

Unit 1: Assurance Framework

Elements of an assurance engagement (para 10 & 26)

QRF 1.1	A 1.1	WE 1.1
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1. Three party relationship (para 27-38)
 - 1.1 responsible party (eg. Directors) - As the governing body, responsible for financial statements.
 - 1.2 assurance practitioner (e.g Auditor) - Conducts the audit
 - 1.3 Intended users (eg. Shareholders) - Statutory entitlement for an account of the stewardship of their inv
2. Underlying subject matter (e.g entity's financial performance, financial position and cash flows) (para 39-41)
3. Suitable criteria (e.g IFRS) (para 42)
4. Evidence (para 50)
5. Assurance report (para 83)

Professional Scepticism and Professional Judgement

QRF 1.2	A 1.2	
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Professional scepticism (ISA 200 para. 15) - means an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.

Professional judgement (ISA 200 para. 16) - means the application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.

Audit Documentation

QRF 1.3	A	WE
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Documentation must be sufficient to enable an experienced auditor, having no previous connection to the audit, to follow.

Documentation may be paper or electronic or on other media.

Final audit file:

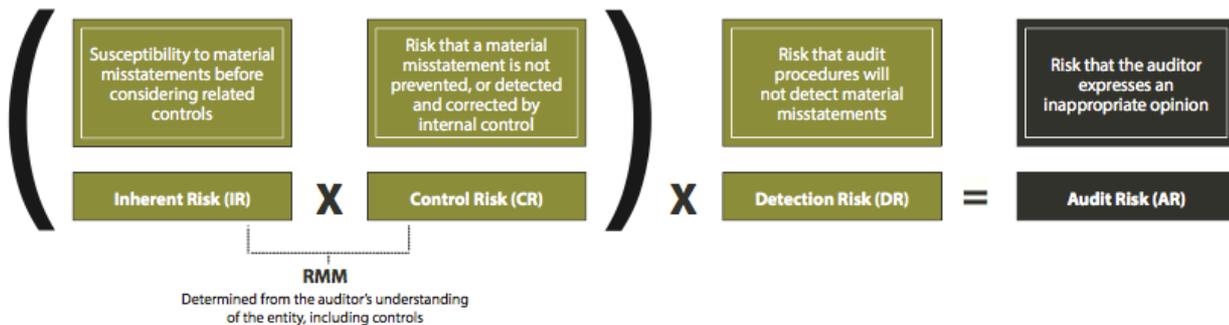
- Must be assembled timely - usually no later than 60 days post auditors report
- Can't delete or discard documentation after finalised.
- If have to make modifications, must document reasons, who & when made

The auditor must document:

- Compliance with ISA's
- Nature, timing and extent of procedures performance
- Results of procedures and evidence obtained
- Significant matters arising
- Significant professional judgements
- Matters arising after the date of auditor's report where additional procedures performed or new conclusion

Audit Risk Model

QRF 1.4	A	WE
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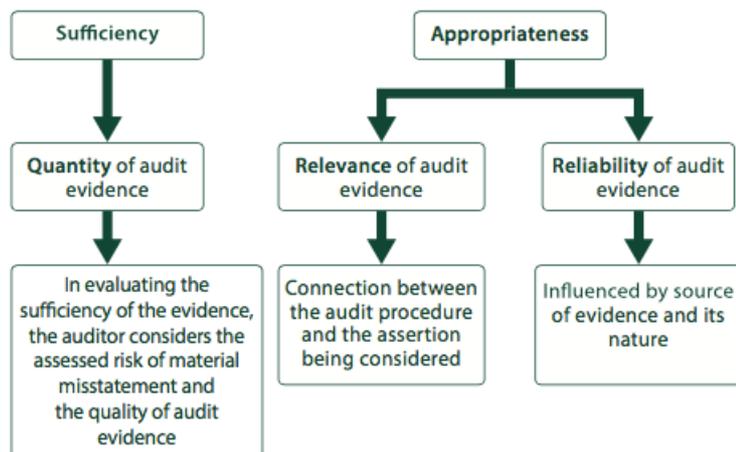
Sufficient appropriate audit evidence

QRF 1.1 | CSG 1-23 | Supp Exam 2016 Q2

The auditor must obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level to enable them to draw reasonable conclusions on which to base the audit opinion.

The following diagram illustrates what, sufficient appropriate, audit evidence means.

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Steps auditor should take if management refuses to allow auditor to obtain the required audit evidence:

- Enquire into management's reason for refusal
- Evaluate the implications of the refusal on the risk of material misstatement and fraud
- Evaluate the implications of the refusal on the nature, timing and extent of other audit procedures.
- Perform alternative audit procedures
- Determine the implications of the refusal on the audit and the opinion
- Consider communicating with those charged with governance if the refusal is unreasonable

Unit 2: Audit Quality

Elements of quality control

QRF 2.1	A	WE
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1. Leadership responsibilities for quality
2. Ethical requirements
3. Human resources
4. Engagement acceptance and continuance
5. Engagement performance
6. Documentation and communication system of quality control
7. Monitoring

Implementing quality control

QRF 2.1	A	WE 2.1	Supp Exam 2017 Q4
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Guidance in ISA 220 Para A8 Acceptance and Continuance of Client relationships and Audit Engagements:

- The integrity of the principal owners, key management and those charged with governance of the entity.
- Whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources. Can be resolved by engaging an expert, or providing additional training to its partners and staff. Other acceptable alternatives included hiring new staff with expertise in the area and declining the engagement.
- Whether the firm and the engagement team can comply with relevant ethical requirements.
- Significant matters that have arisen during the current or previous audit engagement, and their implications for continuing the relationship.

IESBA Code of Ethics

QRF 2.2	A 2.1	WE 2.2
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5 fundamental principles (para 100.5)

- Integrity (s. 110)
- Objectivity (s. 120)
- Professional competence and due care (s. 130)
- Confidentiality (s. 140)
- Professional behaviour (s. 150)

5 Threats to fundamental principle of independence (para 100.12)

- Self-interest
- Self-review
- Advocacy
- Familiarity
- Intimidation

Independence for audit and review engagements (s. 290)

The following parties are to be independent of the audit client (para. 290.4):

- members of the audit team
- the audit firm
- any network firms

Must be independent in (para 290.6):

- Mind
- Appearance

Must be independent for both the engagement period and period covered by financial statements (para 290.30)

Public Interest Entities

Section 290 of the IESBA Code contains additional independence provisions when the assurance client is a public interest entity. For the purposes of the IESBA code, public interest entities are:

- All listed entities
- All entities defined by regulation or legislation as a public interest entity
- Any entities for which the audit is required by legislation to be conducted in compliance