

• 5:30 to 7 — 10 Min

• M to Saturday

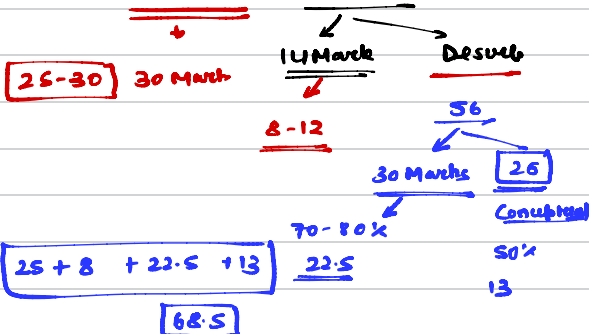
• Live → 24 Hours

• Duration → 120 to 140 Hours

• Views → Unlimited

□ Target → 60 Marks

→ 30 Marks — 70 Mark



3 idiots

• CHATUR → Fail ✓

• Rancho → Fail ✓

• Rancho + Chatur
→ "Ratto" }

1. water Bottle

2. Register + Black pen

3. Participation —

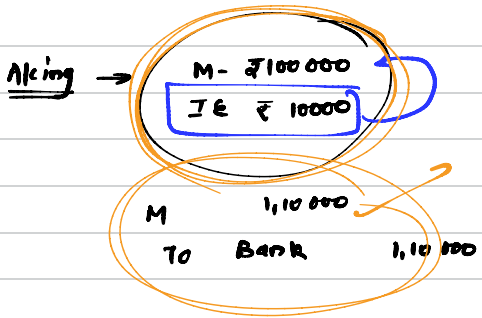
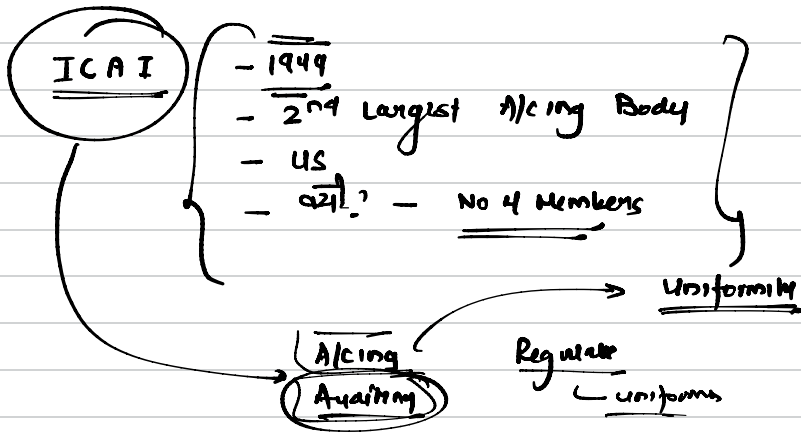
1. Audit Book → within this week

2. Question Bank

3. Handwritten Note

4. App Based MCQ - 250+

5. " " C/IC



Audit

- Independent Examination
- Financial information

MFI → Information expressed in Financial terms
 in Relation to a particular entity
From its Accounting system
About Economic Events
 Economic Conditions
 Generally Relates to Past

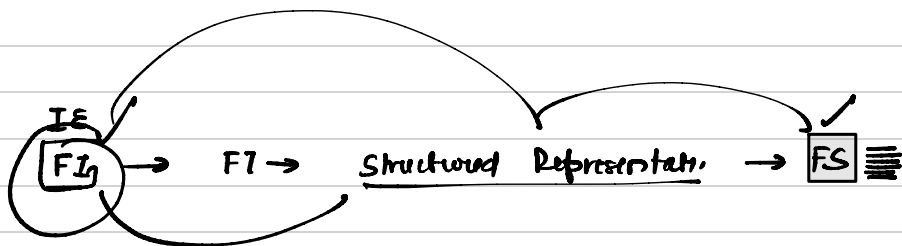
FS

→ Structured Representation of Historical Financial Information

→ includes the Related Note

→ It communicates - entity's Resource obligation

→ as per Applicable financial Reporting Framework



- FRF
- AFRF

FRF → Guidelines → FS / Amount (Recognition)

CRITERIA

- Classification
- Presentation
- Disclosure

AFRF

AFRF

FRF

Adopted by Entity

to Preparation & Presentation of Financial Statements

PPFS

Acceptable — as per Nature of Entity
→ Requirement of Law & Regulation

Audit

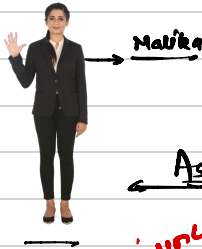
- IE ✓
- FI → HFI → FS → FRF → AFRF
- Entity (Y/T/S) — P/MP, S, LF
Profit Size Legal form.
- Objective — OPINION

Assurance Engagement

Intended user

Sustainable utility

Argaman



Malika



Assurance



Responsible Party

Company

Subject Matter

Practitioner



Sustainable Use

IU

AFRF

RP



FS

SM

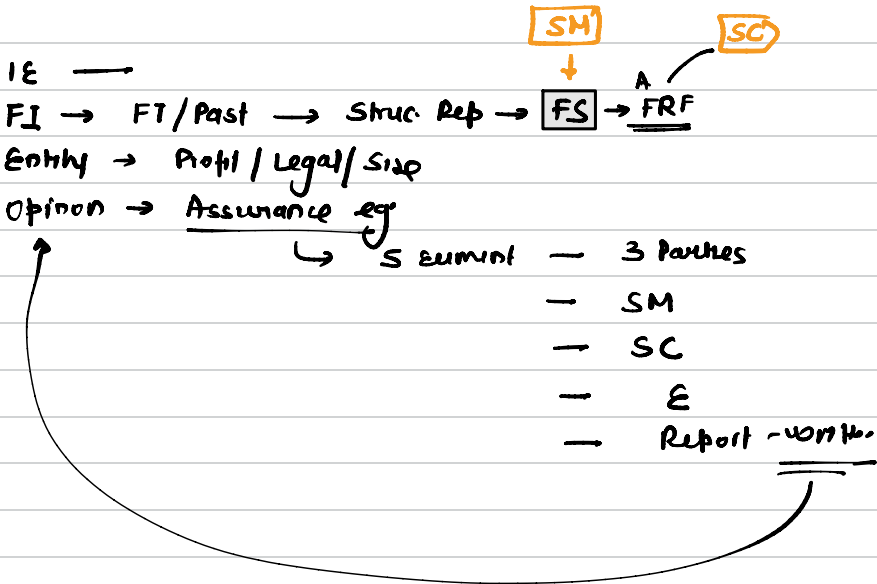
Report Opinion

EUUQ

Auditor

Pr

Assurance

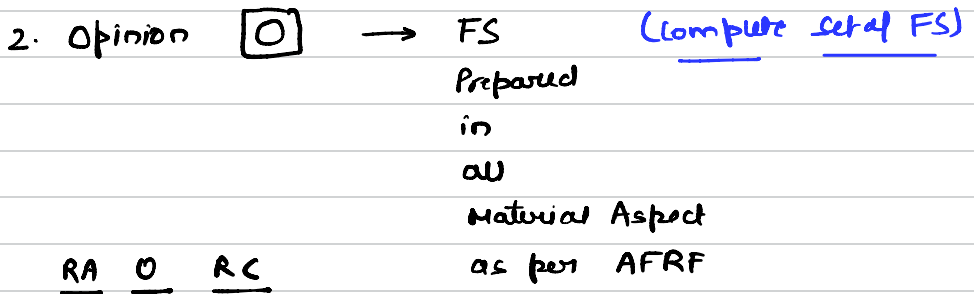
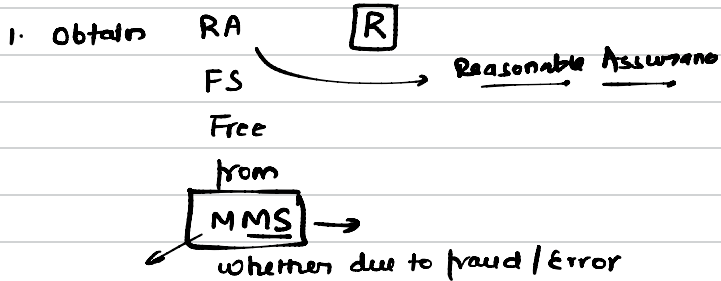




• I will take your questions in the end.

- Standards → Standards on Auditing →
- Used for Auditing of HFI
 - PERFORMANCE BENCHMARKS ●
 - Purpose — Uniformity
 - Mandatory Responsibilities of Auditor

Objectives of Auditor



3. Report & Communicate

on FS As Required by SAs in Accordance with Finding

Inventory

valuation

C/NRV - +

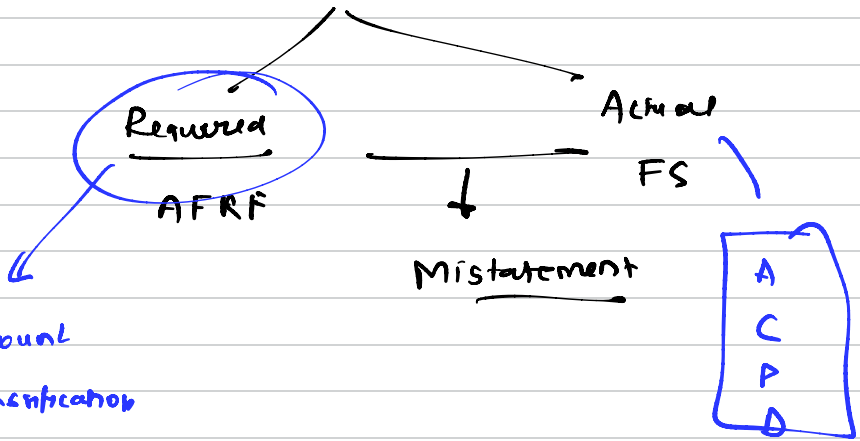
AS 2 - Requirement

[Differs] → Mistatement

o

↑

Actual



Amount

Classification

Presentation

Disclosures

Fraud

- Intentional
- Detect → Hard

Error

- Unintentional
- Easy

- RA RA
- O O
- R/C R/C ~

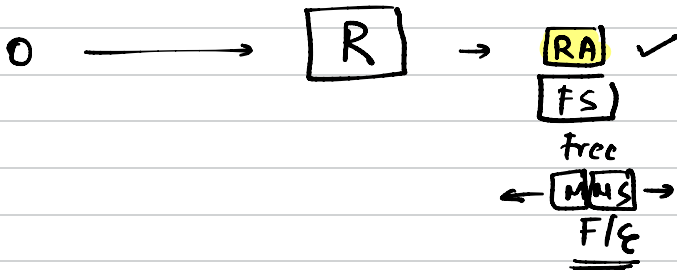
Mistatement

Fraud

- Intentional
- Difficult to Detect
- Risk of "NOT Detecting"

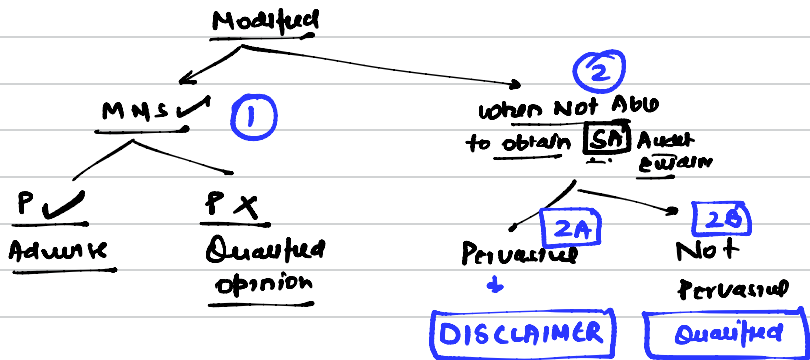
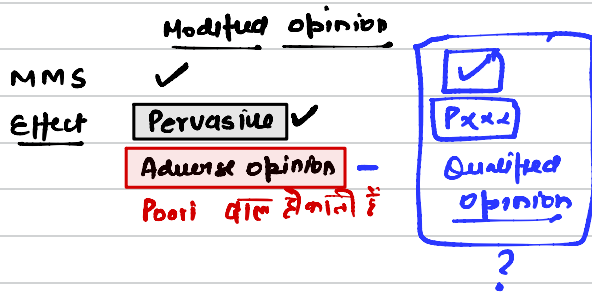
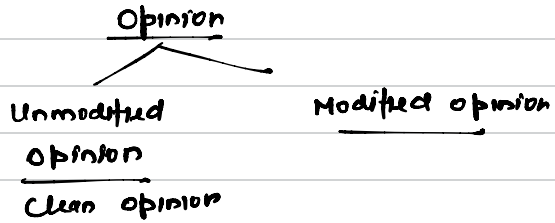
Error

- Unintentional
- Easy to Detect
- Risk of "NOT Detecting"

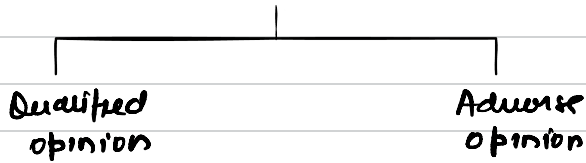


□ opinion [FS] — Prepared as per AFRF

- RA
- O → Types of Opinion
- R/C



o Misstatement in Value of Inventory



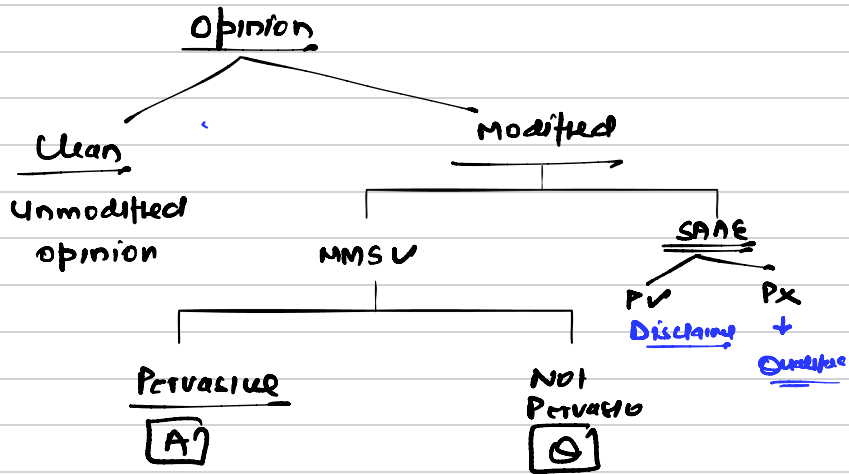
o CFS are Materially Misstated due to Non-Consolidation of Subsidiary — Pervasive —> Adverse Opinion

o The auditor was unable to obtain sufficient appropriate audit evidence regarding an investment in a foreign associate.

(Impact Not Pervasive — Professional judgement)

Qualified

o the auditor was also unable to obtain audit evidence about the financial information of a joint venture investment that represents over 90% of the entity's net assets.



Pervasive

- effect — MS → FS
- MMS — Pervasive — Auditor's Judgment
- Factor
 - Not Confined to single elements
 - Even Confined, but lower Substantial Prop of FS
 - Disclosure → Fundamental for understanding of FS.



TCGG — Those Charged with Governance

• Person / Org

• Responsibility of — overseeing **Strategic Direction**

• obligation — Related to **Accountability** of Entity

• Includes **Overseeing FR Process**

• TCGG and Mgt. May be SAME

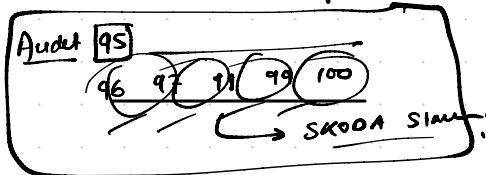
Management — **Executive Responsibility** for conduct of Entity's operation

Pic-conditions / Premise

- FRF must be Acceptable.
- TCWQ / Management have the following Responsibilities
 1. PPFS — in Accordance with AFRF
 2. DIM — IC — Relevant for PPFS, free from MMS — F/E
 3. Provide the Auditor
 - All info — Relevant — PPFS
 - Additional info — Requested by Auditor
 - Unrestricted Access to those within the entity from whom Auditor determines it necessary to obtain AE

Internal Control

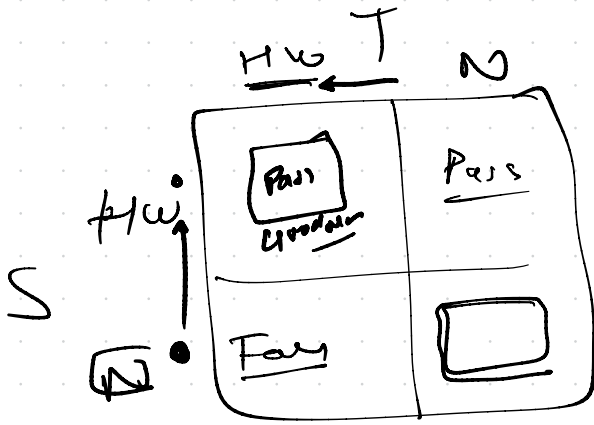
- Process
- DIM
- TCWQ / N47 / other Personnel
- RA
 - effectiveness / efficiency of operation
 - Inventory Mgt System
 - Reliability of FR
 - Regular review of Account By senior personnel
 - Compliance with L/R



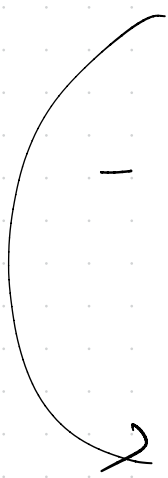
- Pharmaceutical Co. strict control over Drug testing

- Safeguarding of Assets - User id / Passwords for Bank Login etc

- Auditor is concerned only with IC Related to FS.
- Auditor _____ Give opinion on IC
- Auditor _____ Point out weakness in IC & _____ give suggestions for improvement



6000
915
5085
- 2542
2543
→ 35%
890
1652 X



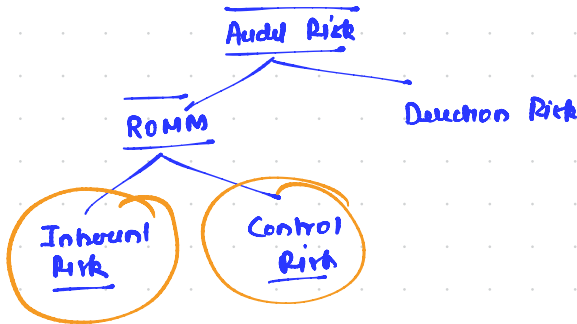
- E - Engagement
- P - Planning
- M - Materiality

• RA → Risk Assessment

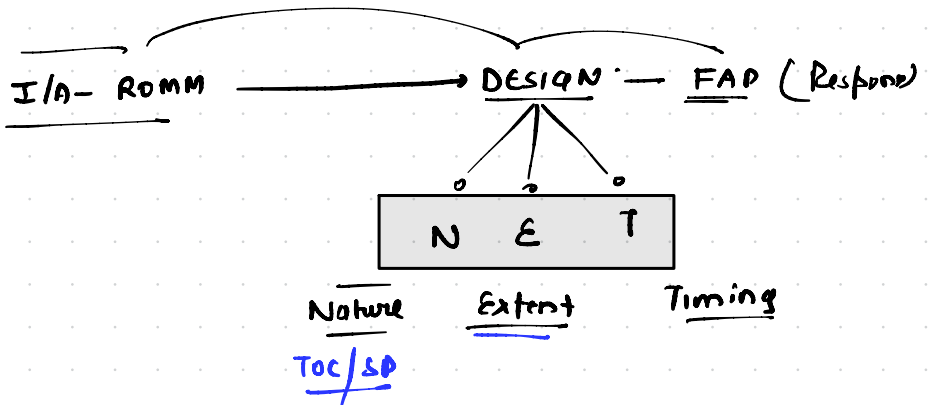
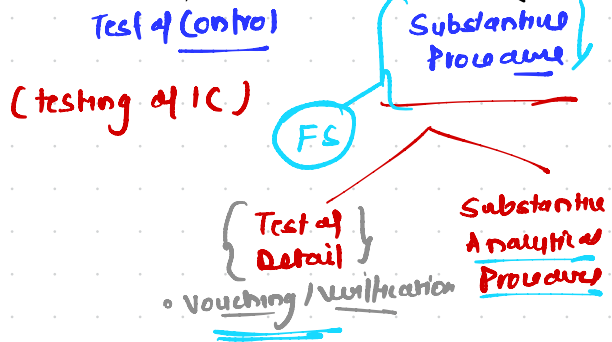
• Response →

- AE → Audit evidence
- C - Conclusion
- O - opinion
- R - Reporting
- D - Documentation

Auditor — Entity, Environment, IC
 — understand
 — Risk of material misstatement
ROMM
 — ROMM — Procedures — RAP



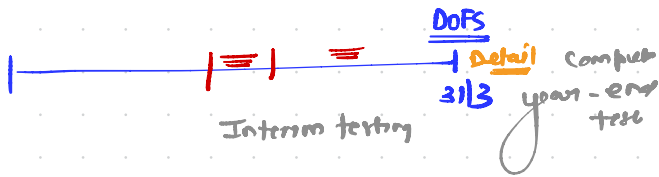
RAP → I/A- ROMM → Response (Further Audit Procedure)



N

E

Timing

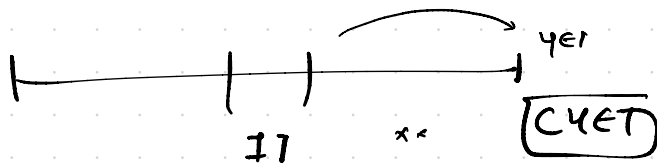


ROMM ↑

[IT]

[CYET]

N E [T] — Timing of Annual Procedure
Tech.



E
P
M

[RAP]

- I/A
- U/E/E/C

[ROMM]

Response
(Further Annual Procedure)

NET

N - TOC/SP

E - S/L

T - IT/4E1

□ EP M — RA

• RNP

• U-EL/IC

• I/A — ROMM

IR

CR

ROMM↑

ROMM?

IC weak

IC

Strong

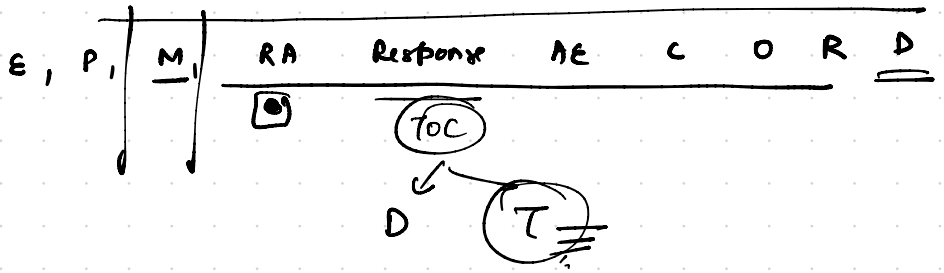
Response

Toc

SP

TOD ✓

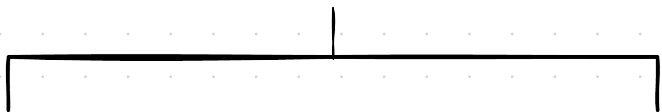
SAP ✓

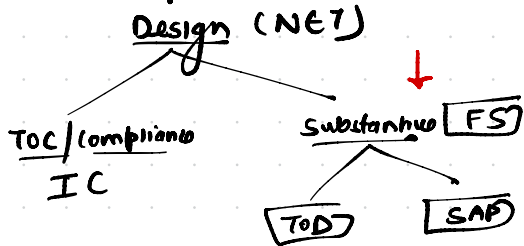
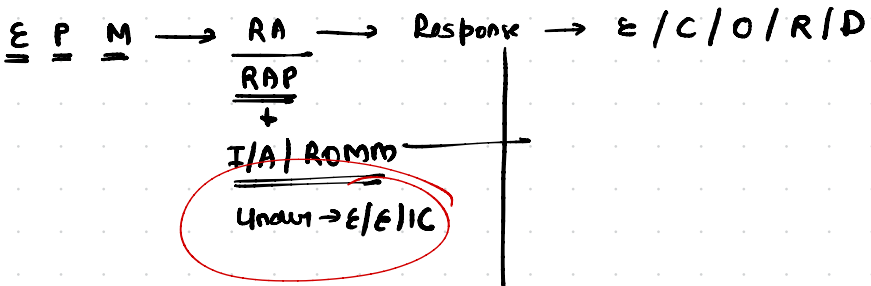


ROMM

Inherent
Risk

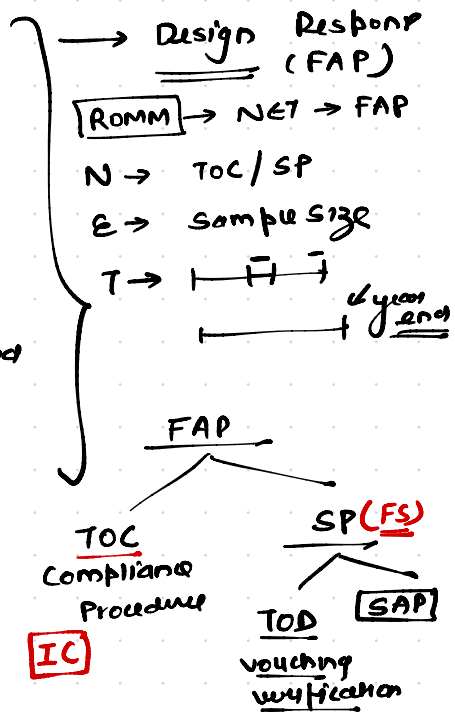
Control
Risk





R
P
N

- RAP → ROMM
- I/A - ROMM
- Understanding E/E/IC
- ROMM - FS
- ROMM - Independent at Audit
- ROMM Cannot Controlled By Auditor
- ROMM < IR - CR -



- ① IC - Auditor → NO unless Required by Law Opinion
- ② IC - Auditors, weakness / Suggestion
- ③ IC - understanding - I/A - ROMM
- ④ RAP → opinion
- ⑤ IC - understanding → IC weak → SP ✓
- ⑥ Can TOC be skipped. (Big / complex org)
- ⑦ Substantive SPIT - NEVER

U-IC → IC ↑

TOC → Design

→ Efficiency (operate, continuity)

→ IC strong

SP → SAP ✓

— TOD

} Reduced

E/C/O/R/D

E

C

O

RAP (Response)

D

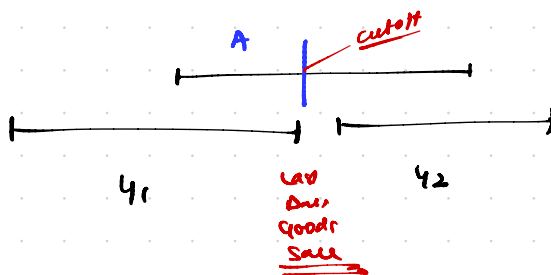
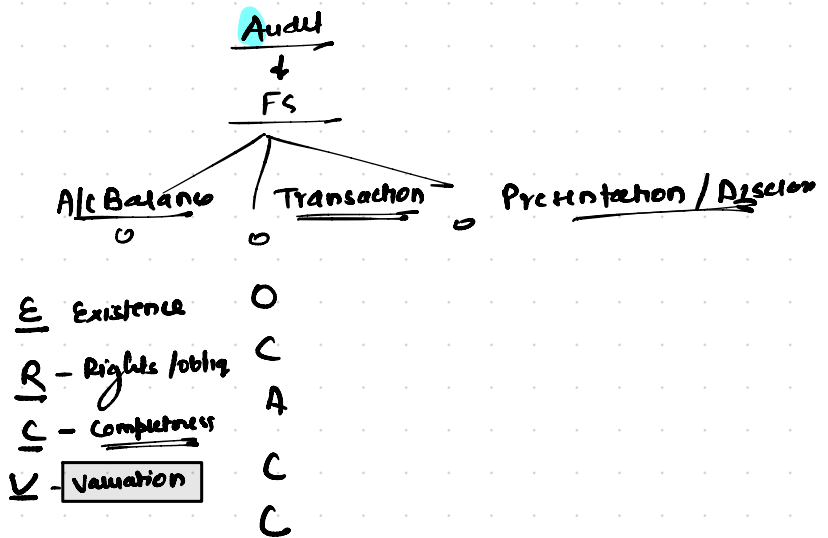
O

C

R

D

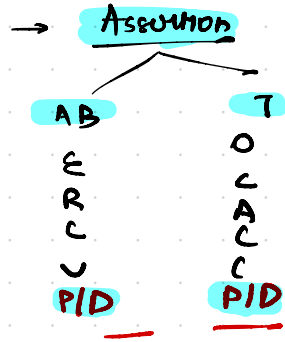
Assertions



- - Occurrence
- C - comp
- A → Accuracy → Amt ✓
- C → Cutoff → Period ✓
- C → Classification → A/C ✓

Transactions include sales, purchases, and wages paid during the accounting period. Account balances include all the asset, liabilities and equity interests included in the statement of financial position at the period end.

Presentation / Disclosure

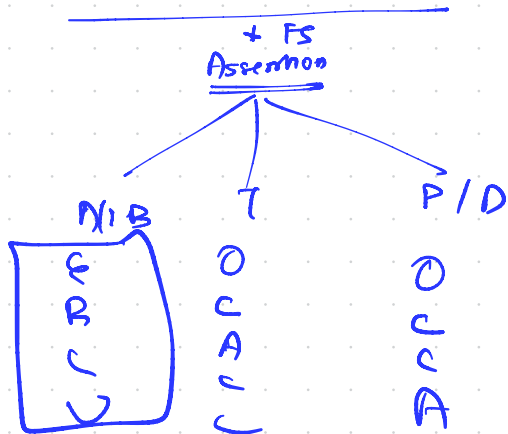
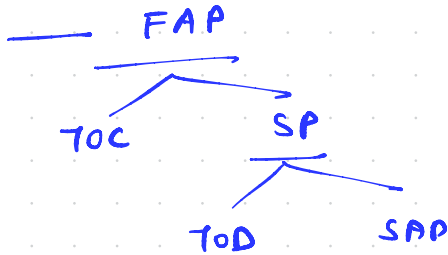


Classification: Financial information must be recorded in the proper accounts and disclosed in the financial statements in a way that reflects its nature and financial significance.

Example: An auditor checks that short-term and long-term liabilities are correctly classified in the financial statements. A bank loan that is due within the next year should be classified as a current liability, while one that is due in more than a year should be classified as a non-current liability.

- E
- P
- M
- RAP

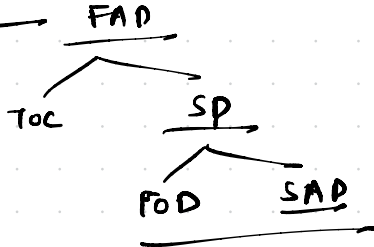
- Response



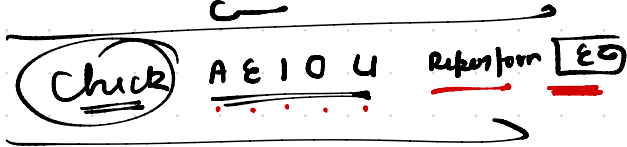
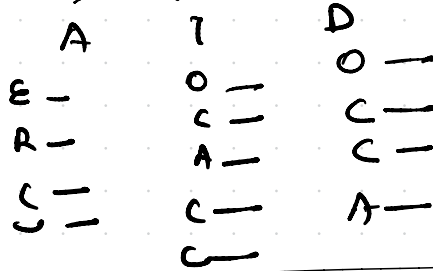
E
P
M

RAP

Re →



↓
FS
+



- Analytical Procedure
- E - Enquiry
- I → Inspection
- O - Observation
- U → Recalculation
- Report Form
- External Confirmation

E
P
M

RAP - ROMM

Response - FAP

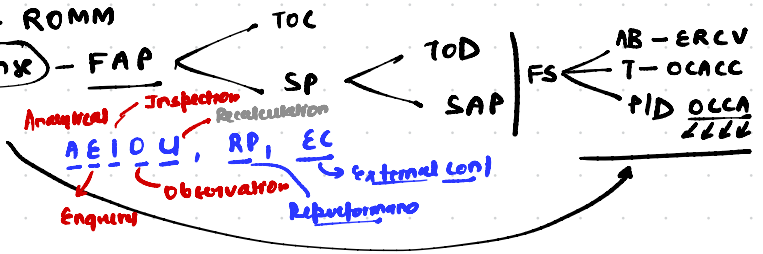
AE

C

D

R

D



Audit Evidence

AE =

Information

Conclusion — opinion

Accounting Records + other Info

- Journal
- Supporting
- Invoices
- Contracts
- Ledgers
- work sheets
 - ↳ Cost Allocation
 - ↳ Reconciliation
 - etc

— Authenticate
Accounting Records

- Minutes of Meetings
- written confirmation from Trade Receivables
- Manuals containing IC.

SCOPE OF AUDITING

Coverage of all Aspect of Entity

— all aspect Relevant for FS

Reliability and sufficiency of financial information

— Ensure Reliability of Accounting Record & Source data & Sufficiency

How? — Analysis of Accounting system, IC,

↳ A, E, IO, U, Representation

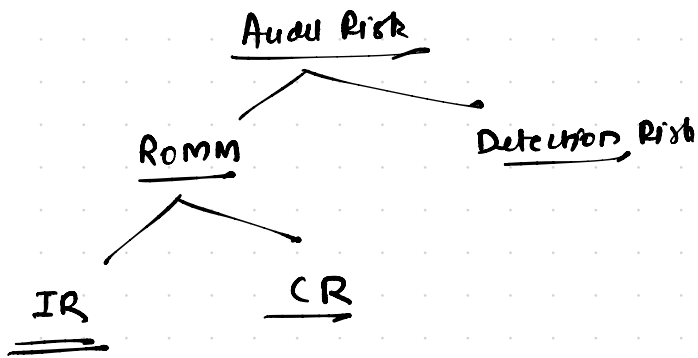
Proper disclosure of financial information

- Ensure Adequate disclosure
- Compliance with statutory Requirement
- Accurate Summary
- Evaluate Mgt's Judgment / selection & consistency
Application of AI.

FS → HFI → Data on economic condition / event

Scope of audit-What it does not include

- Matters Beyond expertise
- Genuineness of Document
- Not an inquiry into misconduct, NO searches, ^{Sworn,} witness
No legal Authority
- Not an investigation
 - Detailed Examination specific Purpose
 - Focused & Narrow

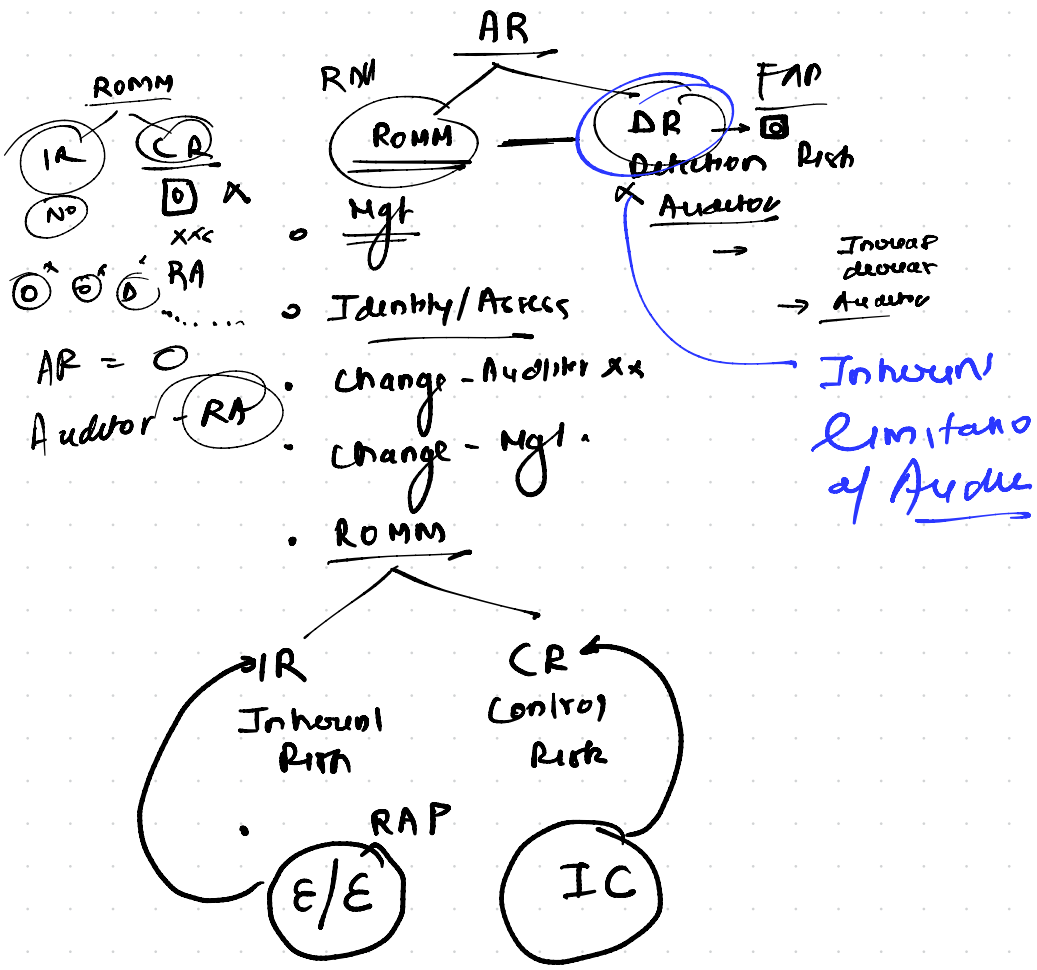


Audit Risk - Risk that Auditor will Express an inappropriate opinion when FS are materially misstated

FS - MMS → 1) Clean
 2) Modified ✓

□ YES

→ Audit Risk



FS - MMS xx

A - Modified opinion

No

M - FS - MMS

Clean opinion

M → FS - Clean

A - Modified

ILA

- AR cannot be Reduced to Zero
- No Absolute Assurance can be obtained
- Evidence — Persuasive Rather than Conclusive
- Because of ILA
- ILA — Limitation which cannot be Overcome
irrespective of NET of Audit Procedure.

These fundamental limitations arise due to the following factors:

1) Nature of FR

- PPFs — involve Judgement by Mgt
↳ Subjective decision
- Mgt is Responsible for IC
- IC only gives Reasonable Assurance
because IC has its own Inherent Limitations
such as collusion

2. Nature of Audit Procedure



- Practical / legal limitation
- +
 - Example — Not testing all transaction
- Mgt. — May Not Provide Complete info
No way to force and get info
He can only Report
- Mgt. May Produce fabricated doc.
 - Auditor Not an Doc Authentication expert
- Mgt.'s transaction with RELATED Party

Auditors might not know of related party relationships, and may miss likely wrong doings in these deals.

3.) Not in Nature of Investigation

audit is not an official investigation. Hence, auditor cannot obtain absolute assurance that financial statements are free from material misstatements due to frauds or errors.

4. **Timeliness of financial reporting and decrease in relevance of information over time**

- Relevance of info decreases over time
- Balance b/w Reliability of info and CVR

An auditor, auditing a company for three years, may reuse second-year info in the third year. However, new developments might render this information outdated and unreliable.

5. **Future Work**

Future events or conditions can negatively impact a business, potentially leading to its shutdown due to market shifts or adverse incident

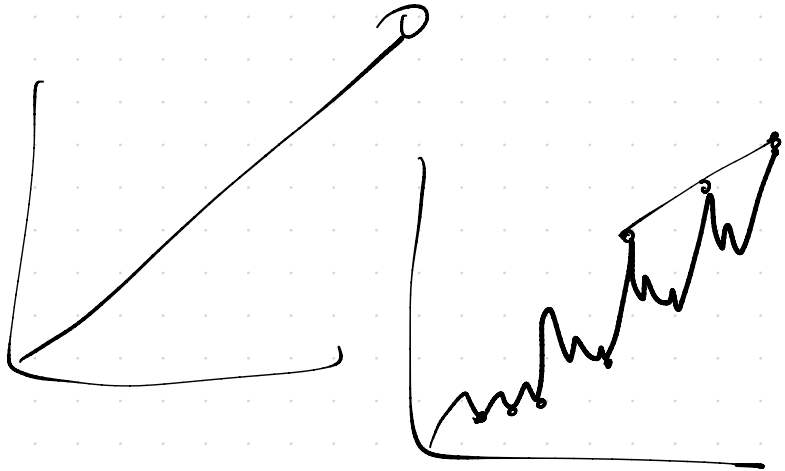
The nature of auditing financial statements is inherently retrospective, as it involves examining the records of past transactions. Auditors assess the company's financial information up to the date of their report, but they cannot predict future events or conditions that may impact the entity's ability to continue as a going concern.

Benefits of Audit - Direct Benefit

- High Quality info → Confidence to the users
- Shareholder interest is safeguarded
- Moral check
- Government Tax Liabilities x
- Lenders x
- MAY - detect fraud/error both (FRAUD) ERROR)
- CONTROL ✓

Audit- Mandatory Or Voluntary?

- Not legally mandatory for all
- In some cases, conditionally mandatory
- May need for grants (School) depending on condition Such as 70 Turnover
- May opt for Voluntary Audit - due to Benefit



Engagements

Assurance

Related Services

HFI (Historical fin Info)

Others than HFI

SRS

Std. on Related Services

Audit

Review

SAE

• IC

• PFI

CA Final

SA

SRE

CA Final

Reasonable

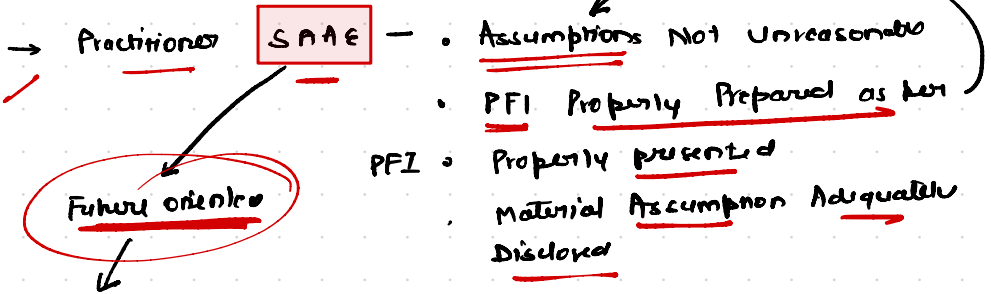
Modifying

CA - Quality

↳ Quality Control standards

PFI - FI

- Based on Assumption / Event that may occur in future
Possible Action by entity
- Forecast / Projection or Combination

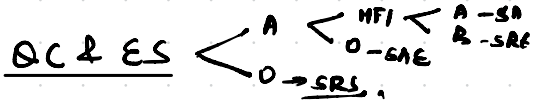


The auditor is, therefore, not in a position to express an opinion as to whether the results shown in the prospective financial information will be achieved

- Negatively worded opinion

nothing has come to practitioner's attention to suggest that these assumptions do not provide a reasonable basis for the projection.

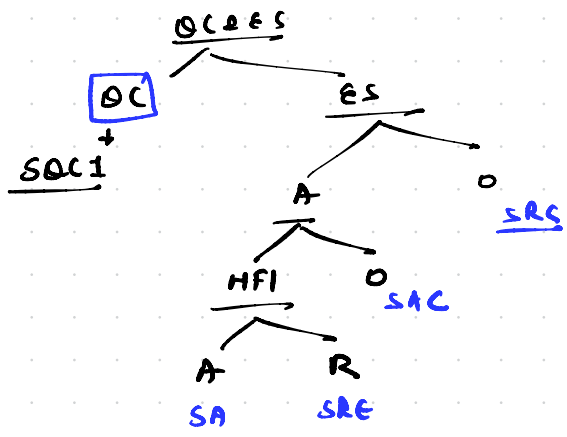
- A practitioner should not vouch for Accuracy of forecast



Why stds

Global Practice

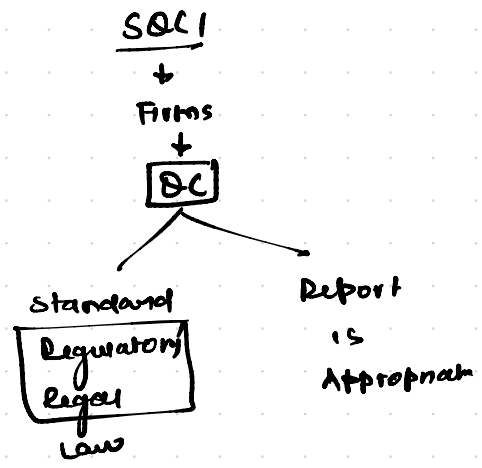
1. Ensure work as per
2. FR - Quality
3. Uniformity
4. Accountant - Skill/Knowledge
5. Audit Quality



SOC 1 - Firms की Responsibility Bahut hai

DC की मान्यता,

→ 5A, 1, 2, 3, 4 और 2E के
A R OA RS



OC & ES

OC
SOCI

ES

A

O
SRS

HFI

OMU
SAE

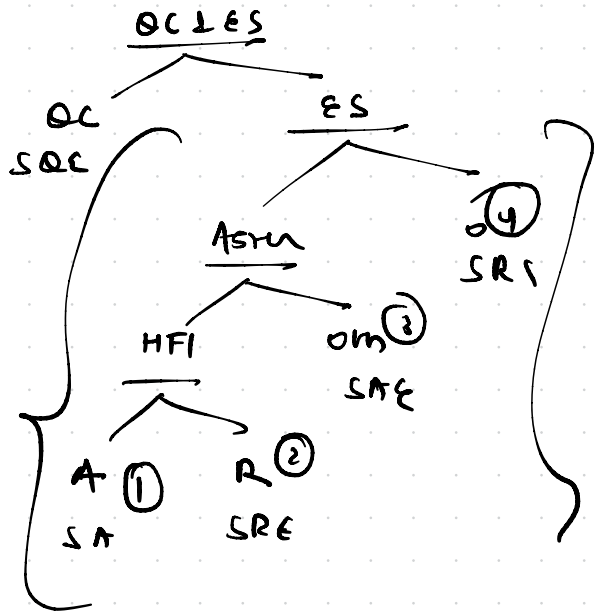
A
SA

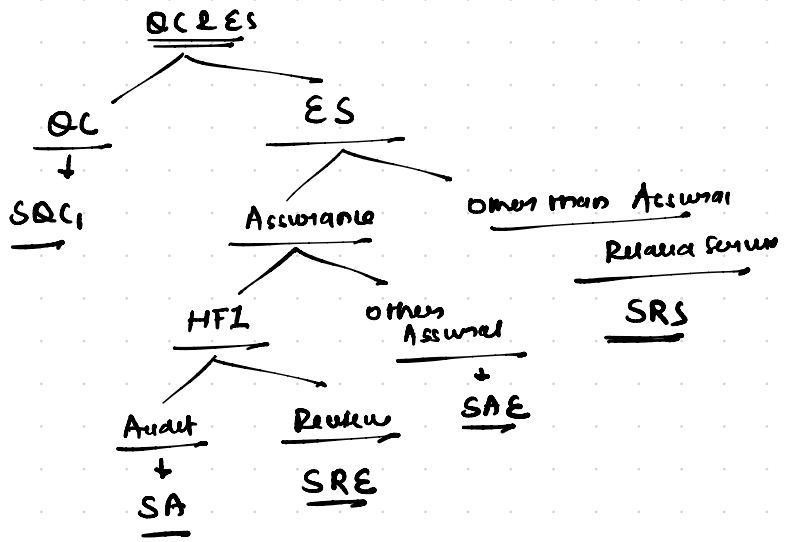
R
SRE

OC

F
A/R/OA/R

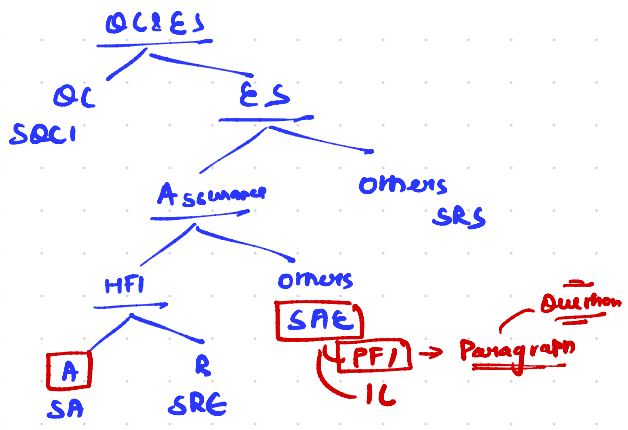
- OC
- S/R/L
- Report approx.



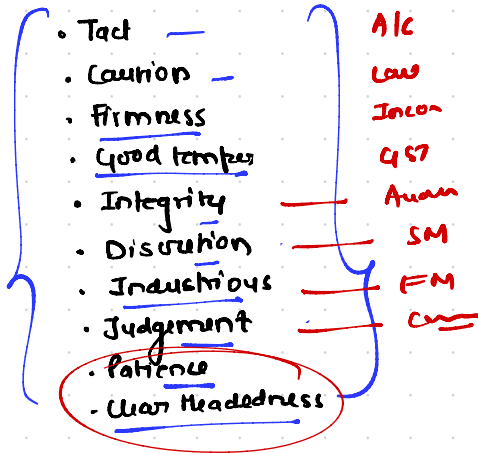


Topics to be Covered

- Interdisciplinary Nature
- Prospective financial info topic
- Qualities of An Auditor
- Ensure that FS should not Mislead Anybody.



Qualities of Auditor - RTA



• Personal Qualities Required for a Good business man

• Independence

• Holds Position of trust - Must Have Basic Human Qualities

• Must Have Knowledge of an expert - Review of FS critical

• Exhaustive knowledge of Accounting
Sine Qua Non ❤️

• Thorough knowledge of Accounting Principles & techniques

Relationship of Auditing with other Subjects

- Auditing Inter-disciplinary is Nature
- Auditor Must Have Strong GRASP over
 - Accounting
 - Business, Tax Law
- Auditor engage with a lot of People
 - Must have understanding of Human Behaviour
- Use statistics for sampling
- Auditor needs to understand the Business environment
 - Economics will help
- Financial Mgt. → Knowledge of
 - Funds flow
 - Working Capital Mgt
 - Ratios

will help Auditor in Risk assessment and Report
- Financial Market Knowledge is also expected