*CAG’s Auditing Standards*

1. The Auditing Standards were first brought out by The Indian Audit and Accounts Department in-

A. 1994

B. 1997

C. 1971

D. 2007

2. Which auditing standard is currently being used?

A. 1997 B. 2002 C. 2014 D. 2017 [SAS Mains- 2018]

3. Prior to Auditing Standard 2017, which standard was being used?

A. 1997 B. 2002 C. 2004 D. 2007 [SAS Mains- 2018]

4. What is/are the purpose of Auditing Standards?

A. These standards establish the norms which are applicable to all public sector audit engagements, irrespective of their form or context.

B. These standards incorporate the Prerequisites for the functioning of Supreme Audit Institutions and Fundamental Auditing Principles of the International Standards of Supreme Audit Institutions, which have been suitably adapted with due consideration of the audit mandate and rules applicable to SAI India.

C. These standards determine the audit procedures that shall be applied in audit and constitute the criteria or benchmark against which the quality of audit results is evaluated.

D. All of the above.

5. The net proceeds of any tax or duty, or of any part of any tax or duty, in or attributable to any area shall be ascertained and certified by-

A. Finance Ministry of Union Govt.

B. CAG

C. CGA

D. Local Govt. viz. State Govt. UT Admin., Panchayat, Municipal etc.

6. Which Article of the Constitution envisages that ‘net proceeds’ in relation to any tax or duty means the proceeds thereof reduced by the cost of collection and that the net proceeds of any tax or duty, or of any part of any tax or duty, in or attributable to any area shall be ascertained and certified by the CAG, whose certificate shall be final?

A. 266

B. 279

C. 283

D. 289

7. Which Schedule of the Constitution of India envisages audit of accounts of District and Regional Councils of autonomous regions?

A. 2

B. 3

C. 5

D. 6

8. The pre-requisites i.e. the principles that are essential for the functioning of SAI, India and for proper practice of public sector auditing within the SAI, are-

A. Independence

B. Accountability and Transparency

C. Ethics

D. Quality assurance

E. All of the above

9. Which one does not correctly represent independence of SAI?

A. CAG shall only be removed from office in like manner and on like grounds as a Judge of the Supreme Court of India. The other terms for appointment and demitting of office of the CAG are provided under the DPC Act that ensures due autonomy and security of tenure.

B. SAI India has the functional and organisational autonomy required for carrying out its mandate and is free from direction or interference from the Legislature or the Executive in the- a) selection of audit issues; b) planning, programing, conduct, reporting and follow up of audits; and c) organisation and management of its office.

C. SAI India shall have access to premises, operations, systems including Information Technology systems and records of auditable entities which include the implementing arms of Government and to obtain relevant information from persons or entities possessing it.

D. The standards and methodologies adopted by SAI India shall be consistent with the fundamental auditing principles elaborated under the International Standards of Supreme Audit Institutions (ISSAIs) of International Organisation of Supreme Audit Institutions (INTOSAI).

10. Which one is not correct about independence of SAI?

A. SAI India may accept specific requests for audits made by Legislature as expressed as a whole or through one of its committees or by the Government while retaining its right to decline such requests.

B. SAI India may be consulted by the Executive in matters such as financial legislations, accounting standards and policies, public accounts, form of financial statements and for draft laws or rules affecting its competence or authority ensuring, however, that rendering such advice or assistance does not either implicitly or explicitly impair independent exercise of its audit mandate.

C. SAI India shall be free to decide the form and content of its audit reports and to make observations and recommendations therein, taking into consideration, the views of the audited entity. SAI shall be absolutely free to decide the timing of its audit reports.

D. The conditions of service of persons serving in the Indian Audit and Accounts Department and the administrative powers of the CAG shall be such as may be prescribed by rules made by the President after consultation with the CAG. Thus, SAI India shall have the necessary empowerment to manage the human and budgetary resources available to it.

E. The Legislature is responsible for ensuring that SAI India has the resources necessary to fulfil its mandate.

11. Which one is incorrect about Accountability and Transparency of the SAI?

A. SAI India’s financial statements are open to Parliamentary review and its budget, financial resources and use of resources are in the public domain.

B. The mandate, mission and responsibilities of SAI India shall not be in public domain.

C. The audit reports of SAI India that include its conclusions and recommendations resulting from its audits shall be tabled in the concerned Legislature or presented to the audited entity’s governing body as required and shall thereafter be in the public domain.

D. Its reports shall be made understandable to the wide public through various means e.g. summaries, graphics, video presentations and press releases.

12. SAI India shall have a Code of Ethics aligned with the Code of Ethics elaborated under which ISSAIs?

A. ISSAI 130

B. ISSAI 140

C. ISSAI 50

D. ISSAI 55 [SAS Mains 2018]

13. Who retains overall responsibility for the system of quality control of SAI?

A. Individual

B. AG (Audit) concerned

C. The Head of SAI

D. All employees of IA&AD

14. There are procedures for dealing with complaints about the quality of work performed by SAI, except-

A. SAI India may invite external independent assessment of its activities and implementation of standards through a peer review.

B. SAI India may consider other means of monitoring the quality of its work which may include but not be limited to independent academic review or stakeholder surveys

C. SAI India may follow up reviews of recommendations or feedback from audited entities.

D. SAI may elicit public opinion regarding the quality of its work.

15. Objectives of all public sector audits are contribution to good governance by-

A. providing the intended users with independent, objective and reliable information, conclusions or opinions based on sufficient and appropriate evidence relating to public sector entities;

B. enhancing accountability and transparency, encouraging continuous improvement and sustained confidence in the appropriate use of public funds and assets and the performance of public administration;

C. reinforcing the effectiveness of those bodies that exercise general monitoring and corrective functions over public sector and those responsible for the management of publicly funded activities;

D. creating incentives for change by providing knowledge, comprehensive analysis and well-founded recommendations for improvement

E. All of the above

16. Which one is not correct among the three basic elements of public sector audits?

A. The three parties

B. Subject matter, criteria and subject matter information

C. Types of engagement

D. Assurance [SAS Mains 2018]

17. Who is not the intended user of public sector audits?

A. the executive which includes auditable entity and those charged with Governance

B. the legislature, the primary intended user

C. the citizens, who are the ultimate users of compliance audit reports.

D. the judicature

18. There are two types of engagement: Attestation Engagements and Direct Reporting Engagements.

Which one is not correct about Attestation Engagements?

A. In attestation engagements, the responsible party measures the subject matter against the criteria and presents the subject matter information,

B. On subject matter information presented by the responsible party which the auditor then gathers sufficient and appropriate audit evidence to provide a reasonable basis for expressing a conclusion.

C. Financial audits are always attestation engagements, as they are based on financial information presented by the responsible party.

D. Performance audits and compliance audits are never attestation engagements.

19. There are two types of engagement: Attestation Engagements and Direct Reporting Engagements.

Which one is not correct about Direct Reporting Engagements?

A. It is the auditor who measures or evaluates the subject matter against the criteria.

B. The auditor selects the subject matter and criteria, taking into consideration risk and materiality.

C. The outcome of measuring the subject matter against the criteria is presented in the audit report in the form of findings, conclusions, recommendations but not an opinion.

D. Performance audits and compliance audits are generally direct reporting engagements.

20. Which one is not correct?

A. Depending on the audit and the users’ needs, assurance can be communicated in two ways.

B. Through opinions and conclusions: which explicitly convey the level of assurance. This applies to all attestation engagements and certain direct reporting engagements.

C. In other forms: In some direct reporting engagements the auditor does not give an explicit statement of assurance on the subject matter. In such cases, the auditor provides the users with the necessary degree of confidence by explicitly explaining how findings, criteria and conclusions were developed in a balanced and reasoned manner, and why the combinations of findings and criteria result in a certain overall conclusion or recommendation.

D. None of the above

21. Which one is not correct about Levels of assurance?

A. Assurance can be either reasonable or limited.

B. Reasonable assurance is high, but not absolute.

C. In reasonable assurance the audit conclusion is expressed positively.

D. A limited assurance conveys the limited nature of the assurance provided and the audit conclusion is expressed in a negative manner stating that based on the procedures performed, nothing has come to the auditor’s attention to cause the auditor to believe that the subject matter is not in compliance with the applicable criteria.

E. In limited assurance, the acceptable risk that criteria are not complied is lesser than in a reasonable assurance audit.

22. While recognizing that exceptions may exist, the following generalizations about the reliability of evidence may be useful, except-

A. Evidence is more reliable when it is obtained from sources external to the responsible party.

B. Evidence that is generated internally is more reliable when the related controls are effective.

C. Evidence obtained directly by the auditor (for example, through observation of the application of a control) is more reliable than evidence obtained indirectly or by inference (for example, through inquiry into the application of a control).

D. Evidence is more reliable when it exists in documentary form, whether paper, electronic, or other media (for example, a simultaneous written record of a meeting is more reliable than a subsequent oral report of what was discussed).

E. Evidence provided by original documents is more reliable than evidence provided by photocopies or facsimiles.

F. None of the above.

23. If, after the date of the auditor’s report but before the financial statements have been issued, a fact becomes known to the auditor that, had it been known at the date of the auditor’s report, might have caused an amendment to the report, appropriate action shall be taken. Such action may include, except-

A. discussing the matter with the management and, where appropriate, those charged with governance

B. determining whether the financial statements need amendment and, if so,

C. inquiring how the management intends to address the matter in the financial statements

D. obtaining verbal confirmation from the management

24. Apart from the section that contains the Opinion, Auditor’s Report on Financial Statements may include separate sections on-

A. responsibility of Management for the financial statements, stating that the management is responsible for the financial statements in accordance with the applicable financial reporting framework

B. responsibility of Auditors, stating that the responsibility of the auditor is to express an opinion based on the audit of the financial statements and describing the scope of audit and audit procedures carried out

C. Emphasis of Matter and Other Matters paragraphs

D. other regulatory and reporting responsibilities of auditors

E. All of the above

25. If the auditor considers it necessary to draw users’ attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to their understanding of the financial statements, but there is sufficient and appropriate evidence that the matter is not materially misstated in the financial statements, the auditor shall include \_\_\_\_\_\_\_ paragraph in the auditor’s report. It shall only refer to information presented or disclosed in the financial statements.

A. Emphasis of Matter

B. Consideration Matter

C. Crucial Matter

D. Other Matter

26. If the auditor considers it necessary to communicate a matter, other than those that are presented or disclosed in the financial statements, which, in the auditor’s judgement, is relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report, and provided this is not prohibited by law or regulation, this shall be done in a paragraph with the heading \_\_\_\_\_ or another appropriate heading. This paragraph shall appear immediately after the opinion and any Emphasis of Matter paragraph.

A. Emphasis of Matter

B. Consideration Matter

C. Crucial Matter

D. Other Matter

27. Find the incorrect one-

A. Whereas, in the audit of financial statements, only those laws and regulations with a direct and material effect on the financial statement are relevant, in compliance auditing any law and regulation relevant to the subject matter may be relevant for audit.

B. Compliance audits cannot be planned, performed and reported on separately from the audit of financial statements and from performance audits.

C. When compliance audit is part of a performance audit, compliance is seen as one of the aspects of economy, efficiency and effectiveness. Non-compliance may be the cause of, an explanation for, or a consequence of the state of the activities that are the subject of performance audit.

D. In combined audits of Compliance and Performance, auditors shall use their professional judgement to decide whether performance or compliance is the primary focus of the audit and whether to apply the performance audit standards, compliance audit standards or both.