried out



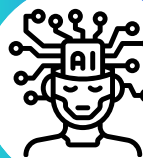
### DIFFICULTIES

any difficulty or doubt encountered by the auditor during the audit, relating to any principle or practice should also be recorded in the working papers.



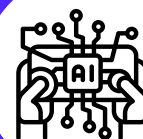
### SIGNATURE

The initials (signature) of the member of staff who prepared the working paper, and the date on which it was prepared



### THE MEMBER OF STAFF

The initials of the member of staff who reviewed the working papers and the date on which the review was carried out



### BASIC INFO

The name of the client & The period covered by the audit

# CONTENTS OF AUDIT WORKING PAPERS

# The Five Advantages of Statistical Sampling

01



Statistical samples may be combined and evaluated, even though accomplished by different auditors. That the entire test operation has an objective and scientific basis makes it possible for different auditors to participate independently in the same test and for the results to be combined as though accomplished by one auditor.

02



The method provides a means of advance estimation of sample size on an objective basis. The sample size is no longer determined by traditional methods of guesswork; it is determined by a statistical method.

03



The sample result is objective and defensible. Nearly all phases of the statistical process are based on demonstrable statistical principles.

04

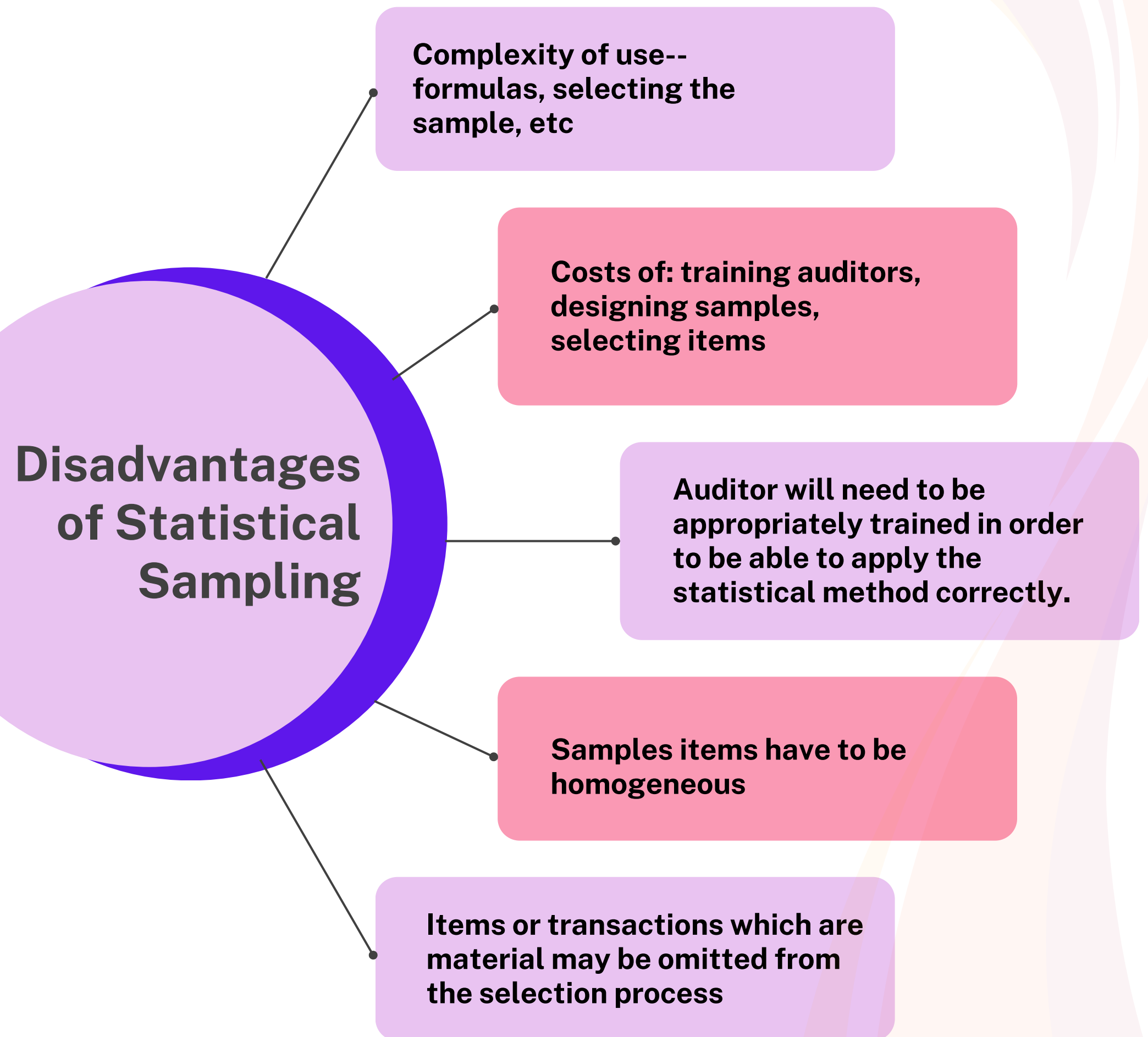


The precision of evaluating results of a statistical sampling exercise may be evaluated and its implications for the whole population are expressed.

05



The need to take appropriate action from unsatisfactory results which is provided for by the process, rather than give some convenient and totally subjective reasons for justifying the acceptance of unacceptable results



1

Select sample randomly



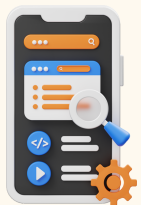
2

More complex and need some training in its use. Also more expensive



3

Provide stronger defense in case of any dispute



4

Usually use in the audit of large companies



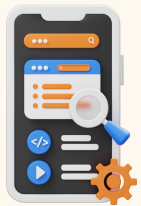
5

Determine sample size using statistics



6

Evaluate results statistically



# Non-statistical

1

Select sample using judgment



2

Simpler to use. It is also cheaper



3

Provide weak defense in case of any dispute



4

Usually use in the audit of small businesses



5

Determine sample size from judgment



6

Evaluate results judgmentally



# Statistical

# Statistical vs Non-statistical Audit Sampling



# Type of Statistical Sampling

## 1 STRATIFIED SAMPLE SELECTION

This method is another technique that is suitable for auditing a sample that emphasizes population items which have larger recorded amounts. This technique divides the population into two subpopulations by size and takes a larger sample of the larger populations.

Each subpopulation is also known as stratum, each subpopulation will then be tested independently and the results will be measured statistically.

## 2 SYSTEMATIC SELECTION

The method divides the number of sampling units within a population into the sample size to generate a sampling interval. The starting point for the sample can be generated randomly, but ISA 530 recognizes that it is more likely to be 'truly' random if the use of random number generators or random number tables are used.

## 3 MONETARY UNIT SAMPLING (MUS)

The method of sampling is a value-weighted selection whereby sample size, selection and evaluation will result in a conclusion in monetary amounts. The objective of monetary unit sampling (MUS) is to determine the accuracy of financial accounts. MUS is based on attribute sampling techniques and is often used in tests of controls and appropriate when each sample can be placed into one of two classifications – 'exception' or 'no exception'.

## 4 SIMPLE RANDOM SELECTION

This method of sampling ensures that all items within a population stand an equal chance of being selected as a sample item. The simple random sample selection technique is normally used to sample a population that is not segmented for audit purpose.



1

### **HAPHAZARD SAMPLING**

- When the auditor uses this method of sampling, he does so without following a structured technique. ISA 530 also recognizes that this method of sampling is not appropriate when using statistical sampling.
- Care must be taken by the auditor when adopting haphazard sampling to avoid any conscious bias or predictability.
- The objective of audit sampling is to ensure that all items that make up a population stand an equal chance of selection.
- This objective cannot be achieved if the auditor deliberately avoids items that are difficult to locate or deliberately avoids certain items.

## **Type of Non-Statistical Sampling**



### **BLOCK SELECTION**

- This method of sampling involves selecting a block (or blocks) of contiguous items from within a population. Block selection is rarely used in modern auditing merely because valid references cannot be made beyond the period block examined.
- In situations when the auditor uses block selection as a sampling technique, many blocks should be selected to help minimise sampling risk.

# Chapter 6

## AUDIT EVIDENCE AND AUDIT PROCEDURES (ISA 500)



# 4 DEFINITION OF AUDIT EVIDENCE

01

**ISA  
500**

Audit evidence is all the information used by the auditor in arriving at the conclusions on which the audit opinion is based and includes the information contained in the accounting records underlying the financial statements and other information.

02



Audit evidence means any information obtained and used by the auditor for making decisions as to whether the matter under examination complies with certain requirements or criteria.

03



Auditing evidence is the information collected by an auditor to ascertain the accuracy and compliance of a company's financial statements.



**Accounting records** – The records of initial accounting entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; the general and subsidiary ledgers, journal entries and other adjustments to the financial statements that are not reflected in journal entries; and records such as work sheets and spreadsheets supporting cost allocations, computations, reconciliations and disclosures.

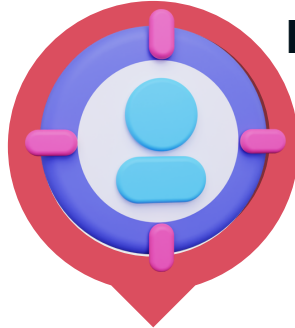


# Audit Evidence :

THE  
RELIABILITY  
OF ANY  
EVIDENCE  
DEPENDS ON  
SEVERAL  
FACTORS

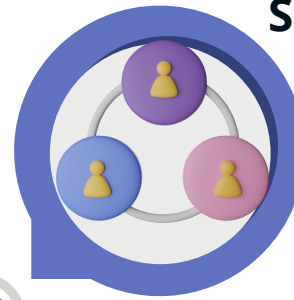
## INTERNAL CONTROL

The quality of internal control is directly related to the reliability of evidence. The stronger the internal control, the more likely for the evidence obtained from the system to be reliable.



## SOURCE

to be reliable, evidence must come from a reliable source. For example, evidence obtained from an expert or a specialist is more reliable than the one obtained from a person who is not qualified



## ORIGINAL DOCUMENT

more reliable than evidence provided by photocopies or facsimiles, or documents that have been



filmed, digitized, or otherwise converted into electronic form, the reliability of which depends on the controls over the conversion and maintenance of those documents

## NATURE

based on facts and subjective, which is based on opinion.

Usually objective evidence, such as one based on measurement and mathematical calculations



is more reliable than an evidence that is subjective, such as the one obtained from estimation



## DIRECTLY OBTAINED

Usually evidence obtained directly by the auditor is more reliable than that obtained through someone else.

01

### **Sufficiency**

Auditors must obtain an adequate quantity and depth of evidence to support their conclusions. This involves performing substantive procedures, such as reperformance and recalculation, in obtaining audit evidence.

### **Consistency**

This refers to aligning evidence from various sources and audit procedures. When multiple sources and methods produce consistent results regarding a specific account balance or financial disclosure, it enhances the reliability and value of the evidence.

02

03

### **Reliability**

It ensures that the financial information under examination is accurate and unbiased. Auditors must rely on reliable sources and methods to gather evidence, such as analyzing accounting records and financial reporting systems.

### **Source Credibility**

This involves assessing the independence and objectivity of the sources providing evidence. Evidence from external sources, like the Public Company Accounting Oversight Board (PCAOB) or third-party experts, often carries greater credibility. The auditor's opinion is also a crucial aspect of source credibility.

04

05

### **Relevance**

It assesses how directly the evidence addresses the assertions in the financial statements. For example, when auditing the valuation of a company's assets, evidence related to their current market value is highly relevant.

# 4 FACTORS INFLUENCING AUDITORS JUDGEMENTS OF SUFFICIENCY



## RISK MANAGEMENT

The risk of misstatement assessed by the auditor : The higher the risk the more audit evidence is needed.



## MATERIALITY OF THE ACCOUNTS

The materiality of the accounts in financial statement where by more evidence is needed for account that are material to financial statement.



## QUALITY OF EVIDENCE

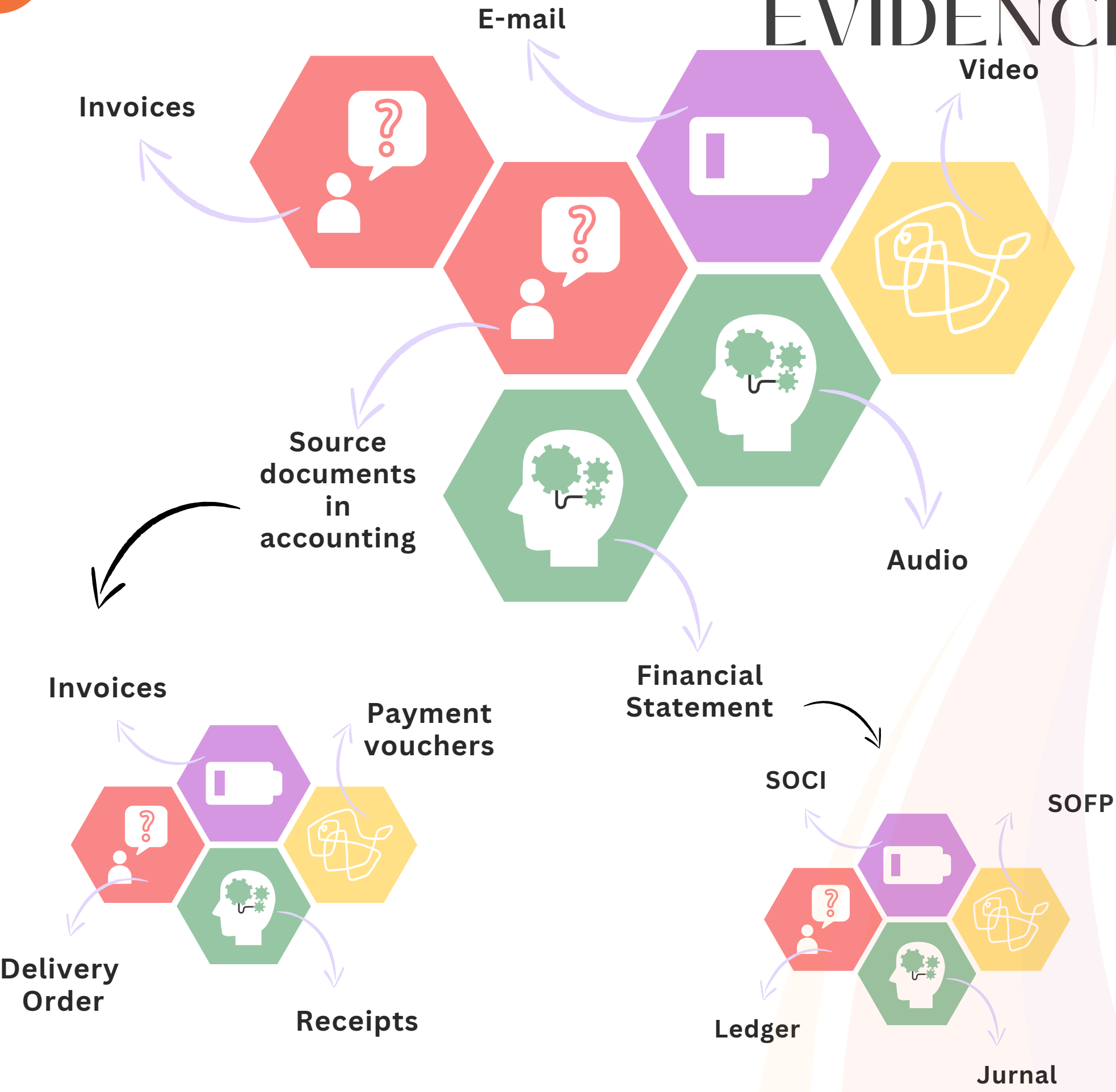
The Quality of the evidence where by the higher the quality the less evidence is needed



## SIZE OF POPULATION

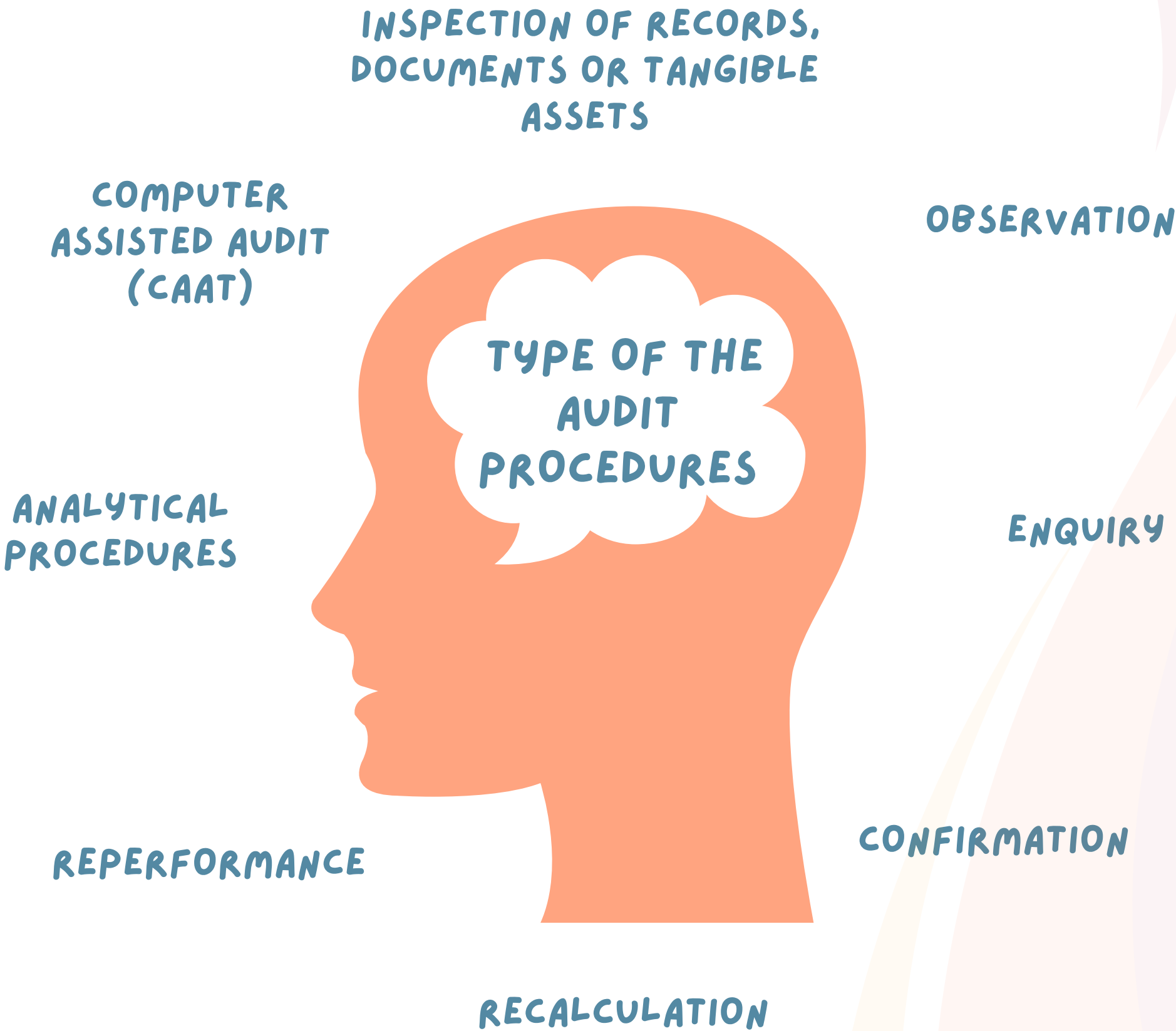
The size of population where by the numbers of items or transaction in the account will also be a basis for sampling. the more numbers of items or transaction in the account. the more items are selected to serve an audit evidence.

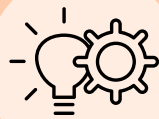
# TYPES OF AUDIT EVIDENCE





# TYPE OF THE AUDIT PROCEDURES





# 01. Inspection,

based on the examination of records or documents, whether internal or external, that could be held in various forms, ie paper, electronic or similar, or on the physical assessment of an asse

# 02 Observation



that is used extensively during the performance of an audit in addition to other procedures. It consists of seeking both financial and non-financial information of knowledgeable persons within or outside the entity.

# 03. Enquiry



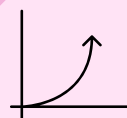
the response to an inquiry of a third party to corroborate information contained in the accounting records. For example, the auditor ordinarily seeks direct confirmation of receivables by communication with debtors.

# 04. Confirmation



that consists of checking the mathematical accuracy of documents or records and that can be used to verify the accuracy of the recording of transactions or of the application of accounting policies

# 05. Recalculation



the independent execution by the auditor of procedures or controls that were originally performed as part of the entity's internal control. For example, the auditor may re-perform the ageing of account receivable.

# 06. Reperformance



consist of evaluations of financial information through analysis of plausible relationships among both financial and non-financial data

# 07. Analytical Procedures



# 08. Computer Assisted Audit (CAAT)

auditor uses software to analyze large volumes of data

TYPE OF  
THE AUDIT PROCEDURES  
8

# Audit 1

*Infographic Note*

*Based on Analysis Final  
Exam Question 2020-2024*

Audit 1 INFOGRAPHIC NOTE

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