

Professional Stage Examination (PSE)

Auditing

Module Outline

AUDITING

AIM

1. 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, 2016 and Malaysian Approved Standards on Auditing
2. 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 their training and working 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.

EXAMINATION FORMAT

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

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%

SYLLABUS CONTENT

NO. TOPIC

1. Overview of Assurance Framework
 - 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
2. Legal and Professional Considerations
 - 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
3. Professional Ethics
 - a) Ethical considerations
 - b) Integrity
 - c) Objectivity
 - d) Professional competence and due care
 - e) Confidentiality
 - f) Professional behaviour
 - g) Independence
 - h) Application in specific situations

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| 4. | Corporate Governance <ul style="list-style-type: none">a) Principles of Corporate governanceb) The board of directors and board committeesc) Agency relationships in the context of corporate governanced) Audit Committees |
| 5. | Audit Planning <ul style="list-style-type: none">a) Terms of audit engagementb) Understanding the entity and its environmentc) Preliminary assessment of risk and materialityd) The auditor's responses to assessed riske) Documentation and working papersf) Using the work of an auditor's expert and other auditors |
| 6. | Understanding Internal Control and Evaluation of Control Risk <ul style="list-style-type: none">a) Components of internal control (COSO Framework)b) Understanding, documentation and evaluation of internal control and control riskc) Audit Procedures to be performed on internal auditingd) Internal control in information technology environmente) Internal control in small businesses |
| 7. | Performance of Audit <ul style="list-style-type: none">a) Management assertions and audit objectivesb) Procedures to obtain and evaluate audit evidence<ul style="list-style-type: none">i) Balance and transaction testing for financial statement componentsii) Accounting estimatesiii) Analytical proceduresiv) Computer assisted audit techniques (CAATs)v) Audit samplingc) Final evidential evaluation processes<ul style="list-style-type: none">i) Review for contingencies, commitments and subsequent eventsii) Going concern considerationsiii) Management representationsiv) Review of financial statement presentation and disclosure |
| 8. | Internal Audit and Other Assurance Engagements <ul style="list-style-type: none">a) Internal audit<ul style="list-style-type: none">i) Role and functions of internal auditii) Relationship between internal audit and external audit |

NO. TOPIC

- iii) Assessment of internal auditing
 - b) Other assurance engagements
 - i) Review engagements
 - ii) Agreed-upon procedures
 - iii) Compilation of financial information
 - c) Engagements to review financial statements
 - d) Engagements to perform agreed-upon procedures
 - e) Engagements to compile financial information
9. Reporting and Communications
- a) Elements of auditor's report
 - b) Emphasis of matter, other matter, key audit matters
 - c) Modified Opinions
 - d) Statutory Reporting Requirements
 - e) Concluding Remarks
 - f) 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 th Edition)
W.F. Messier & M. Boh	Auditing & Assurance Services in Malaysia	McGraw-Hill (3 rd Edition)

OTHER REFERENCES:

Companies Act 2016
Listing Requirements of Bursa Malaysia
MICPA Code of Ethics
Malaysian Code on Corporate Governance