

# CA FINAL SYLLABUS

## PAPER 3: ADVANCED AUDITING AND PROFESSIONAL ETHICS

**Level of Knowledge:** Advanced knowledge

*(One paper – Three hours – 100 Marks)*

**Objectives:**

- (a) To gain expert knowledge of current auditing practices and procedures and apply them in auditing engagements,
- (b) To develop ability to solve cases relating to audit engagements.

**Contents:**

**1. Auditing Standards, Statements and Guidance Notes**

Auditing and Assurance Standards (AASs); Statements and Guidance Notes on Auditing issued by the ICAI; Significant differences between Auditing and Assurance Standards and International Standards on Auditing.

**2. Audit strategy, planning and programming**

Planning the flow of audit work; audit strategy, planning programme and importance of supervision: review of audit notes and working papers; drafting of reports; principal's ultimate responsibility; extent of delegation; control over quality of audit work; reliance on the work of other auditor, internal auditor or an expert.

**3. Risk Assessment and Internal Control**

Evaluation of internal control procedures; techniques including questionnaire, flowchart; internal audit and external audit, coordination between the two.

**4. Audit under computerized information system (CIS) environment**

Special aspects of CIS Audit Environment, need for review of internal control especially procedure controls and facility controls. Approach to audit in CIS Environment, use of computers for internal and management audit purposes: audit tools, test packs, computerized audit programmes; Special Aspects in Audit of E-Commerce Transaction.

**5. Special audit techniques**

- (a) Selective verification; statistical sampling: Special audit procedures; physical verification of assets, direct confirmation of debtors and creditors

(b) Analytical review procedures

(c) Risk-based auditing.

## **6. Audit of limited companies**

Relevant Provisions under the Companies Act, 2013 relating to Audit and Auditors and Rules made thereunder; Audit of branches: joint audits; Dividends and divisible profits- financial, legal, and policy considerations.

## **7. Rights, duties, and liabilities of auditors; third party liability.**

**8.** Audit reports; Qualifications, notes on accounts, distinction between notes and qualifications, detailed observations by the statutory auditor to the management vis-à-vis obligations of reporting to the members.

## **9. Audit Committee and Corporate Governance**

**10. Provisions under the Companies Act, 2013 in respect of Accounts of Companies and Rules made thereunder.** Audit of Consolidated Financial Statements, Audit Reports and Certificates for Special Purpose engagements; Certificates under the Payment of Bonus Act, import/export control authorities, etc.; Specific services to non-audit clients; Certificate on Corporate Governance.

**11.** Special features of audit of banks, insurance companies, co-operative societies and nonbanking financial companies.

## **12. Audit under Fiscal Laws, viz, Direct and Indirect Tax Laws.**

## **13. Cost audit**

**14.** Special audit assignments like audit of bank borrowers, audit of stock and commodity exchange intermediaries and depositories; inspection of special entities like banks, financial institutions, mutual funds, stock brokers.

**15.** Special features in audit of public sector companies. Directions of Comptroller and Auditor General of India *to statutory auditors.*; Concepts of propriety and efficiency audit.

**16. Internal audit, management and operational audit** Nature and purpose, organisation, audit programme, behavioural problems; Internal Audit Standards issued by the ICAI; Specific areas of management and operational audit involving review of internal control, purchasing operations, manufacturing operations, selling and distribution, personnel policies, systems and procedures. Aspects relating to concurrent audit.

## **17. Investigation and Due Diligence.**

## **18. Concept of peer review**

**19.** Salient features of Sarbanes – Oxley Act, 2002 with special reference to reporting on internal control.

**20. Professional Ethics**

Code of Ethics with special reference to the relevant provisions of The Chartered Accountants Act, 1949 and the Regulations thereunder.

**Note:**

*(i) The provisions of the Companies Act, 1956 which are still in force would form part of the syllabus till the time their corresponding or new provisions of the Companies Act, 2013 are enforced.*

*(ii) If new legislations are enacted in place of the existing legislations, the syllabus would include the corresponding provisions of such new legislations with effect from a date notified by the Institute.*