

B.com 4th semester.

Auditing (BCOMHACCC402) Core course: 9

Unit 5: Special Areas of Audit

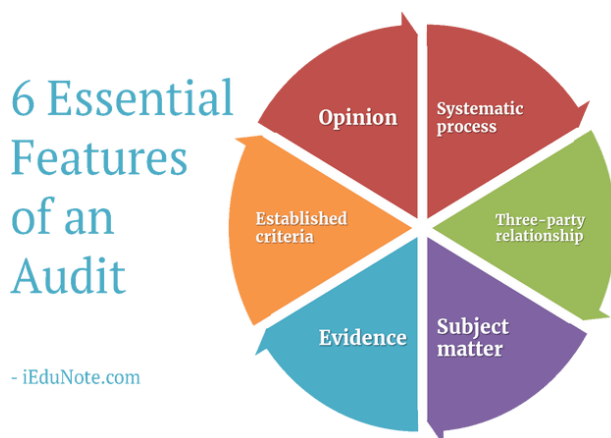
Compiled by
PRIYA SINGH
Department of Commerce.

1. What is special audit?

A special audit is a tightly-defined audit that only looks at a specific area of an organization's activities. This type of audit may be initiated by a government agency, but could be authorized by any entity, or even internally. Examples of special audits are:

- Compensation audits
- Compliance audits
- Controls audits
- Cost audits
- Fraud audits
- Royalty audits.

2. what are the special features of audit?



The audit is structured into activities that follow a logical sequence. The audit will focus on the

management and delivery of the electronic device, which supposes fluxes of electronic devices and procedures of treatment specific associated.

There are six essential features or characteristics of auditing are;

1. Systematic process.
2. Three-party relationship.
3. Subject matter.
4. Evidence.
5. Established criteria.
6. Opinion.

The essential features of Auditing are explained below;

1. Systematic process

Auditing is a systematic and scientific process that follows a sequence of activities, which are logical, structured, and organized.

2. Three-party relationship

The audit process involves three parties, that is, shareholders, managers, and auditors.

3. Subject matter

Auditors give assurance on a specific subject matter. However, the subject matter may differ considerably, such as – data, systems or processes and behavior.

4. Evidence

The auditing process requires collecting the evidence, that is, financial and non-financial data, and examining thereof.

5. Established criteria

The evidence must be evaluated regarding established criteria, which include International Accounting Standards, International Financial Reporting Standards, Generally Accepted Accounting Principles, industry practices, etc.

6. Opinion

The auditor has to express an opinion as to the reasonable assurance on the financial statements of the entity.

Conclusion on Audit Features

Audit Features influences the objectives of the audit to refer to the security of the information and systems, the protection of the personal data, access to some databases with an informational sensitive character.

3. What is management audit?

Ans. Whatever may be the type of organisations ,there are certain specific principles, rules, etc. Which are required to be complied with in course of conduct of business. In actual practice, auditors are generally appointed in large undertakings in order to verify whether the business are properly managed in accordance with the specific rules and principles .As such , the management audit is that type of audit through which it is verified whether specific principles, rules and regulations have been complied with.

4. What is tax audit?

Ans. According to the income tax act, 1961,tax audit means such as audit which is carried on by an auditor for submission of accounts to the tax authorities for determination of tax when a firm or individual earns assessable income .

5.what is social audit?

Ans. At present each and every business has to discharge social responsibility to a certain extent. So, social audit is that type of audit type of audit by which it is verified how far the organisation has been able to discharge its social responsibility.

6 .what is environment audit?

Ans. Environment audit may be defined as a systematic process of obtaining and evaluating objectively the evidence regarding the performance of an organisation in response to environmental statement.

7.what is Energy audit?

Ans. Energy audit is generally focussed to know the right amount of energy utilised in daily activity. Perhaps, there is no loss or waste of energy owing to human indifference, Energy audit calls for technical input and that is why an audit team is needed for a professionally work of audit and technical personnel is needed for conducting the work.

7. Recent Trends in auditing.

Ans. Technology never fails to change the way we do things. It has transformed how we think, how we interact, and how we do business. No one can deny that technology has made a remarkable impact in the finance and accounting industry. Accounting and finance professionals can now perform tasks faster and with greater precision. With these developments in the industry, auditors have also utilized the latest technological advancements to improve their service offerings.

As we begin the second half of 2018, here are the audit trends that are continuously shaping the audit industry.

1. Artificial Intelligence and Robotic Process Automation

The adoption of smart automation and machine-learning artificial intelligence in accounting has led to a tremendous overall improvement in the accounting process. Accountants can now shift to more complex tasks by automating time-consuming tasks, tighten controls with the aid of advanced software, and eventually produce high-end results. As more tasks are performed with these innovative tools, internal audit should be able to identify, monitor, and evaluate the risks that come with these tools.

Audit professionals need to have an understanding of how these systems are designed and how they affect business operations, administration, and the structure of the organization as a whole.

2. Cyber and data security

Even before the Facebook-Cambridge Analytica Scandal, the world has been moving towards better data and cybersecurity. Businesses have been working on regulatory compliance with different countries on varying cybersecurity requirements and data management directives. The roll-out of the European Union's GDPR has signaled sweeping changes in the way businesses handle data and information.

Auditors must keep up with these updates to ensure that the company's cyber data are well protected and secure, at the same time, monitor that data collection, processing, and management by the company are in accordance with data privacy regulations such as the EU's GDPR.

3. Data Analytics

Modern business operations are now heavily relying on data to optimize product and/or service lines. From time to time, data are collected by companies to identify process bottlenecks and reduce unnecessary costs. To help them in the audit process, audit professionals also harness the capabilities of data analytics software. Data analysis helps auditors to check irregularities in data trends or patterns and identify errors that the company may have made during their processes.

Data analytics tools are also of tremendous help for auditors, especially when it is

necessary for them to look at the bulk of data collected and processed by their organization. Finally, like other professionals in different industries, auditors have been able to produce smarter, faster, and better results.

4. Technology and Talent Development

All these technological trends have led to the necessity for professionals to develop proficiency and have a keen understanding of the latest technological tools and software. The top audit firms have invested in the skills development of their people to catch up with the new trends in auditing, with new but competitive audit players following this practice

As we continue with the second stretch of 2018, we can only expect to see more technological trends dictating the future of the audit industry. Audit firms around the world are innovating on how the practice adjusts to the adoption of sophisticated business processes such as robotic process automation, artificial intelligence, and blockchain technology. If anything, the recent audit trends above only show the increasing importance of technology in audit and the necessity for firms to ensure that their people are up to the tasks.

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8 . Objectives of management audit:

Ans. Management audit is a new concept and goes beyond the conventional audit. It is actually a comprehensive and critical review of all aspects of management, it may be said to be an expansion of internal audit.

1. Directing the way to prosperity .
2. Increasing efficiency.
3. Harmonization of various objectives.
4. Rendering proper advice.
5. Reviewing the effectiveness of policy.
6. Giving advice regarding efficient management.
7. Assisting the management personnel.

8.Importance of management Audit

Ans. The introduction of management audit may commonly help the management in boosting up profitability and efficiency of the concern. The management audit, therefore , extend beyond the conventional financial audit and may be considered as an important tool for management control

1. Granting subsidy .

2. Granting loan.
3. Availing of foreign collaboration.
4. Participation in equity.

9.EDP Audit(Audit in computerised Environment)

- Definition of EDP: the Electronic Data processing is a term which is used to denote the introduction of electronic digital computers and other data processing machines having an electrical impulse with a view to collecting ,sorting ,analysing and recording all types of information which have great importance to the better operation of business activities.

Now a days all types of business organisation, both large and small are using computer for data processing. The approach and techniques to be followed by an auditor an 'auditor in auditing' EDP based information are different from those to be followed by the manual environment.

10. Characteristics of Electronic Data processing system:

- The characteristics of Electronic data processing system can be enumerated briefly as follows.
 1. The system has a high speed.
 2. It consists of storages of large quantity of information.
 3. It can be operated automatically.
 4. It can be operated with predetermined programme.
 5. The whole performance is quite accurate.
 6. It is remarkable to mention that the system has easy feeding back.
 7. The electronic data processing system is much flexible.

11. Concepts of auditing standards and assurances.

Ans. The concept of assurance

We ask for assurance when we need to know whether or not things are 'ok'.

It is often not possible to check the situation yourself – so you are likely to want to rely on someone else to check it for you - a professional

Examples for assurance

- = schools are checked by government inspectors
- = restaurants have health and safety checks
- = Annual published Financial Statements are checked by external (statutory) auditors
- = Company systems are checked by internal auditors

Standard of Auditing.

To ensure that information provided in the financial statements are of high quality and are acceptable worldwide the Auditing and Assurance Standards board under the council of Institute

of Chartered Accountants (ICAI) have formulated few Standards. These are in line with the International Standards issued by the International Auditing and Assurance Board (IAASB).

Standards issued by the AASB include :

- Standards of Quality Control (SQC) For all the services under Engagement Standards. These standards are applicable to all auditing firms which perform audits and reviews of historical financial information including assurances and related service engagements.
- Standards on Auditing (SAs) For auditing historical financial information. These apply whenever any independent Audit is carried out.

In simpler words, whenever an independent examination of financial information is carried on for ANY entity whether the business motive is to make the profit or not, whether the size of the entity is big or small or even if the entity has any legal form (unless any law specifies something else) the SAs will be applicable

All SAs are interlinked and have to apply in unity. The number given to SA is similar to the numbering system followed for International Standards on Auditing formulated by IAASB.

- Standards on Review Engagements (SREs) for reviewing historical financial information
- Standards on Assurance Engagements (SAEs) for assurance engagements other than the audits and reviews of financial information
- Standards on Related Services (SRSs) for all engagements about the application of agreed procedures to information, compilation engagements, and other related services engagements

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