

लेखाव्यवसायीहरूको सहजताको लागि लेखापरीक्षणमान बोर्डले दिग्दर्शनहरू प्रकाशन गर्दै आएको छ, सोही क्रममा निम्न दिग्दर्शनहरू प्रकाशनको अन्तिम चरणमा रहेका छन् :

### लेखापरीक्षण सूची (Audit Check List)

लेखापरीक्षणमान बोर्डबाट परामर्शदाताले पेश गर्नु भएको लेखापरीक्षण चेकलिस्टको अन्तिम मसौदा स्वीकृत गरि सो चेकलिस्टमा नयाँ लेखापरीक्षणमानहरू समेत समावेश गरी **Handbook on Compliance of Nepal Standards on Auditing** नाम राखी प्रकाशन गर्ने तयारीमा रहेको छ ।

### लेखापरीक्षण सम्बद्ध बारम्बार सोधिने प्रश्नहरू नामक पुस्तिका

लेखापरीक्षणमान बोर्डको काम, कर्तव्य, अधिकार, मानहरूको तर्जुमा प्रक्रिया र लेखापरीक्षणमानहरूको बारेमा समेत सर्वसाधारणलाई सामान्य जानकारी दिने प्रयोजनको लागि “लेखापरीक्षण सम्बद्ध बारम्बार सोधिने प्रश्नहरूका नामक पुस्तिका” तयार गर्ने सम्बन्धमा परामर्शदाता बाट सो को पहिलो मसौदा प्राप्त भई प्रकाशनको तयारीमा रहेको छ ।

### सामाजिक लेखापरीक्षण दिग्दर्शन

सामाजिक लेखापरीक्षण सम्बन्धमा सुसुचित गराउने उद्देश्यले तयार गर्न लागिएको सामाजिक लेखापरीक्षण दिग्दर्शनको मसौदा परामर्शदाता बाट प्राप्त भएको छ ।

### नेपाल लेखापरीक्षणमान २०१२ बारे छलफल कार्यक्रम



लेखापरीक्षणमान बोर्ड तथा नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्थाको संयुक्त पहलमा मिति २०७१/०७/१० गते नेपाल लेखापरीक्षणमान २०१२ बारे छलफल कार्यक्रम गरिएको थियो । नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्थाका अध्यक्ष सिए नरेन्द्र भट्टराई तथा लेखापरीक्षणमानबोर्डका अध्यक्ष सिए सुनिर कुमार दुङ्गेलले आ-आफ्नो संस्थाको तर्फबाट नेतृत्व गर्दै छलफल कार्यक्रमलाई अगाडी बढाउनु भएको थियो । उक्त कार्यक्रममा IFRS, IAS & IPSAS Implementation Committee-ICAN का

अध्यक्ष तथा नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्थाका पूर्व अध्यक्ष सिए महेश गुरागाईले कार्यक्रमको महत्वको विषयमा प्रस्तुती गर्नु भएको थियो।

उक्त कार्यक्रममा लेखापरीक्षणमान बोर्डका अध्यक्ष तथा सदस्यहरू र नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्थाका अध्यक्ष, उपाध्यक्ष र IFRS, IAS & IPSAS Implementation Committee-ICAN का अध्यक्ष तथा सदस्यहरूको सहभागीता रहेको थियो ।

उक्त कार्यक्रममा नेपाल लेखापरीक्षणमान २०१२ को विकास र संसोधनको विषयमा प्रस्तुतिकरण यस बोर्डका अध्यक्ष सिए सुनिर कुमार दुङ्गेलले गर्नुभएको थियो भने उक्त प्रस्तुतिकरण पश्चात IFRS, IAS & IPSAS Implementation Committee-ICAN का सदस्यहरू र यस बोर्डका सदस्यहरू विच छलफल गरिएको थियो । उक्त छलफल कार्यक्रमको निष्कर्षमा IFRS, IAS & IPSAS Implementation Committee-ICAN का अध्यक्ष तथा नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्थाका पूर्व अध्यक्ष सिए महेश गुरागाईले बोर्डबाट घोषणाका लागि पठाईएको नेपाल लेखापरीक्षणमान २०१२ को प्रकृया अगाडी बढाउने प्रतिबद्धता व्यक्त गरी कार्यक्रम समापन गर्नुभएको थियो ।

### Summary of Major Changes in Nepal Standards on Auditing (NSA) -2012

The major differences between NSA 2012 and NSA 2007 are as follows:

1. The structure of the each Nepal Standards on Auditing is divided in *five distinct sections* (2012). They are (i) Introduction: Scope Effective Date (ii) Objective (iii) definition (iv) requirement (v) Applications and explanatory modality.
2. The 18 new standards are recommended for pronouncement. *In the proposed, there are 6 redrafted and revised standards, 1 standard is redrafted and 1 new standard is recommended.* It is drafted as per the new structure of the standards i.e. five sections.
3. Change to consistent & more *readable format* for all standards
4. There is *no compliance* with International Standards on Auditing Standards paragraph.
5. Changes in the *wording of the Auditor's Report*
6. There is *no public sector perspective paragraph* in the international Standards on Auditing after the clarity project
7. Changes in *standards for group audits*

8. *Requirement paragraphs separated* from the application text, so the auditor can identify the requirements of the audits.
9. Each standard contains *an objective paragraph* to help the auditor better understand what the standard is meant to accomplish.

#### लेखापरीक्षण

यस बोर्डको आ.व. २०७०/७१ को लागि लेखापरीक्षकको रूपमा सि.ए. दीपक शिवाकोटी, डि.एस. एण्ड एशोसियेट्स चार्टर्ड एकाउन्टेन्ट्सलाई नियुक्त गरिएकोमा निजबाट लेखापरीक्षण कार्य सम्पन्न भएको छ।

Particulars	Ashad 32 2071	Ashad 31 2070
<b>INCOME</b>		
Government Grants	2,000,000	2,000,000
Workshop training income	459,000	813,180
Other Income	7,073	79,438
<b>Total Income</b>	<b>2,466,073</b>	<b>2,892,618</b>
<b>EXPENSES</b>		
Staff	1,059,064	790,947
Costs/Expenses		
Depreciation	205,674	51,106
Administrative Expenses	1,407,332	1,000,492
Other Operating Expenses	499,413	379,715
Workshop training expenses	335,364	615,812
<b>Total</b>	<b>3,506,847</b>	<b>2,838,072</b>
<b>Net Surplus/deficit for the year</b>	<b>(1,040,774)</b>	<b>54,546</b>

#### लेखापरीक्षणमान बोर्ड र Institute of Internal Auditor - Delhi Chapter बीचको बैठक

मिति २०७१ मंसिर २८ गते देखी मिति २०७१ पौष ४ गते सम्म बोर्डका सदस्य श्री तेज बहादुर के.सी. र प्रमुख कार्यकारी अधिकृत श्री लोकमान मास्केले भारतको नया दिल्लीमा रहेको Institute of Internal Auditor - Delhi Chapter को भ्रमण गर्नु भयो । भ्रमणको प्रमुख उद्देश्यहरु उक्त संस्था संग संयुक्त कार्यक्रम संचालन गर्नकालागि छलफल गरी सम्भाव्य विषयवस्तुहरुको पहिचान लेखापरीक्षणमानहरुको कार्यान्वयन तथा लेखापरीक्षकको क्षमता वृद्धी गर्ने जस्ता कार्यक्रमहरु समेतको जानकारी हासिल गर्ने रहेको थियो ।

मिति २०१४ डिसेम्बर १६ (२०७१ पौष ४) मा नया दिल्लीमा भएको छलफल कार्यक्रममा Institute of Internal Auditor - Delhi Chapter को तर्फबाट Mr. Nikhel Kochhar (President, Delhi Chapter, IIA India), Mr. Sudhir Varma ( Head of Training, Delhi Chapter, IIA India), Mr. Deepak Wadhawan (CEO, IIA India), Mr. Sanket Mahajan ( Volunteer, CEO Office, IIA India) र बोर्डको तर्फबाट Mr. Tej Bahadur K.C., Board Member (Representation of

from Ministry of Finance, Government of Nepal), Mr. Lok Man Maskey (CEO, AuSB) को उपस्थिति भएको थियो ।



#### Framework for Audit Quality

The International Auditing and Assurance Standards Board (IAASB) released its new publication, [A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality](#). Through this Framework, the IAASB aims to raise awareness of the key elements of audit quality, encourage key stakeholders to challenge themselves to do more to increase audit quality in their particular environments, and facilitate greater dialogue between key stakeholders on the topic.

“Audit quality is, and will continue to be, an area of principal attention by the IAASB and others. This new Framework contributes to further progress on the topic by making clear that, while responsibility for performing quality audits of financial statements rests with auditors, audit quality is best achieved in an environment where there is support from and appropriate interactions among participants in the financial reporting supply chain,” said Prof. Arnold Schilder, IAASB chairman.

The Framework describes in a holistic manner the different input, process, and output factors relevant to audit quality at the engagement, firm, and national levels. It also demonstrates the importance of appropriate interactions among stakeholders, and how they may facilitate improvement to audit quality, as well as perceptions of audit quality. Further, the Framework demonstrates the importance of various contextual factors, such as laws and regulations, the litigation environment, corporate governance, and the financial reporting framework—collectively, factors that have the potential to impact the nature and quality of financial reporting and, directly or indirectly, audit quality.

“Our discussions on the Framework have been informed by many sources, including the regulatory community, international ethics and accounting education standard setters, the IAASB’s Consultative Advisory Group, and the public,” added James Gunn, IAASB technical director. “Our hope is to see continued dialogue on the topic, and that active use of the Framework by various stakeholders will result in positive actions in the public interest to achieve a continual improvement to audit quality.”

The IAASB will continue to take steps in 2014 and beyond to further promote dialogue on audit quality and encourage organizations to use the Framework to help them improve audit quality.

To access the publication, and for additional information, visit the [“Focus on Audit Quality”](#) section of the IAASB’s website.

## Key Elements that create an Environment for Audit Quality

### Background

- Financial information should be relevant, timely and reliable to meet the needs of users and an external audit of the financial information is often required to give users confidence that the information can be trusted
- The objective of an audit of financial statements is for the auditor to form an opinion on the financial statements based on having obtained sufficient appropriate audit evidence about whether the financial statements are free from material misstatement and to report in accordance with the auditor’s findings
- For an external audit to fulfill its objective the users of audited financial statements must have confidence that the auditor has worked to a suitable standard and that “a quality audit” has been performed
- Audit Quality is a complex subject and there is no analysis of it that has achieved universal recognition
- The Framework provides an insight into the key Elements that Create an Environment for Audit Quality

### Audit Quality and Quality Audit

- **Audit quality** encompasses the key elements that create an environment which maximizes the likelihood that quality audits are performed on a consistent basis.
- **A quality audit** is likely to have been achieved by an engagement team that:
  - Exhibited appropriate values, ethics and attitudes;
  - Was sufficiently knowledgeable, skilled, and experienced and had sufficient time allocated to perform the audit work;
  - Applied a rigorous audit process and quality control procedures that complied with law, regulation and applicable standards;
  - Provided useful and timely reports; and
  - Interacted appropriately with relevant stakeholders.
- The responsibility for performing **quality audits** of financial statements rests with auditors. However, **audit quality** is best achieved in an environment where there is support from and appropriate interactions among participants in the financial reporting supply chain.

### Status

- Non-Authoritative Framework



- Auditors are required to comply with relevant auditing standards and standards of quality control within audit firms, as well as ethics and other regulatory requirements
- The Framework is not a substitute for such standards, nor does it establish additional standards or provide requirements for the performance of audit engagements.

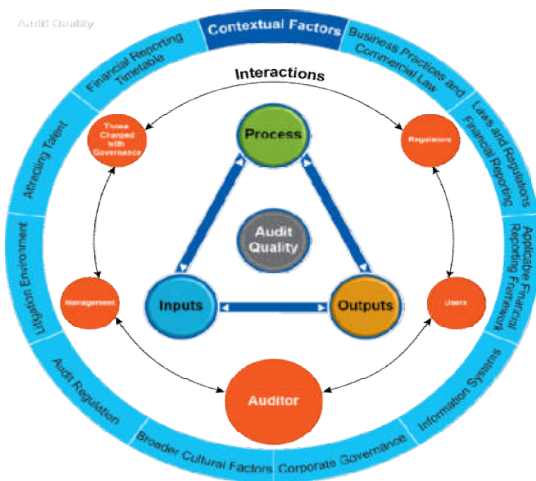
### Scope

- Holistic framework covering all key stakeholders in the financial reporting supply chain
- Focus on audits of financial statements, but can be used in a similar way for other types of subject matter
- Applies to all audits of all entities regardless of their size, nature, and complexity
- Applies to all audit firms regardless of size, including audit firms that are part of a network or association

**Objectives**

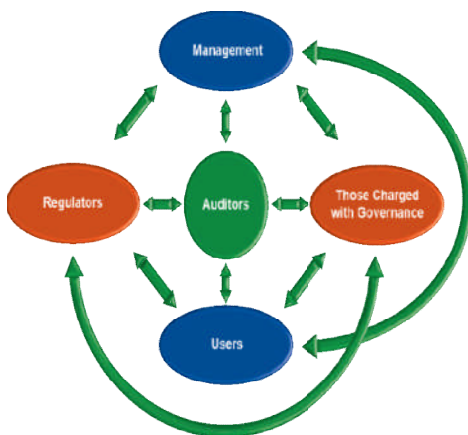
- Raise awareness of the key elements of Audit Quality
- Encourage key stakeholders to explore ways to improve Audit Quality
- Facilitate greater dialogue between stakeholders on Audit Quality

**Framework for Audit Quality**



**Key Elements:**

- Inputs
- Process
- Output
- Interactions
- Contextual Factors



**Input, Process and Output Factors**

**Elements**

**Factors**

**Attributes**

Application at the **Engagement, Firm, and National Level**

**Inputs**

Quality audits involve auditors:

- Exhibiting appropriate Values, Ethics and Attitudes



- Being sufficiently knowledgeable, skilled, and experienced and having sufficient time allocated to them to perform the audit work

**Process**

Quality audits involve auditors applying a rigorous audit process and quality control procedures that comply with laws, regulations and applicable standards

**Outputs**

Quality audits result in outputs that are useful and timely. They are described in relation to the full reporting supply chain and include outputs from:

- The auditor
- The audit firm
- The entity
- Audit regulators

Outputs include reports and information that are formally prepared and presented by one party to another, as well as

outputs that arise from the auditing process that are generally not visible to those outside the audited organization.

**Interactions**

While the primary responsibility for performing quality audits rests with auditors, audit quality is best achieved in an environment where there is support from other participants in the financial reporting supply chain.

Each stakeholder plays an important role supporting high- quality financial reporting and the way in which they interact may impact audit quality.

Increased interaction is promoted in the *Framework for Audit Quality*.

**Contextual Factors**

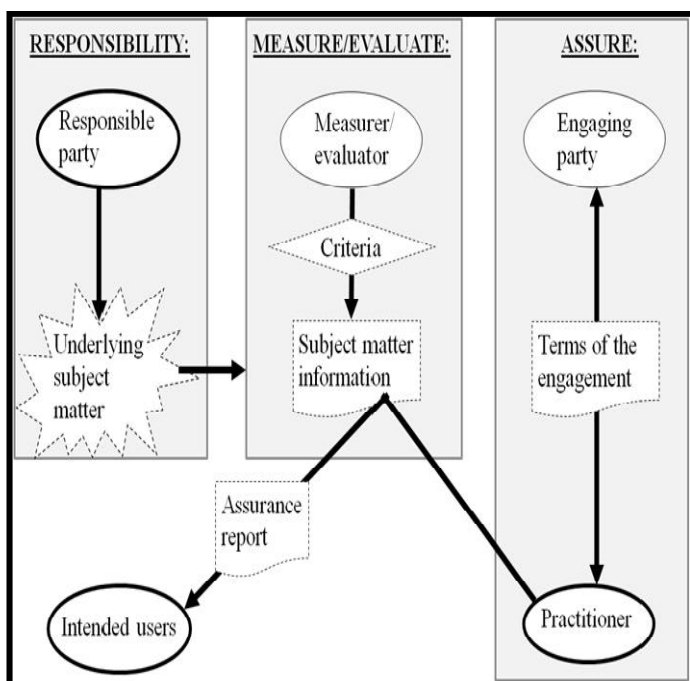
Collectively, the contextual factors – have the potential to impact the nature and quality of financial reporting and, directly or indirectly, audit quality

Where appropriate, auditors respond to these factors when determining how best to obtain sufficient appropriate audit evidence

(Source: <https://www.ifac.org/publications-resources/framework-audit-quality-key-elements-create-environment-audit-quality>)

**The Parties to an Assurance Engagement**

1. All assurance engagements have at least three parties: the responsible party, the practitioner, and the intended users. Depending on the engagement circumstances, there may also be a separate role of



measurer or evaluator, or engaging party.

2. The above diagram illustrates how the following roles relate to an assurance engagement:
  - a. The responsible party is responsible for the underlying subject matter.
  - b. The measurer or evaluator uses the criteria to measure or evaluate the underlying subject matter resulting in the subject matter information.
  - c. The engaging party agrees the terms of the engagement with the practitioner.
  - d. The practitioner obtains sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information.
  - e. The intended users make decisions on the basis of the subject matter information. The intended users are the individual(s) or organization(s), or group(s) thereof that the practitioner expects will use the assurance report. In some cases, there may be intended users other than those to whom the assurance report is addressed.
3. The following observations can be made about these roles:
  - Every assurance engagement has at least a responsible party and intended users, in addition to the practitioner.
  - The practitioner cannot be the responsible party, the engaging party or an intended user.
  - In a direct engagement, the practitioner is also the measurer or evaluator.
  - In an attestation engagement, the responsible party, or someone else, but not the practitioner, can be the measurer or evaluator.
  - Where the practitioner has measured or evaluated the underlying subject matter against the criteria, the engagement is a

direct engagement. The character of that engagement cannot be changed to an attestation engagement by another party assuming responsibility for the measurement or evaluation, for example, by the responsible party attaching a statement to the subject matter information accepting responsibility for it.

- The responsible party can be the engaging party.
- In many attestation engagements the responsible party may also be the measurer or evaluator, and the engaging party. An example is when an entity engages a practitioner to perform an assurance engagement regarding a report it has prepared about its own sustainability practices. An example of when the responsible party is different from the measurer or evaluator is when the practitioner is engaged to perform an assurance engagement regarding a report prepared by a government organization about a private company's sustainability practices.
- In an attestation engagement, the measurer or evaluator ordinarily provides the practitioner with a written representation about the subject matter information. In some cases, the practitioner may not be able to obtain such a representation, for example, when the engaging party is not the measurer or evaluator.
- The responsible party can be one of the intended users, but not the only one.
- The responsible party, the measurer or evaluator, and the intended users may be from different entities or the same entity. As an example of the latter case, in a two-tier board structure, the supervisory board may seek assurance about information provided by the executive board of that entity. The relationship between the responsible party, the measurer or evaluator, and the intended users needs to be viewed within the context of a specific

engagement and may differ from more traditionally defined lines of responsibility.

For example, an entity's senior management (an intended user) may engage a practitioner to perform an assurance engagement on a particular aspect of the entity's activities that is the immediate responsibility of a lower level of management (the responsible party), but for which senior management is ultimately responsible.

- An engaging party that is not also the responsible party can be the intended user.
4. The practitioner's conclusion may be phrased either in terms of:
    - The underlying subject matter and the applicable criteria;
    - The subject matter information and the applicable criteria; or
    - A statement made by the appropriate party.
  5. The practitioner and the responsible party may agree to apply the principles of the Assurance Standards to an engagement when there are no intended users other than the responsible party but where all other requirements of the Assurance Standards are met. In such cases, the practitioner's report includes a statement restricting the use of the report to the responsible party.

**Source:**<http://www.ifac.org/publications-resources/2014-handbook-international-quality-control-auditing-review-other-assurance-a>

## **Bankers order forensic audit of Bhushan Steel**

### **Press Trust of India**

**NEW DELHI:** Cracking the whip on cash-starved Bhushan Steel, a consortium of bankers, on Monday, ordered forensic audit into the books of account of the company, and asked its promoters to infuse more capital to ensure that it remained solvent.

The decision was taken at the lenders' meeting here on Monday to take stock of the situation following the arrest of Bhushan Steel Vice Chairman and Managing Director Neeraj Singal by the CBI in the alleged cash for loan scam, involving Syndicate Bank Chairman S.K. Jain.

The forensic audit will be conducted by a reputed audit firm to be appointed soon. It will examine if the company used loans for the right purpose or there is a diversion of funds.

Besides, the consortium, led by Punjab National Bank (PNB), decided to appoint three nominee directors on the board, representing the lenders.

It was also agreed that banks would appoint an independent engineer to monitor the manufacturing operations of the company and its ongoing expansion activities, PNB said in a statement.

As many as 51 banks have total exposure of about Rs.40,000 crore in the company.

In order to overcome tight cash situation, bankers asked the company to de-leverage by bringing in equity, including monetising non-core assets.

"However, the company requested for some time given the prevailing circumstances. Since the equity infusion will take time, lenders advised the company to monetise the non-core assets, which was agreed to by the company as a part of de-leveraging exercise and the company was also advised to come with a definite time frame," it said.

Amid demands of change in management of the company, it said the bankers reviewed the performance and took cognisance of satisfactory operations of the company.

Meanwhile, the company informed the bankers that the professional management of the firm was still intact as on date and the operations were running normal.

Shares of Bhushan Steel on Monday closed down by 4.98 per cent at Rs.152.50 on the BSE.

(Source: 19 august 2014, THE ECONOMIC TIMES)

## Global Banks to Hire Senior Pros in Risk, Audit as Regulators Tighten Norms

MUMBAI:

With regulators getting more stringent about banking norms, large global banks are looking at

AuSB Newsletter

large-scale hiring of mid-to-senior-level professionals in functions such as risk, audit, compliance and legal over the next 12 to 18 months.

Large global banks are targeting to increase their teams by 20% to 30% in legal and compliance and 30% to 40% in audit and control, according to a study by Vito India Advisors, a BFSI executive search firm. According to the survey, there are currently over 240 legal and compliance professionals across 36 global banks in India .

"With global regulatory norms getting more stringent, unique functions like risk-based supervision, privacy compliance, regulatory affairs are triggering the demand for additional compliance professionals," says Dhvani Anjaria, support hiring specialist at Vito India Advisors.

"It is no longer about just remaining compliant. It is more about doing the right things and that's what the MNC banks and investment banks are looking at now. This is leading to a demand for professionals in sectors such risk, audit, compliance and legal," says the HR head of a large global bank, on condition of anonymity.

"There is a need for a culture change within the banking sector and hence global banks are focusing on strengthening their compliance structure in order to sustainably do business," the HR head said. Some of the banks that have made mid-to-senior-level hires in compliance in the past 12 months include ANZ, Bank of America, Deutsche Bank, while the ones that have made senior-level lateral hires in legal in the past 12 months include BNP, Citi and HSBC, according to the study.

These banks are focusing on building teams in monitoring and surveillance and riskbased supervision roles.

Some of the global players that have made senior hires in legal and compliance in the past one year include Westpac, SMBC and NAB, among others.

Cost to company (CTC) payouts in compliance and legal have been as competitive as front office functions. CTC payouts among global players in compliance have increased at least by 30% to 50% from 2012 to 2014, the study shows. With setting up one branch banks of global entrants they have picked up talent from well established global

**Global Banks Eye Talent**

**LARGE GLOBAL** banks are targeting to increase their teams by 20% to 30% in legal and compliance

**BANKS ARE** looking at increasing teams by 30% to 40% in audit and control

**CTC PAYOUTS** among global banks in compliance have increased by 30% to 50% from 2012 to 2014

**INCREASING DEMAND** for IT auditors within banks leading to increase in audit roles

In the next 12-15 months, we foresee a healthy demand for professionals having regulatory reporting, treasury finance, technology and internal audit along with compliance roles

**DHVANI ANJARIA**  
Support hiring specialist,  
Vito India Advisors

players at 40% to 50% increment on their present salary.

"In order to support business growth and align to the changing economic and regulatory environment, it is imperative to ensure our finance, legal, compliance, audit and HR functions are staffed optimally," says Sarab Preet Singh, head of recruitment, learning & talent, Citi India.

Given the changes in the industry, there has been an increased focus on risk, compliance and control-related aspects, leading to a greater degree of specialisation within each function, he said, adding, "There have been several internal movements of our talent from frontline businesses into these core functions."

In the audit function, the spotlight is turning to India as the new regional hub. Large global banks are targeting to increase their audit teams by 30% to 40%, according to the study. There are currently about 225 plus audit professionals across 36 global banks in India. Some of the key hires in audit were seen in BNP, DB, Barclays, HSBC, Citi, among others, according to Vito.

A lot of global banks have moved to a centralised internal audit model wherein regional audit teams are now housed in India due to cost effectiveness and skilled talent. Earlier this was done out of Singapore and Hong Kong.

Also, there has been increasing demand for IT auditors within banks. This has led to a growth in audit roles as well. "In the next 12 to 15 months, we foresee a healthy demand for professionals having regulatory reporting, treasury finance, technology and internal audit along with compliance roles," says Anjaria.

"There is a thrust to build audit strength of these banks. And given the fact that significant audit talent is available here and can help in other locations of these global entities, there is a rise in demand for such talent," said the HR head of a large global bank who did not wish to be named.

He says, increasingly, global banks are reviewing their existing audit framework and looking at processes more proactively. Hence there is considerable demand for people who can look at metrics around controls in order to remain

compliant. (Source: Rica Bhattacharyya, *The Economic Times*, New Delhi Sep 26, 2014, 04.00AM IST)

## KEYWORDS

**Auditing:** Auditing is a systematic and scientific examination of the books of accounts and records of business to enable the auditor to satisfy himself that the profit and loss account and the balance sheet are properly drawn up so as to exhibit a true and fair view of the financial state of affairs of the business and profit or loss for the financial period.

**Continuous audit:** An audit which involves a detailed and exhaustive examination of the books of accounts at regular intervals throughout the year along with the accounting work.

**Errors:** Mistakes committed innocently and unknowingly while making entries in the books of accounts.

**Frauds:** Fictitious entries made in the books of accounts with certain motives.

**Interim audit:** An audit which is conducted for a part of the accounting period for some specific purpose.

**Investigation:** Examination of accounts for special purpose.

**Qualified auditor:** A person who is a Chartered Accountant within the meaning of the Chartered Accountants Act, 1997.

**True and fair view:** A phrase which means that the financial statements must not contain anything which is untrue, unfair, unlawful, immoral and unethical i.e. the financial statements must not contain **errors** and fraud.

## Some Questions Related with Information Technology Audit

### 1. What is IT auditing all about?



IT auditing is a branch of general auditing concerned primarily with governance, risk, control and compliance in relation to IT, *i.e.* information (and communications) technologies. IT auditors are interested in how IT systems, networks and peripherals, plus the related procedures for designing, developing, testing, configuring, implementing, using, managing and maintaining them, handle risks to the organization. We spend the bulk of our audit time dealing with the *people* rather than the IT but being able competently to audit the IT is what sets us apart from the riff-raff and hoi-palloi. Like many IT professionals, we may at times *appear* to view people as peripheral devices responsible for generating inputs and consuming outputs, and as the principle generators of flaws, bugs and errors, but that's a cynical perspective.

## 2. What do IT auditors *actually* do?

In short, IT auditors review risks relating to IT systems, processes and data including:

- Inadequate information security (*e.g.* missing or out of date antivirus controls);
- Inefficient use of corporate resources, and other symptoms of poor governance (for instance sinking the budget into unnecessary, inappropriate, ill-conceived and badly managed IT projects, equipment and services);
- Ineffective IT strategies, policies, practices and metrics (including the lack thereof);
- IT-related frauds, embezzlement and other malfeasance or criminal activities (most of which involve IT systems and networks incidentally as mere tools or machines for the commission of crime, while some involve actively undermining or bypassing the associated security controls, or exploiting their absence);
- Non-compliance - or rather the adverse consequences and penalties arising from, or relating to, non-compliance with various internally-derived and externally-imposed obligations (laws, regulations, strategies, policies, standards, contracts, agreements and ethical codes).

### What are the main types of IT audit?

- **Operational computer system/network audits:** review the controls within and

surrounding operational computer systems and networks, at various levels *e.g.* network, operating system, layered software, application software, databases, logical/procedural controls, preventive/detective/corrective controls, crypto, logging ...

- **IT installation audits:** take a look at the computer building, suite, room or cupboard, including aspects such as physical security (walls, CCTV, locks, guards, barbed wire, visitor procedures ...), environmental controls (fire and flood protection, power supplies and UPSs, hair conditioning), computer and network operations processes and management systems, oh and the IT equipment itself.
- **Developing systems audits:** typically cover either or both of two aspects: (1) project or programme management controls (often, the auditor is the only person with the knowledge, experience and balls nerve to point out that the average project manager's progress reporting is "somewhat optimistic" at best); and (2) the specification, development, testing, implementation (installation and configuration) and initial operation of technical and procedural controls, including classical technical information security controls and the related business process controls such as divisions of responsibility
- **IT management or governance audits:** review the organization, structure, strategy, work planning, resourcing, budgeting, cost controls *etc.* and, where applicable, relationships with outsourced IT providers (in some cases, these aspects may be audited by operations and financial auditors, leaving the IT auditors to the more technological aspects, although mixed teamworking can be more productive and insightful).
- **IT process audits:** review the processes which take place within IT department such as application development, testing, implementation, operations, maintenance, housekeeping (backups, preventive maintenance *etc.*), support, incident handling.
- **Change management audits:** review the planning and control of changes to systems, networks, applications, processes, facilities *etc.*, including configuration management, control over the promotion of code from development through testing to production, testing and acceptance, and (often

more importantly) the broader management of changes to the organisation, business activities, relationships and risks as a result of new technology.

- **Information security & control audits:** review the controls intended to ensure the confidentiality, integrity and availability of systems and data.
- **IT compliance audits:** review legal and regulatory aspects of IT systems (e.g. copyright and other intellectual property rights, privacy and protection of personal data, and contractual obligations and/or compliance with corporate policies, standards and other missives from management)
- **ISMS internal audits:** periodic audits of an organisation's Information Security Management System are an important part of checking security performance and driving security improvements.
- **Certification audits:** compliance with information security standards and industry standards is normally audited by IT auditors working for accredited certification bodies. Formal certification audits typically have strictly defined scopes, but the auditors may be persuaded to open up a little in pre-audits or post-audit.
- **Business continuity management audits:** review the resilience, recovery and contingency arrangements intended to restore some semblance of normality after a disaster

affecting the IT systems, and perhaps assess the organisation's approach to risk management, reviewing the links between (a) identifying and protecting critical business processes, and (b) securing the supporting IT services, systems, network and processes. Business continuity audits are especially important if there are any lingering traces of doubt as to the validity of the tests and exercises that *should* be performed routinely, since the residual risks could lead to an unmitigated disaster, literally.

- **IT strategy audits:** review various aspects of IT strategy, vision and plans, including their relationship to other strategies, visions and plans, or not as the case may be. Video clips of managers scribbling furiously on whiteboards and waving their hands about are worth a thousand audit words each. If the strategies cannot be clearly and eloquently described, drawing out the points of alignment with and support for the business as a whole, that is a deeply troubling finding in its own right.
- **“Special investigations”:** this is audit-speak for contingency and other un-pre-planned or hush-hush work such as investigating suspected frauds or information security breaches, performing due diligence reviews of IT and other information assets for mergers and acquisitions etc. (Source: [www.isect.com](http://www.isect.com))

## IFAC PUBLICATIONS

<i>Name of Publication</i>	<i>Year of Publication</i>
<i>Basis for Conclusions: ISRE 2400 (Revised) Engagements to Review Historical Financial Statements</i>	<i>Published: Sep 27, 2012</i>
<i>IAASB Comments on IASB Exposure Drafts</i>	<i>Published: Jul 07, 2014</i>
<i>2013 IAASB Annual Report</i>	<i>Published: Jun 11, 2014</i>
<i>Proposed Changes to the International Standards on Auditing (ISAs)–Addressing Disclosures in the Audit of Financial Statements</i>	<i>Released: May 14, 2014 Due: Sep 11, 2014</i>
<i>International Standard on Auditing 720 (Revised), The Auditor's Responsibilities</i>	<i>Released: Apr 18, 2014 Due: Jul 18, 2014</i>

<i>Relating to Other Information Proposed Consequential and Conforming Amendments to Other ISAs</i>	
<i>A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality</i>	<i>Published: Feb 18, 2014</i>
<i>2014 At a Glance: A Framework for Audit Quality</i>	<i>Published: Feb 18, 2014</i>
<i>Call for Nominations for the Independent Standard-Setting Boards in 2015</i>	<i>Published: Jan 15, 2014, Consultation Paper Released: Dec 18, 2013, Due: Apr 04, 2014</i>
<i>At a Glance: The IAASB's</i>	<i>Published: Dec</i>

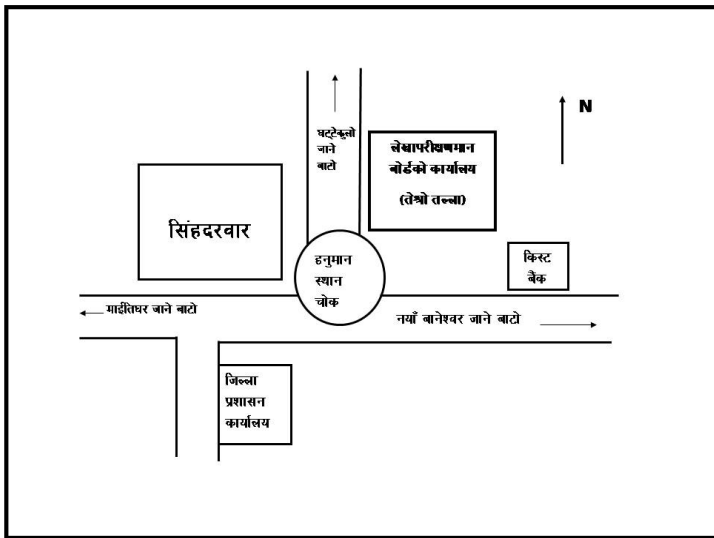
<b>Proposed Strategy for 2015–2019 and Proposed Work Program for 2015–2016</b>	18, 2013	<b>At a Glance: A Framework for Audit Quality</b>	Published: Jan 16, 2013
<b>International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information</b>	Published: Dec 09, 2013	<b>A Framework for Audit Quality, Consultation Paper</b>	Released: Jan 15, 2013 Due: May 15, 2013
<b>Basis for Conclusions: International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information</b>	Published: Dec 09, 2013	<b>International Standard on Auditing (ISA) 720 (Revised), The Auditor’s Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor’s Report Thereon, Exposure Draft</b>	Released: Nov 14, 2012 Due: Mar 14, 2013
<b>2013 Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements</b>	Current Edition Published: Sep 19, 2013	<b>Staff Questions &amp; Answers - Applying ISQC 1 Proportionately with the Nature and Size of a Firm</b>	Published: Oct 26, 2012
<b>Guidance to Assist in Field Testing of Proposed International Standard on Auditing (ISA) 701, Communicating Key Audit Matters in the Independent Auditor’s Report</b>	Published: Jul 25, 2013	<b>At a Glance: ISRE 2400 (Revised): Engagements to Review Historical Financial Statements</b>	Published: Sep 27, 2012
<b>Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing, Exposure Draft</b>	Released: Jul 25, 2013 ,Due: Nov 22, 2013	<b>At a Glance: International Standard on Assurance Engagements (ISAE) 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus</b>	Published: Aug 22, 2012
<b>At a Glance: Exposure Draft, Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing</b>	Published: Jul 25, 2013	<b>At a Glance: International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements</b>	Published: Aug 22, 2012
<b>The Clarified ISAs—Findings from the Post-Implementation Review</b>	Published: Jul 19, 2013	<b>2012 Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, Previous Edition – Effective for audits of financial statements for periods ending before December 15, 2013</b>	Published: Jul 31, 2012
<b>IAASB Comments on External Audits of Banks</b>	Published: Jun 21, 2013	<b>Improving the Auditor’s Report, IAASB Invitation to Comment</b>	Released: Jun 21, 2012 , Due: Oct 08, 2012
<b>2012 IAASB Annual Report</b>	Published: Jun 07, 2013	<b>IAASB Strategy and Work Program, 2012–2014</b>	Published: Jun 04, 2012
<b>ISA 610 (Revised 2013), Using the Work of Internal Auditors</b>	Published: Mar 19, 2013	<b>Basis for Conclusions: IAASB Strategy and Work Program,</b>	Published: Jun 04, 2012
<b>Basis for Conclusions: ISA 610 (Revised 2013), Using the Work of Internal Auditors</b>	Published: Mar 19, 2013		

<b>2012-2014</b>	
<b>Basis for Conclusions: ISAE 3410, Assurance Engagements on Greenhouse Gas Statements</b>	Published: Jun 03, 2012
<b>2011 IAASB Annual Report</b>	Published: Apr 29, 2012
<b>Basis for Conclusions: ISA 610 (Revised), Using the Work of Internal Auditors, and ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment</b>	Published: Mar 22, 2012
<b>International Standard on Related Services (ISRS) 4410 (Revised), Compilation</b>	Published: Mar 16, 2012

(Source : [www.ifac.org/publications-resources](http://www.ifac.org/publications-resources))

<b>Engagements - Basis for Conclusions</b>	
<b>Staff Questions &amp; Answers – Professional Skepticism in an Audit of Financial Statements</b>	Published: Feb 28, 2012
<b>Feedback Statement: Disclosures, Official English Language Version</b>	Published: Jan 10, 2012
<b>Basis for Conclusions: International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus</b>	Published: Dec 20, 2011

### सम्पर्क :



### सम्पादन तथा संयोजन :

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बोर्ड सदस्य श्री ईश्वर प्रसाद न्यौपाने

#### प्रबन्ध सम्पादक :

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