

Auditing & Assurance Services

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Overview

Timothy Louwers's "Auditing & Assurance Services" is a comprehensive textbook designed to introduce students and professionals to the fundamental principles, concepts, and practices of auditing and assurance services. The book systematically covers the entire audit process, from initial client acceptance and planning to the issuance of the audit report. It emphasizes the critical role of auditors in enhancing the credibility of financial statements and the importance of professional skepticism, ethical conduct, and compliance with professional standards.

The text integrates theoretical knowledge with practical applications, often incorporating real-world examples, case studies, and discussions of current regulatory developments, such as those from the Public Company Accounting Oversight Board (PCAOB) and the American Institute of Certified Public Accountants (AICPA). It delves into key areas like risk assessment, internal control evaluation, audit evidence gathering, statistical sampling, and the various types of audit reports. The book also explores the broader scope of assurance services beyond traditional financial statement audits, preparing readers for the evolving landscape of the accounting profession. Its relevance lies in equipping future auditors with the necessary tools and understanding to navigate complex audit environments and uphold public trust.

Key Takeaways

- Always maintain professional skepticism throughout the audit process to critically evaluate evidence and challenge management assertions.
- Understand and apply the framework of generally accepted auditing standards (GAAS) and other relevant professional standards to ensure audit quality and compliance.
- Thoroughly assess inherent risk and control risk to effectively plan the nature, timing, and extent of substantive audit procedures.
- Evaluate the effectiveness of a client's internal controls, as strong controls can reduce the need for extensive substantive testing.
- Gather sufficient appropriate audit evidence to support audit opinions, ensuring it is both relevant and reliable.
- Recognize the ethical responsibilities of an auditor, prioritizing independence, integrity, and objectivity in all engagements.

- Master the different types of audit reports and the conditions under which each is issued, clearly communicating audit findings and opinions.
- Stay informed about the evolving regulatory environment and technological advancements impacting the auditing profession.

Chapter Summaries

An Introduction to Auditing and Assurance Services

This chapter introduces the fundamental concepts of auditing and assurance services, explaining their importance in the capital markets. It differentiates between auditing, attestation, and assurance services, outlining the demand for audits and the various types of audits and auditors. The chapter also provides an overview of the regulatory environment, including the roles of the PCAOB, AICPA, and SEC, setting the stage for understanding the auditor's responsibilities and the value they provide.

Professional Standards and Ethical Conduct

This section delves into the professional standards governing auditors, primarily Generally Accepted Auditing Standards (GAAS), and the ethical framework that underpins the profession. It covers the AICPA Code of Professional Conduct, independence rules, and the importance of objectivity and integrity. The chapter emphasizes how ethical principles guide auditor behavior and decision-making, ensuring public trust and the credibility of audit opinions.

Audit Planning and Risk Assessment

This chapter focuses on the crucial initial stages of an audit engagement, including client acceptance, preliminary engagement activities, and developing an overall audit strategy. It introduces the concept of audit risk and its components (inherent, control, and detection risk). Emphasis is placed on understanding the client's business and industry, identifying significant risks of material misstatement, and setting materiality levels to guide the audit scope.

Internal Control Over Financial Reporting

This chapter examines the client's internal control system, particularly internal control over financial reporting (ICFR). It covers the COSO framework, the auditor's responsibility to understand and evaluate internal controls, and the process of testing their operating effectiveness. The chapter also discusses the implications of control deficiencies and material weaknesses on the audit strategy and the audit report.

Audit Evidence and Documentation

This chapter details the nature and types of audit evidence, explaining the concepts of sufficiency and appropriateness. It describes various audit procedures used to gather evidence, such as inspection, observation, inquiry, confirmation, recalculation, and analytical procedures. The

importance of proper audit documentation, including working papers, to support the audit opinion and comply with professional standards is also thoroughly discussed.

Auditing the Revenue and Expenditure Cycles

This chapter applies audit concepts to specific business cycles, focusing on the revenue and expenditure cycles. It outlines common accounts and transactions within these cycles, relevant assertions, and typical internal controls. The chapter details substantive audit procedures for key accounts like accounts receivable, sales, accounts payable, and purchases, demonstrating how auditors gather evidence to address specific risks of material misstatement.

Audit Sampling

This chapter introduces the principles and applications of audit sampling for both tests of controls and substantive tests of details. It covers statistical and non-statistical sampling methods, including attribute sampling for controls and monetary unit sampling for substantive tests. The chapter explains how to determine sample size, select sample items, evaluate sample results, and project misstatements to the population.

Completing the Audit and Reporting

This final phase of the audit process involves reviewing for contingent liabilities, subsequent events, and going concern issues. It covers the process of obtaining management representations and communicating with the audit committee. The chapter culminates in a detailed discussion of audit reports, including standard unqualified reports, qualified reports, adverse reports, and disclaimers of opinion, explaining the conditions for each.

Other Assurance and Non-Assurance Services

Beyond the traditional financial statement audit, this chapter explores other types of assurance and non-assurance services provided by CPAs. It covers reviews, compilations, agreed-upon procedures engagements, and various attestation services. The chapter highlights the different levels of assurance provided by these services and the specific reporting requirements for each, reflecting the broader scope of the accounting profession.

Themes

- Professional Skepticism
- Ethical Conduct
- Risk Assessment
- Evidence Gathering
- Regulatory Compliance
- Internal Control

Frequently Asked Questions

What is Auditing & Assurance Services about?

This textbook provides a comprehensive guide to the principles and practices of auditing and assurance services. It covers the entire audit process, from planning and risk assessment to gathering evidence and issuing audit reports, emphasizing professional standards, ethics, and the regulatory environment relevant to the accounting profession.

Is Auditing & Assurance Services worth reading?

Yes, it is highly recommended for accounting students, aspiring auditors, and professionals seeking a thorough understanding or a refresher on auditing concepts and procedures. Its practical approach, integration of current standards, and real-world examples make it an invaluable resource for developing essential auditing skills and knowledge.

How does Auditing & Assurance Services end?

Spoiler: The book concludes by covering the completion phase of an audit, including subsequent events, contingent liabilities, and the issuance of various types of audit reports. It also expands beyond traditional financial statement audits to discuss other assurance and non-assurance services, preparing readers for the diverse roles within the profession.

Who should read Auditing & Assurance Services?

This book is primarily intended for undergraduate and graduate students in accounting programs. It is also beneficial for individuals preparing for professional certification exams like the CPA exam, as well as practicing auditors and financial professionals who wish to deepen their understanding of audit methodologies and assurance principles.

How long does it take to read Auditing & Assurance Services?

Given its comprehensive nature as a textbook, reading "Auditing & Assurance Services" typically takes around 960 minutes (16 hours) for a focused reader. However, students often engage with it over an entire semester, studying specific chapters and sections in depth.