

AUDITING AND ASSURANCE SERVICES

INTRODUCTION

This course is designed to enable the candidates to understand the nature and objectives of audit in general as well as audit procedures, techniques and reporting. It would also help the candidates to be able to identify and assess the audit risks involved in various situations.

Candidates are expected to apply their knowledge of the subject matters covered in this course as well as related courses like Financial Accounting and Company Law and Practice in resolving issues relating to audit of financial statements and other audit related and assurance services.

Candidates are also expected to have knowledge of the clarified auditing standards, guidelines and technical releases pronounced by MIA.

OBJECTIVE

To equip candidates with knowledge and understanding of the audit process and report when performing the audit of financial statements including consideration of other issues relating to provisions of audit-related and assurance services.

LEARNING OUTCOMES

Upon successfully completing the course, candidates should be able to:

- Explain the nature, purpose, scope and issues relating to auditing and provisions of audit-related and assurance services.
- Explain the auditor's professional responsibilities on the professional conduct and ethics and the auditor's legal liabilities in the context of financial statements audit
- Identify audit risks through the understanding and evaluation of Internal Controls
- Determine the nature, timing and extent of substantive audit procedures to obtain sufficient and appropriate audit evidence to support audit opinion.
- Identify and apply techniques employed in the various stages of the audit process to verify the financial statement items.
- Evaluate auditing in a computerized information system (CIS) environment and the use of Computer Assisted Audit Techniques (CAATs) as an audit tool.
- Prepare appropriate reports for the respective users.

SYLLABUS WEIGHTAGE

No	Syllabus Content Area	Weighting
1.0	Introduction	20%
1.1	An Introduction to Auditing and Assurance Engagements	
1.2	An Overview of Financial Statements Auditing	
2.0	Professional Ethics, Conducts & Practice	
3.0	Auditors' Responsibility and Legal Liabilities	20%
4.0	Initial Engagement and Audit Planning	
5.0	Internal Control and Risk Assessment	
6.0	Computer Information Systems (CIS) Audit	
7.0	Audit Evidence and Procedures	10%
8.0	Audit Sampling	20%
9.0	Auditing the Revenue Process	
10.0	Purchase and Expense Process including Payroll	
11.0	Inventory Management Process	
12.0	Property Plant & Equipment	
13.0	Long Term Liabilities, Shareholders Equity and Income Statement items	
14.0	Cash & Investment	20%
15.0	Completing the Audit Engagement	
16.0	Group Audit	
17.0	Audit Report	
18.0	Internal Audit and Its Operational Functions	10%
19.0	Non Audit Engagements	
20.0	Assurance Services	
	Total	100%

ASSESSMENT

Workshop	40%
Examination	60%
Total	100%

FINAL EXAMINATION FORMAT

A 3-hour written paper comprising 5 to 6 compulsory questions.

SYLLABUS CONTENT

NO	CONTENT	LEVEL OF KNOWLEDGE
1.0	Introduction	
1.1	An Introduction to Auditing and Assurance Engagements <ul style="list-style-type: none"> - Audit profession and regulatory environment in Malaysia including provision of audit under Companies Act 2016 - Overview of assurance services and non-audit engagements - Quality control for audit work 	A
1.2	An Overview of Financial Statements Auditing <ul style="list-style-type: none"> - Introduction to Malaysian Financial Reporting Standards (MFRSs) and Malaysian Private Entities Reporting Standards (MPERSs) - Management assertions and audit assertions - Concept of reasonable assurance in audit - Overview of audit process 	A
2.0	Professional Ethics, Conduct & Practice <ul style="list-style-type: none"> - Ethical framework - MIA By-Laws (On Professional Ethics, Conduct & Practice) - Professional Independence - Professional skepticism 	A
3.0	Auditors' Responsibilities and Legal Liabilities <ul style="list-style-type: none"> - Fraud and error - Fraud Diamond and Fraud Risk factors - Responsibility to comply with the MIA By-Laws and Statutory Requirements - Legal liabilities under the Companies Act 2016 - Auditors' liabilities to clients and third parties including Worldcom and Enron and Malaysian cases such as Transmile, Megan Bhd and others 	A

<p>4.0</p>	<p>Initial Engagement and Audit Planning</p> <ul style="list-style-type: none"> - Establishing terms of engagement (Engagement Letter) - Understanding the client's business and the client's accounting system and internal control - Planning activities - Analytical Procedures - Planning and Preliminary Analytical Procedures - Materiality - Audit Risk - Management Assertions and Audit Assertions 	<p>A</p>
<p>5.0</p>	<p>Internal Control and Risk Assessment</p> <ul style="list-style-type: none"> - Definition of Internal Control - Understanding of client's internal control <ul style="list-style-type: none"> • Control Environment • Risk Assessment • Information Systems and Communication • Control Procedures - Types of Control Procedures - Test of Controls - Interim Substantive Procedures - Timing of Audit Procedures 	<p>A</p>
<p>6.0</p>	<p>Computer Information Systems (CIS) Audit</p> <ul style="list-style-type: none"> - Matters that CIS environment can effect the audit - Internal Control in a CIS environment <ul style="list-style-type: none"> • General CIS Controls • Application CIS Controls - Auditor's consideration of CIS controls on the audit work - Using Computer-Assisted Audit Techniques (CAATs) as audit procedures <ul style="list-style-type: none"> • Nature and types of CAATs • Consideration on using CAATs 	<p>B</p>

	<ul style="list-style-type: none"> • Common auditing software and test of data • Audit on general and application controls for CAATs • Cloud Auditing <p>- Big data</p>	
7.0	<p>Audit Evidence and Procedures</p> <ul style="list-style-type: none"> - Basic Concept of Audit Evidence: <ul style="list-style-type: none"> • Quality of evidence • Audit procedures - Relationship between audit procedures and audit objectives - Relationship between audit evidence, audit risk and materiality - Working Papers - Audit Tests 	B
8.0	<p>Audit Sampling</p> <ul style="list-style-type: none"> - Definitions and Key Concepts - Types of audit sampling - Advantages and disadvantages of audit sampling - Application of sampling procedures to test of controls - Application of sampling procedures to substantive tests 	B
9.0	<p>Auditing the Revenue Process</p> <ul style="list-style-type: none"> - Revenue Recognition and Process - Audit objectives - Risk assessment (Inherent Risk and Control Risk) - Control procedures and test of controls - Analytical procedures and substantive tests <ul style="list-style-type: none"> • revenue • account receivable • other receivables, deposits and prepayments 	A

10.0	<p>Auditing the Purchase and Expense Process including Payroll</p> <ul style="list-style-type: none"> - Purchase and Expense Recognition and Processes - Audit objectives - Risk Assessment (Inherent Risk and Control Risk) - Control procedures and test of controls - Analytical procedures and substantive tests <ul style="list-style-type: none"> • Purchases and Expenses • Account Payable • Other Payables, Accruals and Provisions • Payroll 	A
11.0	<p>Auditing the Inventory Management process</p> <ul style="list-style-type: none"> - Overview of the inventory management process - Audit objectives - Risk Assessment (Inherent Risk and Control Risk) - Control procedures and test of controls - Analytical procedures and substantive tests <ul style="list-style-type: none"> • Physical stock count • Stock valuation • Costing 	A
12.0	<p>Auditing the Property Plant and Equipment (PPE)</p> <ul style="list-style-type: none"> - Overview of the PPE process - Audit objectives - Risk Assessment (Inherent Risk & Control Risk) - Control procedures and test of controls - Analytical procedures and substantive tests <ul style="list-style-type: none"> • PPE 	A
13.0	<p>Auditing Long Term Liabilities, Shareholders Equity and Income Statement Items</p> <ul style="list-style-type: none"> - Overview of long term liabilities, shareholders equity and income statement items 	A

	<ul style="list-style-type: none"> - Audit objectives - Control procedures and test of controls - Analytical procedures and substantive tests <ul style="list-style-type: none"> • Long term liabilities • Share Capital • Dividends • Income Statement Items – Below the Gross Profit Line 	
14.0	Auditing Cash and Investment <ul style="list-style-type: none"> - Overview of cash, investment and the effects of other business processes - Audit objectives - Control procedures and test of controls - Analytical procedures and substantive tests <ul style="list-style-type: none"> • Cash and Bank Balances • Investment 	A
15.0	Completing the Audit Engagement <ul style="list-style-type: none"> - Final Evidential Evaluation Processes - Final Analytical Procedures - Review of Subsequent Events - Types of subsequent event and time frame for each event - Review of Contingent Liabilities and Commitments - Going Concern Consideration - Factors impacting going concern issues e.g. financial indicators, other indicators and mitigating indicators 	B
16.0	Group Audit <ul style="list-style-type: none"> - Principle auditor/Primary auditor - Responsibility of the group auditor 	B
17.0	Audit report – Company and Group <ul style="list-style-type: none"> - Types of Audit Report - Format and Content of Unqualified /Unmodified Audit Report 	B

	<ul style="list-style-type: none"> - Modifications to the Unqualified / Unmodified Audit Report in accordance with the revised ISA - Presentation and disclosure - Key audit matter 	
18.0	<p>Internal Audit and Its Operational Functions</p> <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 - Objectives and Scope of Operational Functions of Internal Audit <ul style="list-style-type: none"> • Operational Audit • Corporate Governance • Risk Management and Assessment • Risk Based Audit 	C
19.0	<p>Non audit engagements</p> <ul style="list-style-type: none"> - Reviews, agreed upon procedures and compilation - Reporting on Prospectuses and Prospective Financial Information - Due diligence engagements - Special purpose audits - Forensic Audit 	B
20.0	<p>Assurance Services</p> <ul style="list-style-type: none"> - Risk assessment - Performance measurement - System reliability - Electronic commerce - The use of other auditor work - The use of expertise work - The use of internal auditor work 	B

TEXTS AND REFERENCES

Main Text

1. MIA – QE Study Text
2. Malaysian Approved Standards on Auditing
3. MIA By-Laws (On Professional Ethics, Conduct & Practice)

Legislation and Regulations

1. Companies Act 2016
2. Securities Commission Regulations
3. Securities Commission Act 1993
4. Malaysian Code of Corporate Governance

Recommended References

1. Messier, William F. and Boh, Margaret, Auditing and Assurance Services in Malaysia, McGraw-Hill Publication.
2. Arens, Alvin A., Loebbecke, James K. and et al., Auditing in Malaysia: An Integrated Approach, Prentice Hall Publication.
3. Chong Aik Lee and Angelina Yee Seow Voon, Auditing Principles and Assurance Services, Malaysia, CCH.
4. Pn. Sri Datin Dr. Mary Lee and Tong Seuk Ying, Practical Auditing in Malaysia, Prentice Hall Publication.

** Candidates are required to refer to the latest edition of texts and materials*

Notes:

Legislation

Questions involving knowledge of legislation will be based on Malaysian legislation and candidates are expected to have knowledge of any current changes in legislation. However, no questions on new legislation will be set until at least six (6) months have elapsed since the last day of the month in which Royal Assent was given to the new legislation

Technical Pronouncements

Candidates are expected to have a detailed knowledge of and capable of answering questions in respect of the approved accounting standards, approved auditing standards, generally accepted accounting principles, generally accepted auditing standards, regulations and legislation relating to financial accounting, reporting and auditing.

Questions involving knowledge of new approved accounting standards and approved auditing standards will not be **examined until after** at least six (6) months have elapsed since the last day of the month in which the statement became effective or was published.

