

AUDIT PRACTICE AND ASSURANCE

SYLLABUS CHART



Audit Practice & Assurance - Paper 16



Auditing, Ethics & Assurance – Paper 9

OVERALL AIM

To equip the learner with skills to consolidate knowledge and exercise judgment in execution and finalisation of an audit and other assurance engagements in compliance with International Standards on Auditing and the regulatory framework

LEARNING OUTCOMES

On completion of this course, the learner should be able to:

	Learning outcomes	K	C	A	An	S	E
1.	Advise on regulatory, professional and ethical issues relevant to the execution of audits and other assurance engagements						✓
2.	Assess risks relevant to planning, execution and finalisation of audits and other assurance engagements						✓
3.	Advise on audit planning procedures						✓
4.	Apply IT across the audit cycle			✓			
5.	Advise on the preparation and documentation of tests to be performed to obtain sufficient appropriate audit evidence						✓
6.	Analyse issues associated with group audits				✓		
7.	Advise on audit finalisation procedures and formation of an audit opinion						✓
8.	Advise on the principles of corporate governance						✓
9.	Evaluate the performance and management of the internal audit function						✓
10.	Analyse the components of internal control related to financial reporting				✓		
11.	Recommend professional practices for assurance engagements						✓
12.	Recommend best practices regarding management of a practice						✓
13.	Assess the impact of emerging issues on auditing						✓

LEVEL OF ASSESSMENT

The examination will test the learner's application, analytical, synthetic and evaluation skills in auditing and other assurance engagements

EXAMINATION STRUCTURE

There will be a three-hour examination made up of sections A and B. Section A will comprise one compulsory question of 50 marks. Section B will comprise three questions of 25 marks each, of which the candidate will be required to attempt any two

DETAILED SYLLABUS

A. PROFESSIONAL, LEGAL AND REGULATORY ENVIRONMENT

1. Introduction:
 - (a) Auditing and other assurance services: Types, role, benefits
 - (b) Need for audit of financial statements
 - (c) Auditing regulation and standards setting:
 - (i) Role of International Auditing and Assurance Standards Board (IAASB)
 - (ii) Role of International Federation of Accountants (IFAC)
 - (iii) Role of Institute of Certified Public Accountants of Uganda (ICPAU)/ Accountants Act, 2013
 - (iv) Current issues in auditing and assurance
 - (v) The standards setting process
 - (d) Causes and effects of audit failure
 - (e) Audit engagement outcomes versus expectations of users of audit reports
2. Statutory audit:
 - (a) Scope and purpose
 - (b) Objectives; principal activities; value of the audit
 - (c) Regulatory environment within which statutory audits take place
 - (d) Reasons and mechanisms for the regulation of auditors
 - (e) Auditor qualification and skills
 - (f) Statutory regulations governing the appointment, removal and resignation of auditors

3. Non-statutory audit:
 - (a) Nature, scope and purpose
 - (b) Accountability, stewardship, agency
 - (c) Reporting as a means of communication to different stakeholders
 - (d) Mechanisms and justification for the audit of Less Complex Entities (LCE)
4. Consideration of laws and regulations in the audit of financial statements, as per ISA 250 (Revised):
 - (a) Responsibility for compliance with laws and regulations
 - (b) Auditor's consideration of compliance with laws and regulations
 - (c) Audit procedures when non-compliance is identified or suspected
 - (d) Policies and procedures expected of an entity to assist in prevention and detection of non-compliance with laws and regulations
 - (e) Categories of laws and regulations expected to be complied with by entities
5. Setting objectives and obtaining evidence:
 - (a) Audit objectives for the financial statement audit
 - (b) Management assertions / representations over financial statements (Completeness, accuracy, valuation, existence/ occurrence, cut-off, rights and obligations, presentation and disclosure, etc)
 - (c) Audit evidence; methods of obtaining audit evidence; quality of evidence

B. AUDIT PLANNING AND RISK ASSESSMENT

1. Objectives of an independent auditor, agreeing terms of audit engagement, and conduct of an audit in accordance with International Standards of Auditing (ISA) - (ISA 200, Revised) and ISA 210
 - (a) Objectives of an auditor in relation to audit of financial statements
 - (b) Professional skepticism and professional judgement
 - (c) Audit risk and sufficient appropriate audit evidence
 - (i) Risk of material misstatement (inherent/ internal control)
 - (ii) Detect risk
 - (d) Inherent limitations of an audit

- (e) Conducting an audit in accordance with ISAs
 - (i) Nature of ISAs
 - (ii) Considerations for public sector and public interest entities (PIEs)
- 2. Agreeing the terms of an engagement (ISA 210) for new and recurrent audit engagements; changes in terms of audit engagement
- 3. Quality control for an audit of financial statements (ISA 220, Revised)
 - (a) Leadership responsibilities for managing & achieving quality audits
 - (b) Relevant ethical requirements including those related to independence
 - (c) Acceptance & continuance of client relationships and audit engagements
 - (d) Engagement resources
 - (e) Engagement performance
 - (i) Direction, supervision and review
 - (ii) Consultation
 - (iii) Engagement quality review
 - (iv) Differences of opinion
 - (v) Audit documentation (ISA 230)
 - (f) Monitoring and remediation
- 4. Taking over responsibility for managing & achieving quality
- 5. Documentation
- 6. Auditor's responsibility in relation to fraud in the audit of financial statements (ISA 240, Revised)
 - (a) Characteristics of fraud
 - (b) Responsibility for the prevention and detection of fraud
 - (c) Discussions among the engagement team
 - (d) Risk assessment procedures and related activities relating to fraud
 - (e) Identification, assessment and responses to risks of material misstatement due to fraud
 - (f) Circumstances under which the auditor is unable to continue with the audit engagement

7. Planning of an audit of financial statements (ISA 300)
 - (a) Overall audit strategy
 - (b) Reporting objectives, timing of the audit and nature of communication
 - (c) Significant factors/risks, preliminary engagement activities and knowledge gained on other engagements
 - (d) Nature, timing and extent of resources
 - (e) Audit approach and methodology
8. Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment (IAS 315, Revised):
 - (a) Identifying and assessing risk of material misstatement
 - (b) Matters to consider in obtaining an understanding of the entity
 - (i) Relevant industry, regulatory, and other external factors including the applicable financial reporting framework
 - (ii) The nature of the entity; operations, ownership, structure, etc
 - (iii) Understanding the entity's selection and application of accounting policies
 - (iv) Understanding the entity's objectives, strategies and related business risks
 - (v) Measurement and review of the entity's performance
 - (c) Circumstances where professional judgement must be exercised
 - (d) Ways of obtaining an understanding of the Entity; analytical procedures, observation, inspection, inquiries, etc
 - (e) Discussions among the engagement team
 - (f) Entity's internal control
 - (i) General nature and characteristics of internal control: Purpose of the internal controls; limitations of internal controls; considerations specific to small entities
 - (ii) Nature and extent of understanding relevant controls
 - (iii) Components of internal control (Control environment; entity's risk assessment process; information systems; control activities relevant to the audit; monitoring of controls)

9. Materiality in planning and performance of an audit (IAS 320):
 - (a) Determining materiality and performance materiality
 - (b) Revision of materiality as the audit progresses
10. Auditor's responses to assessed risks (ISA 330):
 - (a) Audit procedures (Tests of control and substantive procedures)
 - (b) Evaluating sufficiency and appropriateness of audit evidence
11. Audit considerations relating to entity using a service organisation (ISA 402):
 - (a) Understanding the services provided by a service organisation
 - (b) Responding to assessed risks of material misstatement
 - (c) Type 1 and type 2 reports that exclude the services of a sub-service of an organisation
 - (d) Fraud and non-compliance with laws and obligations
 - (e) Reporting by the user auditor

C. AUDIT TESTING AND PROCEDURES

1. The information technology (IT)/systems audit:
 - (a) Objectives of systems/IT audits
 - (b) Application controls' testing
 - (c) Information technology general controls' (ITGCs) testing
2. Substantive tests/procedures of classes of transactions, account balances, and disclosures
 - (a) Tangible non-current assets and long-term liabilities:
 - (i) Evidence in relation to non-current assets and non-current liabilities
 - (ii) Related income statement disclosures, etc
 - (b) Trade receivables and other receivables:
 - (i) Confirmation and other evidence in relation to receivables
 - (ii) Related income statement disclosures
 - (iii) Other procedures & evidence in relation to inventory
 - (c) Inventory:
 - (i) Counting procedures in relation to year-end and continuous inventory systems

- (ii) Procedures in verification of cut-off and review of consistency of cut-off dates
- (iii) Auditor's attendance at inventory counting; direct confirmation of inventory held by third parties
- (iv) Other procedures & evidence in relation to inventory
- (d) Bank and cash:
 - (i) Bank confirmation reports used in obtaining evidence in relation to bank and cash
 - (ii) Other procedures & evidence in relation to bank and cash
- (e) Payables and accruals:
 - (i) Comprehensive schedule agreeable to the client's existing records
 - (ii) Supplier statement reconciliations and direct confirmation of accounts payable
 - (iii) Other evidence in relation to payables and accruals
 - (iv) Related income statement disclosures
 - (v) Other procedures & evidence in relation to trade payables
- (f) Audit of tax balances; deferred tax asset/liability, income tax recoverable/payable, and income tax charge/credit, with disclosures
- (g) Audit of related party balances & disclosures
- (h) Audit of other account balances e.g. financial instruments, intangible assets, revenue, among others
- 3. Specialised sectors:
 - (a) Banking and credit institutions
 - (b) Telecom companies
 - (c) Insurance companies

D. GROUP AUDITS

1. Scope of ISA 600 (Revised)
2. Matters considered before accepting appointment as group auditor
3. Matters considered and the procedures at the planning stage in relation to the use of work of component auditors

4. Matters specific to planning an audit of group financial statements including:
 - (a) Assessment of group and component materiality
 - (b) Impact of non-coterminous year ends within a group
 - (c) Changes in group structure; complex group structures
5. Communication and content thereof (instructions) to be provided by the group auditor to the component auditor(s)
6. Audit problems and audit procedures specific to:
 - (a) A business combination, including the classification of investments
 - (b) Determination of goodwill and any possible impairment
 - (c) Group accounting policies
 - (d) Intra-group transactions
 - (e) Equity accounting for associates and joint ventures
 - (f) Changes in group structure, including acquisitions and disposals
 - (g) Accounting for foreign subsidiaries
7. Audit risks and procedures in respect to the consolidation process
8. Evaluation of work of the component auditor(s) by the group auditor
9. Responsibilities of the component auditor(s) before:
 - (i) Accepting the engagement or appointment
 - (ii) Commencement of audit
10. Language and cultural differences
11. Emerging markets considerations (laws and regulations, corporate governance practices, potentially higher business risks)
12. Site visits of the group locations by the lead auditor
13. Additional procedures to support timely, accurate two-way communications between the lead auditor and component auditor(s)
14. Joint auditing:
 - (a) Situations that require joint auditing
 - (b) Quality, competition and cost considerations
 - (c) Challenges arising from mandatory audit firm rotation

E. AUDIT FINALISATION

1. Nature and timing of procedures in relation to subsequent events

2. Nature and timing of procedures for ascertaining the appropriateness of the going concern assumption
3. Quantitative and qualitative evaluation of the results and conclusions obtained from assurance procedures
4. Written representations (ISA 580, Revised)
5. Other wrap-up audit procedures; Final analytical reviews, Highlights memo, etc

F. REPORTING

1. Ability to report on an engagement, which is consistent with the results of the terms of agreement
2. Audit or assurance report in relation to a specified organisation
3. Other specific reports to be issued to those responsible for governance:
 - (a) Audit plan
 - (b) Management letter
4. Determine the need for specialist help on some reporting matters, if any
5. Reporting / communicating key audit matters (KAMs) as per ISA 701 (Revised)
6. Consideration of emphasis of & other, matter paragraphs (ISA 706 Revised)
7. Preparation of the auditor's report in line with other applicable auditing standards; ISA 700 (Revised), ISA 705 (Revised), etc.

G. RISK MANAGEMENT FRAMEWORK IN AN ORGANISATION

1. Meaning of risk; risk management framework
2. Risk management framework
 - (a) Purpose
 - (b) Components
 - (i) Risk identification
 - (ii) Risk measurement and assessment
 - (iii) Risk mitigation
 - (iv) Risk reporting and monitoring
 - (v) Risk governance
3. Various risk management frameworks
4. Principles of risk management
5. Evaluation of the effectiveness of the risk management framework

6. Evaluation of the importance of internal control and risk management

H. INTERNAL AUDIT

1. Purpose, authority and responsibility of the internal audit function
2. Managing the internal audit function
3. Internal audit planning
4. Performing internal audit engagements
5. Communicating results of internal audit engagement
6. Quality assurance in internal auditing
7. Internal auditing in the public sector
8. Reliance on work of the internal auditor by the external auditor

I. FORENSIC AUDITS AND INVESTIGATIONS

1. Forensic accounting, forensic investigation, forensic audit and fraud examination:
 - (a) Meaning
 - (b) Investigative work which accountants in practice could be asked to perform
 - (c) Responsibility for detection and prevention of fraud
 - (d) Role of the forensic auditor as an expert witness in court proceedings
2. Application of forensic auditing (fraud, negligence, insurance claims)
3. Back duty investigations:
 - (a) Instigation and auditor's responsibility
 - (b) Information needed at planning stage
 - (c) The laws relating to fraud and individual rights during investigations
 - (d) Collection and preservation of court admissible evidence
4. Fraud and illegal acts
 - (a) Categories of fraud:
 - (i) Corruption
 - (ii) Asset misappropriation
 - (iii) Financial statement fraud
 - (b) Rules of evidence (and how to put up a strong case)
 - (c) Processes to follow if fraud/ illegal acts are suspected: Interviewing, liaising with legal counsel

- (d) Conducting successful fraud and corruption investigations
 - (e) Making testimony in court
 - (f) Prosecution for fraud and corruption cases; consequences
5. Investigative procedures:
- (a) Planning and setting audit objectives
 - (b) Ways of gathering evidence
 - (c) Use of computer-assisted audit techniques
- J. MANAGEMENT OF AN AUDIT FIRM**
1. Scope of International Standard on Quality Management (ISQM 1):
 2. Purpose or Objectives
 3. Elements of Firm's system of quality management
 - (a) Firm's risk assessment process
 - (b) Governance & leadership
 - (c) Relevant ethical requirements
 - (d) Acceptance & continuance of client relationships & specific engagements
 - (e) Engagement performance
 - (f) Resources
 - (g) Information and communication, and
 - (h) The monitoring & remediation process
 4. Quality management procedures and assessment
 5. Marketing professional services:
 - (a) Process of obtaining audit engagements
 - (b) Guidance on marketing professional services
 - (c) Professional fees:
 - (i) Determinants for fee-setting
 - (ii) Bases for fees and commissions
 - (iii) Ethical and professional considerations in establishing and negotiating fees
 6. Other key practice management guidelines and regulations
- K. OTHER ASSURANCE AND NON-ASSURANCE ENGAGEMENTS**
1. Other assurance engagements; Reasonable Vs Limited assurance

2. Common review engagements;
 - (a) Review engagements, in line with ISRE 2400 (Revised)
 - (b) Review engagements, in line with ISRE 2410
 - (c) Review & reporting on prospective financial information, in line with ISAE 3400
3. Common non-assurance engagements:
 - (a) Related services - Agreed-upon procedures engagements, in line with ISRS 4400 (Revised)
 - (b) Related services - Compilation engagements, in line with ISRS 4410 (Revised)
 - (c) Others; preparation of tax returns where no assurance conclusion is expressed, consulting or advisory engagements e.g. management consulting, tax advisory, etc
4. Other one-off non-assurance engagements:
 - (a) Value for money audits: Approach, application, benefits
 - (b) Information technology (IT) audits and electronic commerce (e-commerce):
 - (i) Use of core technologies
 - (ii) Recent trends in IT and their impact on auditors; IT security
 - (iii) Automation of audit processes and its associated challenges
 - (iv) E-commerce and business risk
 - (v) Privacy and security of information for transactions and communications
 - (vi) Principles and criteria underlying web assurance
 - (vii) Reliance on embedded controls
 - (viii) Auditing an IT system
 - (c) Social and environmental audits and integrated reporting:
 - (i) Impact of organisational policies on employees, society and environment
 - (ii) Social and environmental matters: Impact on the company and its financial statements (impairment of assets, provisions and contingent liabilities)
 - (iii) Social and environmental risks: Control by management; auditor's evaluation

- (iv) Non-compliance with laws and regulations: Actions that may be taken by the auditor
- (v) Substantive procedures for detecting possible misstatement in respect of socio-environmental matters
- (vi) Integrated reporting:
 1. Performance measures and sustainability indicators
 2. Difficulties in measuring and reporting on economic, environmental and social performance
 3. Independent verification statement of an integrated report

L. CORPORATE GOVERNANCE

1. Objectives, relevance, importance of corporate governance
2. Provisions of international codes of corporate governance that are most relevant to auditors
3. Good corporate governance requirements relating to directors' responsibilities (for risk management, internal control); reporting responsibilities of auditors
4. Corporate governance deficiencies; compliance with international codes of corporate governance
5. Audit committees: Structure, roles, benefits, limitations

M. EMERGING ISSUES

1. Money laundering and terrorism financing:
 - (a) Meaning
 - (b) Combating money laundering and terrorism financing
 - (c) Criminal offences of money laundering
 - (d) Protection of accountants from criminal and civil liability
 - (e) Ethical guidance on money laundering
 - (f) Accountants' obligations in the prevention and detection of money laundering and terrorism financing
 - (g) Role of an accountant in combating money laundering and terrorism financing
 - (h) Importance of customer due diligence (know your customer-KYC)
 - (i) Suspicious transactions and their impact on reporting
 - (j) Elements of anti-money laundering programmes

2. Other issues:
 - (a) Current developments in auditing standards
 - (b) Impact of current legal, ethical, professional and practical issues on accountants, auditors, employers and the profession
3. Generally Accepted Auditing Standards (GAAS):
 - (a) Meaning, scope and objectives
 - (b) Comparison of GAAS with ISAs
4. International Standards of Supreme Audit Institutions (ISSAIs) or INTOSAI Auditing Standards for Public Sector Entities as approved by INCOSAI:
 - (a) Meaning, scope and objectives
 - (b) Fundamental auditing principles
 - (c) Comparison of ISSAIs with ISAs

REFERENCES

1. ICPAU, Audit Practice and Assurance, Kampala.
2. Institute of Certified Public Accountants of Uganda, 1997. Code of Ethics.
3. International Auditing and Assurance Standards Board, 2021. Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, New York, USA.
4. Millichamp A & Taylor J., 2021. Auditing, 12th ed, Andover: Cengage Learning Higher Education