

Audit and Assurance

The Audit and Assurance (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.

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.

Key audit concepts such as reasonable assurance, audit risk and materiality are introduced as a basis for understanding the risk-based approach to the audit of financial statements used in International Standards on Auditing (ISAs). Students go on to consider 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 audit of clients' IT systems and the role of internal audit in reviewing and improving an organisation's operations.

The table of examinable standards specifies standards that are examinable in AA and the level at which these are examinable.

The AA module includes application of ethical principles to audit work, and knowledge of the ethics content from the Financial Accounting module is required. Much of the module is focused on the audit of financial statements, and as such, prior or concurrent study of Company Financial Reporting would also be useful.

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:	ISAs (UK and Ireland); Ethical Standards for Auditors; Public Sector Internal Audit Standards
Validity:	To and including September 2022 examinations
Assessment:	A 120 minute exam with 60 marks available consisting of: 40 multiple choice questions (worth 1 mark each) and 4 short form questions worth 5 marks each. The pass mark is 50%.

Overall Aim	Learning outcome	Content
A Identify and explain the scope and legal, regulatory and ethical environment within which audits are performed (20%)	A1 Explain the concepts of audit and assurance	<ul style="list-style-type: none"> (i) Objectives of external audit and other assurance engagements (ii) Levels of assurance and concept of reasonable assurance (iii) Accountability and stewardship (iv) True and fair presentation (v) The assurance engagement process
	A2 Explain the legal provisions relating to audits within current public services and private sector legislation	<ul style="list-style-type: none"> (i) General requirements relating to the provision of internal and external audit services (ii) Auditor's rights and duties (iii) Auditor's liability including criminal liability and liability to third parties (iv) Impact of ISAs on external audit work (v) Public sector audit frameworks (vi) Companies Act 2006 requirements (vii) Proceeds of Crime Act 2002 requirements (viii) Legislation and regulations affecting public sector audits
	A3 Explain the scope of internal and external audits	<ul style="list-style-type: none"> (i) Basic tenets and concepts of internal and external audit work (ii) Power and authority available to internal and external auditors (iii) Concepts of independence and objectivity

		(iv) Materiality
A4	Discuss the importance of ethical behaviour in audit work and identify the requirements of applicable standards	<ul style="list-style-type: none"> (i) Professional ethical and legal principles relating to auditor behaviour (ii) Ethical principles, their associated threats and safeguards and their relevance in an audit and assurance context (iii) IFAC Code of Ethics for Professional Accountants (iv) CIPFA Standard of Professional Practice on Ethics (v) Ethical Standards issued by the Financial Reporting Council (FRC)
A5	Explain the FRC quality control requirements for an audit	<ul style="list-style-type: none"> (i) Good practice in quality control as presented in quality control standards
A6	Explain corporate governance requirements and their impact on audit work	<ul style="list-style-type: none"> (i) Objectives of corporate governance (ii) Structure and role of an Audit Committee (iii) Contribution of internal and external auditors to corporate governance, in particular through their relationship with the Audit Committee (iv) Regulations affecting audit and governance of public service organisations
B	Explain the risk assessment and planning procedures required by	<ul style="list-style-type: none"> (i) Agreeing the terms of audit engagements (ii) Audit strategy and audit planning
	B1	Explain the objectives and general principles of audit planning and risk assessment

relevant auditing standards

(20%)

	(iii) Purpose of interim and final audits
	(iv) Impact of interim audit work on the final audit
	(v) Documenting the audit plan
B2 Explain the audit assurance model underpinning the ISA approach to the conduct of audits	(i) Definition of audit risk
	(ii) Importance of professional scepticism
	(iii) Role of professional judgement
B3 Identify the information required for the risk assessment process	(i) Understanding of the organisation and its control 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 identification of internal controls and design of audit tests, in order to obtain sufficient 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
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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 details
 - (v) Internal control procedures for key transactions and processes
 - (vi) Use of audit sampling
 - (vii) Using the work of internal auditors
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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
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D Discuss the use of audit evidence and apply audit evidence to form an audit opinion (10%)

D1 Discuss the sufficiency and appropriateness of audit evidence obtained

- (i) Relevance and reliability
- (ii) Importance of obtaining written representations
- (iii) Approach to corroborating or 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

- (i) The size and nature of misstatements
 - (ii) The nature of control weaknesses
 - (iii) Communications with management and those charged with governance
 - (iv) Protocols relating to the correction of errors or addressing control weaknesses
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E Discuss the preparation of working papers to document audit finalisation procedures performed (10%)	E1 Identify audit finalisation procedures	(i) Final analytical procedures (ii) Subsequent events review (iii) Going concern review
	E2 Identify the requirements for the audit close-down process and discuss audit reporting	(i) Overall review of audit evidence (ii) Communication within the audit function (iii) Audit opinion on financial statements (iv) Reporting to stakeholders on identified weaknesses in internal controls
F Explain the role of internal audit and describe the performance of internal audit tasks (20%)	F1 Explain the scope and contribution of internal audit work to an organisation	(i) Scope of internal audit activity within the public services and the private sector (ii) Role of internal audit as a contributor to the management of an organisation (iii) Organisation of internal audit function; outsourcing options (iv) The impact of regulatory and professional frameworks, including Public Sector Internal Audit Standards, on the conduct of internal audit (v) Application of ethical principles to internal audit work (vi) Independence and objectivity (vii) Internal audit planning (viii) Internal audit reports

F2 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 investigation
 - (iv) Performance audit
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