



CAA

CHARTERED ACCOUNTANTS ACADEMY



CAA ITC BOARD COURSE 2017 – AUDIT & ASSURANCE

LECTURE 2



Menu

1. Code of Professional Conduct;
2. Corporate Governance (King III);
3. Companies Act;
4. Audit Evidence (Test of controls and Substantive procedures);
5. Group audits

Code of Professional Conduct

Key topic areas and standards:

1. To whom does the CPC Apply?
2. Part A - General Application of the code
 - Fundamental principles;
 - Conceptual framework approach;
3. Part B - CA's in Public Practice
 - Professional appointments;
 - Conflict of interest;
 - Second opinions;
 - Fees and other types of remunerations;
 - Marketing professional services;
 - Custody of client assets;
 - Gifts and hospitality and
 - Independence
 - Non-audit services
4. Part C - CA's in Business
 - Conflicts of interest; and
 - Preparation and reporting of information

Mind Map

Refer to attached documents



Exam technique

Nature of questions	Examiners expectations	Common pitfalls
<p>With reference to the information provided, discuss any concerns and considerations in terms of the ICAZ Code of Professional Conduct.</p>	<ul style="list-style-type: none"> ▪ Students are expected to address the following in their discussion: <ul style="list-style-type: none"> ▪ Identify the infor in the scenario giving rise to the concern; ▪ Explain the type of threat arising from this infor and how it impacts compliance with independence and the fundamental principles; ▪ Evaluate the significance of the threat; and ▪ Propose safeguards to reduce or eliminate the threat. 	<ul style="list-style-type: none"> ▪ Students failing to articulate how the threat impacts compliance with the fundamental principles; ▪ Failing to link the threat to the information in the scenario.
<p>Discuss any ethical and professional concerns arising from the information provided with reference to the ICAZ code of Professional conduct and ISQC1. Your discussion should also provide actions that may be taken to address the identified concerns.</p>	<ul style="list-style-type: none"> ▪ Same as above 	<ul style="list-style-type: none"> ▪ Same as above

Application of knowledge

- AUD 06
- AUD 09



Corporate Governance

Key Topic Areas:

1. Chapter 1: Ethical leadership;
2. Chapter 2: Board of directors;
3. Chapter 3: Audit committee;
4. Chapter 4: Governance of risk;
5. Chapter 5: Governance of IT;
6. Chapter 6: Compliance with laws and regulation;
7. Chapter 7: Internal Audit;
8. Chapter 8: Governing stakeholder relationships;
9. Chapter 9 : Integrated reporting



Mind Map

- Refer to attached document



Exam technique

Nature of questions	Examiners expectations	Common pitfalls
<p>Comment on the corporate governance issues if any which arise in the scenario</p>	<ul style="list-style-type: none"> ▪ Students are expected to address the following in their answer: <ul style="list-style-type: none"> ▪ Identify infor in the scenario giving rise to the issue; ▪ Explain how it is an issue by reference to the corporate governance principles breached. 	<ul style="list-style-type: none"> ▪ Failing to articulate how the point identified is giving rise to a governance issue.
<p>Discuss the corporate governance requirements for company F.</p>	<ul style="list-style-type: none"> ▪ Consider the nature and size of the entity, and outline the King 3 requirements for such an entity. 	<ul style="list-style-type: none"> ▪ Coming up with recommendations which are not relevant to the entity
<p>With reference to King 3, discuss any concerns you have about the X Ltd.'s governance structures and conduct of the sub committees.</p>	<ul style="list-style-type: none"> ▪ Students are expected to address the following in their answer: <ul style="list-style-type: none"> ▪ Identify infor in the scenario giving rise to the issue; ▪ Explain how it is an issue by reference to the corporate governance principles breached. 	



Application of knowledge

- AUD 06
- AUD 10



Companies Act

Key Topic Areas:

1. Governance;
2. Financial reporting;
3. Auditing;
4. Requirements on specific transactions



Governance

- Section 7 - 16 MOI
- Section 30 – 32 Membership of company
- Section 33 – 34 Private companies
- Section 53 – 111 Share capital
- Section 124 – 139 Meetings & proceedings
- Section 169 – 189 Directors & officers
 - Responsibility of directors and other persons for fraudulent conduct of business – sect 318



Financial Reporting & Auditing

- Section 140 - 155
- Sec 144 : Obligation to lay group accounts before holding company
- Sec 150 : Appointment and remuneration of auditors
- Sect 151 : Special notice required of resolution to appoint or remove auditor
- Sec 152 : Disqualifications for appointment as auditor
- Sec 154 : Auditor's right of access to books and to attend general meetings
- Sec 190 : Limitation of liability – auditors

Application of knowledge

- AUD 03
- AUD 06
- AUD 07
- AUD 10



Audit Evidence

Key Topic Areas:

1. Test of controls;
2. Substantive procedures



Mind Map

Refer to attached documents



Exam technique

Nature of questions	Examiners expectations	Common pitfalls
<p>Identify the documents you would request(if any) and the further audit procedures that must be performed where necessary with regards to queries in question.</p>	<ul style="list-style-type: none"> ▪ Students will be expected the identify documents that would provide them with a source of audit evidence in respect of the queries; ▪ And then describe the work they would perform on those documents to obtain audit evidence 	
<p>Document the substantive procedures you would perform for the audit of A ltd in relation to the valuation assertion of the inventory balance at year end (Ignore initial procedures)</p>	<ul style="list-style-type: none"> ▪ Students will be expected to come up with procedures that would enable to them to identify misstatements over the valuation of inventory. 	<ul style="list-style-type: none"> ▪ Making use of statements such as: ensure, check , verify , see look, confirm, consider , determine and assess. ▪ Describing the assertion to be tested ▪ Failing to address the how, what and why ▪ Poor IFRS knowledge

Exam technique

Nature of questions	Examiners expectations	Common pitfalls
Describe the test of control procedures that would need to be performed in respect of the key controls over the revenue cycle.	<ul style="list-style-type: none"> Students are expected the specific control to test and describe how they would get audit evidence over the operating effectiveness of the control 	<ul style="list-style-type: none"> Failing to identify the controls to test; Coming up with procedures that do not provide evidence over operating effectiveness.



Application of knowledge

- AUD 07
- AD 08
- AUD 10



Group Audits

Key topic areas and standards:

1. Using the work internal auditors;
2. Relying on the work of component auditors;
3. Procedures over consolidation worksheets;
4. Procedures of consolidation calculations:
 - At acquisition;
 - Full disposals; and
 - Partial disposals
5. Related parties



Mind Maps

See attached schedules



Questions

