

## AUDIT AND ASSURANCE

Audit and Assurance (AA) is one of four modules comprising the CIPFA Diploma in International Public Financial Management (Dip IPFM).

The AA module provides an introduction to the role of assurance in modern governance and accountability frameworks, with a more specific focus on the roles of and the techniques used by auditors. This is a crucial element of the stewardship role that finance professionals perform in modern organisations, and is also relevant to the roles of enabler and innovator and business partner.

AA is designed to provide candidates with the necessary knowledge, understanding and skills to perform internal and external auditing within the public services. The module focuses on both the theoretical and practical aspects of auditing and is designed to assess the ability of candidates to perform audit work and prepare high quality audit documentation. Students are introduced to the duties of auditors and the frameworks in which they operate, such as the key legal, ethical and professional arrangements and the contribution of audit to good governance. The module considers how auditors of financial statements assess risk, plan audits and gather audit evidence before forming and reporting their audit opinion. Further areas studied include the application of audit concepts to more specific forms of audit activity such as the role of internal audit in reviewing and improving an organisation's operations

The module outcomes are based on the requirements of the International Standards of Supreme Audit Institutions (ISSAIs), the requirements of the Institute of Internal Auditors and the tasks found in typical audit job descriptions within public sector organisations.

## Syllabus topics

A	Audit environment	20%
B	Risk assessment and planning	20%
C	Audit testing	20%
D	Audit evidence	10%
E	Audit finalisation procedures	10%
F	Internal audit	20%

## Other information, including assessment

Prior knowledge:	Financial Accounting (ethical principles)
Standards:	ISSAIs
Validity:	2021 examinations
Assessment:	An exam of 150 minutes with 75 marks available consisting of: 25 multiple choice questions of 1 mark each; 6 short form questions worth 5 marks each and 2 longer scenario questions worth 10 marks each. The pass mark is 50%.

Overall Aim	Learning outcome	Content
A <b>Identify and explain the scope, regulatory and ethical environment within which audits are performed</b> (20%)	A1 Explain the concepts of audit and assurance	<ul style="list-style-type: none"> <li>(i) Objectives of external audit and other assurance engagements</li> <li>(ii) Levels of assurance and concept of reasonable assurance</li> <li>(iii) Accountability and stewardship</li> <li>(iv) True and fair presentation</li> <li>(v) The assurance engagement process</li> </ul>
	A2 Explain the provisions relating to audits within the public services and private sector	<ul style="list-style-type: none"> <li>(i) General requirements relating to the provision of internal and external audit services</li> <li>(ii) Auditor's rights and duties</li> <li>(iii) Auditor's liability including criminal liability and liability to third parties</li> <li>(iv) Impact of International Standards of Supreme Audit Institutions Auditing (ISSAI) on external audit work</li> <li>(v) Fundamental principles of public sector auditing</li> <li>(vi) Public sector audit frameworks</li> <li>(vii) Company audit requirements</li> </ul>
	A3 Explain the scope of internal and external audits	<ul style="list-style-type: none"> <li>(i) Basic tenets and concepts of internal and external audit work</li> <li>(ii) Power and authority available to internal and external auditors</li> <li>(iii) Concepts of independence and objectivity</li> <li>(iv) Materiality</li> </ul>

	A4	Discuss and demonstrate the importance of ethical behaviour and the requirements of applicable standards	<ul style="list-style-type: none"> <li>(i) Professional ethical and legal principles relating to auditor behaviour</li> <li>(ii) Ethical principles, their associated threats and safeguards and their relevance in an audit and assurance context</li> <li>(iii) IFAC Code of Ethics for Professional Accountants</li> <li>(iv) CIPFA Standard of Professional Practice on Ethics</li> <li>(v) Code of Ethics - ISSAI 30</li> </ul>
	A5	Explain the quality control requirements for an audit	<ul style="list-style-type: none"> <li>(i) Good practice in quality control as presented in quality control standards</li> </ul>
	A6	Explain corporate governance requirements and their impact on audit work	<ul style="list-style-type: none"> <li>(i) Objectives of corporate governance</li> <li>(ii) Structure and role of an Audit Committee</li> <li>(iii) Contribution of internal and external auditors to corporate governance, in particular through their relationship with the Audit Committee</li> </ul>
<b>B Explain the risk assessment and planning procedures required by relevant auditing standards (20%)</b>	B1	Explain the objectives and general principles of audit planning and risk assessment	<ul style="list-style-type: none"> <li>(i) Agreeing the terms of audit engagements</li> <li>(ii) Audit strategy and audit planning</li> <li>(iii) Purpose of interim and final audits</li> <li>(iv) Impact of interim audit work on the final audit</li> <li>(v) Documenting the audit plan</li> </ul>
	B2	Explain the audit assurance model underpinning the ISSAI approach to the conduct of audits	<ul style="list-style-type: none"> <li>(i) Definition of audit risk</li> <li>(ii) Importance of professional scepticism</li> <li>(iii) Role of professional judgement</li> </ul>
	B3	Identify the information required for	<ul style="list-style-type: none"> <li>(i) Understanding of the organisation and its control</li> </ul>

	the risk assessment process	environment (ii) Fraud risks and the related internal controls established (iii) Evaluation of the design and implementation of internal controls (iv) Preliminary analytical procedures (v) Matters arising from audit team meeting proceedings (vi) Using the work of internal auditors
	B4 Identify audit risks and discuss their implications	(i) Identification of risk at the financial statement level (ii) Identification of risk at the assertion level (iii) Determination of potential misstatements in respect of each assertion (iv) Nature of significant risk and required audit responses (v) Setting of planning and performance materiality
C Discuss the requirements of audit programmes, including the design of audit tests, in order to obtain sufficient and appropriate audit evidence (20%)	C1 Identify and discuss an overall audit response to address assessed risks at both the financial statement and the assertion level	(i) Use of experienced staff (ii) Enhanced supervision (iii) Changes in nature, timing and extent of audit tests (iv) Considerations regarding the control environment (v) Focus on potential misstatements or key control weaknesses (vi) Role of controls testing (vii) Role of substantive testing

		(viii) Use of a combined testing approach
	C2 Identify internal controls, design appropriate audit tests and identify the requirements for audit working papers	(i) Tests of internal controls (ii) Evaluation of control weaknesses (iii) Substantive analytical procedures (iv) Substantive tests of detail (v) Internal control procedures for key transactions and processes (vi) Use of audit sampling (vii) Using the work of internal auditors
	C3 Explain the role of audit in an IT environment in relation to selecting and evaluating audit evidence	(i) Risks of auditing in an IT environment (ii) Specialist software for sample selection and testing
<b>D Discuss the use of audit evidence and apply audit evidence to form an audit opinion (10%)</b>	D1 Discuss the sufficiency and appropriateness of audit evidence obtained	(i) Relevance and reliability (ii) Importance of obtaining written representations (iii) Approach to corroborating and conflicting evidence (iv) Response to insufficient evidence

	D2 Identify and discuss the issues that an auditor would consider when assessing control weaknesses or whether unadjusted misstatements are material, individually or in aggregate	<ul style="list-style-type: none"> <li>(i) The size and nature of misstatements</li> <li>(ii) The nature of control weaknesses</li> <li>(iii) Communications with management and those charged with governance</li> <li>(iv) Protocols relating to the correction of errors or addressing control weaknesses</li> </ul>
<b>E Discuss the preparation of working papers to document audit finalisation procedures performed (10%)</b>	E1 Identify audit finalisation procedures	<ul style="list-style-type: none"> <li>(i) Final analytical procedures</li> <li>(ii) Subsequent events review</li> <li>(iii) Going concern review</li> </ul>
	E2 Identify the requirements for the audit close-down process and discuss audit reporting	<ul style="list-style-type: none"> <li>(i) Overall review of audit evidence</li> <li>(ii) Communication within the audit function</li> <li>(iii) Audit opinion on financial statements</li> <li>(iv) Reporting to stakeholders on identified weaknesses in internal controls</li> </ul>
<b>F Explain the role of internal audit and describe the performance of internal audit tasks (20%)</b>	F1 Explain the scope and contribution of internal audit work to an organisation	<ul style="list-style-type: none"> <li>(i) Scope of internal audit activity within the public services and the private sector</li> <li>(ii) Role of internal audit as a contributor to the management of an organisation</li> <li>(iii) Organisation of internal audit function; outsourcing options</li> <li>(iv) The impact of regulatory and professional frameworks on the conduct of internal audit</li> <li>(v) Application of ethical principles to internal audit work</li> <li>(vi) Public Sector Internal Audit Standards</li> </ul>

		(vii) Independence and objectivity
		(viii) Internal audit planning
		(ix) Internal audit reports
F2	Explain the Demonstrate internal audit techniques used in the review of internal control and explain the contribution of specialist internal audit engagements	(i) Internal audit of internal control (ii) Contract audit (iii) Fraud investigations (iv) Performance audit

## EXAMINABLE STANDARDS

*NB: The following table is intended to provide a general indication only of the extent to which knowledge and application of each standard may be tested in the Audit and Assurance examination. Syllabus guidelines, learning materials and the specimen examination paper will provide further detail on the specific aspects of each standard that candidates should focus their attention on and the style of examination question that they are likely to encounter.*

EXAMINATION STATUS OF INTERNATIONAL STANDARDS OF SUPREME AUDIT INSTITUTIONS (ISSAIs)				
ISSAI		Audit and Assurance at level		
		A	B	C
<b>Prerequisites for the functioning of SAIs</b>				
30	Code of ethics	X		
40	Quality control for SAIs		X	
<b>General auditing guidelines on financial audit</b>				
100	Fundamental principles of Public-Sector Auditing (2013)	X		
200	Fundamental principles of Financial Auditing (2013)	X		
1200	Overall objectives of the independent auditor and the conduct of an audit in accordance with International Standards on Auditing	X		
1210	Agreeing the terms of audit engagements			X
1220	Quality control for an audit of financial statements		X	



1230	Audit documentation	<b>X</b>		
1240	The auditor's responsibilities relating to fraud in an audit of financial statements	<b>X</b>		
1250	Consideration of laws and regulations in an audit of financial statements	<b>Not examinable</b>		
1260	Communication with those charged with governance	<b>X</b>		
1265	Communicating deficiencies in internal control to those charged with governance and management	<b>X</b>		
1300	Planning an audit of financial statements	<b>X</b>		
1315	Identifying and assessing the risks of material misstatement through understanding the entity and its environment	<b>X</b>		
1320	Materiality in planning and performing an audit	<b>X</b>		
1330	The auditor's responses to assessed risks	<b>X</b>		
1402	Audit considerations relating to an entity using a service organization	<b>Not examinable</b>		
1450	Evaluation of misstatements identified during the audit	<b>X</b>		
1500	Audit evidence	<b>X</b>		
1501	Audit evidence – specific consideration for selected items	<b>Not examinable</b>		
1505	External confirmations			<b>X</b>
1510	Initial audit engagements – opening balances	<b>Not examinable</b>		
1520	Analytical procedures	<b>X</b>		

1530	Audit sampling	X		
1540	Auditing accounting estimates, including fair value accounting estimates, and related disclosures	X		
1550	Related parties	Not examinable		
1560	Subsequent events	X		
1570	Going concern	X		
1580	Written representations	X		
1600	Special considerations – audits of group financial statements (including the work of component auditors)	Not examinable		
1610	Using the work of internal auditors	X		
1620	Using the work of an auditor’s expert	Not examinable		
1700	Forming an opinion and reporting on financial statements	X		
1705	Modifications to the opinion in the independent auditor’s report	X		
1706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor’s report	X		
1710	Comparative information – corresponding figures and comparative financial statements	Not examinable		
1720	The auditor’s responsibilities relating to other information in documents containing audited financial statements	Not examinable		
Public Sector Internal Audit Standards				

	Public Sector Internal Audit Standards			X
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### Levels of knowledge required for the examination

Level A: A thorough knowledge with a solid understanding of the subject matter and some experience in its application in practice sufficient to: exercise reasonable professional judgement in the application of the subject matter in those circumstances generally encountered in practice; and recognise when the assistance of a specialist may be required. This level of knowledge is lower than that of a specialist.

Level B: A working knowledge with a broad understanding of the subject matter and a modicum of experience in its application sufficient to: apply the subject matter in straightforward circumstances; and identify issues requiring professional attention in more complex situations.

Level C: a general knowledge with a basic understanding of the subject matter and training in its application sufficient to: identify significant issues; evaluate their potential implications or impact; and recognise that additional work or advice may be required to be performed by a person technically competent in this area of expertise. This level of knowledge is significantly greater than that of a layperson.