

ASSURANCE		ATTESTATION (cont)		ADVISORY / CONSULTING (Non-assurance)	
Definition	Any independent professional service that improves the quality of information, or its context, for decision makers.	Standards (nonissuers)	SSAE / AT-C standards (nonissuers)	Definition	Providing recommendations to management for specific outcomes.
Purpose	To lend credibility to information used in decision making.	Standards (issuers)	PCAOB attestation standards (issuers)	Focus	Design and operations, system improvements, decision support.
Core Elements	Independence (fact & appear)  Professional judgment  Due professional care  Improves information quality or context  For decision makers	Definition (AAA)	A systematic process of objectively obtaining and evaluating evidence regarding assertions to determine correspondence with established criteria and communicating results to users.	Restrictions (impairing independence)	Bookkeeping  Appraisal or valuation services  Internal audit outsourcing  Management or HR  Legal and expert services
Report?	no	Purpose (AICPA)	To enhance the degree of confidence intended users can place in the financial statements.	Objective	Express an opinion on whether financial statements are presented fairly, in all material respects, in accordance with GAAP or applicable financial reporting framework.
Key signals	lending credibility  improves quality  independent professional service	Core Characteristics	Systematic process  Evidence-based  Materiality-driven  Independent  Communicated via auditor's report	Competence	all phases of audit  education, training, experience  fact and appearance; financial or relationship  Practical independence  no subordinating judgement  Due professional care (GAAS)
ATTESTATION	Examination = high  Review = moderate  Agreed-upon procedures = no opinion, findings only	Not published yet.	Not published yet.	Phase	execution and reporting  conduct, special training, supervision and review,
Levels of Assurance	Yes — always	Last updated 13th February, 2026.	Page 1 of 4.	Components	



RESPONSIBILITIES PRINCIPLE (cont)		PERFORMANCE PRINCIPLE (cont)		TYPES OF AUDITS	
Skepticism	Professional judgment	extent	how much (sample size)	FINANCIAL STATEMENT AUDIT	Opinion on fair presentation under GAAP
Procedures may change.		Evidence	sufficient	Gathering	quantity
Standards do not.			appropriate		Relevance & Reliability
Reasonable person standard applies.				Relevance	Reliability — — the source and nature of the evidence being tested
PERFORMANCE PRINCIPLE		REPORTING PRINCIPLE		PERFORMANCE AUDIT	Economy and efficiency Program effectiveness
Phase	execution phase	Phase	conclusion and communication		Key signals “following laws” = compliance “efficient and effective” = operational “economy and efficiency” = performance audit
Objective	Obtain reasonable assurance that financial statements are free of material misstatement (error or fraud).	Purpose	Standardize reporting and communicate conclusions clearly.		
Requires	Planning and supervision Determining materiality	Requires auditor to:	State whether financial statements follow GAAP Identify inconsistencies Address adequacy of disclosures Express an opinion or explain why none is given		
	Risk assessment understanding entity & internal control Sufficient & Appropriate evidence	Types of Opinions	Unqualified (unmodified) Qualified Adverse Disclaimer		
Execution phase	Planning properly plan and supervise Risk Assessment understanding of the entity	Audit documentation must:	Show who performed work Show who reviewed work Support planning, supervision, and conclusions	FINANCIAL STATEMENT ASSERTIONS	PCAOB — PERCV
	Materiality Determination (NTE)			Present & Disclosure	M.A. that all transactions and events have been presented correctly and that all relevant information has been disclosed to financial statement users.
Risk determinants	Nature type of procedure				Existence / Occurrence
	timing when performed			Existence	Management assertion that all assets, liabilities, and equity interests do actually exist.



FINANCIAL STATEMENT ASSERTIONS (cont)		ATTESTATION STANDARDS		QUALITY CONTROL (Responsibilities) (cont)	
Occurrence	Management assertion that all of the transactions and events that have been recorded are valid, pertain to the entity, and have actually taken place.	General			Resolving independence violations promptly
Rights & Obligations		Training and proficiency		Acceptance and continuance	Management integrity
Rights	the entity is entitled to all rights of the assets	Independence			Firm competence to perform the engagement
Obligations	the liabilities are the legal responsibility of the entity, and all of the disclosed events and transactions pertain to the entity.	Due professional care			Risk profile of the client
Completeness	All items that should be included are included.	Suitability	objective measurable complete relevant		Firm competence to perform the engagement
Valuation / Allocation	Amounts recorded appropriately.	Availability	Publicly By presentation or assertion Practitioner's report Well understood Only to specified parties	Human Resources	
Tracing Direction		Fieldwork	Planning and supervision Sufficient evidence Representation letter	Engagement performance	Proper planning and supervision
Source → books	completeness	Reporting	Identify subject matter State nature of engagement Express conclusion		Consultation on difficult matters
Books → source	occurrence		Key signals "suitable criteria," "representation letter," "subject matter evaluated against criteria"		Review of work performed
Key signals	liabilities and revenue = completeness focus assets = existence focus inventory consignment = rights focus consignment = rights and obligations accrued liabilities = completeness credit ratings = valuation ASC 606 accuracy = valuation/allocation push/pull revenue = cutoff/occurrence	QUALITY CONTROL (Responsibilities)	Leadership responsibilities Relevant ethical requirements	Documentation standards	Documentation standards
			Communicating /Tone at the Top Maintaining independence in fact and appearance Annual independence confirmations Monitoring financial relationships Identifying prohibited nonattest services	Monitoring	Identifying deficiencies



### RISK & EVIDENCE (cont)

Detection risk assigned by my audit firm?

#### INTERNAL CONTROL

Purpose Prevent or detect misstatements.

Effective control Reduces control risk

Allows reliance on management

May reduce substantive testing

Weak control Increases substantive procedures

#### SUFFICIENCY VS APPROPRIATENESS

Sufficiency Quantity of evidence

Appropriateness Quality of evidence.

Relevance – does it relates to assertion

Reliability – trustworthy source

#### HIERARCHY OF EVIDENCE

Direct personal knowledge auditor physically inspected

Fully external evidence third-party confirmation

External-internal evidence bank statement obtained from client records

Internal documentation internal reports

### RISK & EVIDENCE (cont)

Inquiry of management discussion with controller

#### Key signals

“absence of controls” = inherent risk

“internal control effectiveness” = control risk

“sufficient appropriate evidence” = detection risk

#### Key signals

“more internal control” = lower control risk

“less effective controls” = increase procedures



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Page 4 of 4.

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