Advanced Audit and Assurance (INT) (P7)

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper.

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students, tuition providers and publishers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (*see intellectual levels below).

Reading lists

ACCA has two approved publishers: BPP Professional Education and Kaplan Publishing Foulks Lynch. Both these publishers base their study texts on the detailed contents of the study guides as published by ACCA. ACCA takes no editorial responsibility for the detailed content of these study texts although ACCA examiners will annually review their content for general appropriateness and relevance in supporting effective study towards ACCA examinations. In addition ACCA examiners will recommend other text books where appropriate, which students may read in order to widen their reading beyond the approved study texts. Relevant articles will also be published in *student accountant.*

INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension
Level 2: Application and analysis
Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden, as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

LEARNING HOURS

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations are all paper based three-hour papers. The structure of papers varies from ten questions in the *Corporate and Business Law* (F4) paper to four 25 mark questions in *Performance Management* (F5) and *Financial Management* (F9). Individual questions within all Skills module papers will attract between 10 and 30 marks.

The Professional level papers are all three-hour paper based examinations, all containing two sections. Section A is compulsory, but there will be some choice offered in Section B.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of each of the Options papers contains 50-70 compulsory marks from two questions, each attracting between 25 and 40 marks. Section B will offer a choice of two from three questions totalling 30-50 marks, with each question attracting between 15 and 25 marks

GUIDE TO EXAMINATION ASSESSMENT

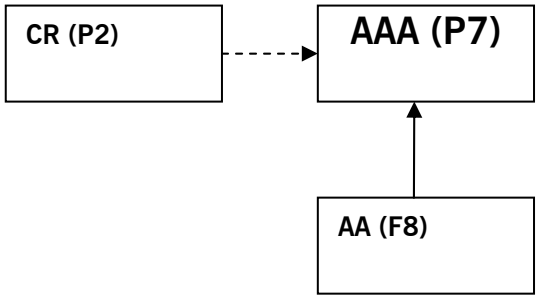
ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and assurance, law and tax papers, ACCA will publish *examinable documents* every six months to indicate exactly what regulations and legislation could potentially be assessed at the following examination session.

Knowledge of new examinable regulations will not be assessed until at least six calendar months after the last day of the month in which documents are issued or legislation is passed. The relevant cut-off date for the June examinations is 30 November of the previous year, and for the December examinations, it is 31 May of the same year.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

Syllabus



AIM

To analyse, evaluate and conclude on the assurance engagement and other audit and assurance issues in the context of best practice and current developments.

MAIN CAPABILITIES

On successful completion of this paper, candidates should be able to:

A Recognise the legal and regulatory environment and its impact on audit and assurance practice

B Demonstrate the ability to work effectively on an assurance or other service engagement within a professional and ethical framework

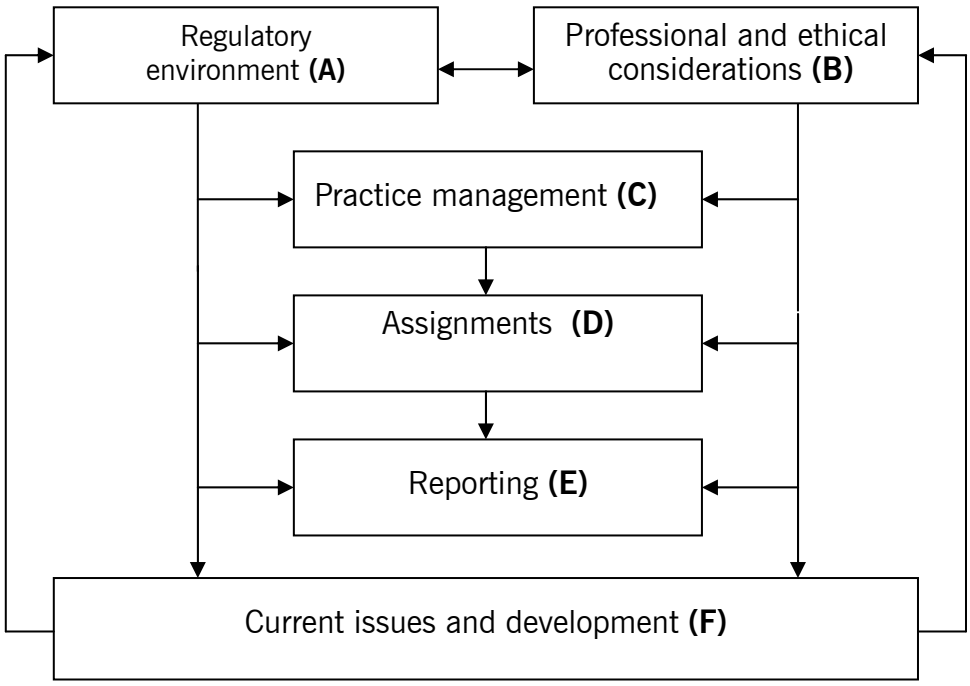
C Assess and recommend appropriate quality control policies and procedures in practice management and recognising the auditor's position in relation to the acceptance and retention of professional appointments

D Identify and formulate the work required to meet the objectives of audit and non-audit assignments and the application of the International Standards on Auditing

E Evaluate findings and the results of work performed and drafting suitable reports on assignments

F Understand the current issues and developments relating to the provision of audit-related and assurance service

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

The Advanced Audit and Assurance syllabus is essentially divided into six areas.

The syllabus starts with the legal and regulatory environment including money laundering, and procedures in practice management, including quality control and the acceptance and retention of professional engagements. This then leads into professional and ethical considerations, including the Code of Ethics and professional liability.

The syllabus then covers various assignments, including an audit of financial statements, audit-related services, and other assurance assignments, as well as the reporting of these assignments.

The final section covers current issues and developments relating to the provision of audit-related and assurance services.

DETAILED SYLLABUS

A Regulatory Environment

1. International regulatory frameworks for audit and assurance services
2. Money laundering
3. Laws and regulations

B Professional and Ethical Considerations

1. Code of Ethics for Professional Accountants
2. Fraud and error
3. Professional liability

C Practice Management

1. Quality control
2. Advertising, publicity, obtaining professional work and fees
3. Tendering
4. Professional appointments

D Assignments

1. The audit of historical financial information including;
   i) Planning, materiality and assessing the risk of misstatement
   ii) Evidence
   iii) Evaluation and review
2. Group audits
3. Audit-related services
4. Assurance services
5. Prospective financial information
6. Forensic audits
7. Internal audit
8. Outsourcing

E Reporting

1. Auditor's reports
2. Reports to management
3. Other reports

F Current Issues and Developments

1. Professional, ethical and corporate governance
2. Information technology
3. Transnational audits
4. Social and environmental auditing
5. Other current issues

APPROACH TO EXAMINING THE SYLLABUS

The examination is a three hour paper constructed in two sections. Questions in both sections will be almost entirely discursive. However, candidates will be expected, for example, to be able to assess materiality and calculate relevant ratios where appropriate.

Section A questions will be based on 'case study' type questions. That is not to say that they will be particularly long, rather that they will provide a setting within a range of topics, issues and requirements can be addressed. Different types of question will be encountered in Section B and will tend to be more focussed on specific topics, for example 'auditor's reports', 'quality control' and topics of ISAs which are not examinable in Paper F8, *Audit and Assurance*. (This does not preclude these topics from appearing in Section A). Current issues will be examined across a number of questions.

Section A: 2 compulsory questions	50-70 marks
Section B: Choice of 2 from 3 questions	30-50 marks
	100

Study Guide

A REGULATORY ENVIRONMENT

1. International regulatory frameworks for audit and assurance services

a) Explain the need for laws, regulations, standards and other guidance relating to audit, assurance and related services.[2]

b) Outline and explain the need for the legal and professional framework including:[2]
   i) the international standard-setting process
   ii) the authority of national and international standards
   iii) public oversight and principles of corporate governance
   iv) the role of audit committees.

c) Discuss the effectiveness of the different ways in which the auditing profession and audit markets are regulated.[2]

2. Money laundering

a) Define 'money laundering'.[1]

b) Explain how international efforts seek to combat money laundering.[2]

c) Explain the scope of criminal offences of money laundering and how professional accountants may be protected from criminal and civil liability.[2]

d) Explain the need for ethical guidance in this area.[2]

e) Describe how accountants meet their obligations to help prevent and detect money laundering including record keeping and reporting of suspicion to a financial intelligence unit (FIU).[2]

f) Explain the importance of customer due diligence (CDD).[2]

g) Recognise potentially suspicious transactions and assess their impact on reporting duties.[2]

h) Describe, with reasons, the basic elements of an anti-money laundering program.[2]

3. Laws and regulations

a) Compare and contrast the respective responsibilities of management and auditors concerning compliance with laws and regulations in an audit of financial statements.[2]

b) Describe the auditors considerations of compliance with laws and regulations and plan audit procedures when possible non-compliance is discovered.[2]

c) Discuss how and to whom non-compliance should be reported.[2]

d) Recognise when withdrawal from an engagement is necessary.[2]

B PROFESSIONAL AND ETHICAL CONSIDERATIONS

1. Code of Ethics for Professional Accountants

a) Explain the Fundamental Principles and the conceptual framework approach.[1]

b) Identify, evaluate and respond to threats to compliance with the fundamental principles.[3]

c) Discuss and evaluate the effectiveness of available safeguards.[3]

d) Recognise and advise on conflicts in the application of fundamental principles.[3]

2. Fraud and error

a) Define and clearly distinguish between the terms 'error', 'irregularity', 'fraud' and 'misstatement'.[2]

b) Compare and contrast the respective responsibilities of management and auditors for fraud and error.[2]

c) Describe the matters to be considered and procedures to be carried out to investigate actual and/or potential misstatements in a given situation.[2]

d) Explain how, why, when and to whom fraud and error should be reported and the circumstances in which an auditor should withdraw from an engagement.[2]

e) Discuss the current and possible future role of auditors in preventing, detecting and reporting error and fraud.[2]

3. Professional liability

a) Recognise circumstances in which professional accountants may have legal liability.[2]

b) Describe the factors to determine whether or not an auditor is negligent in given situations.[2]

c) Explain the other criteria for legal liability to be recognised (including 'due professional care' and 'proximity') and apply them to given situations.[2]

d) Compare and contrast liability to client with liability to third parties.[3]

e) Comment on precedents of case law.[2]

f) Evaluate the practicability and effectiveness of ways in which liability may be restricted, including professional indemnity insurance (PII).[3]

g) Discuss how audit and other opinions may be affected by limiting auditors' liability.[2]

h) Discuss the advantages and disadvantages of claims against auditors being settled out of court.[2]

i) Discuss and appraise the principal causes of audit failure and other factors that contribute to the 'expectation gap' (e.g. responsibilities for fraud and error).[3]

j) Recommend ways in which the expectation gap might be bridged.[2]

C PRACTICE MANAGEMENT

1. Quality control

a) Explain the principles and purpose of quality control of audit and other assurance engagements.[1]

b) Describe the elements of a system of quality control relevant to a given firm.[2]

c) Select and justify quality control procedures that are applicable to a given audit engagement.[3]

d) Assess whether an engagement has been performed in accordance with professional standards and whether reports issued are appropriate in the circumstances.[3]

2. Advertising, publicity, obtaining professional work and fees

a) Explain the need for guidance in these areas.[2]

b) Recognise situations in which specified advertisements are acceptable.[2]

c) Discuss the restrictions on practice descriptions, the use of the ACCA logo and the names of practising firms.[2]

d) Discuss the extent to which reference to fees may be made in promotional material.[2]

e) Outline the determinants of fee-setting and justify the bases on which fees and commissions may and may not be charged for services.[3]

f) Discuss the ethical and other professional problems involved in establishing and negotiating fees for a specified assignment.[3]

3. Tendering

a) Discuss the reasons why entities change their auditors/professional accountants.[2]

b) Recognise and explain the matters to be considered when a firm is invited to submit a proposal or fee quote for an audit or other professional engagement.[2]

c) Identify the information required for a proposal.[2]

d) Prepare the content of an engagement proposal document.[2]

e) Discuss and appraise the criteria that might be used to evaluate tenders received from audit firms in a given situation.[3]

f) Discuss reasons why audit fees may be lowered from the previous year's fees. [2]

g) Explain 'lowballing' and discuss whether or not it impairs independence.[2]

4. Professional appointments

a) Explain the matters to be considered and the procedures that an audit firm/professional accountant should carry out before accepting a specified new client/engagement including:[3]
   i) client acceptance
   ii) engagement acceptance
   iii) agreeing the terms of engagement.

b) Recognise the key issues that underlie the agreement of the scope and terms of an engagement with a client.[2]

c) Outline the procedures for the transfer of books, papers and information following a new appointment.[1]

D ASSIGNMENTS

1. The audit of historical financial information

a) Describe the key features of the following audit methodologies:[1]
   i) risk-based auditing
   ii) 'top down' approach
   iii) systems audit
   iv) balance sheet approach
   v) transaction cycle approach
   vi) directional testing.

b) Justify an appropriate approach to a given assignment and recognise when an approach is unsuitable.[3]

1(i) Planning, materiality and assessing the risk of misstatement

a) Specify the matters that should be considered in planning a given assignment including:[3]
   i) logistics (e.g. staff and client management, multiple locations, deadlines)
   ii) use of IT in administration
   iii) time budgets
   iv) assignment objectives and reports required
   v) client interface (e.g. communication methods)
   vi) preliminary materiality assessment
   vii) key financial statement risks
   viii) an overall audit strategy.

b) Define materiality and demonstrate how it should be applied in financial reporting and auditing.[2]

c) Apply the criteria that determine whether or not a matter is material and discuss the use and limitations of prescriptive rules in making decisions about materiality.[3]

d) Identify and explain business risks in given situations.[2]

e) Describe the factors that influence the assessment of a specified risk (e.g. inherent risk, financial statement risk) for a given assignment.[2]

f) Explain how and why the assessments of risks and materiality affect the nature, timing and extent of auditing procedures in a given situation.[2]

g) Select and apply appropriate risk assessment procedures, including analytical procedures, to obtain an understanding of a given entity and its environment.[3]

h) Assess the risk of misstatement at the financial statement level and assertion level and design audit procedures in response to assessed risks.[3]

i) Recognise and assess the implications of a specified computer system (e.g. network) on an assignment.[2]

1(ii) Evidence

a) Evaluate the appropriateness and sufficiency of different sources of audit evidence and the procedures by which evidence may be obtained including:[3]
   i) analytical procedures
   ii) management representations
   iii) the work of others
   iv) audit sampling
   v) external confirmations
   vi) audit automation tools.

b) Specify audit procedures to obtain sufficient audit evidence from identified sources.[2]

c) Apply the criteria for assessing the extent to which reliance can be placed on substantive analytical procedures and recognise situations in which analytical procedures may be used extensively.[3]

d) Apply analytical procedures to financial and non-financial data.[2]

e) Identify and evaluate the audit evidence expected to be available to: [3]
   i) verify specific assets, liabilities, transactions and events; and
   ii) support financial statement assertions and accounting treatments (including fair values).

f) Explain the reasons for preparing and retaining documentation and the importance of reviewing working papers.[1]

g) Explain the specific audit problems and procedures concerning related parties and related party transactions.[2]

h) Recognise circumstances that may indicate the existence of unidentified related parties and select appropriate audit procedures.[2]

i) Demonstrate the use of written management representations as the primary source of audit evidence and as complementary audit evidence.[2]

j) Discuss the implications of contradictory evidence being discovered.[2]

k) Recognise when it is justifiable to place reliance on the work of an expert (e.g. a surveyor employed by the audit client).[2]

l) Assess the appropriateness and sufficiency of the work of internal auditors and the extent to which reliance can be placed on it. [2]

1(iii) Evaluation and review

a) Explain review procedures (including the use of analytical procedures and checklists) and assess their role in detecting material misstatements.[3]

b) Evaluate findings quantitatively and qualitatively, e.g:[3]
   i) the results of audit tests and procedures
   ii) the effect of actual and potential misstatements.

c) Compare and contrast how the auditor's responsibilities for corresponding figures, comparative financial statements, 'other information', subsequent events and going concern are discharged.[3]

d) Apply the further considerations and audit procedures relevant to initial engagements.[2]

e) Discuss the courses of action available to an auditor if a material inconsistency or misstatement of fact exists.[2]

f) Specify audit procedures designed to identify subsequent events that may require adjustment to, or disclosure in, the financial statements of a given entity.[2]

g) List indicators that the going concern basis may be in doubt and recognise mitigating factors.[2]

h) Evaluate the evidence that might be expected to be available and assess the appropriateness of the going concern basis in given situations.[3]

i) Assess the adequacy of disclosures in financial statements relating to going concern and explain the implications for the auditor's report with regard to the going concern basis.[3]

j) Evaluate the matters (e.g. materiality, risk, relevant accounting standards, audit evidence) relating to:[3]
   i) inventory
   ii) standard costing systems
   iii) cash flow statements
   iv) changes in accounting policy
   v) construction contracts
   vi) taxation
   vii) segment information
   viii) non-current assets
   ix) fair value
   x) leases
   xi) revenue recognition
   xii) employee benefits
   xiii) government grants and assistance
   xiv) borrowing costs
   xv) related parties
   xvi) earnings per share
   xvii) impairment
   xviii) provisions, contingent liabilities and contingent assets
   xix) goodwill
   xx) brands
   xxi) research and development
   xxii) other intangible assets
   xxiii) capital instruments
   xxiv) financial instruments
   xxv) investment properties
   xxvi) agriculture
   xxvii) transition to International Financial Reporting Standards (IFRS)
   xxviii) share-based payment transactions
   xxix) business combinations
   xxx) discontinued operations
   xxxi) held for sale non-current assets
   xxxii) exploration and evaluation assets.

2. Group audits

a) Recognise the specific matters to be considered before accepting appointment as principal auditor to a group in a given situation.[3]

b) Compare and contrast the organization, planning, management and administration issues specific to group audits with those of joint audits.[2]

c) Recognise the specific audit problems and describe audit procedures in a given situation relating to:[3]
   i) the correct classification of investments
   ii) differing accounting policies and frameworks
   iii) fair values on acquisition
   iv) intangibles
   v) taxation
   vi) goodwill on consolidation
   vii) intra-group balances, transactions and profits
   viii) related parties
   ix) share options
   x) post balance sheet events
   xi) entities in developing countries.

d) Discuss letters of support ('comfort letters') as audit evidence.[2]

e) Identify and describe the matters to be considered and the procedures to be performed when a principal auditor uses the work of other auditors in a given situation.[3]

f) Explain the implications for the auditor's report on the financial statements of an entity where the opinion on a component is qualified or otherwise modified in a given situation.[2]

3. Audit-related services

a) Describe the nature of audit-related services, the circumstances in which they might be required and the comparative levels of assurance provided by professional accountants.[2]

b) Distinguish between:[2]
   i) audit-related services and an audit of historical financial statements
   ii) an attestation engagement and a direct reporting engagement.

c) Plan review engagements, for example: [2]
   i) a review of interim financial information
   ii) a 'due diligence' assignment (when acquiring a company, business or other assets).

d) Explain the importance of enquiry and analytical procedures in review engagements and apply these procedures.[2]

e) Describe and apply the general principles and procedures relating to a compilation engagement (e.g. to prepare financial statements).[2]

f) Explain why agreed-upon procedures and compilation engagements do not (usually) meet the requirements for an assurance engagement.[1]

g) Illustrate the form and content of: [2]
   i) a report of factual findings
   ii) a compilation report.

4. Assurance services

a) Describe the main categories of assurance services that audit firms can provide and assess the benefits of providing these services to management and external users:[3]
   i) risk assessments
   ii) business performance measurement
   iii) systems reliability
   iv) electronic commerce.

b) Justify a level of assurance (reasonable, high, moderate, limited, negative) for an engagement depending on the subject matter evaluated, the criteria used, the procedures applied and the quality and quantity of evidence obtained.[3]

c) Recognise the ways in which different types of risk (e.g. strategic, operating, information) may be identified and analysed and assess how management should respond to risk.[3]

d) Recommend operational measures and describe how the reliability of performance information systems is assessed (including benchmarking).[2]

e) Describe a value for money audit and recommend measures of economy, efficiency and effectiveness.[2]

f) Explain the demand for reliable and more timely reporting on financial information and the development of continuous auditing.[2]

g) Select procedures for assessing internal control effectiveness.[2]

h) Describe how entities are using core technologies (e.g. EDI, e-mail, Internet, World Wide Web) and explain how e-commerce affects the business risk of a given entity.[2]

5. Prospective financial information

a) Define 'prospective financial information' (PFI) and distinguish between a 'forecast', a 'projection', a 'hypothetical illustration' and a 'target'.[1]

b) Explain the principles of useful PFI.[1]

c) Identify and describe the matters to be considered before accepting a specified engagement to report on PFI.[2]

d) Discuss the level of assurance that the auditor may provide and explain the other factors to be considered in determining the nature, timing and extent of examination procedures.[1]

e) Describe examination procedures to verify forecasts and projections relating to:[2]
   i) revenue
   ii) capital expenditure
   iii) revenue expenditure
   iv) profits
   v) cash flows
   vi) working capital.

f) Compare the content of a report on an examination of PFI with reports made in providing audit-related services.[2]

6. Forensic audits

a) Define the terms 'forensic accounting', 'forensic investigation' and 'forensic audit'.[1]

b) Describe the major applications of forensic auditing (e.g. fraud, negligence, insurance claims) and analyse the role of the forensic auditor as an expert witness.[2]

c) Apply the fundamental ethical principles to professional accountants engaged in forensic audit assignments.[2]

d) Select investigative procedures and evaluate evidence appropriate to determining the loss in a given situation.[3]

e) Explain the terms under which experts make reports.[2]

7. Internal audit

a) Compare the objectives and principal characteristics of internal audit with other assurance engagements.[2]

b) Compare and contrast operational and compliance audits.[2]

c) Justify a suitable approach (e.g. cyclical compliance) to specified multi-site operations.[3]

d) Discuss outsourcing internal auditing services.[2]

8. Outsourcing

a) Explain the different approaches to 'outsourcing' and compare with 'insourcing'.[2]

b) Discuss and conclude on the advantages and disadvantages of outsourcing finance and accounting functions including:[3]
   i) data (transaction) processing
   ii) pensions
   iii) information technology (IT)
   iv) internal auditing
   v) due diligence work
   vi) taxes.

c) Recognise and evaluate the impact of outsourced functions on the conduct of an audit.[3]

E REPORTING

1 Auditor's reports

a) Critically appraise the form and content of a standard unmodified auditor's report.[3]

b) Recognise and evaluate the factors to be taken into account when forming an audit opinion in a given situation.[3]

c) Justify audit opinions that are consistent with the results of audit procedures relating to the sufficiency of audit evidence and/or compliance with accounting standards (including the going concern basis).[3]

d) Draft extracts suitable for inclusion in an audit report.[3]

e) Discuss the implications for the auditor's report on financial statements that report compliance with IFRSs.[2]

f) Assess whether or not a proposed audit opinion is appropriate.[3]

g) Discuss 'a true and fair view'.[2]

h) Describe special purpose auditors' reports (e.g. on summarized financial statements) and analyse how and why they differ from an auditor's report on historical financial information.[2]

2. Reports to management

a) Draft suitable content for a report to management, on the basis of given information, including statements of facts, their potential effects and appropriate recommendations for action.[3]

b) Critically assess the quality of a management letter. [3]

c) Advise on the content of reports to those charged with governance in a given situation.[3]

d) Explain the need for timely communication, clearance, feedback and follow up.[2]

e) Discuss the relative effectiveness of communication methods.[2]

3. Other reports

a) Analyse the form and content of the professional accountant's report for an assurance engagement as compared with an auditor's report.[2]

b) Draft the content of a report on examination of prospective financial information.[2]

c) Discuss the effectiveness of the 'negative assurance' form of reporting and evaluate situations in which it may be appropriate to express a reservation or deny a conclusion.[3]

F CURRENT ISSUES AND DEVELOPMENTS

Discuss the relative merits and the consequences of different standpoints taken in current debates and express opinions supported by reasoned arguments.

1. Professional, ethical and corporate governance

a) Discuss the relative advantages of an ethical framework and a rulebook.[2]

b) Evaluate the adequacy of existing ways in which objectivity may be safeguarded and suggest additional measures to improve independence.[3]

c) Identify and assess relevant to emerging ethical issues and evaluate the safeguards available.[3]

d) Discuss IFAC developments including: [2]
   i) the implementation and adoption of International Standards on Auditing (ISAs)
   ii) significant current assurance issues being dealt with by IAASB.

e) Assess the relative advantages and disadvantages of partnership status, limited liability partnerships and incorporation of audit firms.[2]

f) Discuss current developments in the limitation of auditors' liability and the practical ways in which the risk of litigation and liability can be reduced in a given situation.[3]

g) Discuss innovations in corporate governance (e.g. enterprise-wide risk management) and their impact on boards of directors, audit committees and internal auditors.[3]

2. Information technology

a) Describe recent trends in IT and their current and potential impact on auditors (e.g. the audit implications of 'cyberincidents' and other risks).[2]

b) Explain how IT may be used to assist auditors and discuss the problems that may be encountered in automating the audit process.[2]

3. Transnational audits

a) Define 'transnational audits' and explain the role of the Transnational Audit Committee (TAC) of IFAC.[1]

b) Discuss how transnational audits may differ from other audits of historical financial information (e.g. in terms of applicable financial reporting and auditing standards, listing requirements and corporate governance requirements). [2]

c) Discuss the need for international audit firm networks in implementing international auditing standards.[2]

d) Distinguish, for example, between 'global auditing firms' and second tier firms.[2]

e) Discuss the impact of globalisation on audit firms and their clients.[2]

f) Explain the advantages and problems of current trends (e.g. to merge, to divest consultancy services).[2]

4. Social and environmental auditing

a) Discuss the increasing importance of policies that govern the relationship of an organization to its employees, society and the environment.[2]

b) Describe the difficulties in measuring and reporting on economic, environmental and social performance and give examples of performance measures and sustainability indicators.[2]

c) Explain the auditor's main considerations in respect of social and environmental matters and how they impact on entities and their financial statements (e.g. impairment of assets, provisions and contingent liabilities).[2]

d) Describe substantive procedures to detect potential misstatements in respect of socio-environmental matters.[2]

e) Discuss the form and content of an independent verification statement (e.g. on an environmental management system (EMS) and a report to society).[2]

5. Other current issues

a) Discuss how the potential problems associated with the audit of small enterprises may be overcome.[2]

b) Explain how International Standards on Auditing affect smaller firms.[2]

c) Discuss the dominance of the global firms and their influence and impact on the accounting profession.[2]

d) Discuss the impact of developments in public company oversight on external auditors.[2]

e) Explain current developments in auditing standards including the need for new and revised standards and evaluate their impact on the conduct of audits. [3]

f) Discuss other current legal, ethical, other professional and practical matters that affect accountants, auditors, their employers and the profession. [3]

READING LIST

ACCA's approved publishers:

BPP Professional Education
Contact number: +44(0)20 8740 2222
Website: www.bpp.com/acca

Kaplan Publishing Foulks Lynch
Contact number: +44(0)118 989 0629
Website: www.kaplanfoulkslynch.com

Additional reading:

Accountancy Tuition Centre (ATC) International
Contact number: +44(0)141 880 6469
Website: www.ptc-global.com

student accountant including relevant financial reporting articles and technical auditing and financial reporting update
http://www.ifac.org