v. Engaging legal advisers to monitor compliance with the legal requirements.

vi. Maintaining a register of significant laws with which the entity must comply and keeping a record of complaints of non-compliance.
vii. Introducing an internal audit function; and
Ix . Introducing an audit committee

<u>Responsibilities with regards to compliance with laws and regulations FOR auditors?</u>

i. The auditor should identify and assess possible misstatements due to non-compliance.
ii. The auditor is not, and cannot be, held responsible for preventing non-compliance.
iii. The auditor is responsible for verifying compliance by obtaining sufficient appropriate audit evidence of laws and regulations which have a direct effect on the determination of material amounts and disclosures in the financial statements.
iv. The auditor must also help to identify non-compliance with other laws and regulations that could lead to material penalties or litigation which would also affect the financial statements.

<u>The auditor's actions / procedures in terms of ISA 250 upon discovery of non-compliance?</u>

1. Obtain an understanding of the nature of the non-compliance and the circumstances thereof to evaluate the effect on the financial statements.
2. Consider the following in terms of the effect on the financial statements:
i. Potential financial consequences;
ii. Possible disclosure of the financial consequences
iii) Whether the potential financial consequences are so material as to affect the fair presentation of the financial statements.
iv) Document the findings in the working papers and discuss them with management.

v) If management cannot provide assurance of compliance and the non-compliance may be material, obtain legal advice.
vi) Consider the effect on:
vii) Other aspects of the audit
viii) The auditor's risk assessment; and
ix) The reliability of management representations.
x) The impact on the auditor's report

<u>When considering aspect which are of audit importance in ISA 250, what are the actions / procedures the auditor must consider</u>

i. Plan and perform the audit with an attitude of professional skepticism that the audit may reveal non-compliance with laws and regulations.
ii. Obtain a general understanding of the entity's legal framework and compliance therewith, by means of:
  0. Using the existing knowledge of the business and industry.

  1. Enquiry from management about policies concerning compliance with laws and regulations.

Name and describe other quality control policies that the engagement team can implement for all individual audits to ensure a quality audit is performed: -

a) Ethical requirements
The engagement partner should consider whether members
Of the engagement team have they complied with the ethical requirements of Integrity, objectivity, professional competence and due care confidentiality, professional behavior and independence

b) Acceptance and continuance of audit engagement
The engagement partner should be satisfied that appropriate
Procedures regarding the acceptance and continuance
Of client's relationships and specific audit engagements have been followed and that conclusions reached in this
Regard is appropriate and have been documented

c) Assignment of the engagement team
The engagement team should collectively have the
Capability, competence, and time to perform a professional audit

d) Monitoring
The engagement partner should ensure compliance with quality control on the audit engagement

Name another other level at which quality control procedures can be implemented and one benefit of quality control: -

- Quality control procedures can also be implemented at firm level
- What quality control ensures: -
- The firm operates appropriately in all given circumstances
- And in doing so limits its risk pf legal liability and reputational damages
- Resulting from assurance and other related service failures
- A professional service is rendered to clients

Name the four steps of the audit process : (Elaborate)

Pre-engagement activities

- Pre-engagement activities need to be performed to determine whether to continue an audit engagement

- From the information on the question, it appears as though insufficient pre=engagement activities were undertaken to determine the acceptability of the client

Planning the audit/planning activities

The work should have been properly planned. This does not appear to have been done as

No knowledge of the clients business was obtained or updated, particularly not by the new auditor, The previous auditor, also did not documented his knowledge of the business

No understanding was obtained **of the accounting and internal controls** (or it was not documented)

- The audit risk associated with the engagement was not considered
- Materiality was not considered or quantified
- The audit approach was not formulated

Obtaining of audit evidence

Evaluating concluding and reporting

the quality control requirements as per ISA 220:

There are two levels of quality control:

- Firm level; Ethical requirements and leadership responsibilities for quality control
- and at audit level

the Pre-engagement activity procedures

Step 1: Perform a client investigation (client screening)

Consider: The independence of the auditor was not considered as evidenced by the following:

Consider: The integrity of the client (risk of the client and management thereof) was not considered as evidenced by the following:

Consider: Information obtained from communication with the predecessor auditor was not considered as evidenced by the following:

Consider: Financial responsibility of the client was not considered as evidenced by the following

Consider: The legal procedures in respect of the engagement was not considered as evidenced by the following

Step 2: Determine the skills and competence requirements for the engagement (auditor requirements

	highly skilled staff such as financial manager	errors occurring in the preparation of financial records
4.	Increase in turnover	Possible overstatement of turnover through creating fictions transactions by management.
5.	Deterioration of liquidity position	The AFS may be materially misstated as the going concern assumption might not be properly accounted for and/or disclosed. The AFS may be materially misstated by engaging in fraudulent financial reporting to hide a going concern threat.
6.	Financial Manager resigned during the year	- There may be a breakdown in internal controls as no reconciliations were conducted. -There is risk that there has been fraud that occurred during this period as controls were not functioning effectively -There is risk that there has been material misstatement on all significant account balances and transactions due to lack of supervision.
7.	Changes in accounting software during the year and staff have not been trained yet.	Changes in accounting software during the year and staff have not been trained yet.
8.	Introduced IFRS 15	The AFS may be materially misstated as IFRS 15 might not be properly accounted for.
9.	INVENTORY CONTROLLER	The AFS may be materially misstated as there might be errors occurring in the preparation of financial records.
10.	Operations in regions or countries with strict regulations/different regulations to SA	The AFS may be materially misstated as the entity might not comply properly with the relevant laws and regulations possibly resulting in material misstatements of