

Audit Standards



ProActive プロアクティブ／グアム大学日本事務局

Audit Standards (監査基準)

監査とはクライアント企業が作成した財務諸表を監査基準に基づき検査して意見を述べることです。

覚えなければいけない監査基準は

Generally Accepted Auditing Standards (GAAS) です。

財務会計はGAAP= Generally Accepted Accounting Principles 混同しないように。

つまり、GAASで監査してGAAPを守っているかどうかチェックするわけです。

CPAの試験でも3問~5問ほど出題されます。割合は少ないですが、GAASの内容は監査の他のTopicに深く関連していますので暗記しておかなければいけません。さらに、登場してくるKeyフレーズは非常に重要です。これを理解しないと他の問題も解けません。

10項目のGAAS

1. Training & Proficiency :
会計の教育を受けたものが監査をすべきである
監査をする企業の業界に精通していなければいけない
継続教育を受けて常に知識をUPDATE していないといけません
2. Independence
監査、Review, などCPA が意見を述べる場合、Independenceはなくては
いけません。
ただし、税金の申告、コンサルにはIndependenceは必要ありません。
Independenceがないと判断された場合、監査はできません。
3. Due Professional Care (しっかり監査しなさい)
Critical Review : 監査チームにおいて常に上司が部下のReviewをしよう。
監査調書 (Work papers) を作成しなければいけない。
過失 (Negligence) のないように監査をする。 つまりGAASに違反する
ようなことをしてはいけません。
4. Planning & Supervision
監査はちゃんと計画 (プラン) を練って実行されなければいけない。
監査はしっかりした管理の元で実施されなければいけない。

5. Entity and its Environment
監査のプランを練る上で重要なのがクライアント企業の内部統制がどのような状態になっているのか？しっかりしているのか？信頼できるのか？監査ではこれを理解することが非常に重要で、絶対におこなわれなければいけない。
6. Evidence (証拠集め)
監査では必ず実証テスト (Substantive Test) を行います。このテストで集めた書類、データ、などが監査の証拠となります。十分に集めなければいけません。
7. Accounting is US GAAP
監査報告書 (Audit Report) にはUSGAAPに準じて財務諸表が適正、不適正などのフレーズが記入されなければいけません。
8. Consistency (会計原則の一貫性)
監査報告書には企業がConsistencyを怠った場合のみ問題点を記述します。Consistency に特に問題がない場合は記述しません。
9. Disclosure (情報開示)
監査報告書には企業が十分な情報開示を怠った場合、そのことを記述しなければいけません。問題ない場合は、特に記述しません
10. Expression of an Opinion (CPAの意見)
監査人は作成した監査報告書の中で記載されているクライアント企業の財務諸表に対して何らかの意見を出さなければいけません。通常、適正、不適正、意見の差し控えなど。

GENERALLY ACCEPTED AUDITING STANDARDS

GAAS

QUALITY CONTROL
GOVT AUDITING STANDARDS

TRAINING

INDEPENDENCE

DUE PROFESSIONAL CARE

SUPERVISION

ENTITY AND ITS ENVIRONMENT

EVIDENCE

ACCOUNTING = GAAP

CONSISTENCY

DISCLOSURES

EXPRESSION OF AN OPINION

AUDIT STANDARDS

General Standards (監査人に関すること)

T raining & Proficiency

The audit must be performed by a person or persons having adequate technical training and proficiency as an auditor.

I ndependence

Independence in mental attitude is to be maintained by the auditor or auditors.

D ue Professional Care

Each person within an independent auditor's organization has the responsibility to exercise due care. This responsibility is about critical review by supervisors of the work done.

Standards of Field Work (監査の現場)

P lanning & Supervision

The auditor must adequately plan the work and must properly supervise any assistants.

Understanding the **E**ntity and its Environment

The auditor must obtain a sufficient understanding of the entity and its environment, including its internal control to assess the risk of material misstatement of the financial statements whether due to error or fraud and to design the nature, timing, and extent of further audit procedures.

Sufficient Audit **E**vidence

The auditor must obtain a sufficient audit evidence by performing audit procedures to afford a reasonable basis for an opinion regarding the financial statements under audit.

Standards of Reporting (監査報告書)

A ccounting in conformity with US. GAAP

The report shall state whether the financial statements are presented in conformity with U.S. Generally Accepted Accounting Principles.

C onsistency

The report shall identify those circumstances in which such principles have not been consistently observed in the current period in relation to the prior period.

D isclosure

Disclosures in the financial statements are to be regarded as reasonably adequate

E xpression of opinion

The report shall contain either an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons should be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor's work, if any, and the degree of responsibility the auditor is taking.

AUDITING STANDARDS

GAAS

QUALITY CONTROL
GOVT AUDITING STANDARDS

DEFINITION OF AUDITING:

The accumulation and evaluation of evidence...about quantifiable information of an economic entity...to determine and report on the degree of correspondence between the information and established criteria. Auditing should be done by a competent, independent person.

I. AUDIT FUNCTION OVERVIEW

A. RESPONSIBILITIES

The independent auditor is responsible for rendering an opinion on the organization's financial statements in accordance with generally accepted auditing standard. The objective of the audit is the expression of an opinion as to whether, in all material respects, the financial position, results of operations, and cash flows are presented fairly in conformity with generally accepted accounting principles. The auditor's responsibility to express an opinion on the financial statements is explicitly stated in the introductory paragraph of the auditor's report.

1. **MANAGEMENT** Management is responsible for the contents of financial statements, even if the statements are prepared and/or audited by CPAs. Financial statements are the representation of management of the effects of transactions and events that have affected the organization's financial position and results of operations. Management is also responsible for establishing and maintaining effective internal control and for developing accounting policies.
2. **USERS** Financial statement users should recognize that the accounting process necessitates the use of estimates and evaluations that affect the fairness of the financial statements. They should also understand the meaning and significance of the auditor's report.

GAAS

QUALITY CONTROL
GOVT AUDITING STANDARDS

THE RESPONSIBILITY OF MANAGEMENT

FINANCIAL STATEMENTS AND DISCLOSURES

- This is stated in the opening paragraph of the audit report.

AUDITED FINANCIAL STATEMENTS

- This is the most common way for users to obtain reliable and **unbiased** information.
- The users have **reasonable assurance** that the financial statements are reasonably complete, accurate (in all material respects), and unbiased.

INTERNAL CONTROL

- Management is responsible for establishing and maintaining effective internal control.

SOUND ACCOUNTING PRACTICES IN ACCORDANCE WITH GAAP

THE RESPONSIBILITY OF THE AUDITOR

EXPRESS AN OPINION

- The objective of an audit is to obtain evidence in order to **express an opinion** as to the fairness in all material respects, of the financial statements, **in accordance with GAAP**.

THE AUDIT REPORT

- The auditor is responsible for issuing an opinion on the financial statements of management based on audit findings conducted in accordance with GAAS.

This is stated in the opening paragraph of the audit report.

RISK AND MATERIALITY

IMPLIED AUDIT RISK

- There is a risk that, even though the auditor complied with GAAS, the financial statements are not fairly presented **when the auditor has issued an unqualified report**.

MATERIALITY

- ***The concepts of materiality and risk underlie the application of GAAS, especially fieldwork and reporting.***

UNQUALIFIED OPINION

INDEPENDENT AUDITOR'S REPORT

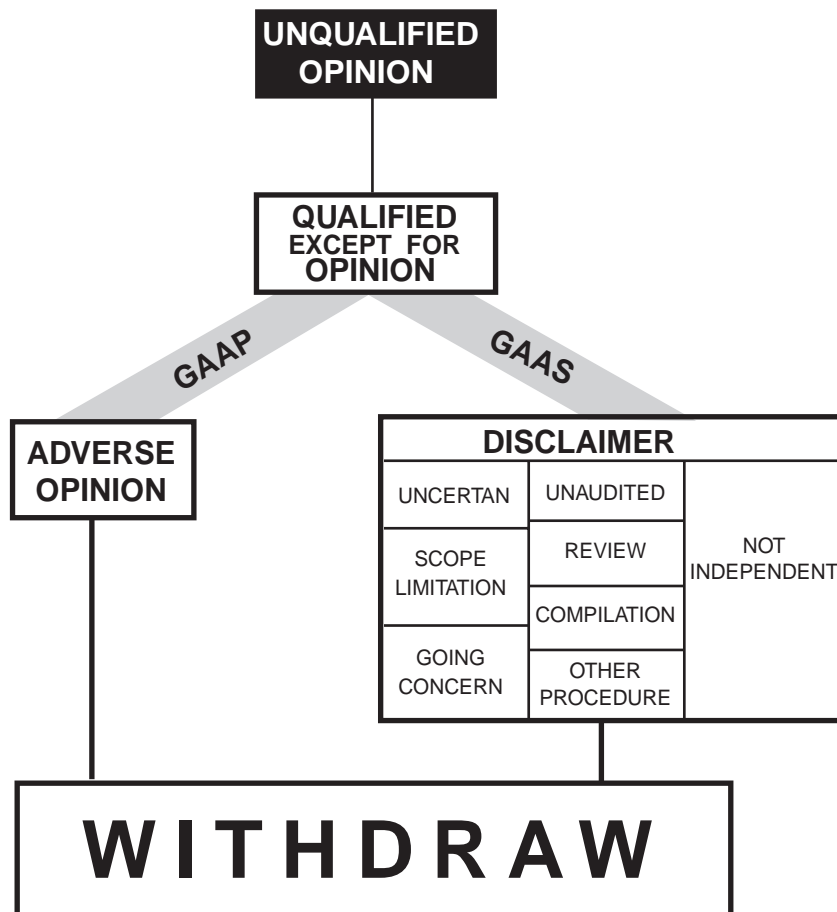
To the Board of Directors and
Stockholders of ABC Company

We have audited the accompanying balance sheet of ABC Company as of (at) December 31, 19XX, and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe, that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABC Company as of (at) December 31, 19XX, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Firm's Signatures & Report Date



A STANDARD REPORT – PUBLIC COMPANY

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying balance sheet of [company name] as of (at) [date] and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of [company name] as of (at) [date], and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

[Signature]

[City and State or Country]

[Date]

GAAS

QUALITY CONTROL
GOVT AUDITING STANDARDS

STEPS IN THE AUDIT PROCESS

1. UNDERSTAND THE CLIENT

- Become familiar with the client's **industry**
- Become familiar with the client's **organization**
- Become familiar with the client's **accounting system**

2. OBTAIN AN ENGAGEMENT LETTER

- Sets forth the understanding between the client and auditor.
- Client management and auditor both sign.

3. OBTAIN AN UNDERSTANDING OF THE INTERNAL CONTROL STRUCTURE

- To assist in **planning the audit**.
- Procedures include flowcharts, questionnaires, narratives. "walk-throughs".
- Identify any **potential misstatements**.
- Identify the risk factors.
- Implications for the design of substantive tests.
- Is the entity auditable?
- **Document** the understanding.

4. ASSESS CONTROL RISK

- How effective are the client's internal control policies and procedures.
- Can it **prevent or detect** material misstatements.
- Assessment of risk: Maximum risk **or** less than maximum risk.
- **Tests of controls**.
- If appropriate, **reassess risk** based on tests of controls.

5. PERFORM SUBSTANTIVE TESTS

- The preceding steps will determine the **nature, timing and extent** of substantive tests.
- Substantive tests include:
 - Tests of details of transactions.
 - Tests of details of balances.
 - Analytical procedures.

6. EVALUATE EVIDENCE OBTAINED

- Can an **opinion** be reached based on the **evidence**.
- Second reviewer to ascertain GAAP

7. PREPARE THE AUDIT REPORT

- **Introductory paragraph:** sets forth the entity. Statements and time period under audit and the responsibilities of management and the auditor.
- **Scope paragraph:** states that the audit was conducted in accordance with GAAS and specifies what those standards require. Including reasonable assurance.
- **Opinion paragraph:** Contains the auditor's opinion, that the statements are in conformity with GAAP and must note any consistency problems.

QUALITY CONTROL SQCS Nos. 2 and 3

The quality Control Standards Committee (QCSC) issues Statements on Quality Control Standards (SQCS Nos. 2 and 3) that **mandate** that the entire CPA firm shall establish quality control procedures.

OVERVIEW

- Firm wide quality controls are established for the ***entire CPA firm.***
The standard pertains to the quality with which a firm performs audits and conducts itself in the process.
- **Applicability.** *The quality control standards apply to **all auditing, accounting and review services** for which professional standards have been established.*
- **Meeting professional responsibilities.** Firms should have a system of quality control to provide reasonable assurance that they are meeting their responsibilities to provide professional services that confirm with professional standards.
- **Documentation.** All CPA firms are required to:
Have written policies with regard to the elements of quality control policies and procedures.
document the firm's compliance with its quality control policies and procedures
- **System Design and Maintenance**
A specific individual should be assigned to effectively implement quality control.
- **Communication Policies**
Policies and procedures must be communicated to all personnel by firm management.
- **Monitoring**
A firm must monitor the effectiveness of its system of quality control. This includes:
 - *assigning responsibility for quality control*
 - *evaluating its policies and procedures*

AICPA has 2 Sections for Larger CPA Firms

- SEC practice Section
- Private Companies Practice Section

The remaining CPA firms are smaller firms.

REQUIREMENTS FOR SEC PRACTICE SECTION FIRMS

The AICPA has set up a special committee "Professional Oversight Board" to regulate the SEC Practice Section

- Adherence to quality control standards*
 - Mandatory peer review*
 - Continuing professional education (120 hours every three years)*
 - Partner rotation (maximum assignment to an individual client is seven years, although smaller firms are exempt)
 - Limitations of certain services (such as merger and acquisition assistance for a finders fee, executive recruitment)
 - Reporting on disagreements (to the audit committee). The auditor must disclose the nature of major disagreements with management.
 - Reporting of management advisory services performed (to the audit committee). The auditor must disclose the nature of the work performed and the fees charged.
- * applies to all member firms*

ELEMENTS OF QUALITY CONTROL
SQCS No. 2
There were formerly 9 elements

ELEMENT	POLICIES & PROCEDURES SHOULD BE STATED TO ASSURE THAT:
A = Assigning Personnel to Engagements (Engagement Performance)	<ul style="list-style-type: none">• Work will be performed by those with adequate technical training and will meet professional standards and the firm's standard of quality.
I = Independence, integrity, and objectivity	<ul style="list-style-type: none">• Personnel have no conflicts of interests (in fact or appearance), are objective and perform all tasks with integrity.
C = Consultation and Monitoring	<ul style="list-style-type: none">• All the elements of quality control are adhered to and are being effectively applied.
P = Personnel Management	<ul style="list-style-type: none">• Continuing professional education of all personnel is ongoing.• All new personnel should be qualified to perform their work competently.• Those advanced within the firm have adequate technical training for their new responsibilities.
A = Acceptance of Clients	<ul style="list-style-type: none">• Only clients whose management have a reputation for integrity are accepted as new clients.• The firm reaches an understanding with the client concerning the nature, scope and limitations of its services.• The risks associated with, and its competence in, providing these services.

AICPA HAS QC

MONITORING QUALITY CONTROL

SQCS No.3

MONITORING INVOLVES CONSIDERATION OF THE:

1. **Relevance** and adequacy of its policies and procedures.
2. Appropriateness of its **guidance materials** and practice aids.
3. **Effectiveness** of its professional development activities.
4. **Compliance** with its policies and procedures.

INSPECTION PROCEDURES (TO ACCOMPLISH EFFECTIVE MONITORING) INCLUDE:

- Review of **engagement working papers** and reports.
- Annual **summaries of findings**.
- **Communication of findings** to firm management.
- **Final action** taken relative to the findings.

OTHER POINTS

Review of selected engagements should be conducted by personnel who are NOT responsible for the specific engagement under review (except for small firms,).

PEER REVIEW

Peer review does NOT substitute for monitoring procedures.

PEER REVIEW

SELF-REGULATION

Review by CPAs of another CPA firm's compliance with its quality control system. A CPA firm member of the AICPA **MUST** have a **peer review every three years**, in order to maintain membership in the AICPA. *Smaller firms are subject to a lesser review.*

PURPOSE

To determine and report whether the CPA firm being reviewed has developed adequate policies and procedures for the elements of quality control and follows them in practice.

ADMINISTRATION OF PEER REVIEW

- SEC Practice Section: by the public Oversight Board
- Private Companies Practice Section: by the State CPA Societies and the AICPA

The firm being reviewed can select the review firm or may ask the AICPA or State Society to select a review team.

REPORT

Upon completion of the peer review, a report is issued with conclusions and recommendations.

RESULTS AND ACTIONS

A firm which fails to take corrective actions (where necessary to correct deficiencies) is subject to sanctions.

GAAS

QUALITY CONTROL

GOVT AUDITING STANDARDS

TYPES OF AUDITS

① FINANCIAL AUDIT

- This is an audit of **historical financial statements**.

The audit is conducted to determine whether the **overall** statements (quantifiable information being verified) are stated **in accordance with specified criteria (GAAP)**.

② COMPLIANCE AUDIT

- The **purpose** of this audit is to:
 1. Determine whether the auditee is following **specific procedures, rules, or regulations**.
 2. Determine whether an entity that receives **financial assistance** from the federal government **has complied with specific laws and regulations**.
- **Contractual agreements.** Banks and other lenders may have certain requirements that the auditee is bound to adhere to, such as a minimum liquidity ratio.
- **Quantifiable information.** Company records.
- **Established criteria.** Example: loan agreement provisions

③ OPERATIONAL AUDIT

- A review of any part of an organization's **operating procedures and methods**.
 - **Purpose.** The purpose of the operational audit is to **evaluate the efficiency and effectiveness** of those procedures and methods.
 - **May be nonfinancial.** Such reviews are not limited to accounting. They may include the evaluation of the organizational structure, computer operations, production methods, and the like.
 - **Level of difficulty.** It is more difficult to objectively **evaluate efficiency and effectiveness**.
 - **Quantifiable nonfinancial information.** May include the number of records processed, departmental costs, number of errors.

GOVERNMENT AUDITING STANDARDS

General accounting office – promulgates standards.

*This area of auditing is complex, especially the various compliance laws and regulations. The auditor must develop **adequate technical training** in order to accept an audit engagement of a governmental entity.*

AUDITS OF FEDERAL AND STATE GOVERNMENTS

- By government auditors
- By CPA firms

Some governments require an audit by a CPA firm.

TYPES OF GOVERNMENT AUDITS

- *Financial Audits*
In addition to an audit of financial statements, the auditor designs audit procedures to review compliance with laws and regulations, and tests internal controls.
- *Performance Audits*
These include economy, efficiency and program audits.

AUDITING STANDARDS (GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS: GAGAS)

- Government auditing standards are issued by the General Accounting Office (GAO). These are known as the Yellow Book standards
- Includes audits of
 - Governmental units
 - Government contracts and grants
 - Internal controls
 - Fraud and other noncompliance with laws and regulations

YELLOW BOOK REQUIREMENTS

- **General and field work requirements are consistent with the 10 GAAS (TIP SIE ACDE) PLUS:**
 - ✓ *Materiality.* Tolerable misstatement may be less than in a business enterprise because *public funds are involved.*
 - ✓ *Quality Control.* CPA firms must participate in a peer review program.
 - ✓ *Legal and Regulatory Compliance.* The auditor should:
 - *Identity laws and regulations,* that. If not observed, could have a direct and material effect on the financial statements.
 - *Assess the risk* of material noncompliance
 - Design audit procedures to *test compliance* (adequate to provide reasonable assurance)
These are similar in scope to the auditor's responsibility for detecting errors, fraud, and direct-effect illegal acts.
 - ✓ *Working Papers.* Standards are more specific regarding documentation of audit work.
 - ✓ *Follow up.* Based on findings from previous audits.

GAAS
QUALITY CONTROL
GOV'T AUDITING STDS

- **Reporting requirements are consistent with the 10 GAAS (TIP SIE ACDE) PLUS:**

- ✓ Audit report must state that the audit was done in accordance with **GAAS and GAGAS**.
- ✓ Report on **tests of compliance** with applicable laws and regulations.
(May be included with the audit report or may be issued separately)

There are five paragraphs to this report:

①	INTRODUCTORY	States that the financial statements have been audited and the date.
②	SCOPE	States that the audit was conducted in accordance with GAAS and GAGAS.
③	EXPLANATORY (Middle)	States that: <ol style="list-style-type: none"> 1. Compliance is the responsibility of management. 2. The auditor performed tests of compliance with the provisions of (specified) laws and regulations. 3. The auditor's objective was not to express an opinion on overall compliance.
④	OPINION	<ul style="list-style-type: none"> • Positive assurance on items tested for compliance. • Negative assurance on items not tested specifically. • Noncompliance or illegal acts <u>must be reported</u>.
⑤	EXPLANATORY (Ending)	Identifies the recipients of the report auditee, funding organization, and oversight authority

- ✓ Report on **internal control** and assessment of control risk is required. Report includes:
(May be included with the audit report or may be issued separately)

- *Scope of audit work.*
- *Significant internal controls* including those to ensure compliance with laws and regulations (where noncompliance could have a material effect on the financial statements)
- *Reportable conditions* including identification of material weaknesses in internal control.

- **Training**

The Yellow Book requires that the auditor obtain a minimum of 24 hours of governmental audit training in the 2-year period prior to the audit.

The AICPA has training material available.

SINGLE AUDIT ACT and OMB CIRCULAR A- 133

Single Coordinated Audit

The Single Audit Act provides for a single coordinated audit to satisfy the audit requirements of all federal funding agencies (when a government entity receives federal financial assistance). *Previously, recipients of federal funds were required to have many audits for a single period.* (The single Audit Act was amended in 1996.)

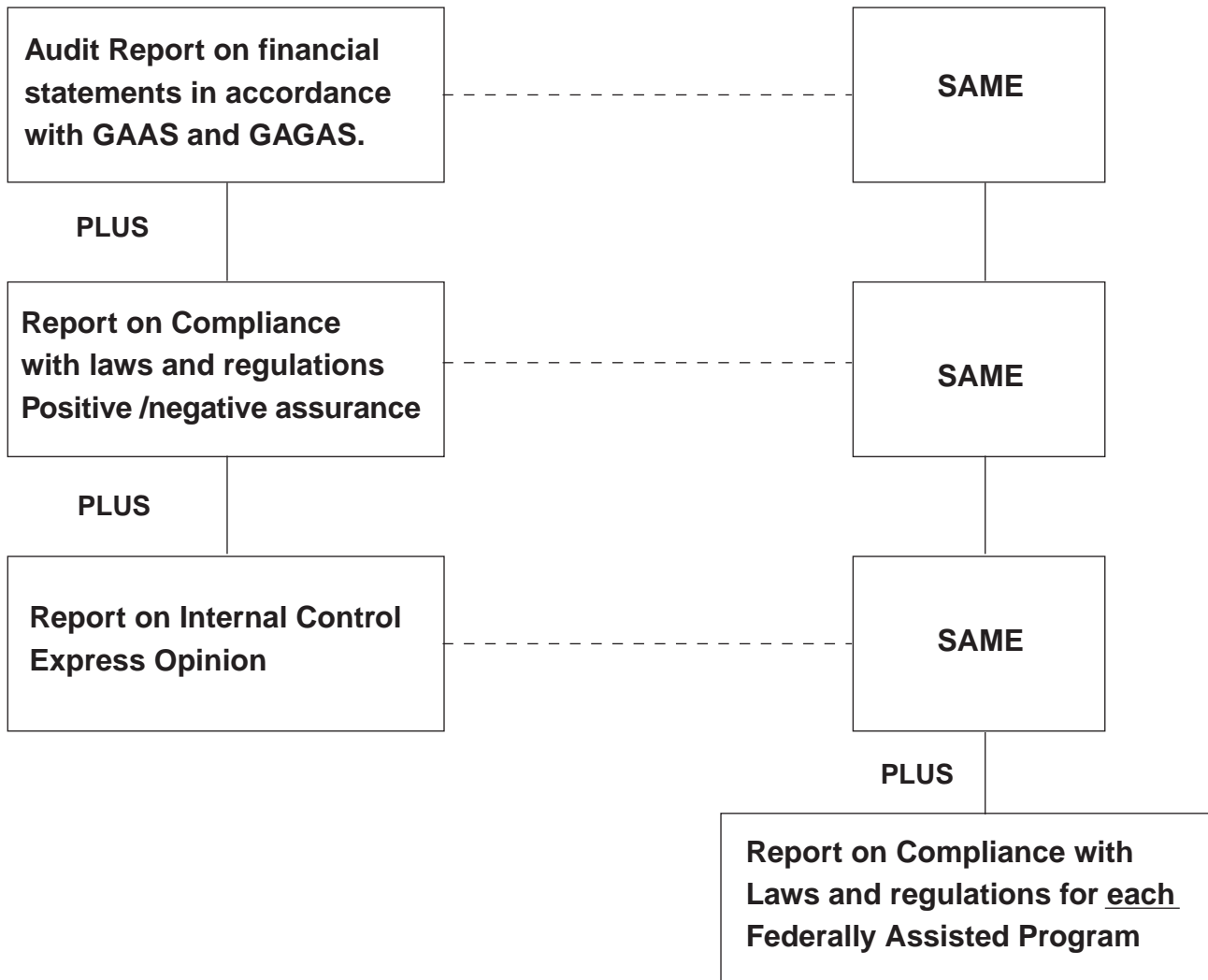
Application

- Applies to government entities receiving federal financial assistance of **\$300,000 or more** in any fiscal year, in the form of grants, loans, and the like.
- Identifies laws and regulations as those that would have a **material effect in each** major federal financial assistance program.

GOVERNMENT AUDITING REVIEW

Yellow Book

Single Audit Act



1. Which of the following statements is correct concerning an auditor's responsibilities regarding financial statements?

- a. An auditor may not draft an entity's financial statements based on information from management's accounting system.
- b. The adoption of sound accounting policies is an implicit part of an auditor's responsibilities.
- c. An auditor's responsibilities for audited financial statements are confined to the expression of the auditor's opinion.
- d. Making suggestions that are adopted about an entity's internal control environment impairs an auditor's independence.

(R/03, AUD. #8, 7630)

2. After fieldwork audit procedures are completed, a partner of the CPA firm who has not been involved in the audit performs a second or wrap-up working paper review. This second review usually focuses on

- a. The fair presentation of the financial statements in conformity with GAAP
- b. Fraud involving the client's management and its employees
- c. The materiality of the adjusting entries proposed by the audit staff
- d. The communication of internal control weaknesses to the client's audit committee

(11/94, AUD, #5, amended, 5078)

3. Which of the following best describes what is meant by the term generally accepted auditing standards?

- a. Procedures to be used to gather evidence to support financial statements
- b. Measures of the quality of the auditor's performance
- c. Pronouncements issued by the Auditing Standards Board
- d. Rules acknowledged by the accounting profession because of their universal application

(11/91, AUD, #9, 7485)

1. (c) The financial statements are management's responsibility. The auditor's responsibility is to express an opinion on the financial statements. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control. The independent auditor may make suggestions about the form or content of the financial statements or draft them, in whole or in part, based on information from management during the performance of the audit. However, the auditor's responsibility for the financial statements audited is confined to the expression of an opinion on them. The audit of financial statements requires CPAs to review many aspects of an organization's activities and procedures. Consequently, they can advise clients of needed improvements in internal control and make constructive suggestions on financial, tax, and other operating matters. (7630)

2. (a) The secondary review partner usually focuses on the fair presentation of the financial statements in accordance with GAAP. Answers (b), (c), and (d) are usually done by staff directly involved in the audit. (5078)

3. (b) Auditing standards provide a measure of audit quality. Auditing standards are issued by the Auditing Standards Board, but that does not describe what is meant by generally accepted auditing standards. Auditing procedures relate to the acts to be performed during an audit to comply with auditing standards. (7485)

4. Which of the following factors most likely would lead a CPA to conclude that a potential audit engagement should **not** be accepted?

- a. There are significant related party transactions that management claims occurred in the ordinary course of business.
- b. Internal control activities requiring the segregation of duties are subject to management override.
- c. Management continues to employ an inefficient system of information technology to record financial transactions.
- d. It is unlikely that sufficient appropriate evidence is available to support an opinion on the financial statements.

(R/06, AUD, #43, amended, 8161)

5. The third general standard requires that due care is to be exercised in the performance of an audit. This standard is ordinarily interpreted to require

- a. Thorough review of the existing safeguards over access to assets and records
- b. Limited review of the indications of employee fraud and illegal acts
- c. Objective review of the adequacy of the technical training and proficiency of firm personnel
- d. Critical review of the judgment exercised at every level of supervision

(5/95, AUD, #23, 5641)

6. One of a CPA firm's basic objectives is to provide professional services that conform with professional standards. Reasonable assurance of achieving this basic objective is provided through

- a. A system of quality control
- b. A system of peer review
- c. Continuing professional education
- d. Compliance with generally accepted reporting standards

(11/92, AUD, #3, 2937)

4. (d) If sufficient appropriate evidence is not available to support an opinion on the financial statements then an audit cannot be performed. Significant related party transactions need to be disclosed. Many internal control activities are subject to management override. The costs of a new efficient information system may outweigh its benefits.

(8161)

5. (d) The third general standard states, "The auditor must exercise due professional care in the performance of the audit and the preparation of the report." The exercise of due care requires critical review at every level of supervision of the work done and the judgment exercised by those assisting in the audit. Safeguards over assets and records and review of indications of fraud and illegal acts are internal control issues. Objective review of the adequacy of the training and proficiency of personnel is a quality control issue.

(5641)

6. (a) A system of quality control should provide the firm with reasonable assurance that its personnel comply with professional standards and applicable regulatory and legal requirements, and that the reports issued are appropriate in the circumstances. A peer review provides information on whether a CPA firm is following an appropriate quality control system and would not by itself provide reasonable assurance that a CPA firm is providing professional services that conform with professional standards. Continuing professional education is only one of the policies and procedures concerned with the human resources element of quality control. Compliance with generally accepted reporting standards is only one part of the basic objective of providing professional services that conform with professional standards.

(2937)

7. Which of the following factors most likely would cause a CPA **not** to accept a new audit engagement?

- a. The prospective client's unwillingness to permit inquiry of its legal counsel
- b. The inability to review the predecessor auditor's working papers
- c. The CPA's lack of understanding of the prospective client's operations and industry
- d. The indications that management has not investigated employees in key positions before hiring them

(R/03.AUD,#11.7633)

8. Which of the following factors most likely would lead a CPA to conclude that a potential audit engagement should be rejected?

- a. The details of most recorded transactions are not available after a specified period of time.
- b. Internal control activities requiring the segregation of duties are subject to management override.
- c. It is unlikely that sufficient appropriate audit evidence is available to support an opinion on the financial statements.
- d. Management has a reputation for consulting with several accounting firms about significant accounting issues.

(R/00, AUD, #2, amended, 6927)

9. Which of the following factors most likely would cause a CPA to **not** accept a new audit engagement?

- a. The prospective client has already completed its physical inventory count.
- b. The CPA lacks an understanding of the prospective client's operations and industry.
- c. The CPA is unable to review the predecessor auditor's working papers.
- d. The prospective client is unwilling to make all financial records available to the CPA.

(R/01, AUD,#2.7017)

7. (a) Auditors typically inquire of the client's legal counsel regarding litigation, claims, and assessments. The prospective client's unwillingness to permit such inquiry casts doubt on the reliability of management representations. Further, such a scope limitation usually results in a disclaimer of opinion; ethics require auditors to accept only engagements they can reasonably expect to complete. There may be legitimate reasons why an auditor is unable to review a predecessor's working papers or why management doesn't investigate employees in key positions before hiring them. There is no need for the auditor to understand the prospective client's industry before the audit is begun as long as the auditor can reasonably expect to gain such understanding in a timely manner.

8. (c) If sufficient appropriate audit evidence is not available to support an opinion, an audit cannot be performed. In many online systems, most routine transaction details are not available after a specified period of time. Internal control is usually subject to management override. Consultation with several accounting firms reflects management's concern over proper accounting and reporting.

(6927)

9. (d) Unwillingness to make available all financial records heightens the risk associated with an audit client. Inventory assertions may be confirmed by alternative audit procedures. A CPA may gain an understanding of the client's operations and industry from audit guides and other publications. Review of the predecessor auditor's workpapers is not necessary prior to accepting an audit engagement

(7017)

10. Which of the following categories is included in generally accepted auditing standards?

- a. Standards of review
- b. Standards of planning
- c. Standards of fieldwork
- d. Standards of evidence

(R/07, AUD, #1, 8373)

10. (c) Standards of fieldwork is one of the three categories of the ten generally accepted auditing standards (GAAS). The other two categories are general standards and standards of reporting.

(8373)

11. Which of the following factors most likely would cause a CPA to decide not to accept a new audit engagement?

- a. The CPA's lack of understanding of the prospective client's internal auditor's computer-assisted audit techniques
- b. Management's disregard of its responsibility to maintain an adequate internal control environment
- c. The CPA's inability to determine whether related party transactions were consummated on terms equivalent to arm's-length transactions
- d. Management's refusal to permit the CPA to perform substantive tests before the year-end

(R/00, AUD, #3, 6928)

11. (b) Management's carelessness regarding an adequate internal control environment may make it improbable that an auditor will be able to collect sufficient appropriate audit evidence to form an opinion. An auditor need not understand the internal auditor's techniques, particularly before accepting an engagement. The auditor merely needs to determine if related party transactions are properly disclosed, not whether they occur similarly to arm's-length transactions. Performing substantive tests at year-end is adequate if all records are available.

(6928)

Audit Standards Ver. 1K

1. Ans. C
監査人の responsibility は express opinion。 A、auditor may draft F/S。 B、adoption of accounting policies is management's responsibility。 D、Suggestion しても Independence は impair しません。
2. Ans. A
別の partner が review で Focus するのは F/S が GAAP に準じているかどうかです。監査チーム以外の partner に Fresh な目でみてもらいます。B,C,D,は監査チームが Focus すべき内容。
3. Ans. B
GAAS=監査基準=監査のクオリティ。A、procedure=監査手順。監査手順（証拠集めの手順）は GAAS のほんの一部でしかありません。C、Audit standard board（監査審議会）が GAAS の原文を作成していますが、この質問はどのようにして GAAS が作成されているのかを問われていません。D、これは GAAP（文中に accounting とある、監査は Audit）
4. Ans. D
監査契約を結んでいけないクライアントは、監査に必要な十分な証拠が得られないと判断した企業です。A、関連企業と重大な取引があっても監査契約は結べます。B、職務の分離が Override によりなされていなくても内部統制が弱いだけで、監査契約は可能です。C、クライアント企業の会計システムが IT 化されていなくても 監査契約は可能です。
5. Ans. D
Third general standard=Performance=Critical review
6. Ans. A
問題文の 1 行目に CPA firm の objective とあり、その objective とは=提供する Service がプロフェッショナル standard にもとずいている。つまり、提供するサービス（監査など）のクオリティが保っているか。
7. Ans. A
監査契約をしてはいけない企業は？ 顧問弁護士とのコミュニケーションが取れない企業。これでは十分な監査の証拠を得られない（=Scope limitation と呼ぶ）。
8. Ans. C
意見を出すための十分な証拠が得られない（unlikely evidence is available）。
9. Ans. D
財務 record（帳簿、伝票など）を unwilling to make available。
10. Ans. C
GAAS は 大きく 3 つの Standards に分かれます。General, Fieldwork, Reporting。
11. Ans. B
内部統制の responsibility を disregard（無視）している企業の監査は引受けてはいけない。