





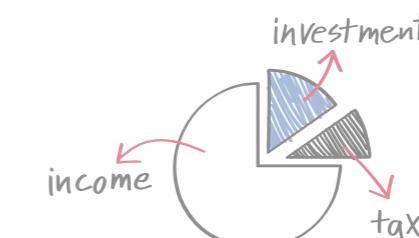
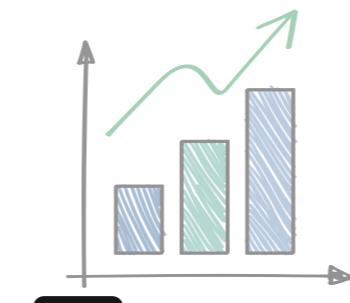
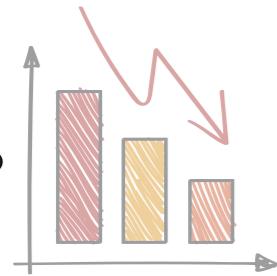
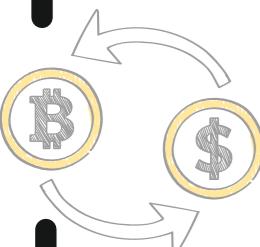
## About the CA CS Amit Tated :

- ✍ Cleared CA, CS, CISA, DISA, CISM, BCCP Exams
- ✍ Believes in conceptual teaching & giving in depth knowledge of the subject to students.
- ✍ A renowned teacher of theory subjects like Audit, Law, EIS, SM, IT, ISCA in INDIA for last 13 years with 200+ face-to-face batches teaching more than 65,000 students at various places in India & 35,000+ students in virtual centers across India.
- ✍ Many of his students are Rankers & Highest Mark Scorers. (Including AIR 1 Multiple times)
- ✍ Worked with PWC Audit Dept. for 1 year.
- ✍ Held Strategic Position in IT Governance of HDFC Bank for 2 years.
- ✍ Founder of A. T. Academy

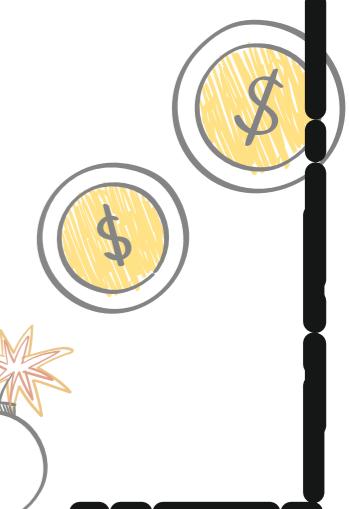
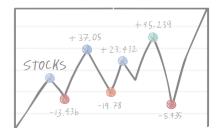
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DEBT



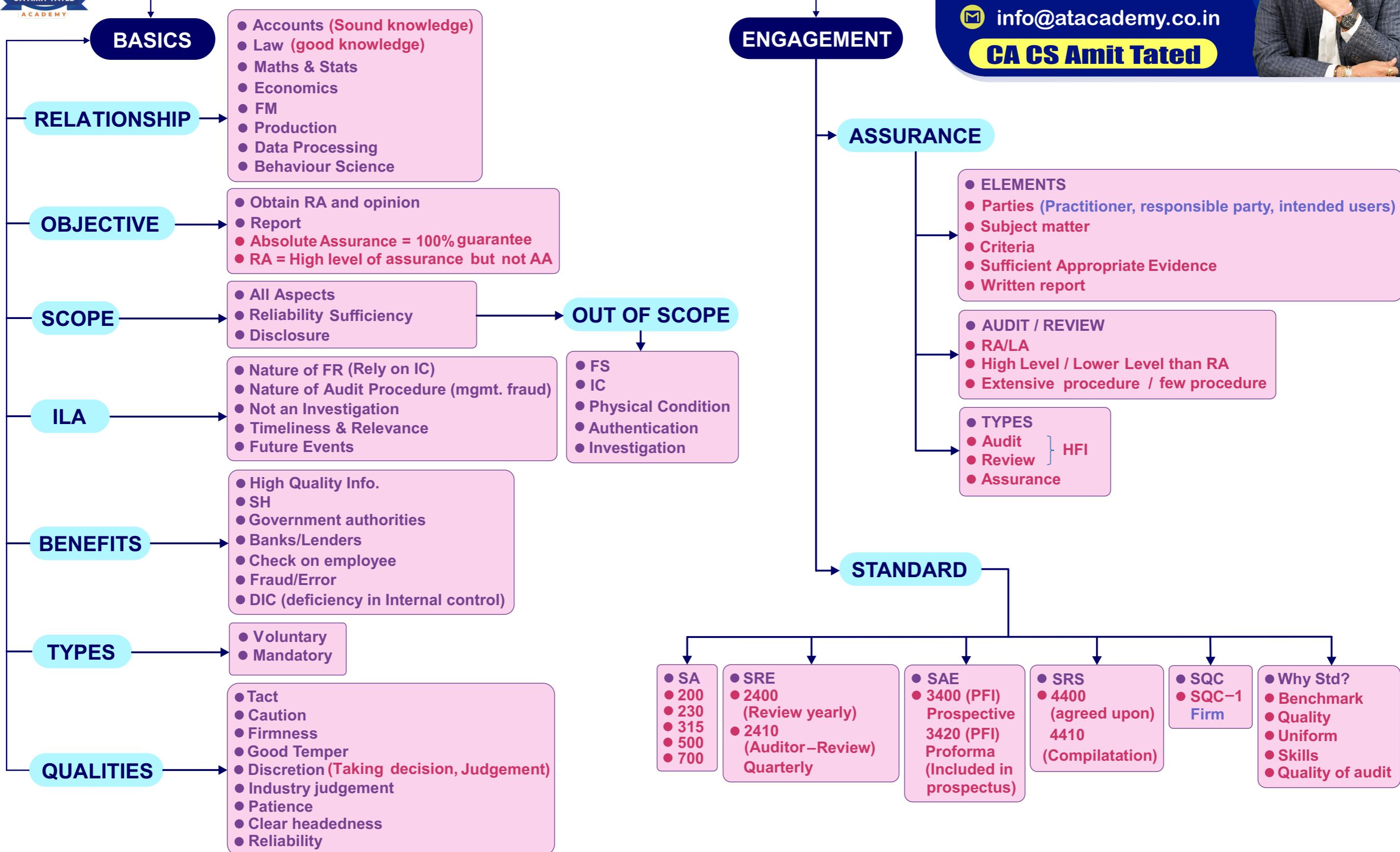


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# CHAPTER-1- NATURE, OBJECTIVE AND SCOPE OF AUDIT



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## CHAPTER-2- AUDIT STRATEGY, AUDIT PLANNING & AUDIT PROGRAMME

### SA 300 – PLANNING AN AUDIT OF FINANCIAL STATEMENT

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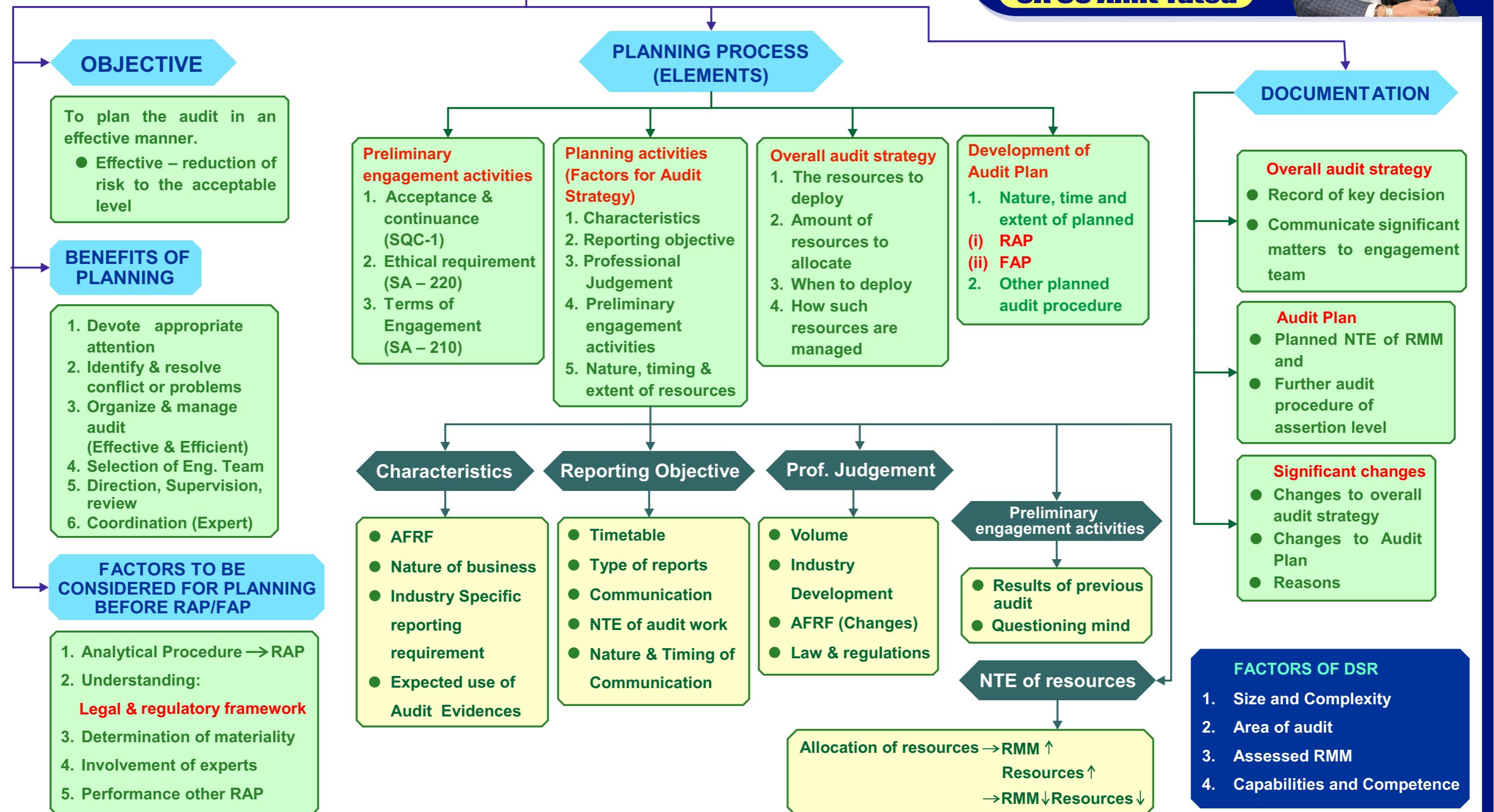
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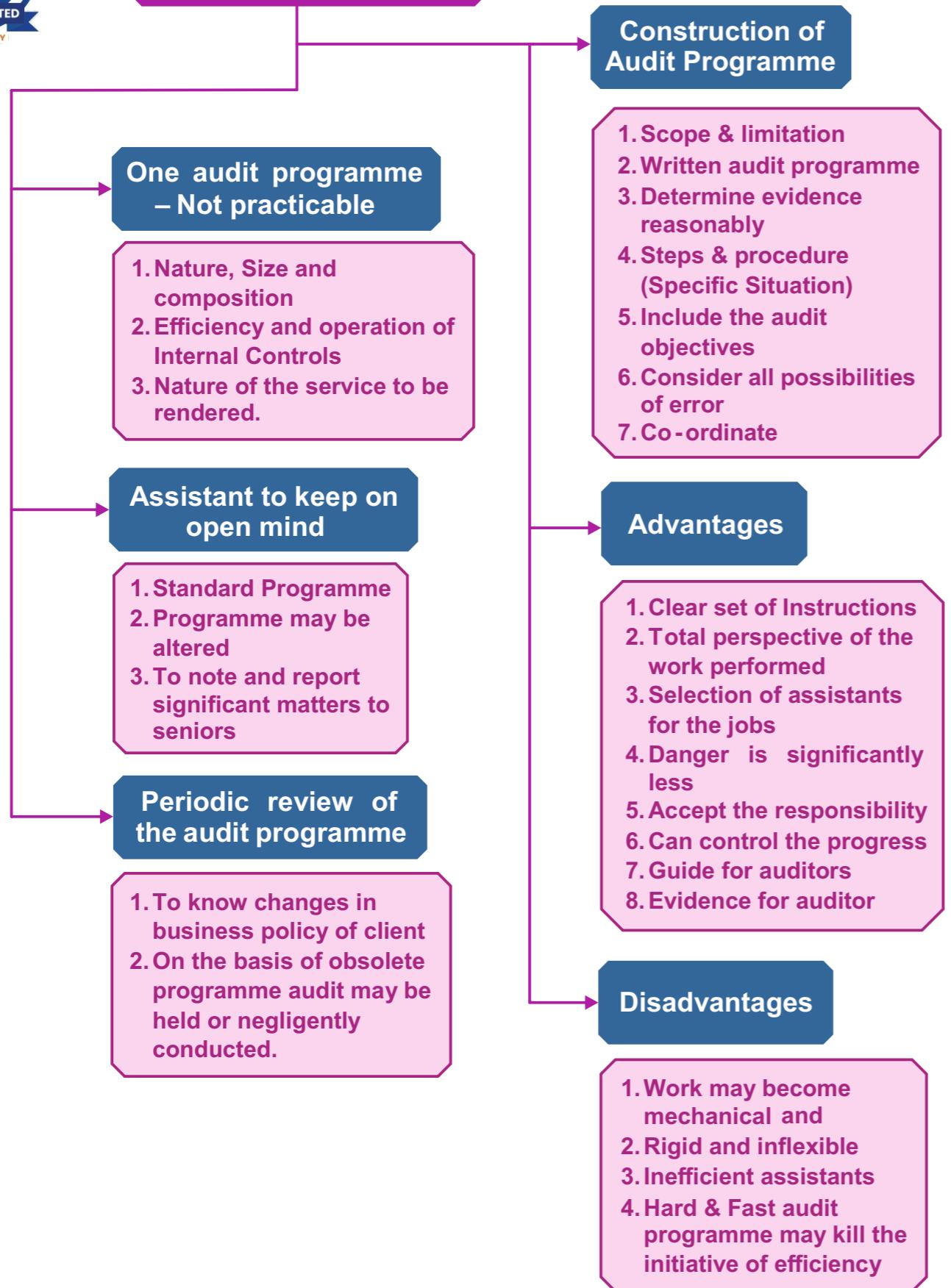


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## AUDIT PROGRAMME



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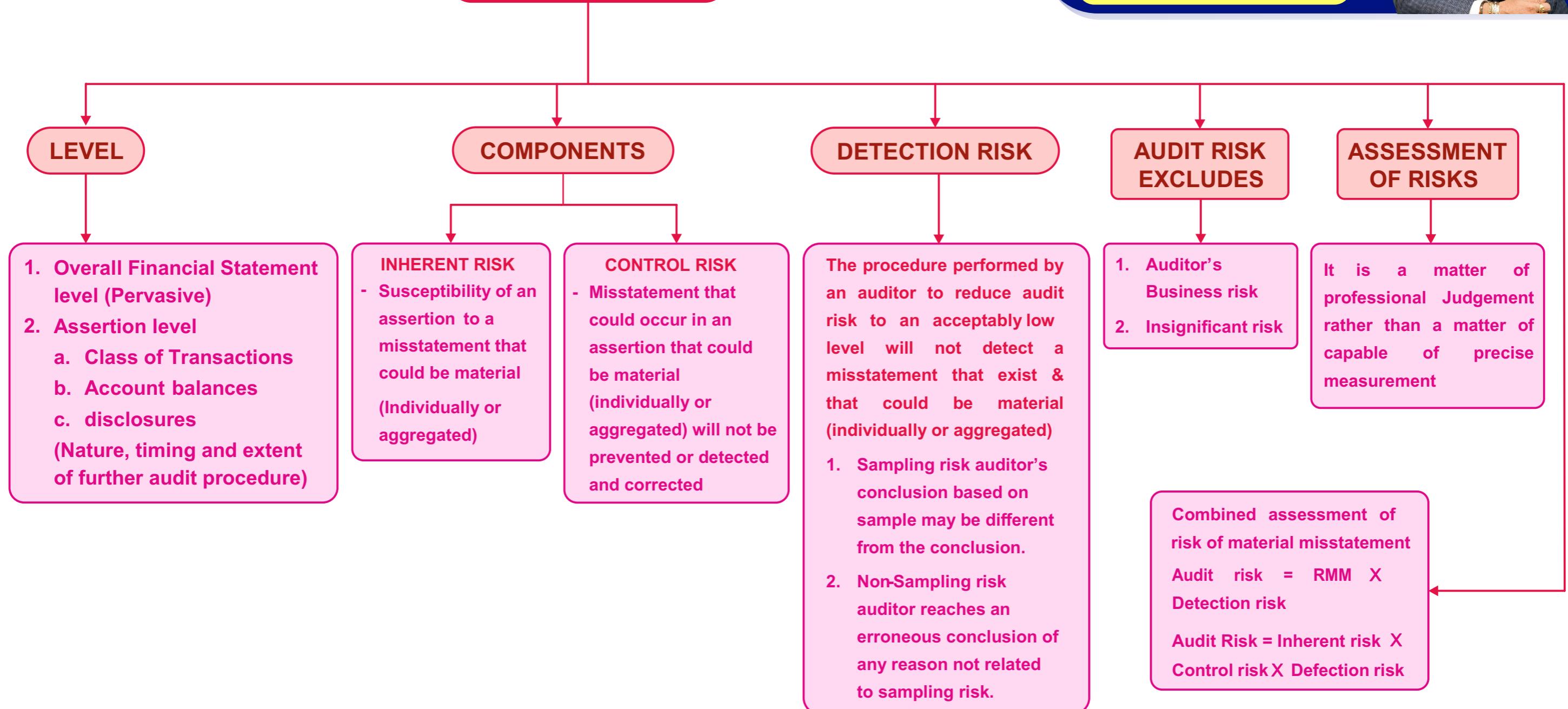
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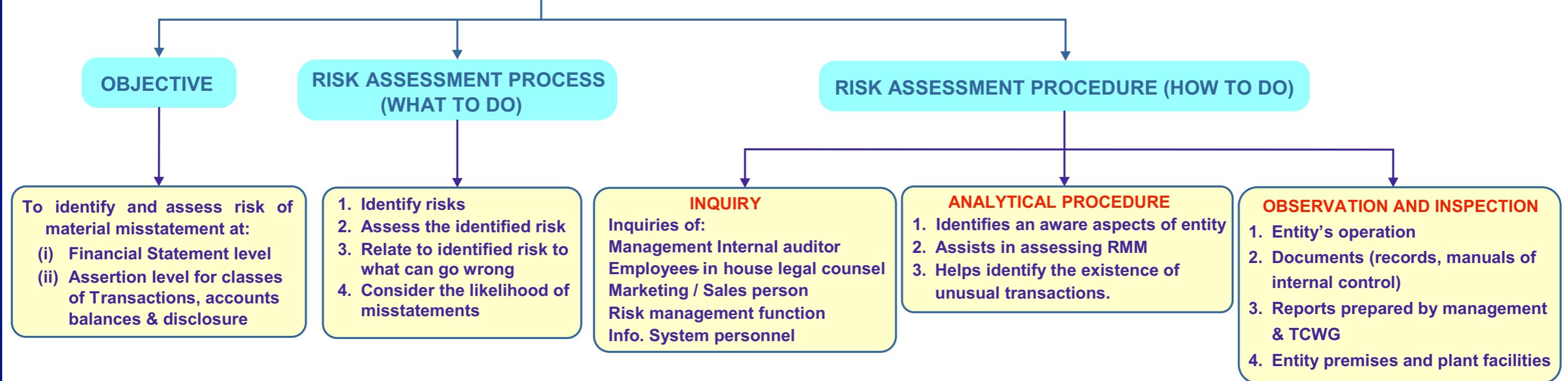
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### AUDIT RISK (SA 200)

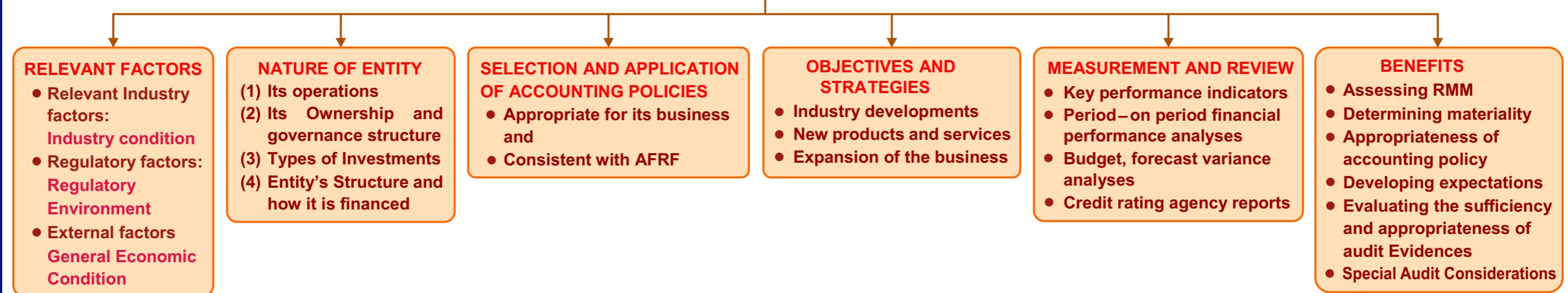




**SA 315: IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT THROUGH  
UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT**



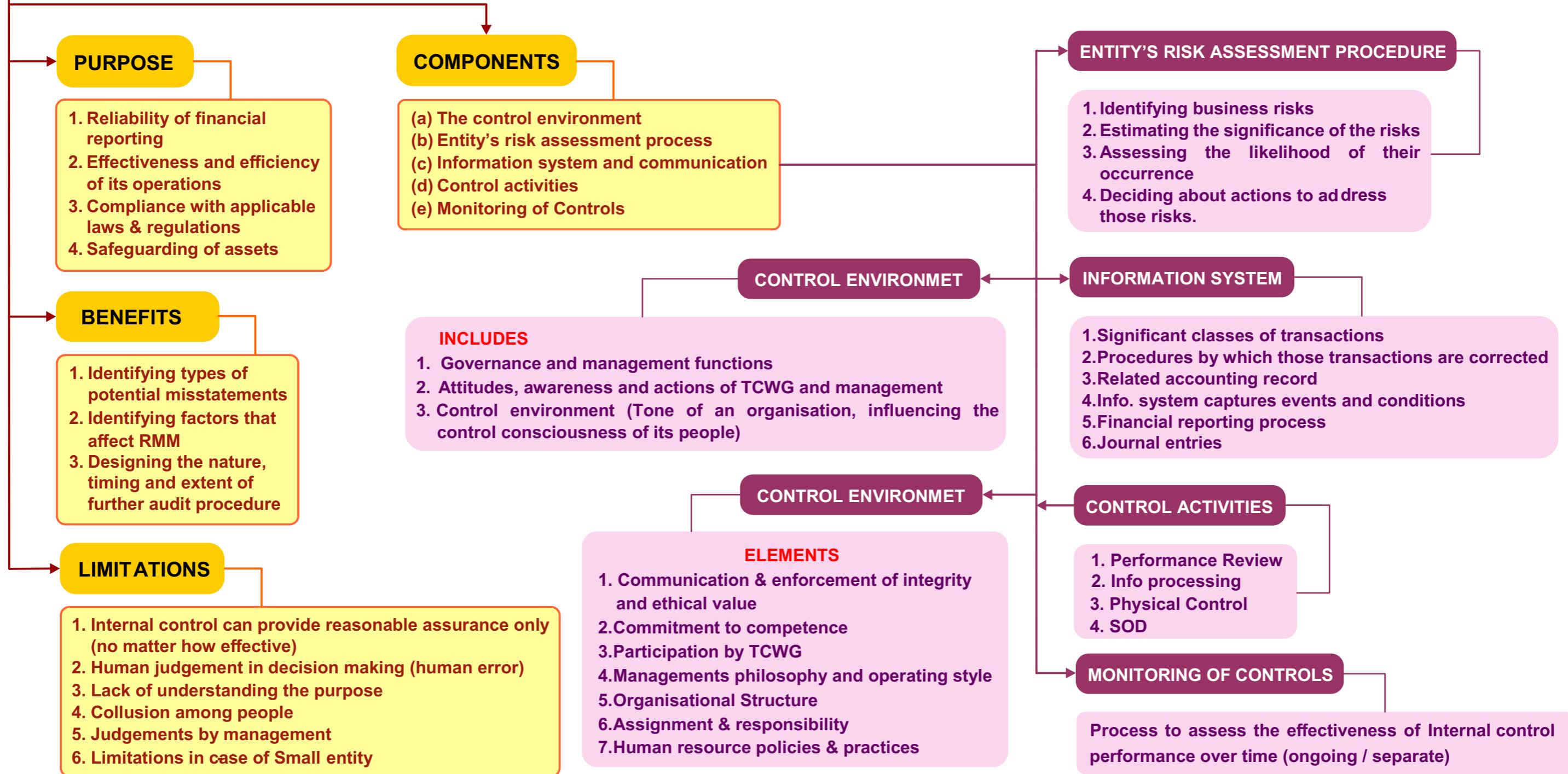
**KNOWLEDGE OF CLIENT'S BUSINESS**





## INTERNAL CONTROL (SA 315)

Internal Control may be defined as the process designed, implemented and maintained by TCWG, management and other personnel provide reasonable assurance about the achievement of Entity's objective with regard to reliability of Financial reporting effectiveness and efficiency of operations, safeguarding of assets and compliance with applicable laws & regulations



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## RISKS THAT REQUIRE SPECIAL AUDIT PROCEDURE

### FACTORS TO DETERMINE

1. Risk of fraud
2. Related to recent significant economic accounting or law developments
3. Complexity of Transactions
4. Significant transactions with related parties
5. Wide range of measurement uncertainty
6. Outside normal course of business

### IDENTIFY SIGNIFICANT RISKS

1. Risks of material misstatement due to fraud
2. Significant transaction with related parties that are outside the normal course of business

### RISKS OF MATERIAL MISSTATEMENT

(Significant non-routine transactions)

1. Greater mgt. Intervention
2. Greater manual Intervention
3. Complex calculations
4. Nature of non-routine transactions

### RISK OF MATERIAL MISSTATEMENT

(Significant Judgmental matters)

1. Accounting principles may be subject to different interpretation
2. Judgement may be subjective or complex

## METHODS OF EVALUATION OF INTERNAL CONTROL

### NARRATIVE RECORD

1. Complete and exhaustive description of the system
2. Recommended in cases where no formal control system is in operation
3. More suited to small business
4. Disadvantages
  - (1) Quite difficult
  - (2) Identify Weakness
  - (3) Incorporate changes

### CHECK LIST

- A series of Instructions and / or questions which a member of audit staff must follow and / or answer
- Answers are usually 'Yes', 'No' and Not applicable

### INTERNAL CONTROL QUESTIONNAIRE

- Comprehensive series of questions
- Most widely used form
- Yes answer denotes satisfactory position
- No answer suggests weakness

### FLOW CHART

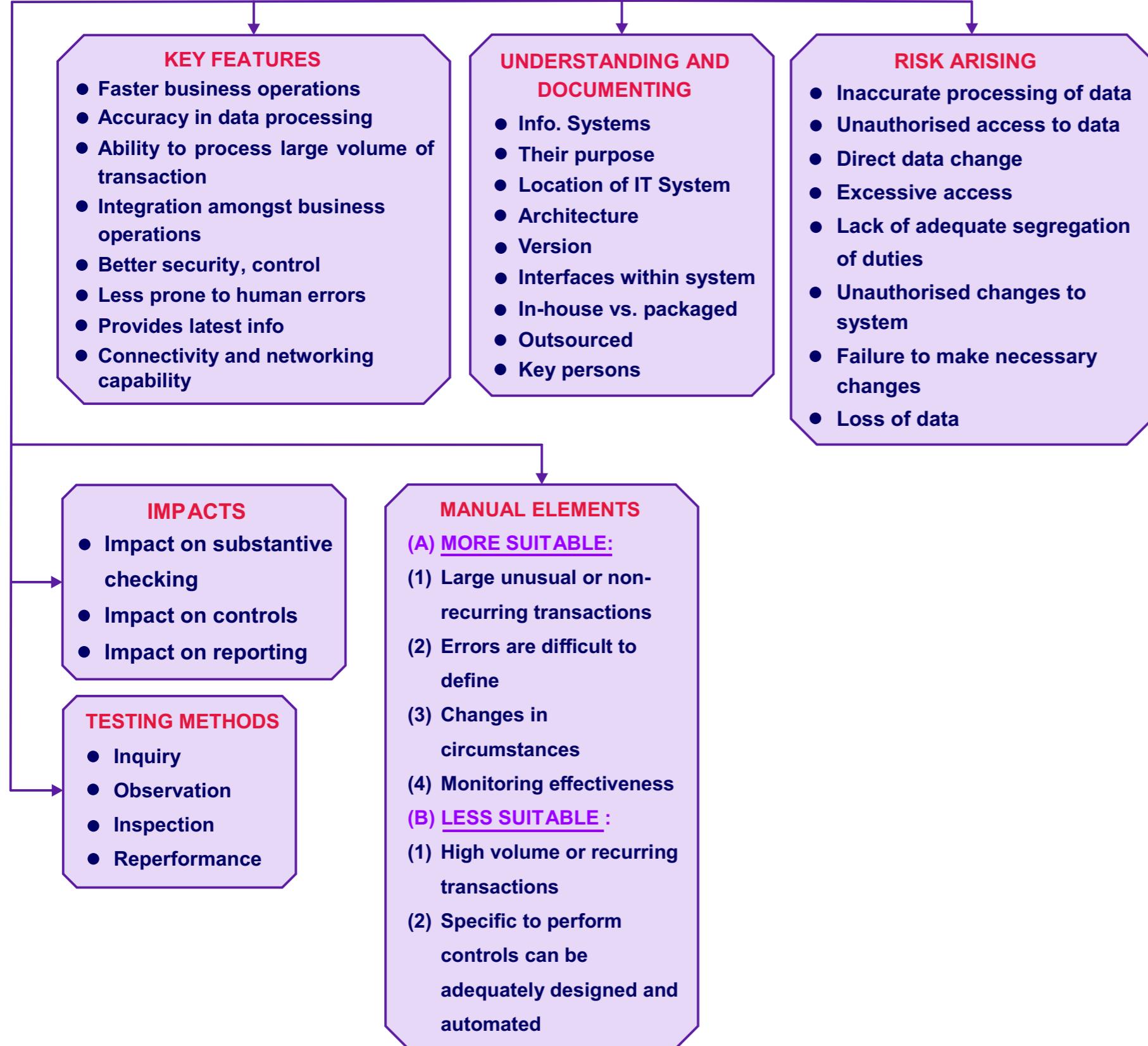
- Graphic presentation of each part of the company's system of Internal Control
- Most concise way of recording
- Gives bird's eye view of the system

## BENEFITS OF EVALUATION OF INTERNAL CONTROL SYSTEM

Review of Internal controls will enable the auditor to know:

1. Errors & frauds are likely to be located
2. Adequate Internal control system is in use
3. Effective internal auditing department is operating
4. Administrative controls have a bearing on his work
5. Controls adequately safeguard the assets
6. Adequately management is discharging its function
7. Reliability of reports
8. Extent & depth of the examination
9. Selection of appropriate audit technique
10. Areas where controls are weak or excessive
11. Suggestions to improve Internal Controls System

## AUTOMATED ENVIRONMENTS



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## TYPES OF IT CONTROLS

### GENERAL IT CONTROLS

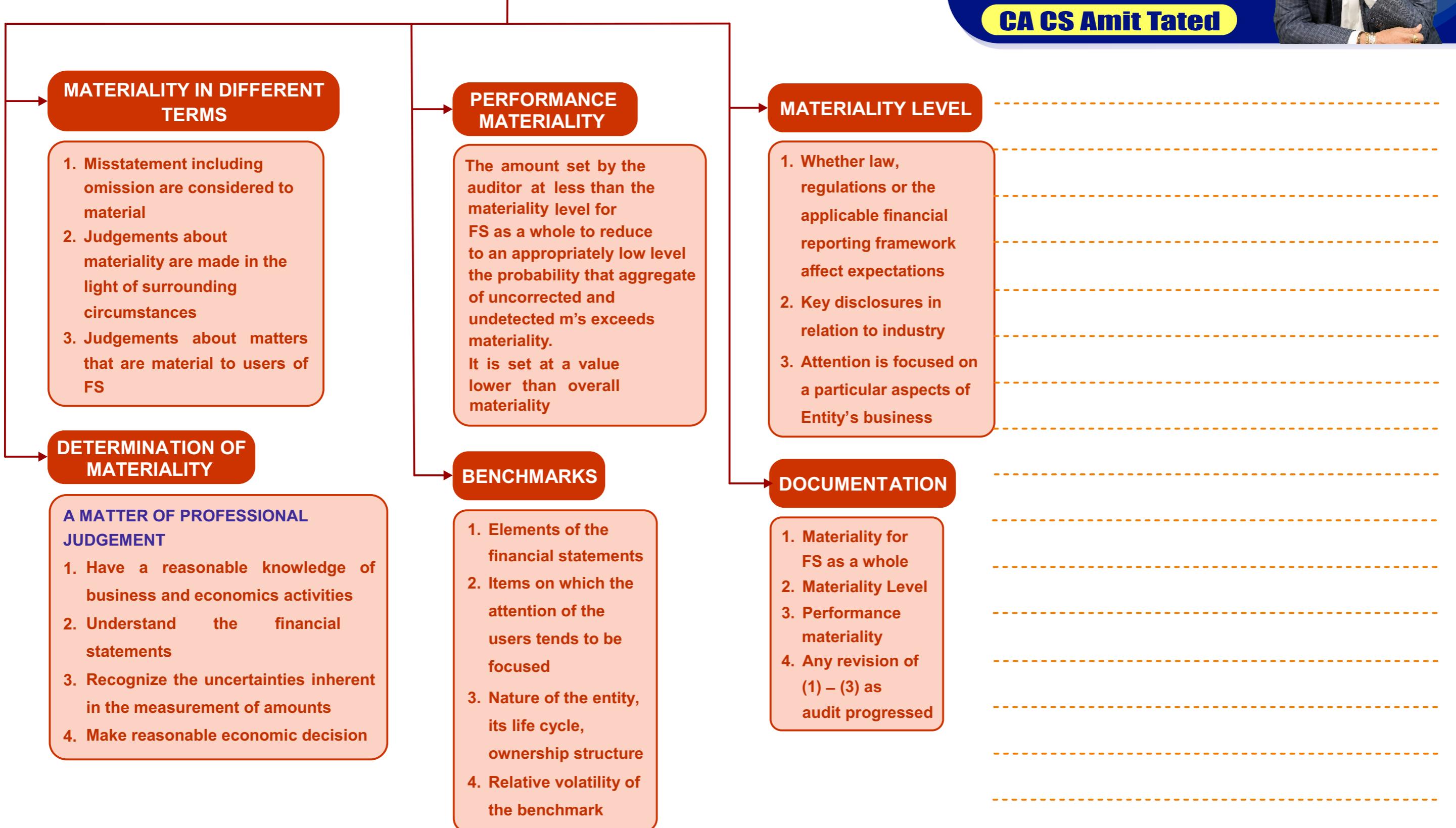
- Controls over data centre and network operations
- Program change (modified system continue to meet financial reporting objectives)
- Access security
- Application system acquisition, development and maintenance

### APPLICATION CONTROL

- Includes both automated or manual controls that operate at a business process level
- Completeness, accuracy and integrity of data
- Edit checks, validation of input data, sequence number checks, user limit checks, reasonableness checks, mandatory data fields

### IT DEPENDENT CONTROL

- Manual controls that make use of some form of data / info. / report produced from IT system and application



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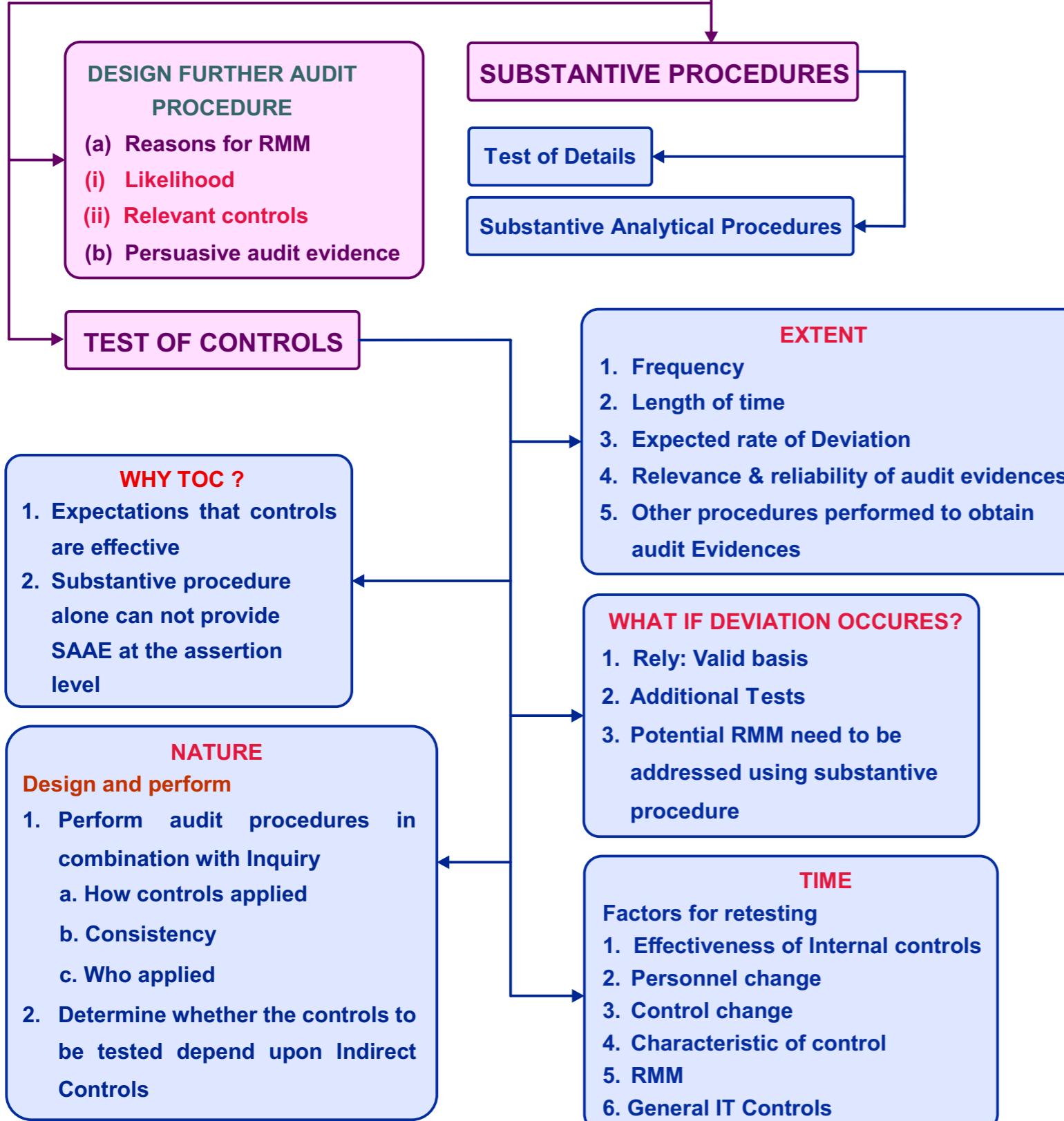
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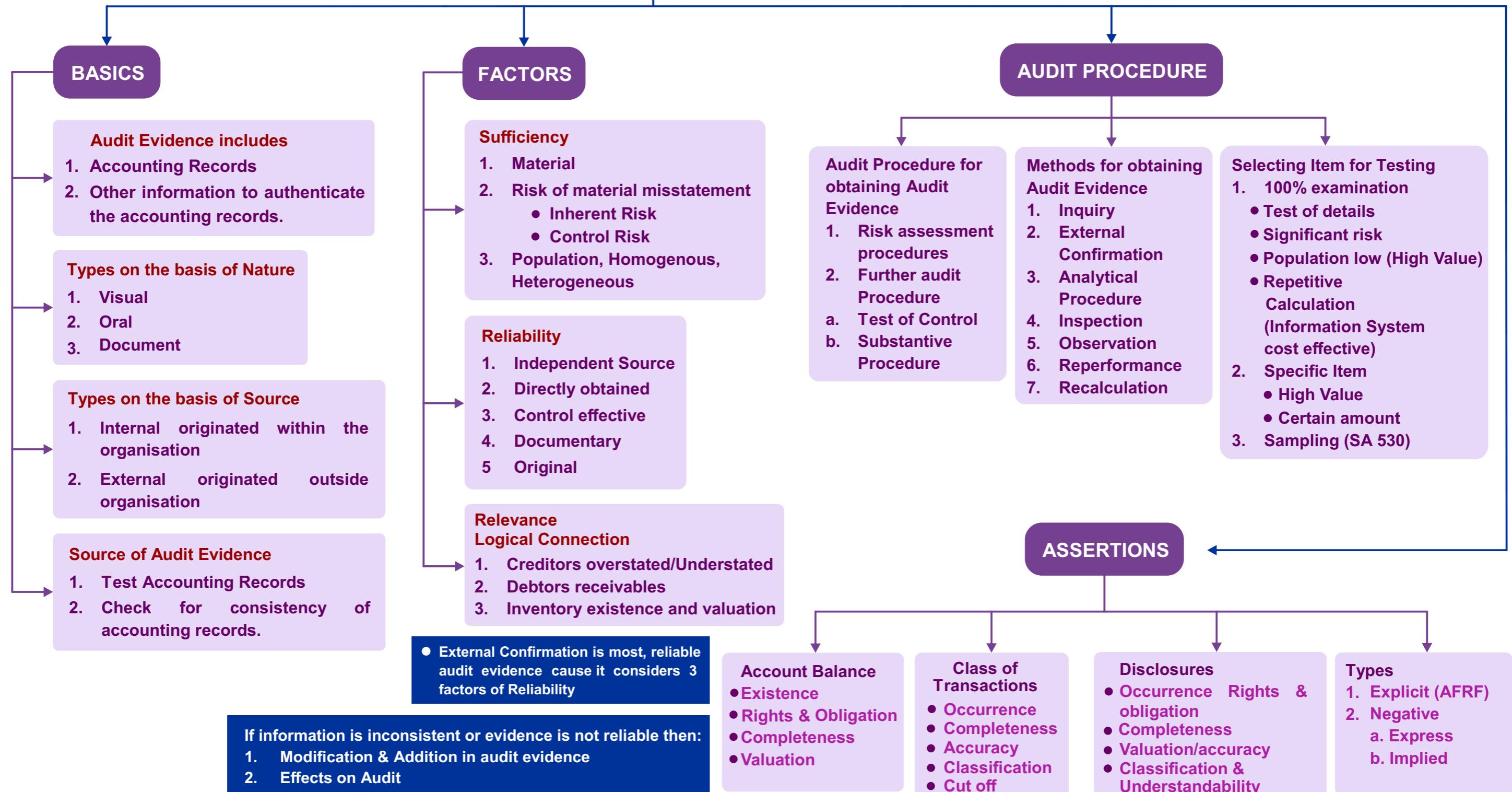


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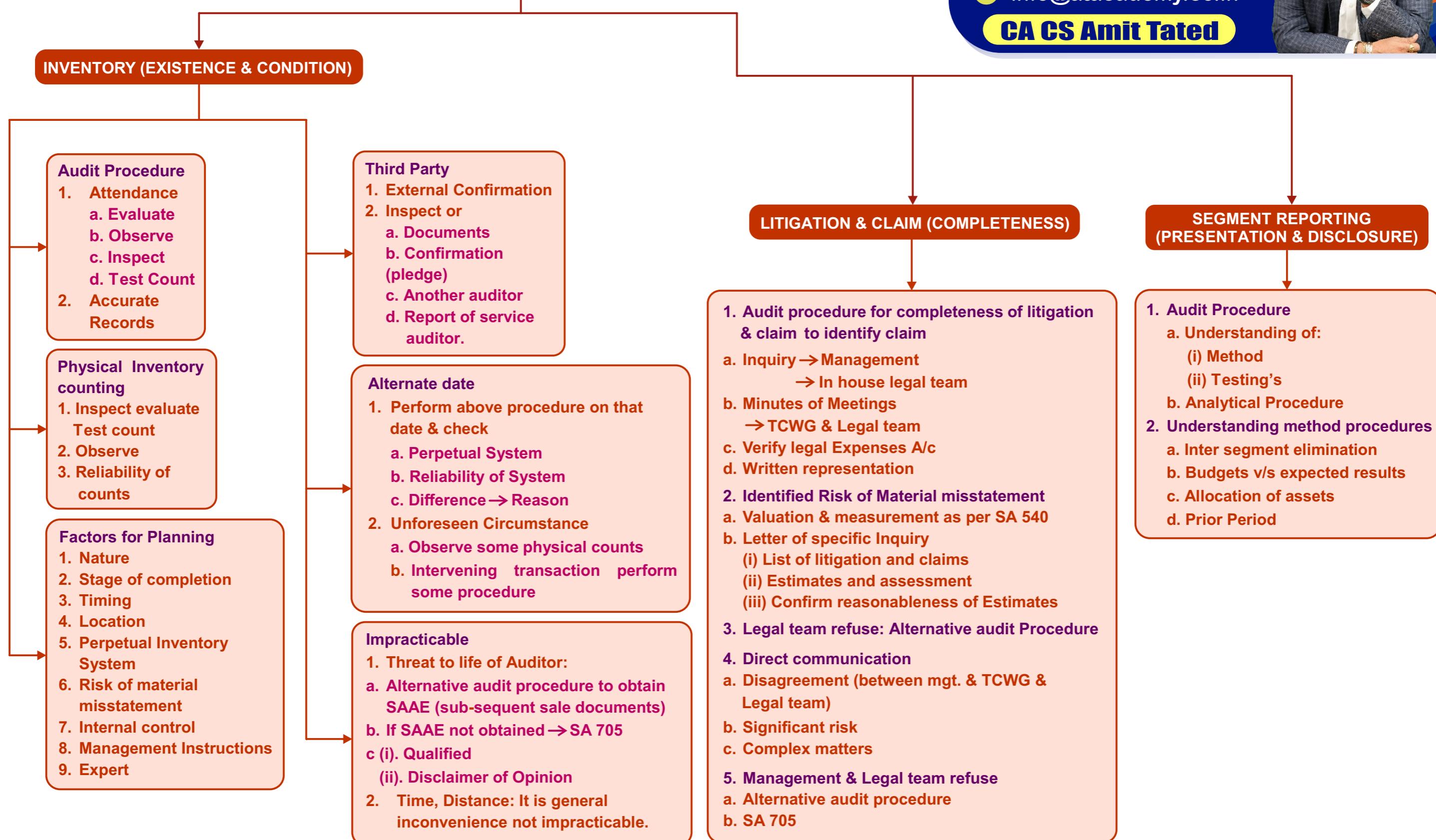
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## SA 501: AUDIT EVIDENCE – SPECIFIC CONSIDERATION FOR SELECTED ITEMS



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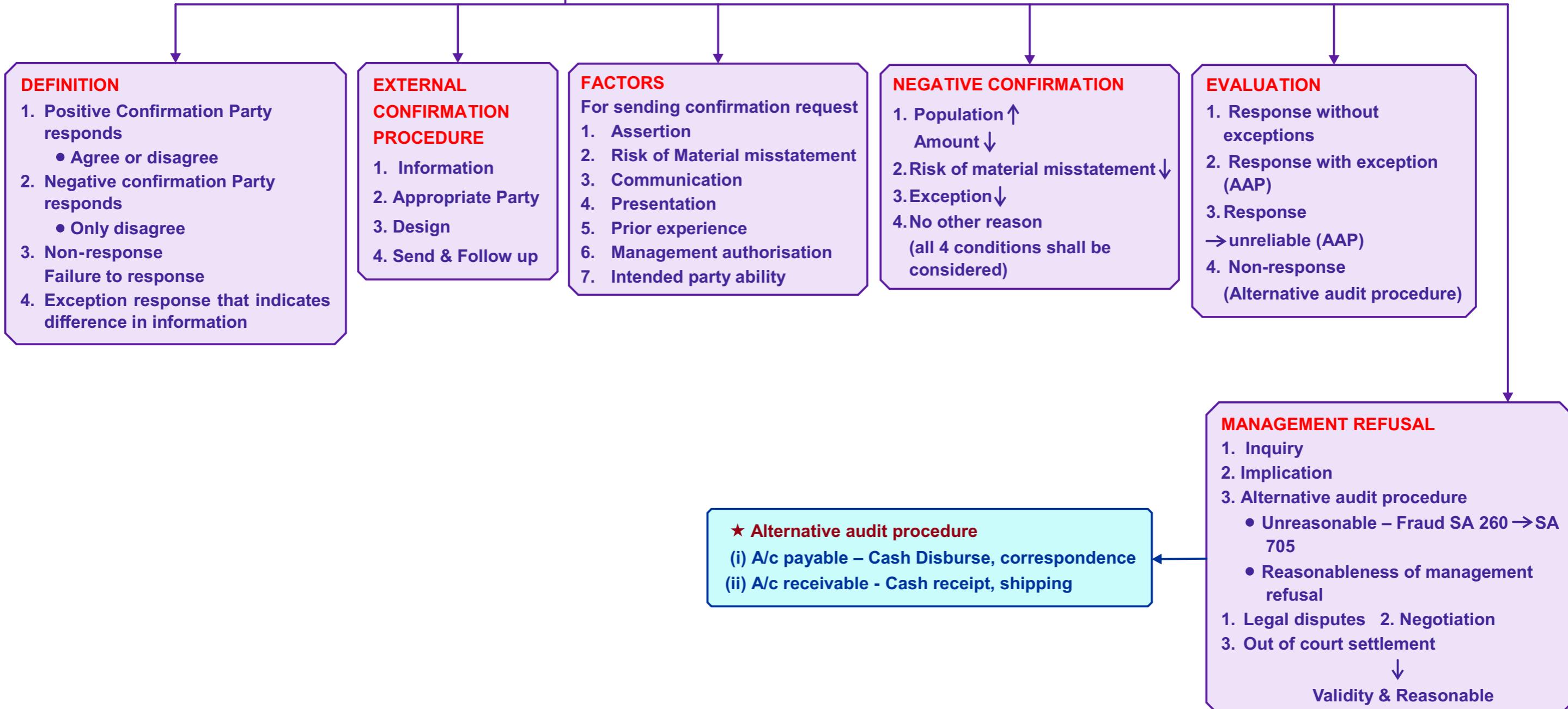
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## SA 505: EXTERNAL CONFIRMATIONS



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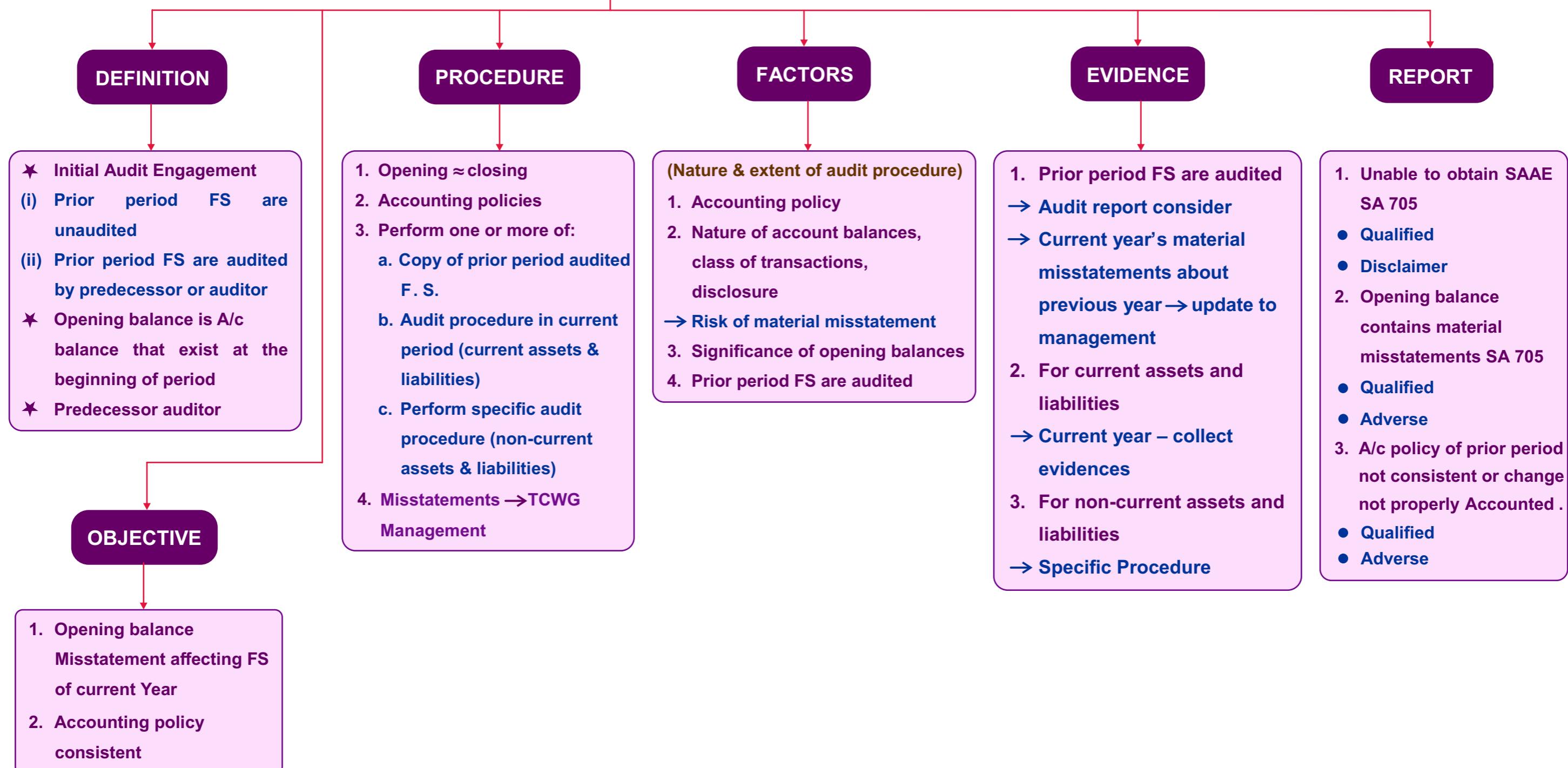
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## SA 510: INITIAL AUDIT ENGAGEMENT



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### FACTORS FOR DESIGN AND PERFORMING SUBSTANTIVE ANALYTICAL PROCEDURE

1. Suitability (large volume, relationship, RMM, unsophisticated)
2. Reliability of Data (Comparable, source, relevant, controls)
3. Expectations (Availability of data precise, disaggregation, Accuracy)
4. Difference → Material Investigate, other procedures

#### ★ Techniques

1. Trend	3. Reasonableness
2. Ratio	4. Structure

### SA 520: ANALYTICAL PROCEDURE

#### OBJECTIVES

1. Relevant and reliable audit evidence
2. Understanding of entity with financial statement

#### WHEN TO PERFORM

1. Planning
2. Testing
3. Completion

#### CONSIDERATION FOR COMPARISON

1. Prior period (Trend)
2. Expected Budgets
3. Similar Industry
4. Financial Information & Non-Financial Information
5. Predictable pattern

### FACTORS FOR SUBSTANTIVE AUDIT PROCEDURE

1. Availability of Data	2. Disaggregation
3. Source	4. Predictability
5. Account Type	6. Nature of Assertion
7. Risk of Material Misstatements	

#### ★ Purpose

- A/C Data is reasonable
- P & L compare
- Expense ratio
- Difference → material - Identify reasons

### SA 550 : RELATED PARTY

#### VERIFICATION OF EXISTENCE OF RP RELATIONSHIP AND TRANSACTIONS

1. Income tax return
2. Regulatory authorities
3. Shareholders registers
4. Conflict of Interest between management & TCWG
5. Contract & agreements
6. Significant contract & agreement out side normal course of business
7. Life Insurance Policy
8. Internal auditor's report.

#### DEFINITION

1. AFRF
2. If AFRF do not provide RP definition or provide minimal RP definition
3. As per SA 550:
  - a. Person / Entity → Control / Influence → Reporting entity
  - b. Reporting entity → control / Influence → other person / entity
  - c. Common Control / ownership in entity → Ownership, family, KMP

#### NATURE OF RELATED PARTY TRANSACTIONS & RELATIONSHIP

1. RMM ↓ Arm length transactions
2. RMM ↑ not an arm length transaction or
  - a. Extensive & complex relationship
  - b. Info. System → cannot find relationship
  - c. RP Transaction not conducted under Normal market terms & Conditions.

#### UNDERSTANDING RELATED PARTY RELATIONSHIP & TRANSACTIONS

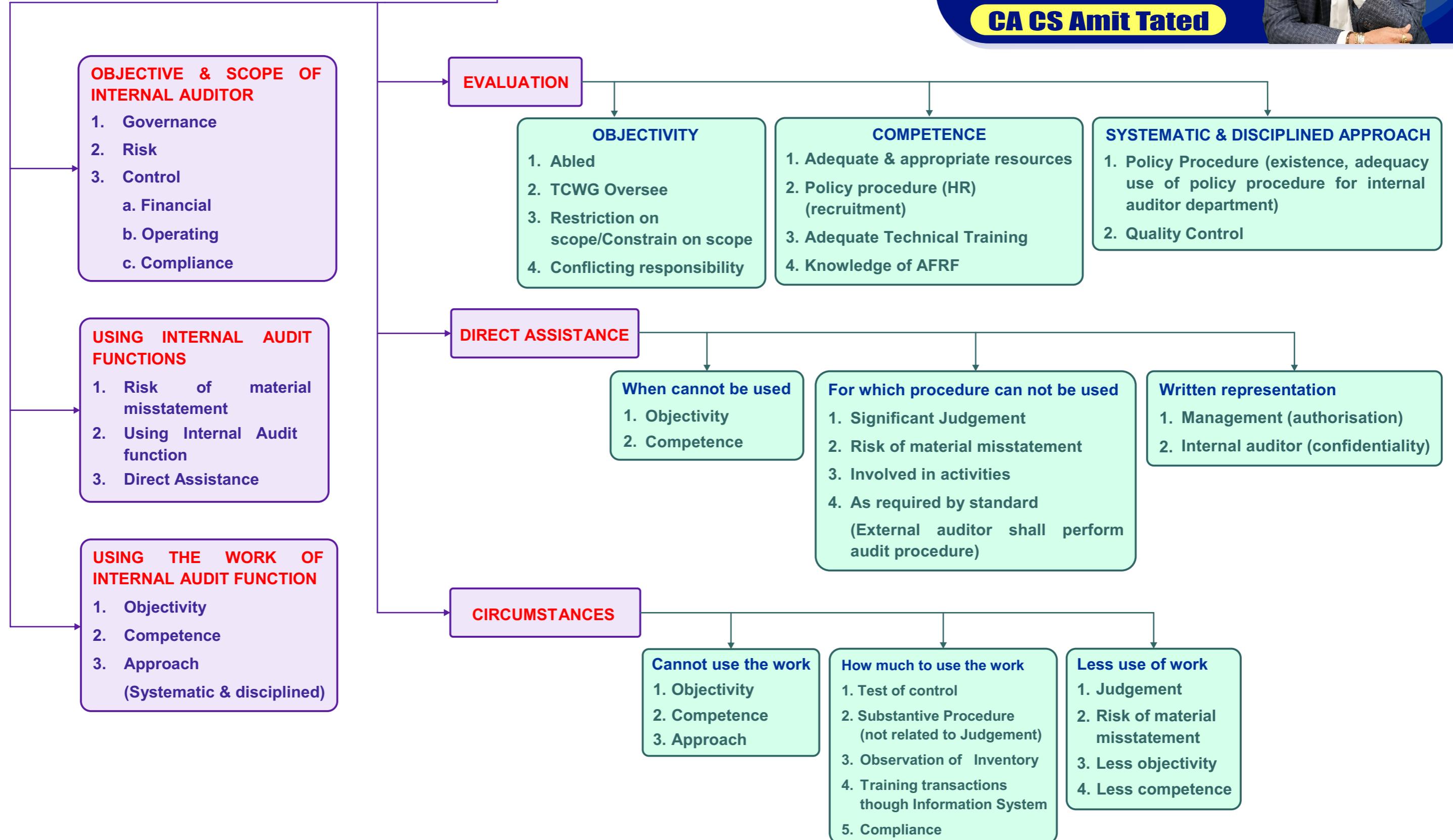
- Inquiry: 1. Identify RP & Change
- Nature of relationship
- Entity → RP → Transaction

Understanding Controls

1. In accordance with AFRF
2. Significant Transactions (approval)
3. Significant Transactions (outside the normal course of business)

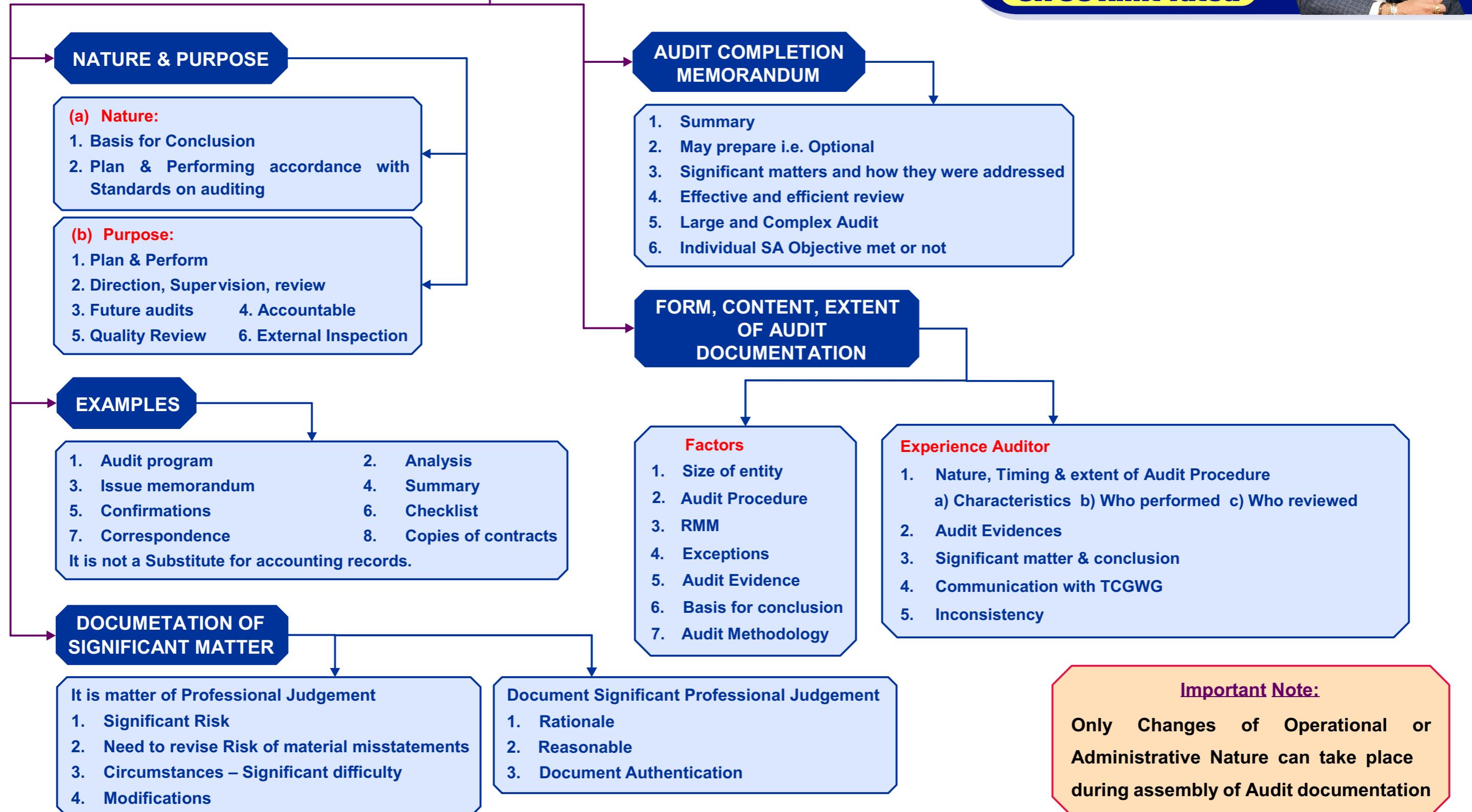






## CHAPTER-6- AUDIT DOCUMENTATION

### SA 230 – AUDIT DOCUMENTATION



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## CHAPTER-7- COMPLETION AND REVIEW

### SA 260: COMMUNICATION WITH TCWG

**What are the matters to be communicated with those who are charged with Governance.**

1. Auditor's responsibility opinion on financial statement and management is not relieved from preparation of financial statements.
2. Planned scope and Timing of Audit (overview)
3. Significant findings:
  - a. Significant qualitative aspects (accounting policy, estimates, disclosures)
  - b. Significant difficulties
  - c. Unless TCWG is involved in Management (Significant matters & written representation)
  - d. Circumstances affecting form & content of audit report
  - e. any other significant matters as per Judgement.
4. Listed Entity: Ethical Requirement & Independence

**When to Communicate: On a timely Basis**

**How to communicate: Writer / Oral with documentation (Independence only written)**

**Whom to communicate: Those who are charged with Governance**

TCWG can be:

- (a) Board of directors
- (b) Management (in some entities)
- (c) Legal background
- (d) Organisation structure (i.e., Trustee)
- (e) Person who appointed Auditor

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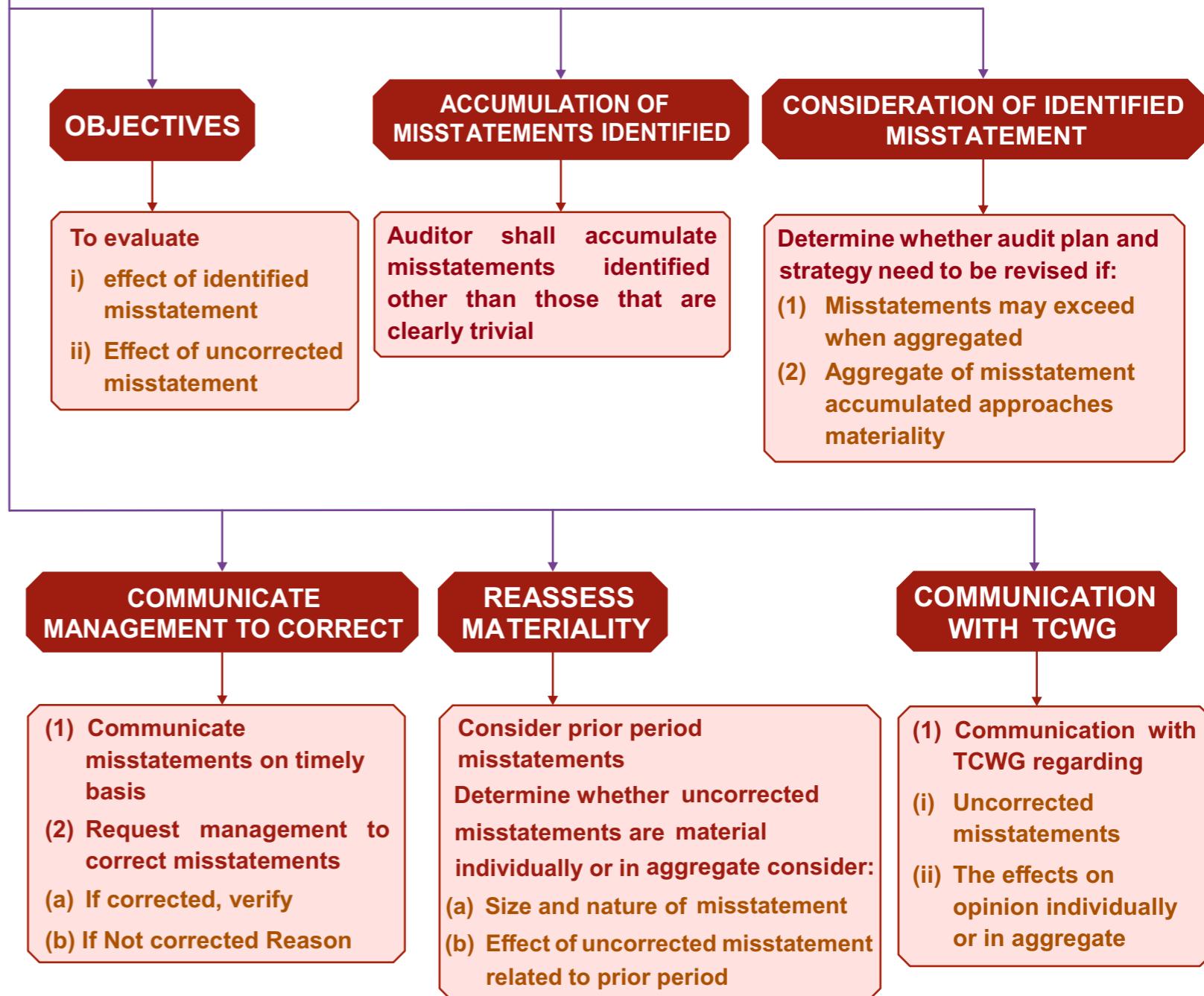
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### SA 450: EVALUATION OF MISSTAMENTS IDENTIFIED DURING AUDIT



### WRITTEN REPRESENTATION

- 1) Auditor shall request a written representation from management & TCWG.
- 2) Summary of effects of uncorrected misstatement are immaterial that they believe either individually or in aggregate, to the Financial Statement as whole shall be attached

### DOCUMENTATION

- 1) Amount below which misstatement is regarded as clearly trivial
- 2) Misstatements accumulated have been corrected or not
- 3) Auditor's conclusion & basis for conclusion

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## SA 560: SUBSEQUENT EVENTS

### FACTS AFTER AUDIT REPORT BUT BEFORE FINANCIAL STATEMENT ARE ISSUED

1. Discuss with management & TCWG
2. Determine → FS need to be amended
3. Inquire → How management will address
4. (A) If complete FS are revised and management approved → New audit report after management approval date with EOM
- (B) If FS are amended → Auditor amend audit report with new procedure & issue dual date audit report with EOM
5. If Management do not revise FS, Either modify as per 705 or Notify management, not to issue report to third parties.

### FACTS AFTER FINANCIAL STATEMENTS ARE ISSUED

Facts after Financial Statements are issued

1. Discuss with management & TCWG
2. Determine → FS need to be amended
3. Inquire → How management will address
  - A) Carry out Audit Procedure
  - B) Revise steps taken by management
4. A) If complete FS are revised and management approved → New audit report after management approval date.
4. B) New audit report or amend the original audit report with EOM
5. If Management do not revise the FS, take legal support

### AUDIT PROCEDURE FOR SUBSEQUENT EVENTS

#### TYPE

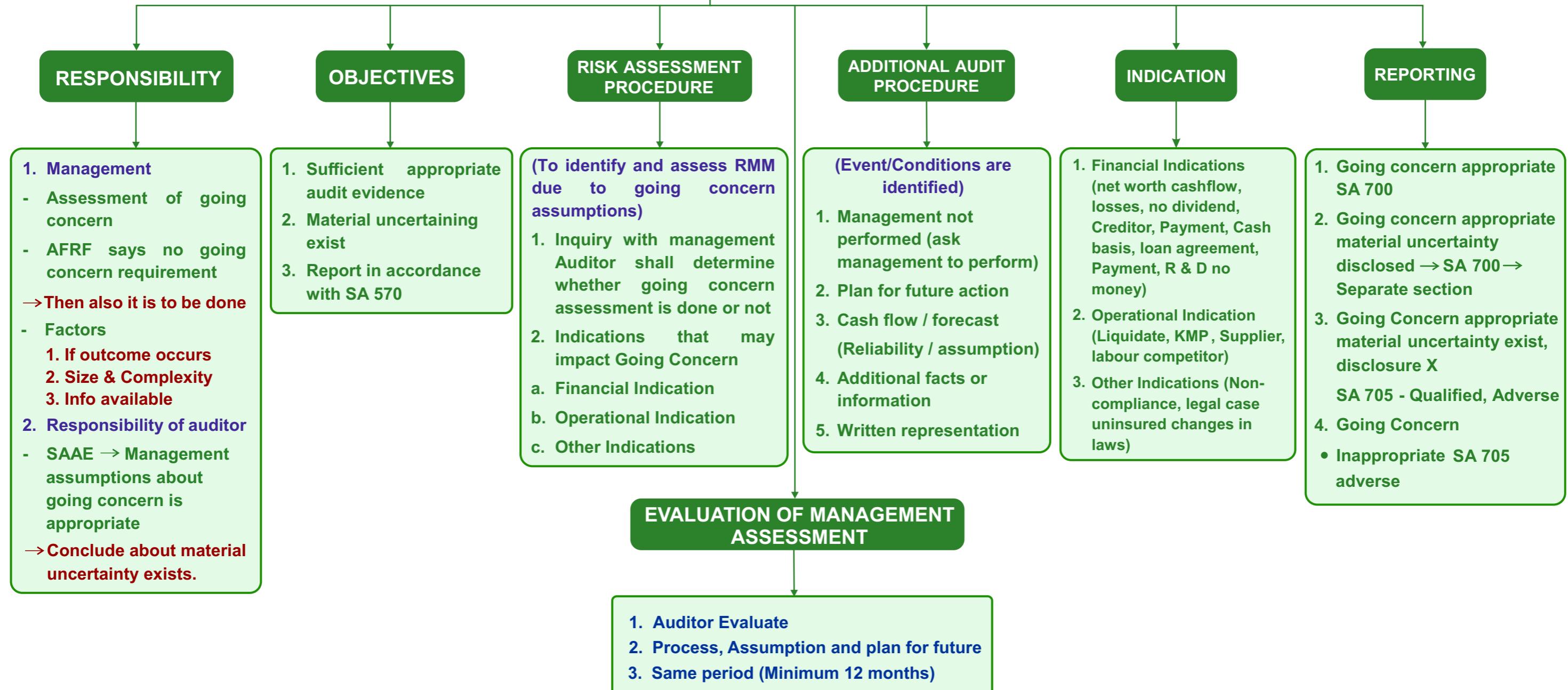
1. Type I adjusting events
2. Type II non-adjusting events

#### PROCEDURE

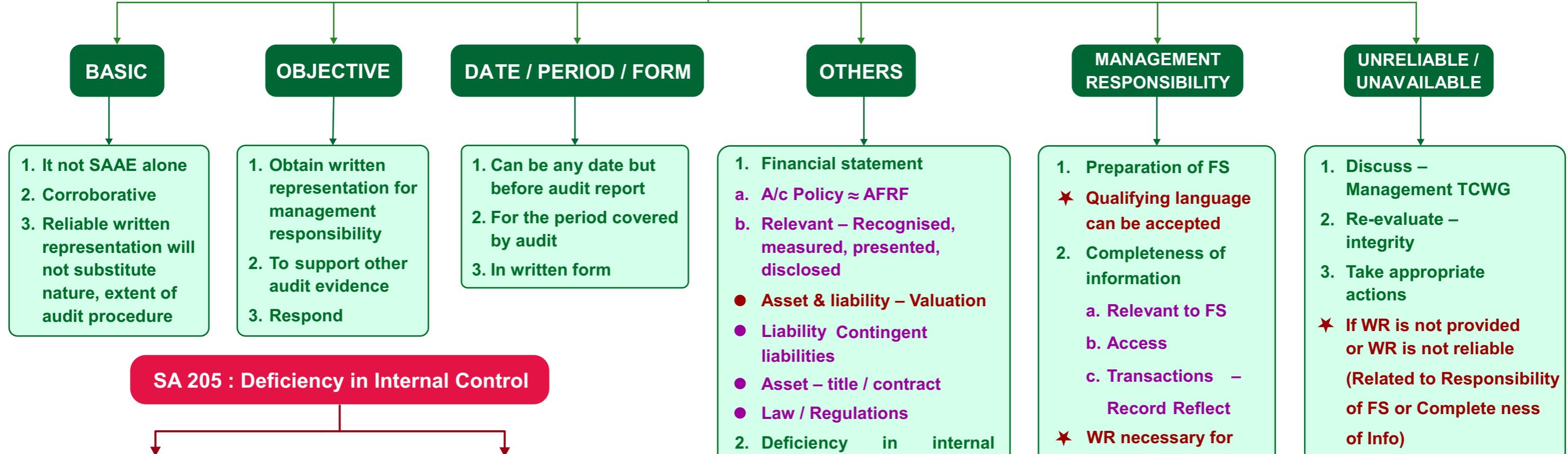
1. Understanding Procedures
2. Inquire with management
3. Read minutes of meetings
4. Read Interim FS, Cash flows and Budgets
5. Written representation.



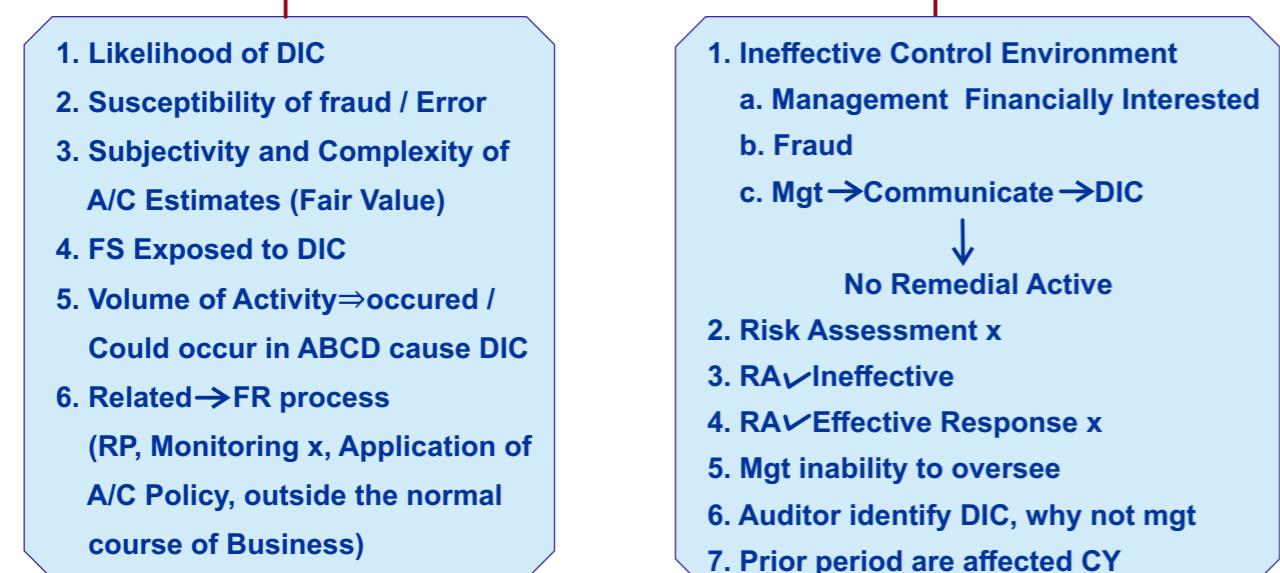
## SA 570: GOING CONCERN



## SA 580: WRITTEN REPRESENTATION



## SA 205 : Deficiency in Internal Control



★ If Law or regulations requires management responsibility to be public in such a case WR is not required.

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## CHAPTER-8- AUDIT REPORT

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**SA 700: FORMING AN OPINION AND REPORT ON FINANCIAL STATEMENTS**

### OBJECTIVE

- To form an opinion
- To express opinion through written report

### EVALUATION

#### LACK OF NEUTRALITY:

- Selective correction of misstatements
- Management bias

#### SPECIFIC EVALUATION:

1. Disclosure of Accounting Policies
2. AFRF is appropriate
3. Accounting estimates are reasonable
4. Information is relevant, reliable, comparable, and understandable
5. Material Transactions
6. Appropriate title of each financial statement

### FACTORS FOR CONCLUSION

- Sufficient appropriate audit evidence
- Uncorrected material misstatements
- Evaluations

### FORM OF OPINION

- Unmodified
- Modified

### AUDIT REPORT

1. Title
2. Addressee
3. Opinion (Entity, Audited Financial Statements, Title, summary, Date, Opinion)
4. Basis for opinion (Standards on Auditing, Responsibility, Ethical Requirement, SAAE)
5. Going Concern
6. Key Audit Matters
7. Management responsibility (Financial Statement Internal Control, Going Concern)
8. Auditor's Responsibility
- Section I - (Reasonable assurance, Opinion, Guarantee, Definition of Materiality)
- Section II - Prof Skepticism, Prof Judgement •RMM, Internal Control •Policy estimates, disclosures, structure, presentation, content, going concern •SA 600
- Section III - TCWG Objective & Scope → Independence, Key audit matters
9. Location (Within body, appendix, annexure)
10. Other reporting
11. Signature
12. Place
13. Date
- UDIN No.

**SA 705 : MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT**

#### Circumstances

- Financial Statements are materially misstated
- Unable to obtain sufficient appropriate audit evidence

#### Types of Modified Opinion

1. Qualified
2. Adverse
3. Disclaimer of Opinion

#### Unable to obtain SAAE due to LOS

1. LOS → Restriction
2. Communicate with:
  - Management
  - TCWG
3. Material but not Pervasive - Qualified Opinion
4. Material & Pervasive
- Withdraw
- Disclaimer of Opinion
5. If withdrawn – check professional obligations

#### Pervasive

1. Not confined
2. Substantial
3. Non-disclosure

#### Disclaimer of Opinion

1. Key Audit Matter will be excluded
2. Auditor's responsibility para will not be in accordance with SA 700: Independence, Opinion, report, unable to obtain sufficient appropriate Audit evidence
3. Basis for disclaimer of opinion (para 4)
4. Opinion: We have been appointed

#### Basis for opinion (Para – 4)

Description for Basis Paragraph

1. Financial Statements are materially misstated
- (a) Qualifiable: Description & Qualification
- (b) Non-Qualifiable: Description & Mention
- (c) Non-disclosure: TCWG, Nature of information, SAAE, Disclosure
- (d) Narrative disclosures explanation
2. Unable to obtain sufficient appropriate Audit evidence Reason

## SA 706: EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS

### EMPHASIS OF MATTERS

- (a) Features
  - 1. Separate Section
  - 2. Reference to Financial statements
  - 3. Opinion is not modified
- (b) Restrictions:
  - 1. SA 701
  - 2. SA 705
- (c) Examples
  - 1. Contingent Liabilities
  - 2. Early application of AFRI
  - 3. Subsequent Events
  - 4. Major Catastrophe
- (d) Not a Substitute for
  - 1. Disclosures
  - 2. Going Concern
  - 3. Modified Opinion

### OTHER MATTERS

- (a) Features
  - 1. Separate heading or other reporting responsibility
  - 2. Laws or regulations are not prohibited
- (b) Restrictions:
  - 1. SA 701
  - 2. Laws & Regulations
- Examples:
  - 1. Auditor want to resign
  - 2. Laws and regulation (Sec. 143)
  - 3. GPF, SPF – Auditor is same

## SA 701: KEY AUDIT MATTERS

### Factors to Determine Key Audit Matters

- 1. Risk of material misstatements
- 2. Uncertainty
- 3. Significant Transactions

### Key audit Matters: Not a substitute for:

- 1. Disclosures in financial statement
- 2. Going Concern (SA – 570)
- 3. Modified Opinion (SA – 705)
- 4. Not a separate opinion for individual matters.

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## SA 710 : COMPARATIVE INFORMATION CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

### DEFINITION

- (a) Corresponding Figures  
Opinion is on current year only
- (b) Comparative Financial Statement  
Opinion is on all the years.

### OBJECTIVE

- (a) Obtain SAAE about comparative information
- (b) To report as per auditor's reporting responsibility

### REPORTING RESPONSIBILITY

#### Corresponding Figures

- (a) Previous Year → Qualified, Adverse or disclaimer of Opinion (matter not resolved)  
Current Year → Modified Opinion
- (b) Previous Year → Unmodified  
Current Year → If material misstatement identified about previous Year then modified opinion for current year
- (c) Previous Year → Unaudited or audited by Predecessor auditor  
Current Year → In other matter Para:
  - 1. Previous Year – Unaudited or predecessor auditor
  - 2. Opinion – Type, Reason
  - 3. Date of Report

#### Comparative Financial Statements

- (a) Previous Year → Modified  
Current Year → about previous year opinion may change → other matters para as per SA 706
  - Reason for change in opinion
- (b) Previous Year – Unaudited or audited by predecessor auditor current year – In other matter para:
  - 1. Previous year – Unaudited audited by predecessor auditor
  - 2. Opinion – Type, Reason
  - 3. Date of Report

### AUDIT PROCEDURE

- (a) Opening Balance = Closing Balance
- (b) Accounting policies (consistency)
- (c) Previous Year's misstatements in current year.
- (d) Obtain written representation



**SA 299: Joint Auditor**

**Advantages / Disadvantage**

1. Advantages
  - a. Expertise
  - b. Mutual Consultation
  - c. Workload
  - d. Quality
  - e. Improved Service
  - f. Cost ↓ training
  - g. Cost ↓ work
2. Disadvantages
  - a. Fees share
  - b. Psychological
  - c. Workload
  - d. Co-ordination
  - e. Common areas neglected

**Special Consideration**

1. Planning
2. Strategy
3. Develop Plan
  - a. Division of work
  - b. Reporting
  - c. Team Efforts
  - d. Preliminary Activities
  - e. NTE of Resources
4. RMM
5. NTE of Audit Procedures
6. Common letter
7. Division of work letter

**Which work can not be divided**

1. Law - FS
2. Law → Audit Report
3. Presentation & Disclosure
4. Not Divided
5. Planning
6. Matters of Common agreement

**REPORT**

1. Common Audit Report
2. If DOO
  - Separate Report

**SA 600: USING THE WORK OF OTHER AUDITOR**

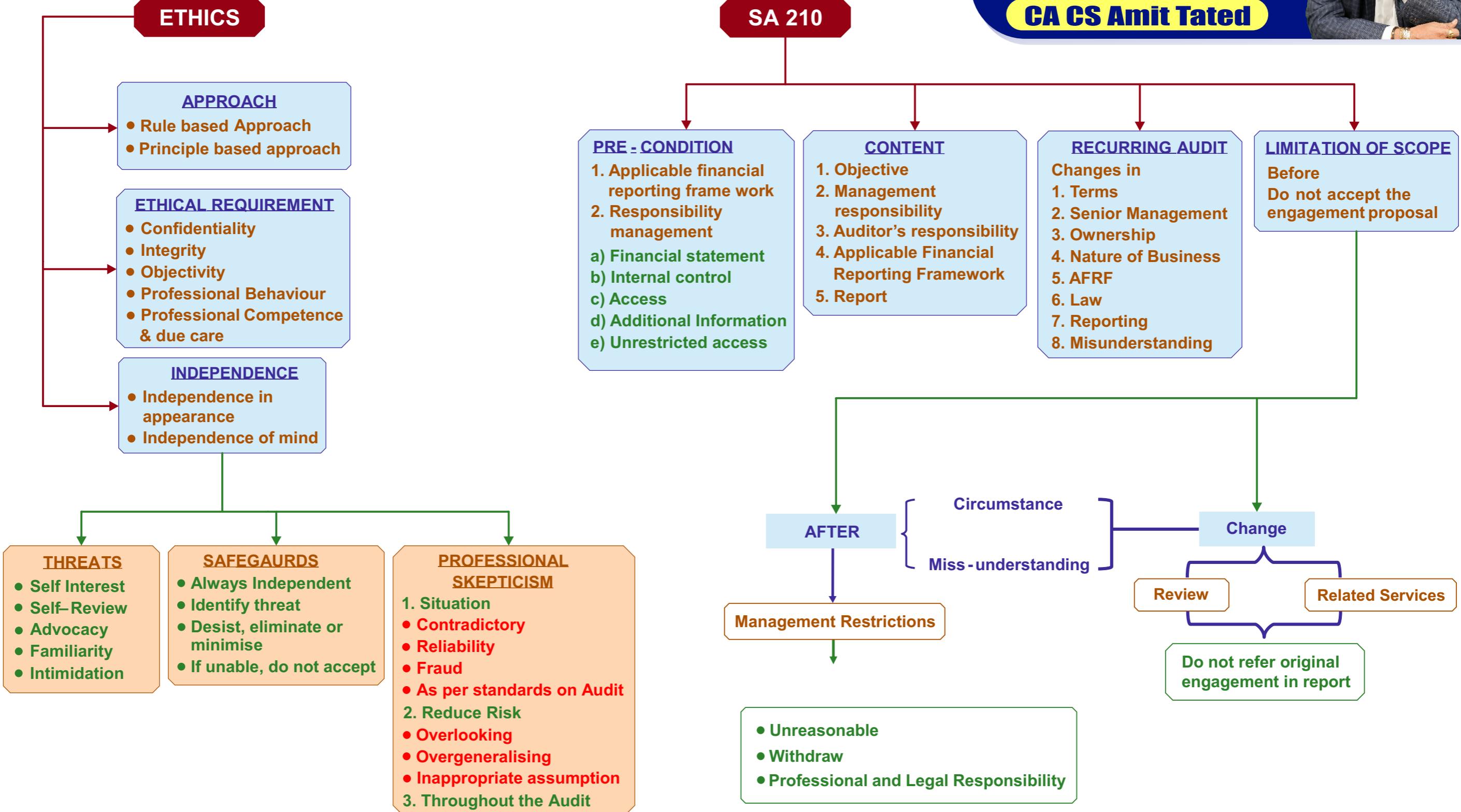
**Procedure to be performed by Principal Auditor**

1. Advise and Co-ordinate in planning stage
  - a. Special Considerations
  - b. Inter Component
  - c. Time table
2. Advise → Accounting, Auditing and Reporting Requirements

**What Principal Auditor can ask from other Auditor**

1. Audit procedures applied
2. Review written summary (Questionnaire checklist)

# CHAPTER-11- ETHICS AND TERMS OF AUDIT



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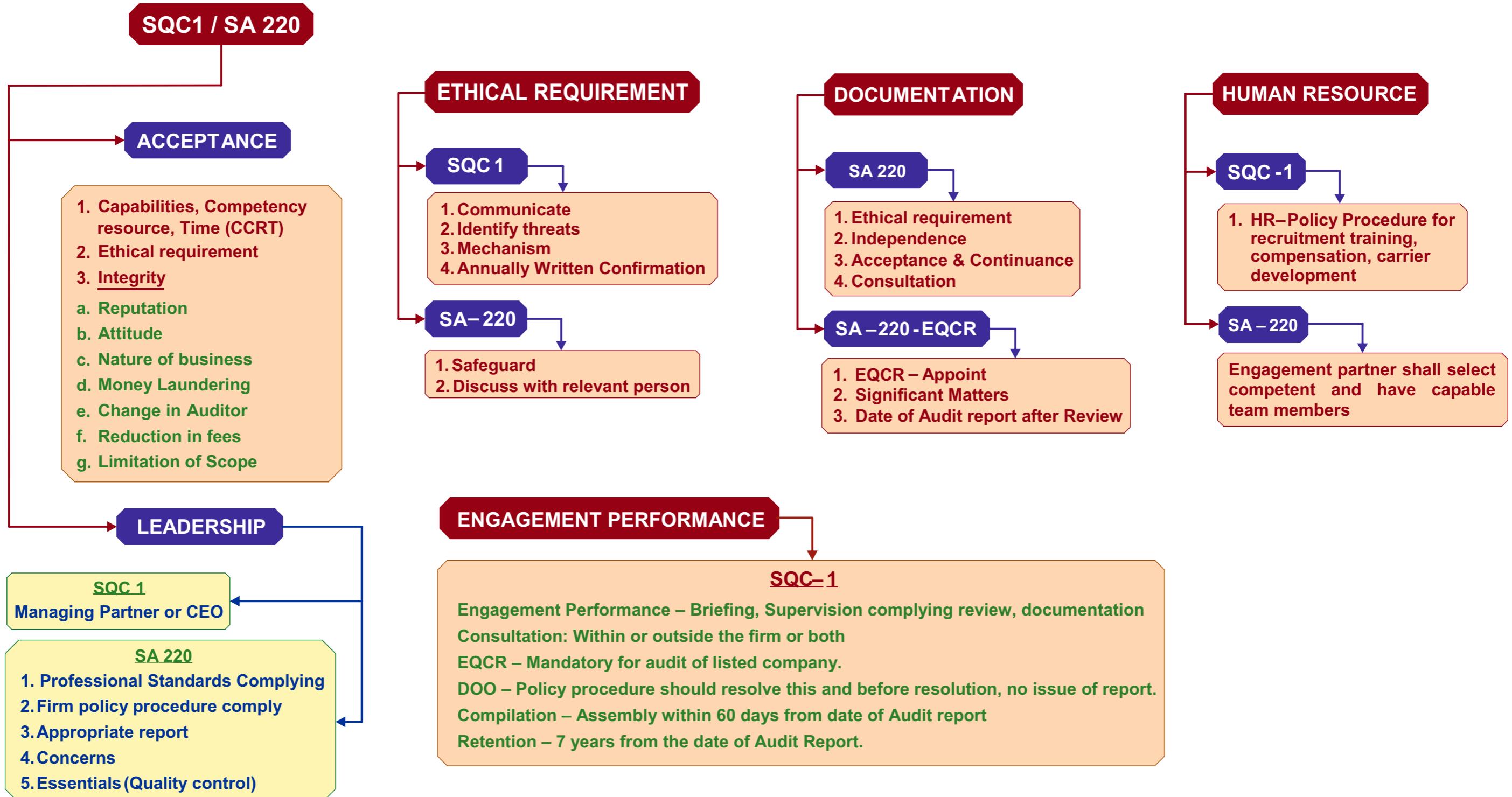
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