



# Exam FAU

## Foundations in Audit

Pocket Notes

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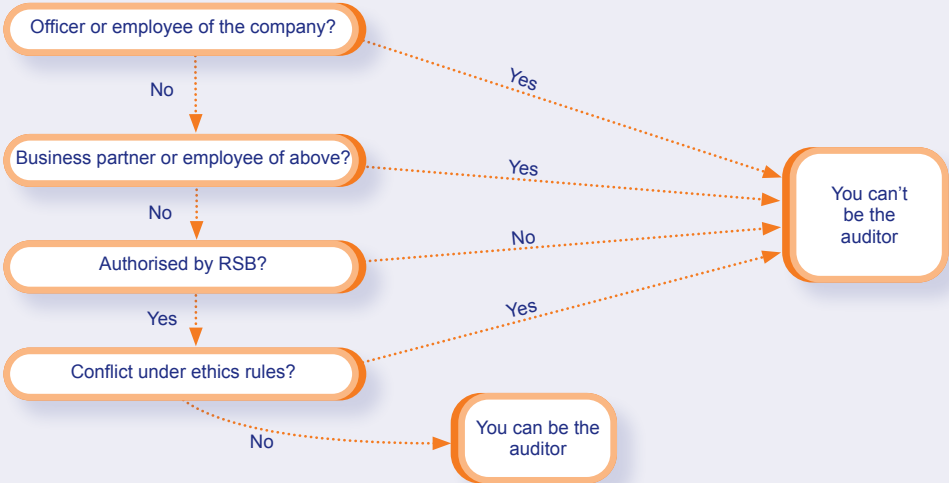
## Contents

<b>Chapter 1</b>	The rules governing audit .....	1
<b>Chapter 2</b>	The auditor .....	7
<b>Chapter 3</b>	The client .....	17
<b>Chapter 4</b>	Responsibilities .....	23
<b>Chapter 5</b>	Audit overview.....	27
<b>Chapter 6</b>	Risk .....	31
<b>Chapter 7</b>	Materiality.....	39
<b>Chapter 8</b>	Planning .....	45
<b>Chapter 9</b>	Systems and controls .....	57
<b>Chapter 10</b>	Gathering evidence.....	75
<b>Chapter 11</b>	Audit verification work.....	89
<b>Chapter 12</b>	Final review.....	105
<b>Chapter 13</b>	Reporting .....	115
<b>Index</b>	.....	1.1

Excluded by the ethics rules:

Consider:

- business relationships
- personal relationships
- long association with the client
- fee dependency
- non-audit services provided.



## The auditor's rights



### Key Point

The auditor has statutory rights provided by the respective legislation in their country.

### Typical rights during the audit/continued appointment

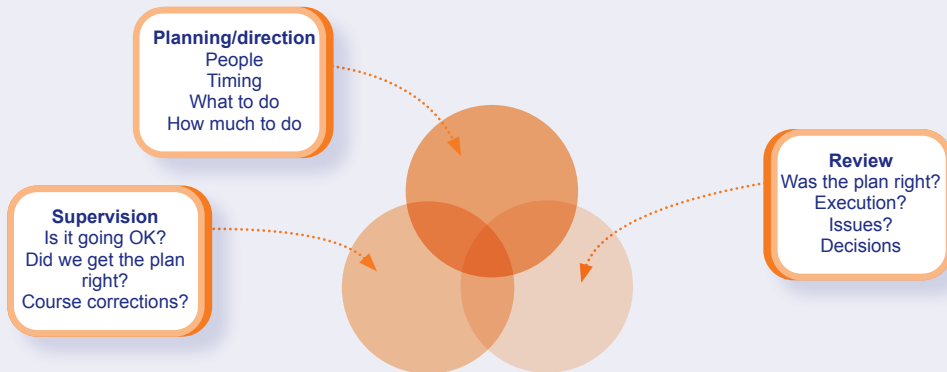
- Access to the company's books and records.
- Receive information and explanations necessary for the audit.
- Receive notice of and attend any meeting of members of the company.
- To be heard at such meetings on matters of concern to the auditor.

### On resignation

- Request an extraordinary general meeting of the company to explain the circumstances of the resignation.
- Require the company to circulate the statement of circumstances relating to the resignation.

<b>Rights and duties</b>		
<b>On appointment</b>	<b>While in post</b>	<b>On cessation</b>
Consider legal and ethical issues	Form opinion Issue report	Statement of circumstances
Clearance from outgoing auditor	Accounting records Info/explanations Returns from branches All information in Annual Report is consistent with the financial statements Directors' pay and balances	Request EGM Make representations  Clearance to new auditor

## Quality management



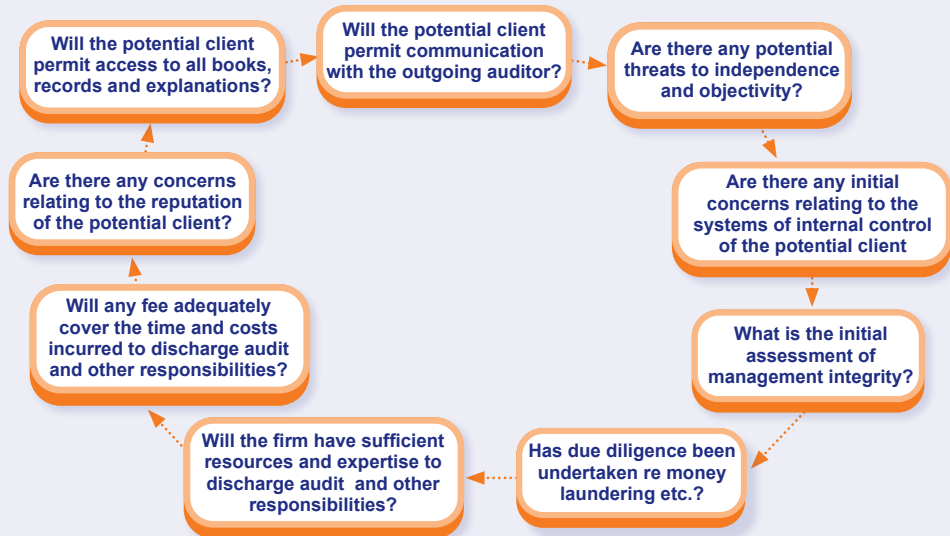
### Exam focus

The legal material on rights and duties needs to be learned.

The roles of the audit team and quality management are more intuitive – be ready for ‘explain the role of...’ or ‘compare and contrast’ type questions.

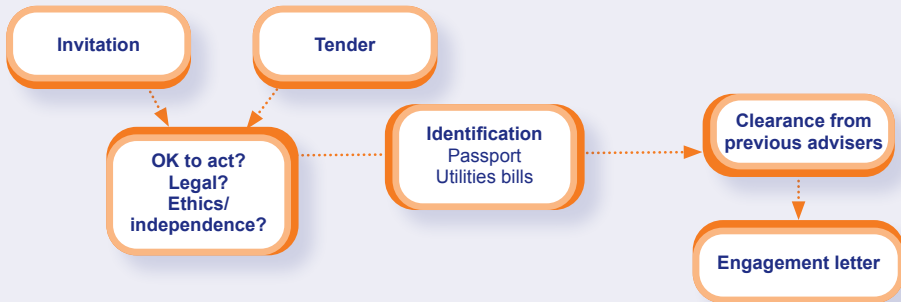
## Engagement considerations

The following factors need to be taken into consideration prior to formalising an auditor-client relationship;



## The engagement process

The diagram represents an overview of the engagement process, which is formalised by the issue of an engagement letter.



The audit firm may be invited by the directors of a company to become their auditor, or may be invited to take part in a tendering process alongside other firms.

Once the firm has been invited, and has decided that there are no legal or ethical

impediments to appointment, the firm must:

- follow the rules of anti-money laundering regulations to ensure that the business is legitimate (e.g. confirm the identity of senior management by inspecting their passport)





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