

Ch.1 - Nature, Objective and Scope of Audit

(1) Meaning, Nature, Objective and Scope of Audit

(2) Inherent limitations of Audit

(3) Meaning, Nature and Type of Engagement

(4) Qualities of Auditor:

(A) Personal Qualities (Basic Human Qualities):

- Integrity backed by adequate independence
- Tactful approach, caution, firmness, Good temperament;
- Discretion; industry knowledge, judgement
- Patience, clear headedness and Reliability

(B) Technical Qualities:

Auditor must have expert knowledge of:

- (i) Accounting Standards, Principles and Techniques;
- (ii) Auditing Principles, Procedures and Standards;
- (iii) Client's Business;
- (iv) Business, Corporate, Economic and Taxation Laws.

(5) Engagement and Quality Control Standards (EQCS):

(A) Classification of EQCS: - Already covered in Introductory lecture -

(B) Need for Standards: (i) To ensure carrying out audit against establish benchmarks.

(ii) To improve Quality of financial reporting.

(iii) To promote uniformity.

(iv) To enhance professional knowledge and skills.

(v) To ensure audit quality.

(C) Types of EQCS:

- (i) Standards on Quality Control: (SQC) SQC provides guidance as to the responsibilities of the firm for their system of Quality Control for conduct of:
- (a) Audit of historical financial info;
 - (b) Review of " " " " ;
 - (c) Other Assurance; and
 - (d) Related Services

Till date SQC-1 is issued which is considered as parent standard.
(Note: Details of SQC-1 is covered in chapter 11).

(ii) Engagement Standards: Comprises of:

- (A) Standards on Auditing (SAs): SAs are to be applied while carrying out statutory audit of historical financial information.

Example: SA-200 : Overall Objectives of the Independent Auditor and Conduct of Audit in accordance with Standards on Auditing

SA-210 : Agreeing terms of Audit Engagement

SA-220 : Quality Control for an audit of F.S.

SA-230 : Audit Documentation

SA-500 : Audit Evidence

- (B) Standards on Review Engagement: (SRE) SREs are applied in review of historical financial information.

Review is a limited assurance engagement and provides less assurance as compared to reasonable assurance obtained in audit.

Examples:

SRE 2400: Engagements to Review Historical F.S.

SRE 2410: Review of Interim financial information performed by independent auditor of the Entity.

(C) Standards on Assurance Engagements (SAE):

SAE are applied in examination of subject matter other than the Historical financial information.

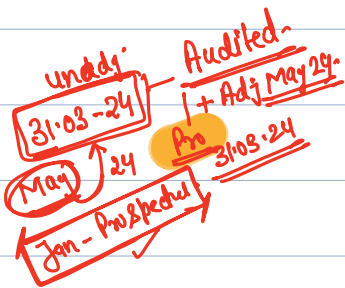
For Ex.: Examination of Prospective financial information;
" " Internal controls.

SAE issued are:

SAE 3400: Examination of PFI

SAE 3402: Assurance Reports on Controls at a Service Organisation.

SAE 3420: Assurance Engagements to report on the compilation of Pro Forma financial information included in a Prospectus.



(D) Standards on Related Services: SRS apply in case of non-assurance engagements like agreed upon procedures, or compilation Engagements.

SRS issued are:

SRS 4400: Engagements to perform Agreed upon Procedures regarding financial information.

SRS 4410: Compilation Engagement.

Imp:
(D) Duties in relation to EQCS: (Noting - H.W.)