



Read this Standard Considering yourself User Entity Auditor.

STEP 1 ⇒ We Need to Access ROMM of User Entity for that we need to understand the Entity & Environment including I-control system. [SAS 15]]

1. Obtain understanding the service provided by service organisation including,

- 1 → Nature of service provided
- 2 → Materiality of the transaction processed
- 3 → The degree of interaction between user & S.O.
- 4 → Nature of relationship between user & S.O. including contractual terms.
- 5 → Evaluate design of controls at user entity for service provided by S.O.
- 6 → User Auditor shall obtain sufficient understanding of service and effect on user entity I.C.

If Auditor unable to obtain sufficient understanding than,

- 1 → obtain Type 1 Report or Type 2 Report.
 - 2 → Contact service organisation
 - 3 → visit the service organisation
 - 4 → use Another Auditor to Perform the Relevant Audit procedure.
- [Auditor should check Competence of Service Auditor Except → If He is CA.]

2. In Above steps Auditor performed procedure relating to understanding and now Auditor will perform TOC (Test of Control)

Risk Assessment includes that controls at S.O are operating effectively. for this user Auditor can do following activities

- obtain Type 2 Report, if Available! [Type 2 is Required because in this Report opinion given on design + effectiveness.]
- Performing Appropriate TOC
- using Another Auditor to Perform TOC.

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STEP 2 → Responding to the Assessed Risk of Mat. Misstatement. [SAS 30]

→ User Auditor shall,

- determine whether SSA Audit Evidence Available for Relevant F.S Assertions from Records held at user Entity.
- Perform further Audit Procedure to obtain SSA Audit Evidence.
- use Another Auditor to Perform Audit Procedure.

GENERAL POINTS

1. Type 1/2 Report Exclude Sub-Service organisation ⇒ Auditor will Perform same Audit Procedure as performed for Service organisation.
2. Fraud/Non Compliance at the S.O ⇒ Auditor will → Inquire the management
→ Evaluate How matter NTE of Further Audit Procedure.
→ Evaluate Effect on Conclusion and Audit Report.
3. Reporting by User Auditor → Modify if SSA Audit Evidence not obtained.
→ User Auditor shall not Refer the work of Service Auditor in case of unmodified opinion.
→ if Reference to S-A is Relevant mention in Report that User Auditor Responsibility does not Diminish.

Type 1 Report		Type 2 Report	
Description by Management for S.O System, objective and controls that have been designed and implemented on specified date.	A Report by Auditor conveying Reasonable Assurance for → System, control objective and controls AND suitability of design to achieve the control objective	Same as Type 1 + Their operating Effectiveness throughout a specified Period.	Same as Type 1 + (A) → operating Effectiveness throughout a specified Period (B) Service Auditor Test of Control Result.

Imp. Note → For Detail Understanding PLEASE watch video Available on YouTube → CA Kapil Goyal ALL other Charts Available on Telegram "Audit with Kapil"

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