

PAPER – 3 : ADVANCED AUDITING AND PROFESSIONAL ETHICS

(One paper – Three hours – 100 marks)

Objective:

- (a) To acquire the ability to analyse current auditing practices and procedures and apply them in auditing engagements;
- (b) To acquire the ability to solve cases relating to audit engagements.

Contents:

- 1. Auditing Standards, Statements and Guidance Notes:** Engagement & Quality Control Standards, Statements and Guidance Notes on Auditing issued by the ICAI; Elements of system of quality control, leadership responsibilities for quality within the firm, Acceptance and Continuance of clients relationships and specific engagements, Engagement Performances, etc. (SQC 1 Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information and Other Assurance and Related Services Engagements).
- 2. Audit Planning, Strategy and Execution:** Planning the flow of audit work; audit strategy, audit plan, audit programme and importance of supervision; principal's ultimate responsibility; extent of delegation; control over quality of audit work; Analytical Procedures prior to audit as well as towards finalization; Concept of Principal Auditor and Other Auditor, Acceptance as Principal Auditor, Procedures to be performed by Principal Auditor, Co-ordination between the Principal Auditor and Other Auditor (SA 600 Using the Work of Another Auditor); Concept of Internal Audit Functions and its evaluation, Using the work of the internal audit function, Using internal auditors to provide direct assistance (SA 610 Using the Work of Internal Auditors); Auditor's Expert – Meaning, Need for an Auditor's Expert, Understanding the Auditor's Expert, Agreement with the Auditor's Expert, Adequacy of the Auditor's Expert's Work (SA 620 Using the Work of an Auditor's Expert).
- 3. Risk Assessment and Internal Control:** Evaluation of internal control procedures; Components of internal controls; Internal control and risk assessment; Risk-based audit-audit risk analysis, general steps; Internal audit; Reporting on internal control weaknesses (SA 265 Communicating Deficiencies in Internal Control to Those Charged With Governance and Management); Framework on Reporting of Internal Controls.
- 4. Special aspects of Auditing in an Automated Environment:** Key features of automated environment, related risks and controls, Standards, Guidelines and procedures, using relevant frameworks and best practices, understanding and documenting automated environment, Enterprise Risk management overview, assessing

IT-related risks and controls, evaluating risks and controls at entity level and process level, Considerations of automated environment at each phase of audit cycle, using relevant analytical procedures and tests using data analytics, key concepts of auditing in real-time automated environments such as E-Commerce, ERP, Core Banking, etc..

5. **Audit of Limited Companies:** Application of Relevant Provisions under the Companies Act, 2013 relating to Audit and Auditors and Rules made thereunder; Powers/rights, duties of auditors; Branch Audit; significance of true and fair view; Dividends and divisible profits- financial, legal, and policy considerations; depreciation; Special features of audit of Limited Liability Partnerships (LLPs)- Eligibility for audit, appointment of auditor, remuneration, etc. Audit report under the Companies Act, 2013; Reporting under CARO.
6. **Audit Reports:** Basic elements of auditor's report; Types of opinion; Notes on accounts; Distinction between notes and qualifications; Distinction between audit reports and certificates; Communication to Management and those charged with Governance; Self Review threats; Drafting of different types of Audit Reports.
7. **Audit Committee and Corporate Governance:** Audit committee; Role of auditor in Audit Committee and Certification of Compliance of Corporate Governance; Compliances with Laws and Regulations (SA 250 Consideration of Laws and Regulations in an Audit of Financial Statements); Disclosure requirements including those of SEBI; Regulatory requirements of Corporate Governance, Report on Corporate Governance.
8. **Audit of Consolidated Financial Statements:** Provisions under the Companies Act, 2013 in respect of Accounts of Companies and Rules made thereunder; Audit of Consolidated Financial Statements- responsibility of parent company, auditor of the consolidated financial statements; audit considerations- permanent consolidation, current period consolidation; reporting.
9. **Special features of audit of Banks, Insurance & Non Banking Financial Companies,**
10. **Audit under Fiscal Laws:** Audit under Fiscal Laws, viz, Direct and Indirect Tax Laws including documentation for Form 3CD etc.
11. **Audit of Public Sector Undertakings:** Special features, Directions of Comptroller and Auditor General of India; Concept of propriety audit; Performance audit; Comprehensive audit.
12. **Liabilities of Auditors:** Professional negligence; Civil liabilities; Criminal liabilities; Liabilities under different statutes - for example Income Tax Act, Companies Act.
13. **Internal Audit, Management and Operational Audit:** Provisions of internal audit as per Companies Act, 2013; Scope of internal auditing; Relationship between internal and

external auditor; Basics of Internal Audit Standards issued by the ICAI; Drafting of Internal Audit Report; Management audit and Operational audit.

14. **Due Diligence, Investigation and Forensic Audit:** Due Diligence Review; Audit versus Investigation; Steps for investigation; Types of investigation; procedure, powers, etc. of investigator; Types of Fraud, indicators of fraud, follow-up thereof; Forensic audit-meaning, difference between statutory audit and forensic audit, forensic audit techniques, forensic audit report etc.
15. **Peer Review and Quality Review**
16. **Professional Ethics:** Code of Ethics with special reference to the relevant provisions of the Chartered Accountants Act, 1949 and the Regulations thereunder.

Note:

- (i) The specific inclusions/exclusions, in any topic covered in the syllabus, will be effected every year by way of Study Guidelines.
- (ii) The provisions of the Companies Act, 1956 which are still in force would form part of the syllabus till the time their corresponding or new provisions of the Companies Act, 2013 are enforced.
- (iii) If new legislations/ Engagement and Quality Control Standards /Guidance Notes/Statements are enacted in place of the existing legislations, the syllabus would include the corresponding provisions of such new legislations with effect from a date notified by the Institute. The changes in this regard would also form part of Study Guidelines.