

## AUDITING

### AIM

- (a) To ensure that students have a good understanding of the nature and objective of audit of financial statements with particular emphasis on audits required under the Companies Act, 1965 and approved standards on auditing
- (b) To equip students with grounding in the principles and procedures of auditing and the provision of other forms of assurance services so as to enable them to integrate this knowledge with training and work experience

### INTRODUCTION

This syllabus covers the fundamental principles and concepts of auditing of financial statements. Students are required to have a good understanding of the legal and professional framework governing the proper conduct of an audit. In addition, they are expected to have a thorough knowledge of the audit process of evidence accumulation and reporting. This process would ordinarily include planning, assessment of risk and materiality, performance of tests of control and substantive procedures and the final issuance of an auditor's report.

The syllabus also covers the basic principles and procedures relating to other assurance engagements which include internal audit and other work where opinion is provided to interested parties who have participated in setting the scope of the engagement.

### SYLLABUS WEIGHTING

SYLLABUS CONTENT AREA	WEIGHTING
Overview of assurance framework	10%
Legal & professional considerations Professional ethics Corporate governance	20%
Audit planning	10%
Understanding internal control & evaluation of control risk	20%
Performance of audit Internal audit and other assurance engagements	25%
Reporting and communications	15%
Total:	100%

### EXAMINATION FORMAT

A 3-hour written paper comprising 5 – 6 compulsory questions

## SYLLABUS CONTENT

## LEVEL

### 1. Overview of Assurance Framework

**B**

- a Objectives and principles governing an assurance engagements
- b Elements of an assurance engagement
  - i Three party relationship
  - ii Subject matter
  - iii Suitable criteria
  - iv Sufficient appropriate evidence
  - v Assurance report
- c Fundamental concepts of auditing
  - i Materiality
  - ii Risk
  - iii Evidence
- d Approved accounting and auditing standards
  - i Definition
  - ii Standard setting authority
  - iii Enforcement and compliance
- e Audit procedures and types of tests
- f Quality control in assurance engagements

Note: Principles of Corporate Governance shifted to 4. Corporate Governance

### 2. Legal and Professional Considerations

**B**

- a Professional responsibility and liability
  - i Fraud and error
  - ii Non compliance with laws and regulations
- b Legal requirements
  - i Requirements relating to annual audit
  - ii Appointment, removal and resignation
  - iii Duties and rights of auditors

Note: Ethical considerations shifted to No. 3 Professional Ethics

### 3. Professional Ethics

**B**

- a Integrity
- b Objectivity
- c Professional competence and due care
- d Confidentiality
- e Professional behaviour
- f Independence

### 4. Corporate Governance

**B**

- a Principles of Corporate governance
- b The board of directors and board committees
- c Agency relationships in the context of corporate governance
- d Audit Committees

- 5. Audit Planning** **A**
- a Terms of audit engagement
  - b Understanding the entity and its environment
  - c Preliminary assessment of risk and materiality
  - d Auditor's responses to assessed risk
  - e Documentation and working papers
  - f Using the work of an auditor's expert
- 6. Understanding Internal Control and Evaluation of Control Risk** **A**
- a Components of internal control
  - b Understanding, documentation and evaluation of internal control and control risk
  - c Reliance on internal auditing
  - d Internal control in information technology environment
  - e Internal control in small businesses
- 7 Performance of Audit** **B**
- a Management assertions and audit objectives
  - b Procedures to obtain and evaluate evidence
    - i Balance and transaction testing for financial statement components
    - ii Accounting estimates
    - iii Analytical procedures
    - iv Computer assisted audit techniques (CAATs)
    - v Audit sampling
  - c Final evidential evaluation processes
    - i Review for contingencies, commitments and subsequent events
    - ii Going concern considerations
    - iii Management representations
    - iv Review of financial statement presentation and disclosure
- 8. Internal Audit and Other Assurance Engagements** **B**
- a Internal audit
    - i Role and functions of internal audit
    - ii Relationship between internal audit and external audit
    - iii Assessment of internal auditing
  - b Other assurance engagements
    - i Review engagements
    - ii Agreed-upon procedures
    - iii Compilation of financial information
- 9. Reporting and Communications** **B**
- a Elements of auditor's report
  - b Modified auditor's reports
  - c Communications with those charged with governance

## **EXAMINABLE AUDITING STANDARDS AND GUIDELINES**

All extant approved auditing standards and other pronouncements issued by the MICPA excluding ISA720, IAPS1000, IAPS1004, IAPS1006, IAPS1010, IAPS1012, ATR2, ATR5.

### **RECOMMENDED BASIC TEXTS:**

MICPA	Audit and Assurance Study Manual	MICPA
A.A. Arens, J.K. Loebbecke et.al. (2005)	Auditing in Malaysia	Prentice Hall (11 <sup>th</sup> Edition)
W.F. Messier & M. Boh	Auditing & Assurance Services in Malaysia	McGraw-Hill (3 <sup>rd</sup> Edition)

### **OTHER REFERENCES:**

Companies Act, 1965 (as amended)  
Listing Requirements of Bursa Malaysia  
MICPA Code of Ethics  
Malaysian Code on Corporate Governance