

Abstract and keywords

The audit of financial institutions

The purpose of my thesis is to provide a comprehensive view on the issue of the audit of financial institutions. The main reason for my research is my personal interest in this area stemming from my contemporary occupation. Secondly, I would like to broaden a range of a few existing theses dealing with related topics by complex and especially legal point of view.

The thesis is composed of four chapters, each of them dealing with the issue on different level of generalization and specialization. Chapter One is introductory and defines basic terminology used in the thesis: “audit” and “financial institutions”. The chapter is subdivided into three parts. Part One describes audit, its aims and functions and explains important concept of materiality. Part Two deals with various understandings of the term “financial institutions”. Part Three determines scope of the thesis and its structure.

Chapter Two examines relevant Czech legislation, International Standards on Auditing and Code of Ethics. The chapter consists of eleven parts which focus on respective elements of audit regulation. Namely it investigates requirements for compulsory audit, eligibility of an auditor, rights and duties of an auditor with deeper focus on ethical imperatives (especially independency and secrecy), audit quality review, disciplinary proceedings and public oversight of the audit.

Chapter Three is subdivided into five parts and provides an outline of normal course of an audit engagement and basics of technical audit methodology. Part One illustrates the activities before conclusion of a contract and terms of the contract. Part Two looks at understanding of the client and preliminary planning procedures. Part Three deals with audit planning phase. Part Four focuses on tests of operating effectiveness of controls, substantive procedures, audit of financial statements and their notes and annual report. Part Five describes completion stage, mainly representation letter, auditor’s report with possible modifications and management letter.

Chapter Four concentrates on specific issues of the audit of financial institutions resulting from their extraordinary nature of business. The chapter consists of three parts dealing with audit of banks, savings and credit cooperatives and brokerage firms consecutively.

Conclusions are drawn in the Summary. The outcome of this paper shows primarily that the audit of financial institutions is unique and highly demanding. Not only the auditor needs to fulfil general legal and methodology requirements but he/she must also understand the business of financial institutions, specific regulatory requirements, risk management, IT systems and have a extensive spectrum of knowledge and experience. The thesis provided respective comprehensive view on specifics of the audit of financial institutions.

Keywords:

Audit, auditor, financial institutions, accounting, bank, savings and credit cooperative, brokerage firm