

Session F4-A: Recap of Module F3

Audit Execution

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Audit Training of Trainers



CFRR >>

**Centre for Financial
Reporting Reform**



Road to Europe: Program of Accounting
Reform and Institutional Strengthening



EU-REPARIS is funded by the
European Union and is a part of
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Objectives

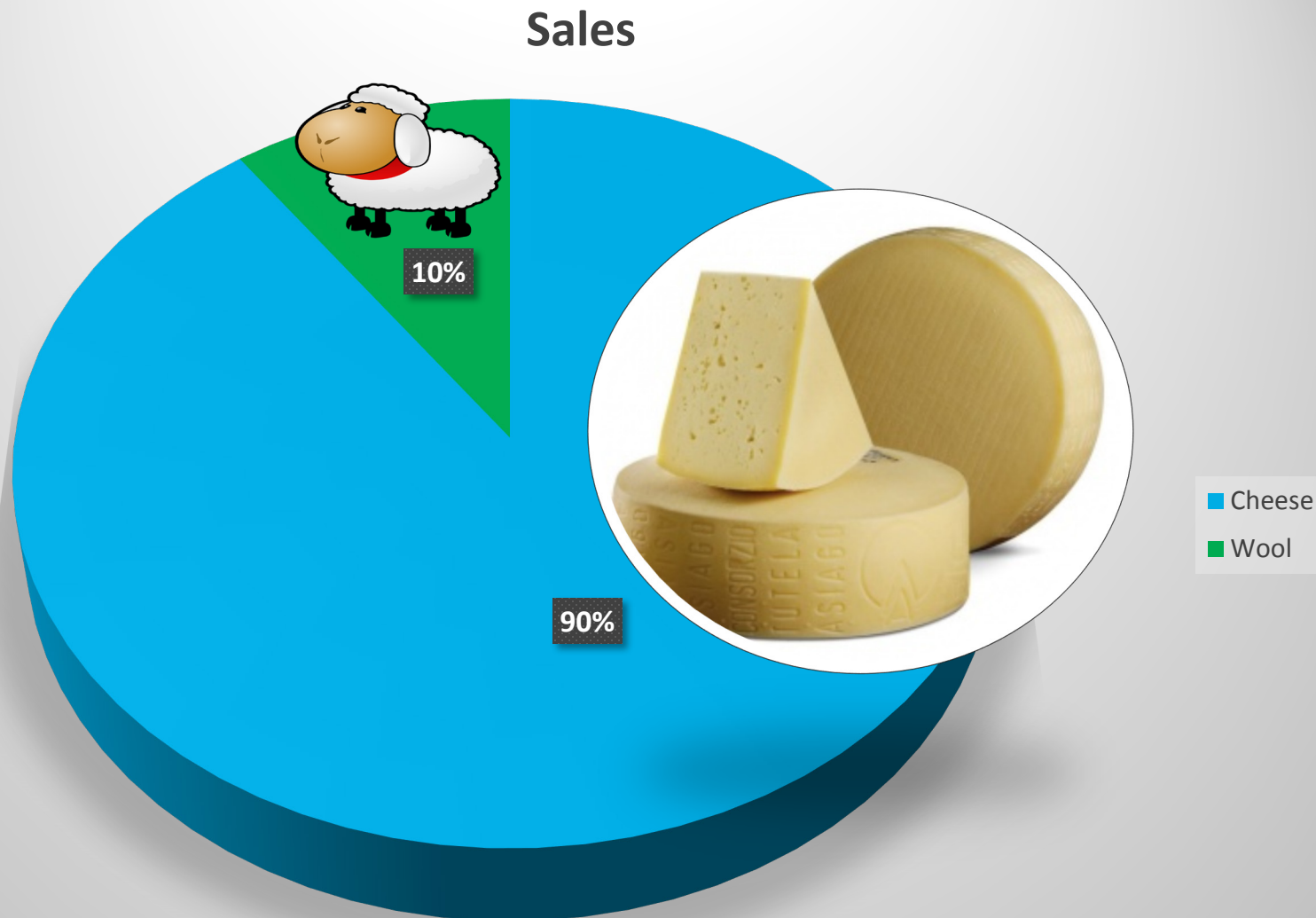
- »Recap of Module F3: Audit Execution
- »Overview of Module F4: Audit Conclusion and Reporting



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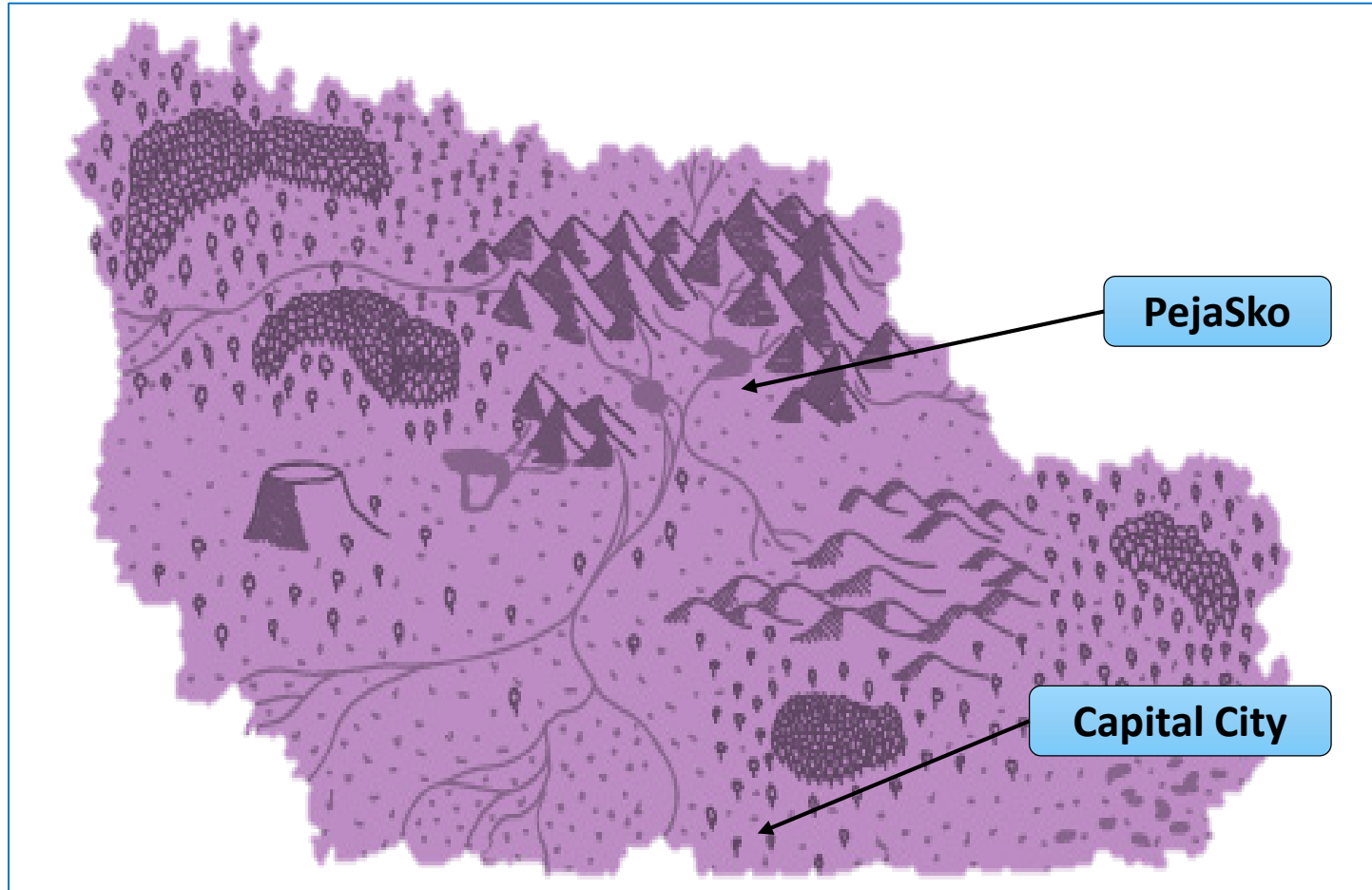
**PejaSko Cheese Ltd. – a
simulated company**

Recap of PejaSko Cheese Ltd case study - refresher session



- » Small Company
- » Share capital - nominal value 20,000 Euro
- » Chairman of the board & founder Mr. Svetozar Brankomat - 85%
- » Group of 10 local farmers - 15% of shares.

Recap of PejaSko Cheese Ltd case study - refresher session



» The company is located in the rural area approx. 40 km to the second biggest city in the country and has the internet address [www. PejaSko-syr.com](http://www.PejaSko-syr.com). Its legal address is at: Coban street 1, and contact numbers are: tel – 5555 11 / fax 5555 12.

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What has been done?

Module F3: Audit Execution

- » Execution of tests of controls
- » Updating tests of controls
- » Performing substantive procedures
- » Performing general audit procedures





Module F3: Audit Execution

- » Audit Documentation and Audit Evidence
 - » ISA 230 “Audit Documentation”
 - » ISA 500 “Audit Evidence”
- » Terms relevant to audit work:
 - » Audit documentation
 - » Audit file
 - » Audit working papers

Module F3: Audit Execution

» Audit procedures for obtaining audit evidence:

Inquiry



Inspection



Observation



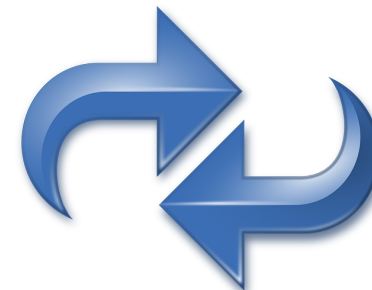
External Confirmation



Recalculation



Reperformance



Module F3: Audit Execution

- » **Audit Sampling:** overview of sampling guidelines for tests of controls and test of details as well as extrapolating misstatements and dealing with exceptions.
- » Sample calculation – accounts receivables confirmations
- » Population book value: 100.000 EUR
- » Number of items: 30



Module F3: Audit Execution

» **Control Testing:**

- » Discussed control testing in a small client context
- » Discussed communications on internal control deficiencies
- » Engaged in group activity with the simulated client PejaSko

Module F3: Audit Execution

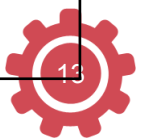
» Test of Controls, group work

	Selected Controls to Test	Related Audit Area and Assertion	Sample Size	Timing
Sales	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Purchases	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Payroll	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cash cycle	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Module F3: Audit Execution

» Test of Controls, example for revenue cycle

Selected Controls to Test	Related Audit Area and Assertion	Sample Size	Timing
Sales			
Verification of the proper entry of the sales orders into the system (by warehouse manager) and authorisation (by CEO or lawyer).	Sales (P&L), Inventory, Receivables (B&S) Completeness, Rights & Obligations, Occurrence, Existence	10	Planning stage – before final audit work



Module F3: Audit Execution

- » **Substantive Audit Programs**, group work
- » Designed substantive procedures for:
 - » fixed assets,
 - » receivables,
 - » cash and bank,
 - » revenues, and
 - » cost of sales.

Module F3: Audit Execution

» Substantive Audit Programs, example for PPE

Substantive Procedure Description	Assertion	Timing
Property, Plant and Equipment		
Physically verify 10 most material items of PPE. Observe physical count of PPE, identify issues and propose solution to issues noted.	Completeness & existence	Planning stage of audit



Module F3: Audit Execution

» **Specific areas of application of ISA:**

- » ISA 501 “Audit Evidence – Specific Conditions for Selected Items”:
 - » Attendance at physical inventory counting.
 - » Inquiry regarding litigation and claims.
 - » Valuation and disclosure of long-term investments.
 - » Tax balances.
- » ISA 510 “Initial Audit Engagements – Opening Balances”, and
- » ISA 505 “External Confirmations”

Module F3: Audit Execution

» Group Challenge:
» “Developing Client Relationships”



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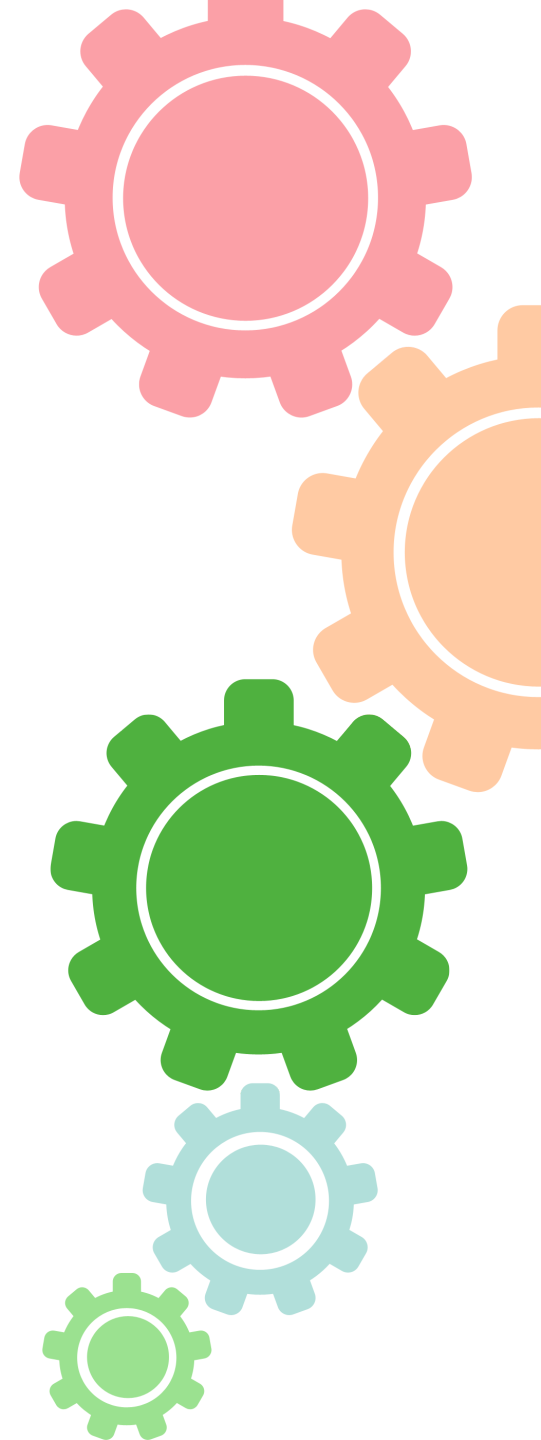
What will be covered?

Module F4: Audit Conclusion and Reporting





PejaSko Quiz



Quiz, Rules of the game

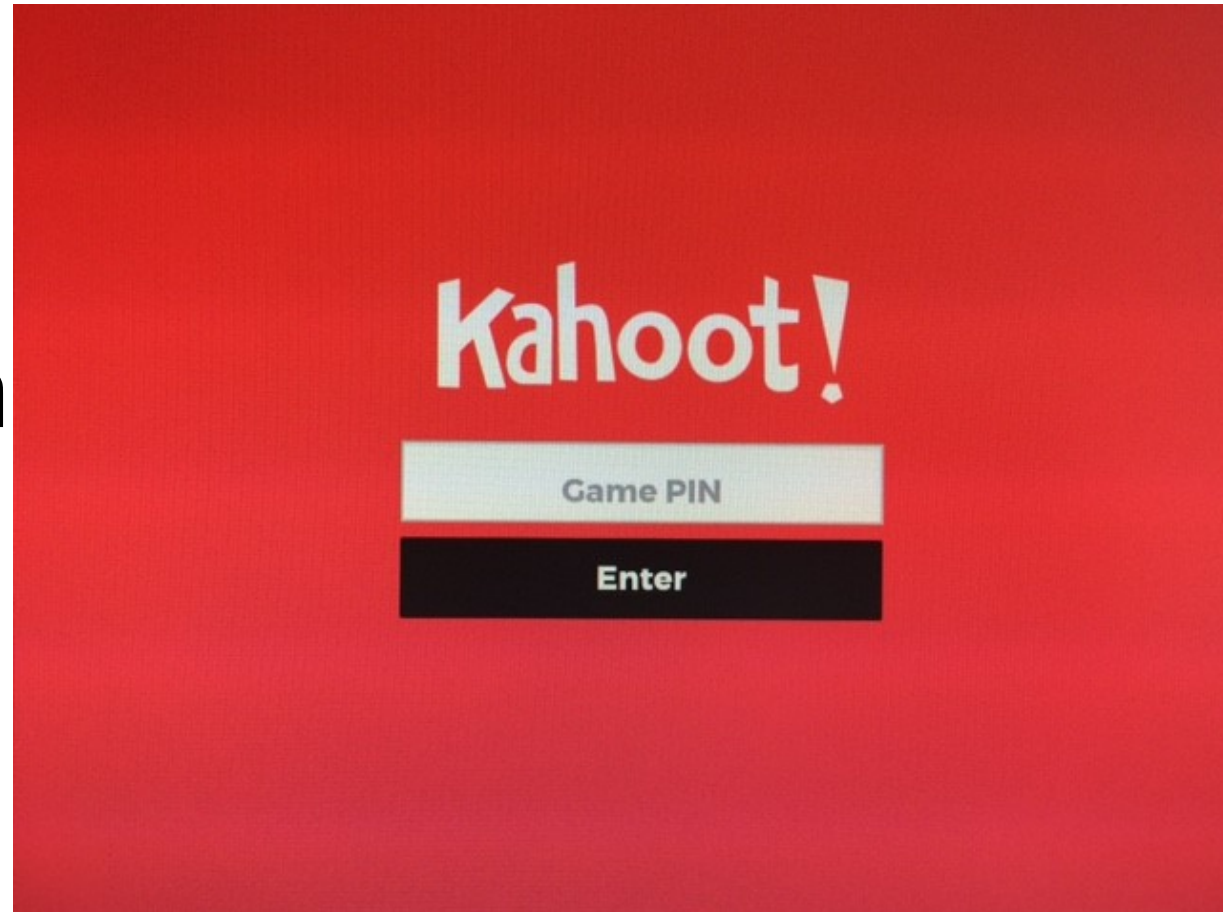
- » Each table is one group
- » Each group has nickname provided
- » Groups vote using laptops through web-browser
- » 15 multiple choice questions, 4 answers in each question, only one answer is right
- » 65 seconds for answer
- » Some questions are negative statement, e.g. „which is **not** true”
- » Some questions are short, some longer

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Quiz, what to expect

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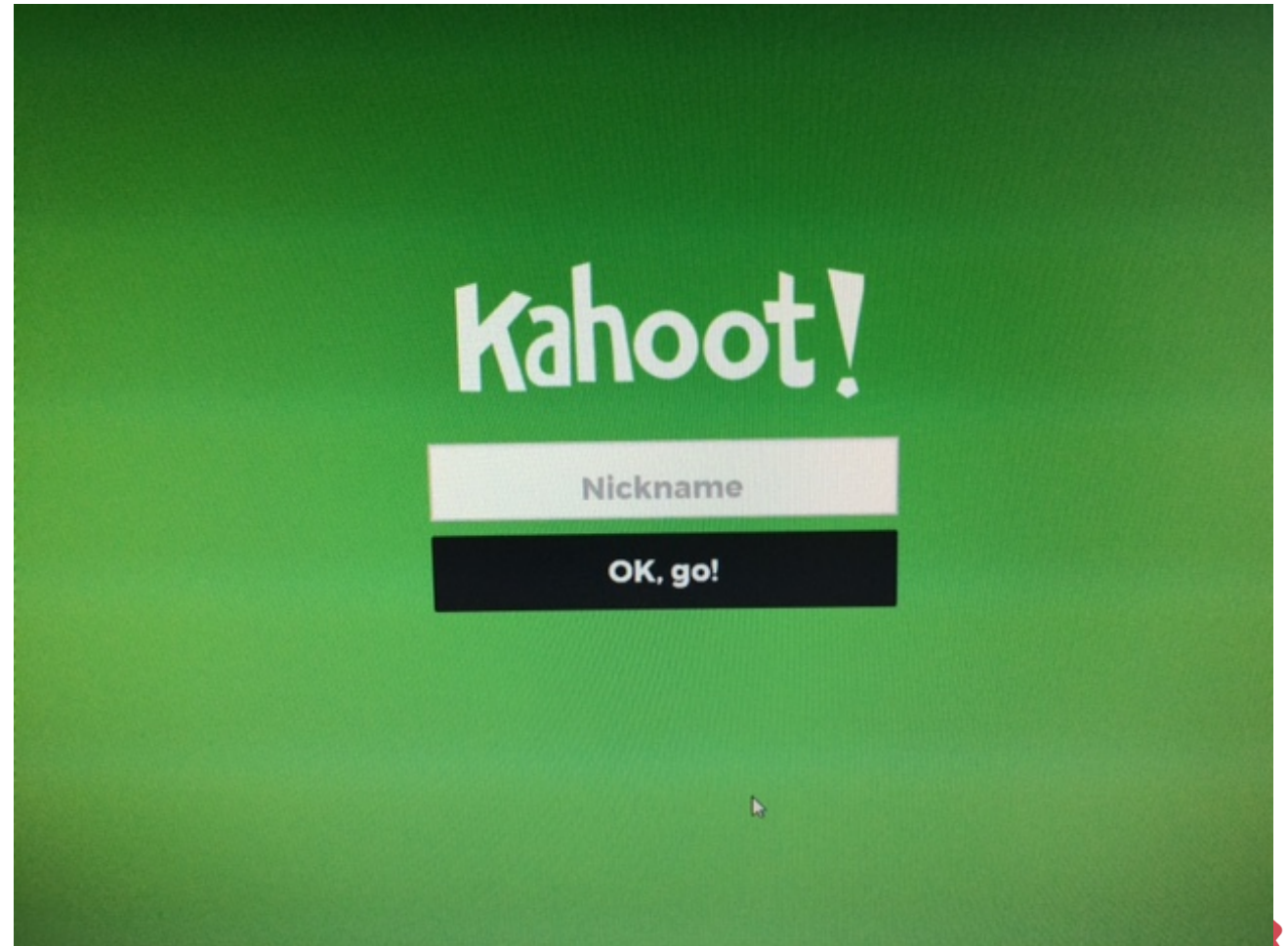
»enter PIN given



Quiz, what to expect

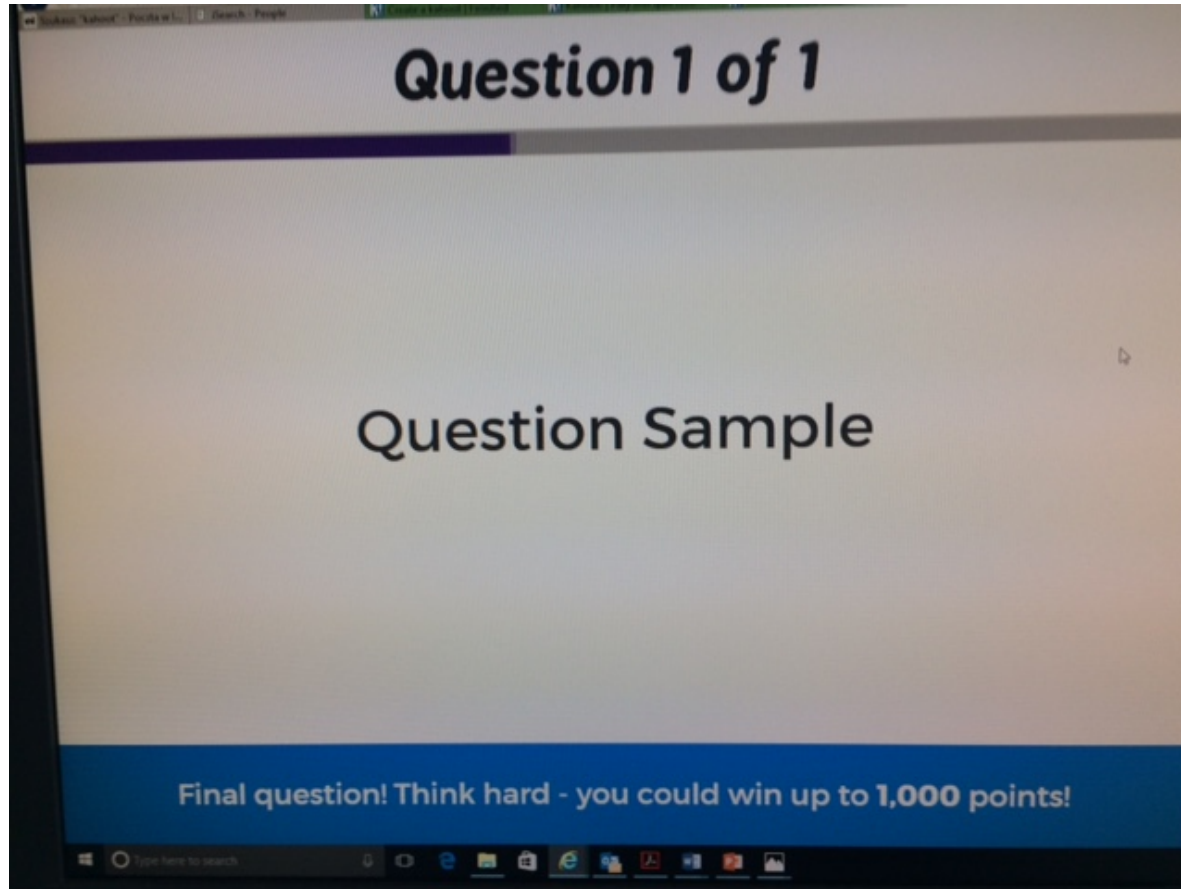
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» enter specific name
provided

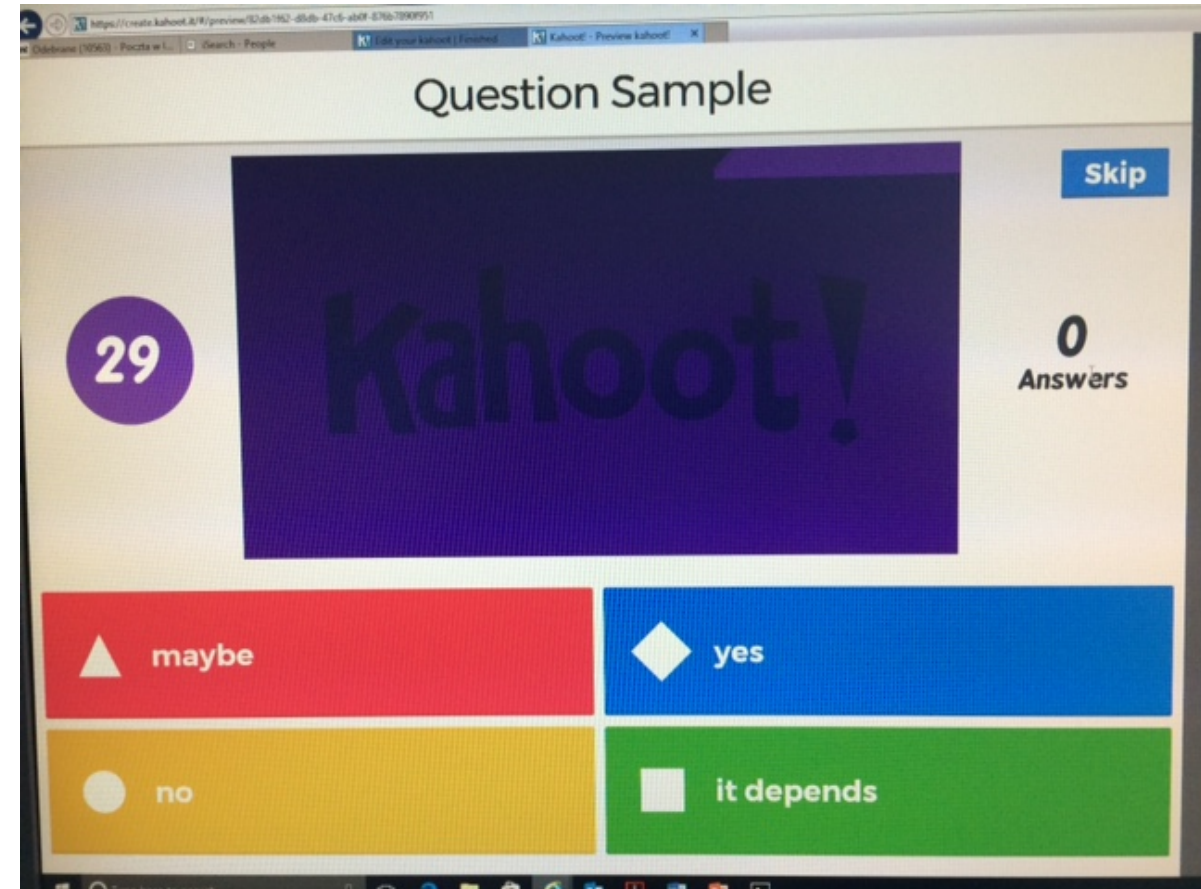




Quiz, what to expect



5 seconds



60 seconds



Winning Team Prize

» The Audit ToT
“Champion of
PejaSko Cheese
Ltd. Case Study”
Certificate

