

**MIA QUALIFYING EXAMINATION
STUDY GUIDE**

AUDITING AND ASSURANCE SERVICES

NO	CONTENT	LEVEL OF KNOWLEDGE
1.0	INTRODUCTION	
1.1	AN INTRODUCTION TO AUDITING AND ASSURANCE ENGAGEMENTS	A
1.1.1	Audit Profession and Regulatory Environment in Malaysia including provision of audit under Companies Act 2016 <ul style="list-style-type: none"> - Public Accounting Profession - Types of audit and assurance services - The roles of Malaysian Institute of Accountants - Malaysian Accounting Standards Board - Securities Commission - Provision of Audit under Companies Act 2016 	
1.1.2	Overview of Other Assurance Services and Non Audit Engagements <ul style="list-style-type: none"> - Assurance Engagements - Attestations 	
1.1.3	Quality Control for Audit Work <ul style="list-style-type: none"> - Regulatory framework for ensuring quality - Objectives of quality control policies - Quality control policies and procedures at the level of audit firm and audit engagement in accordance with ISQC1. 	
1.2	AN OVERVIEW OF FINANCIAL STATEMENTS AUDITING	
1.2.1	Introduction to Malaysian Financial Reporting Standards (MFRSS) and Malaysian Private Entities Reporting Standards (MPERSs) <ul style="list-style-type: none"> - Understanding the importance of accounting standards - Understanding the significance of auditing standards 	
1.2.2	Management Assertions and Audit Assertions <ul style="list-style-type: none"> - Understanding management assertions in the preparation of Financial Statements and the Auditor's assertions in the audit of Financial Statements 	
1.2.3	Concepts of Reasonable Assurance in Audit <ul style="list-style-type: none"> - True and Fair View - Material Misstatements due to Fraud & Errors 	
1.2.4	Overview of Audit Process <ul style="list-style-type: none"> - Client Acceptance and Retention 	

	<ul style="list-style-type: none"> - Establish the terms of the engagement - Plan the audit - Consider Internal Control and Test of Controls - Conduct Substantive Tests - Completing the Audit - Issue the Report 	
2.0	PROFESSIONAL ETHICS, CONDUCT & PRACTICE	A
2.1	Ethical framework <ul style="list-style-type: none"> - Ethics and Professionalism - Theories of Ethical Behavior - An Ethical Dilemma - Development of Moral Judgments 	
2.2	MIA By-Laws (On Professional Ethics, Conduct & Practice) <ul style="list-style-type: none"> - Fundamental Principles - Professional Independence - Competence and Due Care - Advertising, Publicity and Solicitation - Fees, Commission and Sharing of Profits - Confidentiality - Changes in Professional Appointments 	
2.3	Professional Independence <ul style="list-style-type: none"> - The concept of Independence - Threats and Safeguards to Independence - Professional Skepticism 	
3.0	AUDITORS' RESPONSIBILITIES AND LEGAL LIABILITIES	A
3.1	Fraud and Error <ul style="list-style-type: none"> - Definition and Types of Fraud and Error - Fraud Diamond and Fraud Risk factors - Auditor's response to the risk of material misstatements due to fraud 	
3.2	Responsibility to Comply With MIA By-Laws and Statutory Requirements	
3.3	Legal Liabilities under the Companies Act 2016	
3.4	Auditor's Liabilities to Clients and Third Parties <ul style="list-style-type: none"> - Breach of Contract - Negligence - Breach of the Standard Duty of Care to Third Parties - Enron and Worldcom - Malaysian cases such as Transmile and Megan Bhd 	
4.0	INITIAL ENGAGEMENT AND AUDIT PLANNING	B
4.1	Establish Term of Engagement	

	- Engagement Letter	
4.2	Understanding the Client's Business and the Client's Accounting System and Internal Control <ul style="list-style-type: none"> - Acquiring knowledge of client's business from different sources - Understanding the client's accounting and control System 	
4.3	Planning Activities <ul style="list-style-type: none"> - Audit Planning - Determining Audit Staffing Requirements - Consider Going Concern Issue - Establish Materiality and Audit Risk and Assess Inherent Risk - Assess Preliminary Level of Control Risk - Assess the Possibility of Fraud and Error - Understand the Applicable Laws and Regulations - Identify Related Parties - Conduct Preliminary Analytical Procedures - Develop an overall Audit Strategy and prepare Audit Programs - Consider additional value-added services 	
4.4	Analytical Procedures <ul style="list-style-type: none"> - Types of Analytical Procedures - Purpose of Analytical Procedures - Analytical Procedures used in planning the Audit - Analytical Procedure as a Substantive Test - Analytical Procedure used in the Overall Review 	
4.5	Planning and Preliminary Analytical Procedures	
4.6	Materiality <ul style="list-style-type: none"> - Definition - Steps in applying Materiality 	
4.7	Audit Risk <ul style="list-style-type: none"> - Definition - The Audit Risk Model (IR+CR+DR) - The use of Audit Risk Model - Limitations of Audit Risk Model - Assessing Client's Business Risks and Material Misstatements due to Fraud - Relationship between Materiality and Audit Risk 	
4.8	Management Assertions <ul style="list-style-type: none"> - Existence - Rights and obligations - Occurrence - Completeness - Valuation - Measurement - Presentation and Disclosure Audit Assertions	

	<ul style="list-style-type: none"> - Validity - Completeness - Cut-Off - Ownership - Accuracy - Valuation - Classification - Disclosure 	
5.0	INTERNAL CONTROL IN A FINANCIAL STATEMENT AUDIT	A
5.1	Definition of Internal Control <ul style="list-style-type: none"> - Definitions of internal control from the perspective of client management and auditor - Control risks assessment and monitoring of Internal Control - The effect of entity size on Internal Control 	
5.2	Understanding of Client's Internal Control <ul style="list-style-type: none"> - Understanding of client's internal control environment such as <ul style="list-style-type: none"> ▪ Control Environment ▪ Accounting System ▪ Information Systems and Communication ▪ Risk Management ▪ Control Procedures - Documenting the understanding of Internal Control - Assessing the Control Risks - Tests of Controls and Interim Substantive Procedures 	
5.3	Types of Control Procedures <ul style="list-style-type: none"> - Documentary - Authorisation - Segregation of duties - Internal check - Physical Examination - Electronic 	
5.4	Test of Controls and Interim Substantive Procedures <ul style="list-style-type: none"> - Audit Test and Evidence 	
5.5	Timing of Audit Procedures <ul style="list-style-type: none"> - Interim Audit - Final Audit 	
6.0	COMPUTER INFORMATION SYSTEMS (CIS) AUDIT	B
6.1	Matters that CIS Environment Can Effect the Audit <ul style="list-style-type: none"> - Study the effects of computerization on audit 	

	- Cloud Computing/cloud auditing	
6.2	Internal Control in a CIS Environment <ul style="list-style-type: none"> • General CIS Controls <ul style="list-style-type: none"> - Organisational controls - Systems development and maintenance controls - Hardware and systems software controls - Security and access controls - Operations and data controls • Application CIS Controls <ul style="list-style-type: none"> - Input controls - Process controls - Output controls - Error controls 	
6.3	Auditors' Consideration of CIS Controls on the Audit Work <ul style="list-style-type: none"> - Overview - Audit Strategy Decisions - Substantive and Reliance Strategy 	
6.4	Using Computer-Assisted Application Techniques (CAATs) as audit procedures <ul style="list-style-type: none"> - Nature and types of CAATs - Consideration on using CAATs - Common auditing software and test of data - Audit on general and application controls <ul style="list-style-type: none"> ▪ Generalised Audit Software ▪ Custom Audit Software ▪ Test Data ▪ Integrated Test Facility ▪ Parallel Simulation ▪ Concurrent Auditing Techniques 	
6.5	Big data	
7.0	AUDIT EVIDENCE AND PROCEDURES	B
7.1	Basic Concept of Audit Evidence: <p>Quality of evidence</p> <ul style="list-style-type: none"> - Nature - Appropriateness - Sufficiency - Evaluation of Audit Procedures <p>Audit Procedures of Evidence</p> <ul style="list-style-type: none"> - Documentation Inspection - Physical Inspection - Observation 	

	<ul style="list-style-type: none"> - Inquiries - Confirmations - Computations and Reperformance - Analytical Procedures 	
7.2	Relationship between Audit Procedures and Audit Objectives <ul style="list-style-type: none"> - Should be able to assess the relationship between audit procedure and audit objective 	
7.3	Relationship between Audit Evidence, Audit Risk and Materiality <ul style="list-style-type: none"> - Should be able to assess the relationship between audit evidence, audit risk and materiality 	
7.4	Working Paper <ul style="list-style-type: none"> - Purposes - Types of working paper - Significance - Ownership 	
7.5	Audit Tests <ul style="list-style-type: none"> - Tests of Controls - Substantive Tests - Dual-Purpose Tests 	
8.0	AUDIT SAMPLING	B
8.1	Definition and Key Concepts	
8.2	Types of Audit Sampling	
8.3	Requirements of Auditing Standards <ul style="list-style-type: none"> - Design of the Sample - Sample Size Determination - Sample Selection - Performance of Audit Procedures - Analysing Nature and Causes of Errors - Projecting Errors - Evaluation of Results - Advantages and disadvantages of audit sampling 	
8.4	Application of Sampling Procedures/Techniques: <ul style="list-style-type: none"> - Tests of Controls - Substantive Test 	
9.0	AUDITING THE REVENUE PROCESS	A
9.1	Revenue Recognition and Process Revenue recognition Revenue process <ul style="list-style-type: none"> - Types of transactions and financial statement items affected - Types of documents and records - The major functions of revenue process 	

9.2	Audit Objectives on the transactions and account balances	
9.3	Risk Assessment (Inherent Risk and Control Risk) of the Revenue Process	
9.4	Control Procedures and Test of Controls <ul style="list-style-type: none"> - Evaluate the strengths and weaknesses of the internal control for the revenue process - Reliance on the internal control by recording those controls that are to be used as auditor's checklist - Reporting of weaknesses in controls to client management - Carried out control procedures and test of controls for audit evidence 	
9.5	Analytical Procedure (AP) and Substantive Test (ST) <ul style="list-style-type: none"> ▪ Revenue <ul style="list-style-type: none"> - Substantive procedures used in obtaining evidence in relation to revenues - Purpose of substantive procedures to financial statement assertions concerning receivables - Confirmations ▪ Accounts Receivable <ul style="list-style-type: none"> - AP & ST procedures used in obtaining evidence in relation to receivables ▪ Other Receivable, Deposits and Prepayments <ul style="list-style-type: none"> - AP & ST procedures used in obtaining evidence in relation other receivables, deposits and prepayments. 	
10.0	AUDITING THE PURCHASE AND EXPENSE PROCESS	A
10.1	Purchase and Expense Recognition <p>Purchases & Expenses Process</p> <ul style="list-style-type: none"> - Types of transactions and financial statement items affected - Types of documents and records - The major functions of purchases & expenses process 	
10.2	Audit Objectives on the transactions and account balances	
10.3	Risk Assessment (Inherent Risk and Control Risk) of the purchases and expenses process	

10.4	Control Procedures and Test of Controls <ul style="list-style-type: none"> - Evaluate the strengths and weaknesses of the internal control for the payment process - Reliance on the internal control by recording those controls that are to be used as auditor's checklist - Reporting of weaknesses in controls to client management - Carried out control procedures and test of controls for audit evidence 	
10.5	Analytical Procedures (AP) and Substantive Test (ST) <ul style="list-style-type: none"> - Substantive procedures used in obtaining evidence in relation to purchases, accounts payable, other payable, accruals and provisions - Purpose of substantive procedures to financial statement assertions concerning purchases, accounts payable, other payable, accruals and provisions - Analytical Procedures and Substantive Tests on the Payroll Account and Payment Process. 	
11.0	AUDITING THE INVENTORY MANAGEMENT PROCESS	A
11.1	Overview of the Inventory Management Process in terms of <ul style="list-style-type: none"> - Physical stock count - Stock valuation - Costing 	
11.2	Audit Objectives and Risk Assessment (IR & CR)	
11.3	Reliance on the Internal Controls <ul style="list-style-type: none"> - Describe controls in inventory / production cycle - Use by auditors as the internal control checklists - Control Procedures and Test of controls - Reporting of weaknesses in controls 	
11.4	Analytical Procedures and Substantive Tests <ul style="list-style-type: none"> - Inventory Valuation <ul style="list-style-type: none"> ▪ Substantive procedures used in obtaining evidence in relation to inventory ▪ Purpose of substantive procedures to financial statement assertions concerning inventory - Stock Count Observation <ul style="list-style-type: none"> ▪ Audit Procedures 	
12.0	AUDITING PROPERTY PLANT & EQUIPMENT (PPE)	A

12.1	Overview of the PPE Process	
12.2	Audit Objectives and Risk Assessment (IR & CR)	
12.3	Reliance on the Internal Controls <ul style="list-style-type: none"> - Describe controls in property, plant and equipment - Use by auditors as the internal control checklists - Control Procedures and Test of controls - Reporting of weaknesses in controls 	
12.4	Analytical Procedures and Substantive Tests of PPE <ul style="list-style-type: none"> - Substantive procedures used in obtaining evidence in relation to property, plant and equipment - Purpose of substantive procedures to financial statement assertions concerning property, plant and equipment 	
13.0	AUDITING LONG TERM LIABILITIES, SHAREHOLDERS EQUITY AND INCOME STATEMENT ITEMS	A
13.1	Overview of Long Term Liabilities, Shareholders Equity and Income Statement Items	
13.2	Audit Objectives	
13.3	Control Procedures and Test of Controls	
13.4	Analytical Procedures and Substantive Test <ul style="list-style-type: none"> - Substantive procedures used in obtaining evidence in relation to the following items: <ul style="list-style-type: none"> ▪ LT Liabilities ▪ Share Capital ▪ Dividends ▪ Income Statement – Below The GP Line 	
14.0	AUDITING CASH AND INVESTMENT	A
14.1	Overview of Cash, Investment and the Effects of other business processes	
14.2	Audit Objectives	
14.3	Control Procedures and Test of Controls	
14.4	Analytical Procedures and Substantive Tests	

	<ul style="list-style-type: none"> - Substantive procedures used in obtaining evidence in relation to the following items: <ul style="list-style-type: none"> ▪ Cash and Bank Balances ▪ Investment 	
15.0	COMPLETING THE AUDIT ENGAGEMENT	B
15.1	Final Evidential Evaluation Process	
15.2	Final Analytical Procedures <ul style="list-style-type: none"> - For overall review of the financial statements 	
15.3	Review of Subsequent Events <ul style="list-style-type: none"> - Types of subsequent event - Purpose of subsequent events review - Audit procedures for subsequent events 	
15.4	Review of Contingent Liabilities and Commitments <ul style="list-style-type: none"> - Audit procedures for identifying contingent liabilities and commitment 	
15.5	Going Concern Consideration <ul style="list-style-type: none"> - Importance of going concern review - Factors impacting going concern issues e.g. financial indicators, other indicators and mitigating indicators - Procedures to be applied in performing going concern review - Disclosure requirements and reporting implications relating to going concern 	
15.6	Group Audit <ul style="list-style-type: none"> - Principle auditor/Primary auditor - Responsibility of the group auditor 	B
16.0	AUDIT REPORT – COMPANY AND GROUP	B
16.1	Types of Audit Report (Revised ISA700, 705 and 706)	
16.2	Format and Content of Unqualified / Unmodified Audit Report	
16.3	Modified Audit Report <ul style="list-style-type: none"> - Emphasis of matter - Inability to obtain sufficient appropriate audit evidence - Existence of Material Misstatements - Key audit matters - Presentation and disclosure 	

17.0	INTERNAL AUDIT AND ITS OPERATIONAL FUNCTIONS	C
17.1	Explanatory Information to the following terms: <ul style="list-style-type: none"> - The Concept of Internal Audit - The Development of Internal Audit - Objectives, Scope and Responsibility of Internal Audit - Similarities and Differences between Internal and External Audit 	
17.2	Concept, Objectives and Scope of Operational Functions of Internal Audit <ul style="list-style-type: none"> - Operational Audit - Performance Appraisal - Risk Management and Assessment - Risk Based Audit 	
18.0	NON AUDIT ENGAGEMENTS	B
18.1	Types and Purposes: <ul style="list-style-type: none"> - Reviews, agreed upon procedures and compilation - Reporting on Prospectus and Prospective Financial Information - Due diligence engagements - Special purpose audits 	
19.0	ASSURANCE SERVICES	B
19.1	Definition and Characteristics <ul style="list-style-type: none"> - The demand for Assurance Services Engagements - Elements of an Assurance Engagement - Assurance Engagement Standards Types of Assurance Engagements <ul style="list-style-type: none"> - Risk assessment - Performance measurement - System reliability - Electronic commerce - Forensic Audit The use of other auditor work The use of expertise work The use of internal auditor work	