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Book Review: Auditing, The Late A.H. Millichamp and J.R. Taylor (Book Power, 9th Edition (2008), Pages: 446).

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The skill of understanding and analyzing the fair presentation of financial statements is essential for accounting practitioners and stakeholders, as it provides a deep dive into the evaluation of financial statements and the stability of a business. As a concept, auditing of financial statements may be fundamental since it involves scrutinizing the presentation of financial statements to review, evaluate, and interpret the presentation of financial statements without misrepresentation. Therefore, a helpful textbook to guide the user in assessing the presentation of financial statements is timely and required.

As a comparison piece of work, Auditing, provides the accounting practitioner and students who follow audit courses with a understanding and explanation on how the comprehensively a financial audit must be carried out since it is enrich with in detail explanations and comprehensive guidance on understanding audit profession answering for the audit exams that makes it easy for the reader to grab the core ideas and procedures in audit profession to scrutinize the financial statements and uncover the fair presentation of financial statements. Furthermore, the book is enriched with clear and concise language with a logical structure of chapters, making the reader to grasp the key points.

Throughout the book, the authors have incorporated real-world examples and case studies that span a broader spectrum of audit concepts in both theoretical and practical aspects, which assist the reader in connecting the concepts, core ideas to the real-world application, making complex audit procedures more accessible. Hence, this book is a veritable treasure since it is a well-organized and exemplified resource with well-presented that fits the bill if you are looking to introduce yourself to the accounting profession.

While the ninth edition has a few limitations, particularly its limited discussion of how information technology impacts auditing and accounting, these have been addressed in later editions (10th and 12th). Further, updates in international accounting standards that significantly affect the audit practices are not covered in this edition. Nevertheless, still, these pieces of work are a treasure to undergrads and early-stage professional students in the auditing and accounting field.

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OVERVIEW

The book consisted of thirty-four chapters, starting from an introduction to the audit profession and stretching to discuss the contemporary issues in the audit profession. Chapter one, “Introduction to auditing – the why of auditing”, explains the importance, purpose, responsibility and key professional requirements that auditors must satisfy to become a professional practitioner, showcasing to become the professional auditor explain the key professional requirements to be fulfill and the personal characteristics to be improve by a person to become an auditor or the accounting practitioner.

The second chapter, “Corporate governance,” by Millichamp and Taylor, focuses on discussing the responsibilities and duties of the governing body of an organization to prepare the financial statements in compliance with the standards and other regulatory requirements of the accounting and civil laws of the country. Furthermore, it discusses the disclosure of important information to the stakeholders to make crucial decisions about the organization based on the financial statements. There, the author discusses the auditors' and directors' responsibilities separately in terms of presenting the financial statements without misrepresentation.

Chapter Three “The statutory framework for auditing” explains the legal background of appointing an auditor and auditor’s responsibility in issuing the audit report, the general qualifications that an auditor should satisfy to become an external auditor for a company with their duties and rights, the auditor's remuneration, the legal provisions to remove an auditor. Moreover, Chapter Eight explains the audit process of accepting the client for an external audit. Here, the authors discuss the procedure to be followed before accepting the client and the continuation processes of client engagement. There, Millichamp and Taylor highlight the process of screening the client organization, preparing an engagement letter, and aware the governing parties regarding the preconditions to be satisfied before the beginning of the audit.

The next chapter explains the importance of the accounting process to an organization, highlighting the legal background of recording the transactions and events in the company ledger accounts, adhering to the accounting standards and regulations. Furthermore, authors explain the disclosure requirement of accounting information to the stakeholders to make financial decisions and the importance of presenting true and fair financial reporting.

Moreover, chapter five focused on explaining the international accounting and auditing standards that give the general guidelines to the accounting professionals to carry out the auditing and accounting process, directing to the guidelines for professional conduct of auditors, which is discussed under “Rules of professional conduct” in chapter six. In chapter six, the authors explain the fundamental principles of the audit profession, ethical background, and the threat to the auditor’s independence via conflicts of interest, intimidation, and familiarity.

Therefore, chapter seven is devoted to discussing the importance of quality control of audit firms in terms of firm-level and individual audit levels. Hence, Chapter Seven focuses to explaining key techniques of maintaining the quality control within the audit firm and the individuals who are involved in audit activities.

In Chapter Nine, understanding the accounting system and internal controls of the client organization is discussed in detail to clarify the key areas to be focused on in the audit and planning the audit procedures. Hence, Chapter Ten focused on planning the audit, assessing the audit risk, and judging the materiality of the transactions. Thus, in Chapters Nine and Ten, explain how the core system review is carried out on the internal control system of the client and developing audit strategies, risk assessment tools, determining the materiality threshold, and planning the audit procedures to pay attention to the most significant areas to detect the fraud and errors with time consideration.

Chapter Eleven discusses the gathering of audit evidence in respect of fair presentation of the financial statements. Further, authors give direction on gathering the evidence in a scientific manner to satisfy the sufficiency and appropriateness of audit evidence. There, it covers audit assertions, evaluates the reliability of audit evidence, sample selection and gets assistance from experts. As per the extension to Chapter Eleven, Chapter Fifteen discusses the assertions relating to specific items, including inventories, cash verification, fixed assets verification, valuation of assets, and disclosure of them in the accounting records, verifying the existence and testing the condition and the non-current assets verification. Moreover, it focuses on evaluating and assessing the liabilities of the client in respect to non-current loans and short-term liabilities. Furthermore, Chapter Sixteen expands the main discussion of varying liabilities, and discusses how the audit professional much closely

examines the payables, accruals, provisions for future losses, and the disclosure of liabilities in the financial records.

Moving forward, Chapter Twelve focused on analytical and substantive procedures to test the fair presentation of financial statements and gather samples to execute the audit procedures. There, the authors explain the control testing, statistical and non-statistical sampling, and the analytical review of financial statements to identify the significant areas to implement the audit procedures.

Chapter Thirteen elaborates on the system-based audit, directing the professional to carry out the audit in information system-based organizations. Here, the chapter focuses on auditing information systems, implementing the controls, and keeping audit evidence for the client organizations that use the information systems to maintain accounting records. Following Chapter Thirteen, Chapter Seventeen explains the auditor's approach to assess the audit risk when there is an information system in the client organization. The chapter discusses the computer-assisted auditing techniques, the interdependency of each department with the collaboration of information systems, and the audit ramifications.

Following Chapter Thirteen, the assessment of risk is discussed under Chapter Fourteen. In chapter fourteen, it emphasizes the risk assessment and managing the audit risk with the risk management framework. Further, this chapter highlights the external and internal risk assessment process to guide the practitioner to judge the audit risk and take remedial actions to minimize the audit risk.

Chapter Eighteen discusses maintaining documents. Here, the authors highlight the types of working papers and the purpose of maintaining proper documents. It emphasizes the best practices of maintaining sufficient and appropriate audit documents with strong evidence. Furthermore, chapter eighteen highlights the standardization of working papers to make it easy for the newly appointed auditor to obtain the knowledge of the business and previous audit procedures with their results. Moreover, it explains the procedures of retaining the working papers.

The next chapter will explain the use of internal audit work. Here, the authors describe what is meant by internal audit and the role of internal auditors. Furthermore, the chapter explains how to maintain the coordination among

external auditors and internal auditors. Furthermore, the use of internal audit by the external auditors has been discussed in this chapter.

When it comes to Chapter Twenty, attention has been given to detecting fraud and errors in financial statements. The chapter highlights the identification of fraud risk factors and assesses the influence of the key weakness in internal controls that creates room for fraud and errors.

Chapter Twenty-One discusses the audit procedures for the related party transactions. It presents the audit procedures to verify the proper disclosure of related party transactions. Further, the chapter explains the auditor's role in examining whether the company has properly disclosed the related party transactions to the stakeholders. Furthermore, identifying the relationships and assessing the audit risk in connection to the related party transactions.

The next chapter was devoted to explain the audit process when there are client organizations that use the service organizations to facilitate their operations. The chapter explains the auditor's responsibility when there is an external service organization is involved with the client organization. Further, it highlights the audit procedures to verify the level of service provided by the external party and how the internal controls of service organizations influence to the client.

Following the audit procedures for the client with service organizations, the next chapter focuses on evaluating and scrutinizing the accuracy of opening balances of the financial statements and reviewing the effect of subsequent events that occurred after the financial period. Further, the authors discussed the accounting and auditing treatment to adjust and disclose the after-balance sheet activities and properly present them in the financial statements. Moreover, the chapter highlights the performance review, supervision, and assessing the overall audit quality when there are subsequent activities.

The next chapter discusses how the auditor should evaluate the going concern of the client organization. Here, it highlights the audit procedures to be followed to identify the going concern issues with the client and assess the effect of those indicators, and properly disclose them in the relevant documents. Moreover, the auditor's responsibility has been highlighted to give the reader a comprehensive understanding.

Chapter Twenty-Five is to explain the importance of management representations, preparing a representation letter, and using them as audit

evidence with real-world examples. Furthermore, Chapter Twenty-Six discusses the final stage review of financial statements to issue the audit report. Therefore, it elaborates the key closing procedures of audit activities and carries out the analytical review, final checks, letter of representation, and file sign-off to complete the audit process.

When it comes to the latter part of the textbook, in Chapter Twenty-Seven, it explains the issuing of the audit report as the outcome of the external audit. Hence, chapter twenty-seven discusses the type of audit opinions while elaborating the components of the statutory auditor report and the grounds for issuing each category of audit opinion. Attached to Chapter Twenty-Seven, the next chapter explains the presentation of the audit report to the governing body of the client organization. There, the chapter explains the formal and informal communication of matters arising in the financial statements and the amendments needed to be done on the final accounts of the client organizations for the fair presentation of financial statements.

Finally, chapter Twenty-Nine focused on auditing the group companies that maintain and having several external auditors to carry out the audit activities. Therefore, this chapter explain how to maintain the consistency and relationship among external audit firms and the scope of audit activities in consolidated statements, maintain the coordination of component auditors and develop the group audit strategies. Following the audit for group companies, the next chapter directs to the audit procedures for small companies. It simplifies the auditing approaches for small and medium-scale companies and assesses the risk.

The next chapter will explain the auditor's legal liability. Further, the chapter describes how the minimize the firm's risk of non-compliance with laws and regulations. Followed by the discussion of non-audit assurance services provided by the audit firms and the audit procedures when the external auditor provides additional services to the client organization. Here, it highlights how to maintain the auditor's independence when providing audit services and non-audit assurance services to the client. It gives an overview of review engagements, agreed-upon procedures, and other assurance services outside audit.

One before the last chapter (Chapter Thirty-Three) is to explain the evaluation of the environmental reporting and corporate social responsibility disclosures of the client organization. It highlights the key point to be

considered by the auditor with respect to disclosing the environmental and sustainable reporting.

As the final chapter of the textbook, Chapter Thirty-Four explains the current trends, issues, and contemporary development of the audit profession. There, the authors discuss the challenges, issues, ethical clearance of the audit profession, and future direction of audit profession.

EVALUATION AND CONCLUSION

Millichamp & Taylor's Auditing (9th Edition) remains a solid foundational textbook for undergraduates and beginners who seek the pathway to enter the accounting and auditing profession, especially for those following accounting and auditing courses. While it offers an excellent learning experience and depth in traditional audit theory and practice.

ABOUT THE AUTHORS

Late Alan H. Millichamp was a lecturer attached to several universities, including the University of Wolverhampton, Birmingham, and the Open University Business School in Birmingham. He served as an examiner and assessor to the Association of Chartered Certified Accountants (ACCA).

John R. Taylor is a senior lecturer in Leeds Metropolitan University and a book publisher in the accounting field. He has published many accounting text books and hold several positions in many institutions including the financial director to the Leeds- based Plc.

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