

---

# ADVANCED AUDITING

---

<b>Component</b>	<b>Description</b>
<b>Professional Standards</b>	References applicable standards such as ISAs (for audits) or IESBA Code of Ethics.
<b>Responsibilities of the Practitioner</b>	Outlines the obligations of the auditor or consultant in conducting the engagement.
<b>Responsibilities of the Client</b>	Specifies the client's role in providing necessary records, documents, and cooperation.
<b>Fees and Billing Arrangements</b>	Details professional fees, payment structure, and possible additional costs.
<b>Confidentiality Clause</b>	Ensures that client information is protected and used only for the agreed purpose.
<b>Dispute Resolution</b>	Establishes procedures for resolving disagreements, including arbitration or mediation.
<b>Termination Clause</b>	Defines the conditions under which the engagement may be terminated by either party.

### *Regulatory and Professional Guidance*

Engagement letters must comply with professional and legal frameworks governing auditing and accounting engagements. These include:

- **International Standards on Auditing (ISA 210)** – Specifies requirements for agreeing on audit engagement terms.
- **International Ethics Standards Board for Accountants (IESBA)** – Provides ethical guidelines on professional engagements.
- **The Companies Act, 2015 (Kenya)** – Requires engagement agreements for statutory audits.
- **Regulatory bodies such as the Capital Markets Authority (CMA) and Kenya Revenue Authority (KRA)** – May require engagement letters for financial and tax-related services.

### *Sample Engagement Letter for an External Audit*

This engagement letter is an example of an assurance engagement where an external auditor is engaged to audit a company's financial statements.

**[Audit Firm's Letterhead]**

[Date]

**[Client's Name]**

[Client's Address]

**Subject: Engagement Letter for External Audit Services**

Dear [Client's Name],

We are pleased to confirm our engagement to audit the financial statements of **[Client's Company]** for the year ending **[Date]**. This audit will be conducted in accordance with **International Standards on Auditing (ISA)** and the requirements of the **Companies Act, 2015**.

**Scope of Services:**

- Conducting an independent audit of the financial statements.
- Assessing compliance with **International Financial Reporting Standards (IFRS)**.
- Evaluating internal controls and reporting on material weaknesses.
- Issuing an audit report with an opinion on whether the financial statements present a **true and fair view**.

**Responsibilities:**

- Our responsibility: To conduct the audit independently and professionally.
- Your responsibility: To provide full access to financial records, supporting documentation, and explanations as required.

**Fees and Terms of Payment:**

The professional fee for this engagement is **KES [Amount]**, payable as follows:

- **50%** upon signing the engagement letter.
- **50%** upon delivery of the final audit report.

**Confidentiality**

**Clause:**

All information obtained during the course of the audit will be treated as strictly confidential and used solely for audit purposes.

If the terms outlined in this engagement letter are acceptable, kindly sign and return a copy to confirm your agreement.

Sincerely,

**[Name of Audit Partner]**

[Audit Firm Name]

**Client Acknowledgment:**

I, **[Client's Name]**, confirm acceptance of the terms outlined in this engagement letter.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

*Sample Engagement Letter for a Non-Assurance Service*

For non-assurance engagements, such as tax consultancy, the engagement letter differs from an audit engagement letter. Below is an example.

**[Consulting Firm's Letterhead]**

[Date]

**[Client's Name]**

[Client's Address]

**Subject: Engagement Letter for Tax Consultancy Services**

Dear [Client's Name],

We are pleased to confirm our engagement to provide **tax consultancy services** for **[Client's Company]** for the year ending **[Date]**. This engagement will involve **advisory and compliance services** related to corporate tax obligations.

## Ethical Issues Identified

- **Intimidation Threat:** The CFO threatened to **replace the auditor** if they reported the misstatements.
- **Self-Interest Threat:** The audit firm earned **substantial consulting fees** from the client.
- **Familiarity Threat:** The audit partner had worked with the client **for over a decade**.

## Safeguards Implemented

- The auditor **escalated concerns to the audit committee** and refused to alter findings.
- The firm **appointed a new audit partner** to enhance independence.
- The company's financial statements were **adjusted to reflect accurate inventory figures**.

## Outcome

- The company improved **its corporate governance practices**.
- The audit firm maintained **its professional credibility and avoided reputational damage**.
- The regulators **acknowledged the firm's ethical stance**, reinforcing investor confidence.

## Final Thoughts

Ethical conduct is **non-negotiable** in auditing. The **fundamental principles of integrity, objectivity, competence, confidentiality, and professional behavior** guide auditors in making ethical decisions.

By identifying **ethical threats** and implementing **safeguards**, auditors can **maintain independence, uphold public trust, and enhance financial transparency**.

## Advertising, Publicity, Obtaining Professional Work, Fees, and Money Laundering

### *Introduction*

Professional accountants and auditors operate in a highly regulated environment where their conduct in **advertising, client acquisition, fee arrangements, and anti-money laundering compliance** is governed by ethical and legal standards. The **International Ethics Standards Board for Accountants (IESBA) Code of Ethics** provides guidelines on these aspects to ensure **transparency, fairness, and professionalism**.

This section examines the ethical and legal considerations surrounding **advertising and publicity, obtaining professional work, fee structures, and money laundering compliance** for accountants and auditors.

## Advertising and Publicity in the Accounting Profession

### Guidelines for Ethical Advertising and Publicity

While **advertising** and **publicity** can help firms attract clients, accountants and auditors must ensure their marketing efforts are:

1. **Truthful and Not Misleading** – No exaggerated claims about expertise, qualifications, or success rates.
2. **Professional and Dignified** – Avoiding sensationalism or comparisons that discredit competitors.
3. **Compliant with Local Laws and Professional Standards** – Following ICPAK, IFAC, and IESBA regulations.
4. **Not Soliciting Clients Through Undue Influence** – Avoiding aggressive or unethical client solicitation.

### Unacceptable Advertising Practices for Auditors

- False or misleading claims about **audit success rates**.
- Offering **guarantees** of favorable audit outcomes.

- Comparing services in a way that **damages the reputation** of competitors.
- Using client testimonials that **violate confidentiality** agreements.

## Obtaining Professional Work Ethically

Auditors and accountants must obtain professional work based on **merit, competence, and ethical practices**, rather than through **unethical solicitation or fee manipulation**.

### Ethical Methods of Obtaining Professional Work

- **Reputation and Professionalism** – Gaining clients through excellent service and adherence to high ethical standards.
- **Referral Networks** – Receiving work through recommendations from existing clients, regulators, or professional bodies.
- **Competitive Bidding** – Participating in tenders fairly and transparently without offering illegal inducements.
- **Firm Websites and Professional Profiles** – Providing accurate information about qualifications and expertise.

### Unethical Practices in Obtaining Work

Unethical Practice	Description
Fee Undercutting	Offering extremely low fees to win contracts, compromising audit quality.
Commission-Based Work	Paying or accepting commissions for referrals, violating independence rules.
Misrepresentation	Providing false information about experience or past achievements.
Client Poaching	Unethically soliciting clients from competitors.

## Professional Fees and Ethical Considerations

Fees for audit and professional services must be **fair, transparent, and independent of client influence**. The **IESBA Code of Ethics** provides guidance on setting and accepting professional fees.

## Types of Professional Fees

Type of Fee	Description
<b>Fixed Fees</b>	Agreed upon before the engagement, covering audit or consulting services.
<b>Time-Based Fees</b>	Charged based on hours worked by auditors or accountants.
<b>Contingent Fees</b>	Based on audit outcome (prohibited in assurance engagements to maintain independence).
<b>Retainer Fees</b>	Ongoing service fee for continuous professional support.

## Ethical Issues in Professional Fees

1. **Fee Dependence** – If an audit firm relies heavily on one client for fees, its independence may be compromised.
2. **Contingent Fees in Audit Engagements** – Accepting fees based on a **favorable audit outcome** is unethical.
3. **Overdue Fees** – If an auditor's fees remain unpaid, their objectivity could be at risk, especially if they continue providing services.

## Regulatory Guidelines on Fees

- The **ICPAK Code of Ethics** prohibits **contingent fees** in audit engagements.
- Firms should **disclose fee structures** in engagement letters to avoid disputes.
- Auditors should **avoid financial dependency** on a single client.

## Money Laundering and the Accountant's Role in Compliance

### Definition of Money Laundering

Money laundering refers to **concealing the origins of illegally obtained funds** by passing them through legitimate businesses or financial institutions. Accountants and auditors play a **crucial role in detecting and reporting suspicious financial activities**.

## Preparation and Retention of Audit Working Papers as Required by the Companies Act

### *Introduction*

Audit working papers serve as the backbone of an audit engagement. These documents provide evidence of the work performed, the procedures carried out, and the conclusions drawn. Proper preparation and retention of these working papers are not only a best practice but also a legal requirement under **the Companies Act**, ensuring that auditors maintain accountability, transparency, and compliance with regulatory standards.

### The Importance of Audit Working Papers

#### 1. Supporting the Auditor's Opinion:

- Working papers form the basis of the auditor's conclusions on the financial statements.
- They demonstrate compliance with **International Standards on Auditing (ISAs)** and relevant legal requirements.

#### 2. Providing a Record of Evidence:

- They document the audit procedures performed and the evidence obtained.
- They show how the auditor addressed **material risks** and evaluated **significant estimates**.

#### 3. Facilitating Supervision and Review:

- Working papers allow audit managers and partners to review the work of their teams.
- They provide a clear audit trail that enables efficient internal quality reviews and external inspections.

#### 4. Ensuring Legal and Regulatory Compliance:

- The Companies Act specifies that auditors must retain working papers for a minimum number of years, ensuring availability for future reference and regulatory inquiries.

## reparation of Audit Working Papers

Audit working papers should be prepared with care, clarity, and consistency. Key principles include:

**1. Completeness and Accuracy:**

- Document all key audit procedures, findings, and judgments.
- Ensure that all significant risks, material misstatements, and audit adjustments are thoroughly recorded.

**2. Clear Documentation of Evidence:**

- Include details of how audit evidence was gathered (e.g., confirmations, inspection of documents, substantive testing).
- Record the basis for selecting samples and the results of those tests.

**3. Logical Organization:**

- Group working papers by section (e.g., revenue, expenses, inventory) for easy reference.
- Use standardized templates and indexing to streamline the review process.

**4. Professional Judgment and Analysis:**

- Document how professional judgment was applied to key estimates and assumptions.
- Clearly show the auditor's rationale for accepting or challenging management's assertions.

## Retention of Audit Working Papers

**The Companies Act** and relevant auditing standards require that auditors keep their working papers for a minimum prescribed period. In many jurisdictions, this period is typically **seven years** from the date of the audit report, though local laws and regulations may vary.

### *Key Retention Requirements:*

- **Legal Compliance:**

- Retaining working papers ensures that auditors can demonstrate due diligence and compliance with statutory obligations.
- It allows for external investigations, regulatory reviews, or litigation defense if needed.
- **Data Security and Confidentiality:**
  - Working papers often contain sensitive financial information.
  - Firms must maintain robust controls over document access, storage, and destruction to protect client confidentiality.
- **Availability for Inspections and Peer Reviews:**
  - Regulatory bodies and professional organizations often inspect audit firms' records to ensure compliance with quality standards.
  - Retaining well-organized working papers facilitates smooth inspections and supports the firm's reputation for quality.

### **Example: Practical Approach to Working Paper Retention**

A medium-sized audit firm follows these steps to comply with the Companies Act:

1. **Standardized Retention Policy:**
  - All working papers are archived electronically and labeled with the audit year, client name, and engagement partner.
2. **Access Control:**
  - Only authorized personnel can access the archived working papers.
  - The firm uses encryption and secure servers to safeguard electronic records.
3. **Retention Schedule:**
  - Working papers are retained for a minimum of seven years.
  - A review is conducted annually to ensure that only eligible records are retained, and older, irrelevant files are securely destroyed.
4. **Compliance Monitoring:**
  - Internal quality reviews verify that all engagements meet documentation and retention standards.

- Any discrepancies are addressed promptly, ensuring continuous compliance with legal and regulatory requirements.

## Consequences of Non-Compliance

Failure to properly prepare and retain working papers can lead to significant penalties, including:

- **Regulatory sanctions and fines:**
  - Auditors who fail to meet retention requirements may face penalties from oversight bodies such as ICPAK or other local regulators.
- **Loss of professional license:**
  - Persistent non-compliance may result in the suspension or revocation of an audit firm's license to operate.
- **Legal and reputational damage:**
  - Poor documentation can make it difficult to defend against legal claims or regulatory inquiries, potentially harming the firm's credibility and market position.

- Review the organization's risk management framework and confirm that it adequately addresses both financial and non-financial risks.

### **3. Ensure Transparency and Comparability:**

- Verify that integrated reports provide clear explanations of performance against stated targets.
- Confirm that disclosures are comparable year-on-year and consistent with industry benchmarks.

## **Case Study: CIS Audit in a Public Sector Context**

### **Scenario:**

A public sector health agency relies on a computerized procurement system to manage medical supply contracts and financial reporting. The agency also publishes an integrated report that includes sustainability metrics related to healthcare access and community outreach.

### **Audit Approach:**

#### **1. Identify ITGCs:**

- Access Controls: Confirm that only authorized procurement staff have administrative rights.
- Change Management: Review records of system updates, including changes to procurement algorithms.
- Backup and Recovery: Test whether financial data backups are performed daily and can be restored quickly.

#### **2. Test Controls Over Non-Financial Data:**

- Examine controls over how the agency collects data on community outreach initiatives.
- Ensure that sustainability metrics, such as the number of people served, are accurately recorded and reported.

#### **3. Public Sector Compliance and Performance:**

- Verify compliance with government procurement regulations.

- Test whether performance indicators—such as reduced procurement cycle times—are supported by reliable data.

#### **4. Integrated Reporting Review:**

- Cross-check sustainability disclosures against financial expenditures on community health programs.
- Ensure that governance disclosures reflect the agency’s internal controls and risk management practices.

#### **Outcome:**

The audit identified gaps in user access controls and recommended tighter oversight of administrative accounts. It also found that some sustainability metrics lacked proper documentation, which led to recommendations for improved data collection procedures. The agency implemented these changes, resulting in a more reliable procurement system and enhanced credibility of its integrated report.

#### **Final Thoughts**

Auditing under computerized information systems requires a strong focus on ITGCs, ensuring that the IT environment is well-controlled and supports the integrity of financial and non-financial data. For public sector undertakings and integrated reporting entities, the auditor’s role extends to verifying compliance, assessing operational performance, and ensuring transparency in governance and sustainability disclosures. Through robust testing and thorough analysis, auditors help organizations maintain trust, accountability, and effective management of technology and resources.

# Audit of Performance Information in the Public Sector

## *Introduction*

Auditing performance information, often referred to as auditing predetermined objectives, involves assessing whether a public sector entity's reported achievements align with the objectives it set out to accomplish. Unlike traditional financial audits, which focus on the accuracy of financial statements, performance audits evaluate the efficiency, effectiveness, and economy of government programs and services. The aim is to provide assurance to stakeholders—such as taxpayers, legislators, and oversight bodies—that public funds are being used appropriately and that stated goals are being met.

## Key Objectives of Performance Information Audits

### 1. Assessing Relevance and Reliability:

- Confirm that the objectives, indicators, and targets selected by the entity are relevant to its mandate and responsibilities.
- Ensure that the reported performance information is accurate, consistent, and based on verifiable data.

### 2. Evaluating Performance Against Targets:

- Determine whether the entity achieved its predetermined objectives as outlined in strategic plans, budgets, or policy documents.
- Identify areas where performance fell short, met, or exceeded expectations, and understand the reasons for these outcomes.

### 3. Ensuring Transparency and Accountability:

- Provide stakeholders with clear and credible information about how public funds were used and what results were achieved.
- Highlight any gaps in reporting or weaknesses in data collection and management.

## Key Audit Considerations

### 1. Understanding the Mandate and Objectives:

- Review the entity's strategic and operational plans to identify the objectives and targets it committed to achieving.
- Verify that objectives are aligned with legislative requirements, policy directives, and community needs.

### 2. Reviewing Performance Indicators and Measures:

## Laws and Regulations in Forensic Accounting

### *Introduction*

Forensic accountants operate within a framework of laws and regulations that govern their investigations, reporting, and testimony. These legal and regulatory standards ensure that their work is admissible in court, compliant with ethical guidelines, and aligned with industry best practices. From fraud detection and money laundering investigations to shareholder disputes and tax compliance reviews, forensic accountants must navigate a complex web of national and international regulations to provide credible and legally defensible findings.

### Key Areas of Laws and Regulations Affecting Forensic Accounting

#### 1. Fraud and Financial Crime Legislation:

- **Anti-Fraud Laws:**
  - Laws addressing financial fraud vary by jurisdiction but often include statutes that define fraudulent acts, outline penalties, and establish enforcement mechanisms.
  - Examples: The U.S. Sarbanes-Oxley Act (SOX) enhances corporate governance and financial disclosure requirements to prevent fraud.
- **Anti-Money Laundering (AML) Regulations:**
  - AML laws require financial institutions and other regulated entities to implement measures to detect, prevent, and report suspicious activities.
  - Examples: The EU Anti-Money Laundering Directives, the USA PATRIOT Act, and the Financial Crimes Enforcement Network (FinCEN) regulations in the U.S.

#### 2. Data Protection and Privacy Laws:

- **General Data Protection Regulation (GDPR) – EU:**
  - GDPR sets strict guidelines for the collection, storage, and processing of personal data.
  - Forensic accountants must ensure that data used in investigations is handled lawfully, with appropriate consent and safeguards in place.
- **Health Insurance Portability and Accountability Act (HIPAA) – U.S.:**

- In cases involving healthcare fraud or disputes, forensic accountants may handle protected health information (PHI) and must comply with HIPAA's privacy and security standards.

### **3. Tax and Revenue Regulations:**

#### **○ Tax Codes and Revenue Acts:**

- Forensic accountants investigating tax evasion or fraud must be well-versed in national tax codes, international tax treaties, and transfer pricing regulations.
- Examples: The U.S. Internal Revenue Code (IRC), UK Finance Acts, and the OECD's Base Erosion and Profit Shifting (BEPS) framework.

#### **○ Compliance Requirements:**

- Tax regulations often mandate specific record-keeping, reporting, and disclosure requirements.
- Forensic accountants must ensure that their findings align with these regulations to be credible in court or with tax authorities.

### **4. Corporate Governance and Securities Regulations:**

#### **○ Sarbanes-Oxley Act (SOX):**

- Imposes stringent requirements on public companies in the U.S. regarding financial reporting, internal controls, and audit committee oversight.
- Forensic accountants may be called upon to investigate non-compliance or restate financial statements.

#### **○ Securities and Exchange Commission (SEC) Regulations – U.S.:**

- Forensic investigations into insider trading, financial misstatements, or disclosure violations often involve SEC rules.
- Comparable bodies in other jurisdictions include the UK Financial Conduct Authority (FCA) and the Canadian Securities Administrators (CSA).

### **5. Whistleblower and Anti-Retaliation Protections:**

#### **○ Dodd-Frank Act – U.S.:**

- Provides financial incentives and legal protection for whistleblowers who report securities violations.

- Forensic accountants may investigate allegations brought forward by whistleblowers, ensuring the confidentiality and integrity of their findings.

## 6. Professional Standards and Codes of Ethics:

- **International Federation of Accountants (IFAC) Code of Ethics:**
  - Establishes principles of integrity, objectivity, professional competence, confidentiality, and professional behavior.
  - While not a law, adherence to these standards ensures that forensic accountants maintain credibility and meet regulatory expectations.
- **AICPA Statement on Standards for Forensic Services (SSFS):**
  - Provides guidance for forensic accountants in the U.S. on how to conduct investigations, prepare reports, and provide expert testimony in compliance with ethical and professional standards.

## International Considerations

### 1. Cross-Border Investigations:

- **Anti-Bribery and Corruption Laws:**
  - The U.S. Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act impose strict requirements on companies to prevent and address bribery.
  - Forensic accountants involved in international cases must ensure compliance with these laws, especially when investigating multinational corporations.
- **International Financial Reporting Standards (IFRS):**
  - Many countries require financial reporting in accordance with IFRS.
  - Forensic accountants must understand IFRS principles when investigating discrepancies in global financial statements.

## 2. International Cooperative Frameworks:

- **Financial Action Task Force (FATF):**
  - Sets international AML standards and encourages cooperation among jurisdictions to combat money laundering and terrorism financing.
  - Forensic accountants must consider FATF recommendations when dealing with cross-border financial crime investigations.
- **OECD Guidelines:**
  - The OECD's guidelines on transfer pricing, tax transparency, and anti-corruption help shape the regulatory environment for international forensic engagements.

## Practical Implications for Forensic Accountants

### 1. Legal Admissibility of Evidence:

- Forensic accountants must ensure that their methods for collecting, analyzing, and presenting evidence comply with applicable laws.
- Non-compliance with rules governing chain of custody, confidentiality, or data privacy can result in evidence being deemed inadmissible in court.

### 2. Regulatory Reporting Requirements:

- Certain investigations, such as those involving financial institutions, may require filing reports with regulatory bodies (e.g., SARs for suspicious transactions).
- Forensic accountants need to be aware of filing thresholds, timelines, and the format of these reports.

### 3. Navigating Ethical Dilemmas:

- When dealing with sensitive information, forensic accountants must balance the need for transparency with the requirement to protect confidentiality and privacy.
- Understanding the legal boundaries and ethical considerations helps maintain professional integrity.

## Key Regulators in Kenya's Audit and Assurance Space

### *Introduction*

Several regulatory bodies in Kenya oversee and enforce compliance within specific sectors of the economy. These regulators have a vested interest in audit and assurance processes to ensure financial transparency, protect stakeholders, and maintain market integrity. While the overall audit framework is shaped by professional standards and national laws, these sector-specific authorities add additional layers of compliance requirements and reporting obligations.

### 1. Central Bank of Kenya (CBK)

#### **Mandate:**

- Oversees banks, microfinance institutions, and foreign exchange bureaus.
- Ensures financial stability, soundness, and compliance with prudential guidelines.

#### **Audit and Assurance Requirements:**

- Financial institutions must submit audited annual accounts and comply with CBK's prudential guidelines on credit risk, liquidity management, and capital adequacy.
- External auditors are often required to provide detailed assurance reports on institutions' risk management frameworks and internal control systems.
- CBK issues specific reporting templates and deadlines, and auditors must confirm that these entities adhere to regulatory thresholds and maintain sufficient reserves.

### 2. Insurance Regulatory Authority (IRA)

#### **Mandate:**

- Regulates and supervises insurance companies, brokers, agents, and other intermediaries.
- Promotes the development of a stable insurance sector and protects policyholders' interests.

#### **Audit and Assurance Requirements:**

- Insurers must submit audited financial statements and actuarial reports annually.

- Auditors need to ensure that insurance companies comply with solvency margins, reserve requirements, and investment guidelines.
- The IRA often requires auditors to verify the accuracy of claim reserves, premium income, and reinsurance arrangements.
- Insurers must provide quarterly and annual returns, with auditors playing a key role in validating these submissions.

### 3. Capital Markets Authority (CMA)

#### **Mandate:**

- Regulates listed companies, stockbrokers, investment banks, fund managers, and collective investment schemes.
- Ensures transparency, investor protection, and the integrity of Kenya's capital markets.

#### **Audit and Assurance Requirements:**

- Publicly listed companies must file audited financial statements and annual reports that comply with International Financial Reporting Standards (IFRS).
- Auditors are expected to report on compliance with corporate governance codes, internal controls, and risk disclosures.
- For collective investment schemes, auditors provide assurance on portfolio valuations, net asset values (NAVs), and fund performance figures.
- The CMA requires prompt disclosure of material events, and auditors may be called upon to review interim financial reports or special investigations into irregularities.

### 4. Retirement Benefits Authority (RBA)

#### **Mandate:**

- Regulates pension schemes, umbrella funds, and retirement benefit administrators.
- Ensures that retirement schemes are managed prudently and that members' contributions are protected.

#### **Audit and Assurance Requirements:**

- Pension schemes must prepare audited annual accounts and submit them to the RBA.

- Auditors review scheme financial statements, contribution records, and compliance with investment limits.
- They must verify the accuracy of member benefit payments, the calculation of accrued liabilities, and the proper segregation of assets.
- The RBA also expects auditors to ensure that schemes meet statutory funding levels and comply with governance and reporting standards.

## Common Themes Across These Regulators

### 1. Stringent Reporting Requirements:

- All the regulators mandate timely submission of audited financial statements, with penalties for non-compliance.
- They often specify the format and detail of reports, meaning auditors must be familiar with sector-specific templates and guidelines.

### 2. Focus on Internal Controls and Risk Management:

- Regulators expect auditors to provide assurance on the effectiveness of internal controls, governance frameworks, and risk management systems.
- This goes beyond the financial statements to include compliance with prudential regulations, investment policies, and governance codes.

### 3. Sector-Specific Standards and Guidelines:

- Each regulator sets additional requirements that may not be covered under general auditing standards.
- Auditors must ensure that entities adhere to these sector-specific rules, which may include solvency ratios, investment restrictions, and capital adequacy benchmarks.

### 4. Stakeholder Protection:

- The primary aim of these regulators is to protect depositors, policyholders, investors, and scheme members.
- Auditors' work under these regulatory frameworks contributes to building trust and safeguarding stakeholder interests.