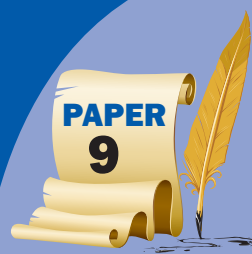


AUDITING, ETHICS & ASSURANCE

SYLLABUS CHART



Audit Practice & Assurance - Paper 16



Auditing, Ethics & Assurance – Paper 9

OVERALL AIM

To equip the learner with knowledge of audit planning, execution and finalisation of audit and assurance assignments as well as insights into professional ethics, values and attitudes.

LEARNING OUTCOMES

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

	Learning outcomes	K	C	A	An	S	E
1.	Explain the need for and nature of auditing	✓					
2.	Analyse the legal, regulatory and ethical environment within which audits are performed				✓		
3.	Explain how audit work is documented		✓				
4.	Explain how audit evidence is gathered and analysed	✓			✓		
5.	Describe the design and tests of internal controls		✓				
6.	Identify appropriate audit tests to be included in an audit programme	✓					
7.	Discuss the risks of auditing in an IT environment		✓				
8.	Explain the elements of an audit report		✓				
9.	Explain the role of internal auditing	✓					
10.	Explain how consideration of subsequent events and the going concern principle can impact the conclusions from the audit work		✓				
11.	Apply the tenets of the Code of Ethics for accountants			✓			
12.	Explain the application of workplace ethics		✓				
13.	Discuss the need for corporate social responsibility		✓				
14.	Analyse issues in corporate governance				✓		

LEVEL OF ASSESSMENT

The examination will test knowledge, application and analysis of the principles acquired in auditing and professional ethics and values

EXAMINATION STRUCTURE

There will be a three-hour examination made up of sections A and B. Section A will comprise two compulsory questions of 20 marks each. Section B will comprise four questions of 20 marks each of which the candidate will be required to attempt any three

DETAILED SYLLABUS

I AUDITING

A. INTRODUCTION

1. Auditing:
 - (a) Meaning
 - (b) Purpose/ objectives
 - (c) Features of auditing
 - (d) Auditing versus accounting
 - (e) Auditing versus investigations
 - (f) The information gap and stewardship:
 - (i) The concepts of accountability, stewardship and agency
 - (ii) Responsibility over the financial statements of an entity
 - (iii) Users of information in financial statements
 - (g) Auditing postulates
 - (h) Auditing concepts:
 - (i) Auditor's independence; need for auditor independence
 - (ii) True and fair view
 - (iii) Disclosure of accounting policies
 - (iv) Errors & fraud and the related risks
 - (i) Qualities of an auditor
 - (j) Types of audits:
 - (i) External & internal audits
 - (ii) Statutory & Non statutory audits

(iii) Financial audits; Operational audits; strategic audits; IT audits

(k) Advantages and inherent limitations of an audit

B. LEGAL, REGULATORY AND ETHICAL ENVIRONMENT

1. Regulation of professional accountants
 - (a) Role and responsibility of the Institute of Certified Public Accountants of Uganda (ICPAU)
 - (b) Rules & regulations governing accountants in practice
2. Appointment, rights and duties of company auditors:
 - (a) Qualification for appointment
 - (b) Ways of appointment
 - (c) Rights and duties of an auditor; regulations governing the rights and duties of auditors
3. Resignation and dismissal of auditors:
 - (a) Circumstances that may lead to resignation
 - (b) Statutory regulations governing the rotation, removal and resignation
4. Auditing standards and guidelines:
 - (a) The regulatory environment within which statutory audits take place
 - (b) Importance, authority, applicability of International Standards on Auditing (ISAs)
 - (c) Importance of auditing guidelines issued by ICPAU
 - (d) The auditing standards setting process by the International Auditing and Assurance Standards Board (IAASB)
5. Ethical requirements:
 - (a) Professional ethics:
 - (i) The fundamental principles of professional ethics (integrity, objectivity, professional competence and due care, confidentiality, professional behaviour)
 - (ii) Threats to the fundamental principles; safeguards against the threats
 - (iii) Importance of fundamental ethical principles
 - (b) ICPAU Code of Ethics
 - (c) Auditors' responsibility with regard to independence, conflict of interest, confidentiality

6. Auditor's liability:
 - (a) Liability:
 - (i) That may arise due to negligence
 - (ii) Under private and statutory audits
 - (iii) Criminal liability under the Companies Act
 - (b) Minimisation of liability
 - (c) Reference to decided cases
 - (d) Audit failure: Causes and effects
7. Requirements of The Accountants Act, 2013, The Companies Act, 2012

C. PRINCIPLES, PROCEDURES AND CONDUCT OF AN AUDIT

1. Audit engagement:
 - (a) Objectives of an independent auditor and the conduct of an audit in accordance with ISAs
 - (b) Agreeing the terms of audit engagement
 - (c) Quality management for an audit of financial statements
 - (d) Auditor's responsibility related to fraud in an audit of the financial statements.
 - (e) Consideration of Laws and regulation in the audit of the financial statements
 - (f) Communication to those charged with governance
2. Planning and risk assessment
 - (a) Audit planning:
 - (i) Need for audit planning
 - (ii) Factors to be considered in audit planning
 - (iii) The planning process
 - (iv) Contents of the overall audit strategy and audit plan
 - (v) Relationship between overall audit strategy and audit plan
 - (vi) Development and documentation of an audit plan
 - (b) Professional judgment and materiality:
 - (i) Importance of professional skepticism
 - (ii) Role of professional judgement
 - (iii) Identification of potential misstatements

- (iv) Materiality
- (c) Risk assessment:
 - (i) Audit risk
 - (ii) Audit risks at the financial statement and assertion levels
 - (iii) Business risks
 - (iv) Auditor's response to identified risks
 - (v) Determination of materiality levels from financial information
 - (vi) Identification and assessment of risk of material misstatements
 - (vii) Assessment of risks due to fraud
 - (viii) Effect of fraud and material misstatements on audit strategy and work to be done
- (d) Understanding the entity and its environment:
 - (i) Ways of understanding the entity and its environment in line with ISA 315
 - (ii) Interim auditing: Purpose, procedures, effect on the final audit
- (e) Audit documentation:
 - (i) Nature and purpose
 - (ii) Form and extent
 - (iii) Contents of working papers and supporting documents
 - (iv) Safety and retention of working papers and other audit documents
 - (v) Current and permanent audit files

D. INTERNAL CONTROL

1. Internal control systems:
 - (a) Elements of an internal control system
 - (b) Management's responsibility in designing and implementing internal controls
 - (c) Control objectives
 - (d) Techniques of evaluating internal control system
 - (e) Internal control over:
 - (i) Sales revenue/ accounts receivable
 - (ii) Purchases/ accounts payable
 - (iii) Inventory

- (iv) Operating expenditure
 - (v) Payroll
 - (vi) Cash and bank
 - (vii) Property, plant and equipment
2. Impact of test of controls on the audit strategy: Modification of audit strategy and plan following the results of tests of control
 3. Compliance tests:
 - (a) Difference between tests of control and substantive procedures
 - (b) Importance of internal controls to auditors
 - (c) Tests of control suitable for inclusion in audit working papers
 - (d) Weaknesses in internal control system: Identification, limitation of extent of reliance on internal controls by the auditor
 4. Communication of deficiencies in the internal control to those charged with governance & management

E. AUDIT EXECUTION

1. Audit sampling:
 - (a) Designing an audit sample
 - (b) Sample size, selection of items for sampling, statistical and non-statistical approaches to sampling
 - (c) Circumstances when audit sampling is not appropriate
 - (d) Sampling risk
2. Audit evidence:
 - (a) Types
 - (b) Sources
 - (c) Purpose; type of audit program; advantages and disadvantages of audit programs
 - (d) Techniques of obtaining audit evidence
 - (e) Sufficiency and appropriateness of audit evidence
 - (f) Reliability
 - (g) Limitations on the quality and quantity of audit evidence
 - (h) Consistency of audit evidence:
 - (i) Meaning and usefulness of consistency
 - (ii) Need for consistency of audit evidence

- (iii) Procedures used in obtaining consistent audit evidence
3. Analytical procedures:
 - (a) Meaning
 - (b) Types of analytical procedures
 - (c) Usefulness of substantive analytical procedures
 - (d) Investigation of results of analytical procedures
 4. External confirmations:
 - (a) Importance of external confirmation procedures
 - (b) Performance of external confirmations
 - (c) Evaluation of external confirmations
 5. Initial audit engagements- opening balance testing
 6. Auditing accounting estimates & related disclosures
 7. Related parties
 8. Using the work of others
 - (a) Audit of group financial statements
 - (b) Work of internal auditors
 - (c) Work of auditor's expert
 9. Statement of profit or loss and other comprehensive income audit:
 - (a) Audit Assertions: Occurrence, completeness, accuracy, cut-off, classification, presentation and disclosure
 - (b) Matters relating to revenue and expense recognition:
 - (i) Materiality
 - (ii) Risk
 - (iii) Relevant accounting standards
 - (iv) Audit evidence
 - (c) Audit evidence in respect of the audit of income statement items
 10. Balance sheet/ statement of financial position audit:
 - (a) Assertions: Existence, rights and obligations, completeness, valuation and allocation, presentation and disclosure
 - (b) Identification of balance sheet items and the respective implications in an audit report
 - (c) Factors in the timing of the audit of each item in a balance sheet
 - (d) Audit evidence in respect of the audit of balance sheet items

11. Audit opinion on financial statements: The independent auditor's report on a complete set of general-purpose financial statements:
 - (a) Key definitions
 - (b) Use of audit evidence to form an opinion
 - (c) Types of audit opinions
 - (d) Circumstances when a modification to the auditor's opinion is required
 - (e) Format of unqualified audit opinion
 - (f) Form and content of the auditor's report when the opinion is modified

F. AUDIT FINALISATION/ COMPLETION AND REVIEW

1. Review of audit files and evaluation of misstatements
2. Events after the reporting period
3. Going concern review
4. Review of management representations
5. Final analytical review

G. AUDITING IN AN INFORMATION TECHNOLOGY (IT) ENVIRONMENT

1. Application controls and general IT controls
2. Use of computer-assisted audit techniques
3. Risks and challenges of auditing in an IT environment

H. PUBLIC SECTOR AUDITING

1. Framework of public sector audits
2. Objective and scope of public sector audits
3. Categories of public sector audits (compliance, performance, financial)
4. Audit report of the Auditor General
5. Role of internal audit function in public sector entities
6. Relationship between external and internal audits in the public sector
7. International Standards of Supreme Audit Institutions

I. INTERNAL AUDIT

1. Role of internal audit:
 - (a) Scope and limitations
 - (b) Role of an internal auditor in the management of an organisation
 - (c) Introduction to International Professional Practices Framework in internal auditing

2. Similarities and differences between external and internal audit:
 - (a) Responsibilities in the detection and prevention of fraud and error
 - (b) Roles regarding planning and collection of audit evidence
 - (c) Internal and external auditors' reports
3. Advantages and disadvantages of outsourcing the internal audit function

J. ASSURANCE AND NON-ASSURANCE ENGAGEMENTS

1. Assurance engagements
 - (a) Definition
 - (b) Objectives of an assurance engagement
2. Classification of assurance engagements
 - (a) Reasonable assurance or Limited assurance
 - (b) Attestation engagement or direct engagement
3. Review of Historical information
 - (a) Review of historical financial statements
 - (b) Review of interim financial information
4. Other assurance engagements
 - (a) Examination of prospective financial information
 - (b) Reports on compilation of pro forma financial information included in a prospectus
 - (c) Reports on the controls at service Organisations
 - (d) Greenhouse statements
5. Related services
 - (a) Perform agreed upon procedures
 - (b) Compilation engagement
 - (c) Internal audit
 - (d) Valuation services

II PROFESSIONAL ETHICS AND VALUES

A. INTRODUCTION

1. Meaning of 'ethics'; 'values'
2. Nature of ethics
3. Philosophical approaches to ethics
4. Professional approaches to ethics

5. Ethical objectives of an organisation
6. Ethical objectives of the accountancy profession

B. WORKPLACE ETHICS

1. Meaning of work place ethics
2. Factors that influence ethical behaviour at workplaces:
 - (a) Individual standards and values
 - (b) Managers' and co-workers' influences
 - (c) Codes of ethics and compliance requirements
 - (d) Discrimination
 - (e) Harassment
 - (f) Importance and management of ethical behaviour at the workplace

C. BUSINESS ETHICS

1. Ethical principles in business
2. Nature and purpose of ethics and morals for organisational interests
3. Sources of ethical standards in business:
 - (a) Utilitarian approach
 - (b) Rights/ deontological approach
 - (c) Fairness of justice approach
 - (d) Common good approach
 - (e) Virtue approach
4. Business ethical issues
5. Corporate policy and functional area ethics
6. Corporate codes of ethics
7. Ethical dilemmas in business:
 - (a) Business relationships
 - (b) Conflicts of interest
 - (c) Fairness and honesty
 - (d) Communication
 - (e) Competition
8. Benefits of adhering to business ethics

D. ENVIRONMENTAL ETHICS

1. Concept of sustainable development
2. Pollution and resource depletion

3. Interrelationships and interdependence of ecological systems
4. Eco-friendly business practices

E. PUBLIC INTEREST

1. Meaning of public interest
2. Composition of the public
3. Costs and benefits of public interest
4. Decisions or actions taken in the public interest
5. Application of public interest policy to cultural and ethical diversity
6. Corporate social responsibility (CSR):
 - (a) Understanding CSR
 - (b) Need for CSR
 - (c) Key developments in CSR
 - (d) CSR mechanisms
 - (e) Benefits of CSR

F. ACCOUNTANTS IN PUBLIC PRACTICE

1. Meaning of an accountant
2. Accountant in public practice, business and industry, public sector
3. Professional image
4. Ways of obtaining work by accountants in public practice
5. Potential ethical issues and possible safeguards

G. CORPORATE GOVERNANCE

1. Concept and scope of corporate governance
2. History and role of corporate governance in Uganda
3. Principles of corporate governance/ good governance:
 - (a) Fairness
 - (b) Transparency
 - (c) Independence
 - (d) Honesty
 - (e) Responsibility
 - (f) Accountability
 - (g) Reputation
 - (h) Judgment
 - (i) Integrity

- (j) Participation
 - (k) Responsiveness
 - (l) Rule of law
 - (m) Consensus orientation
 - (n) Equity and inclusiveness
4. Corporate governance codes of best practice and regulations:
 - (a) The Code of Corporate Governance in the Companies Act, 2012
 - (b) Institute of Corporate Governance of Uganda guidelines
 - (c) The Organisation for Economic Co-operation and Development (OECD) principles of corporate governance
 5. Board independence and the role of board committees
 6. Role of the following in corporate governance:
 - (a) Board of directors: Chairman; executive directors; non-executive directors
 - (b) Chief executive officer
 - (c) Corporation secretary
 - (d) Accountant
 7. Good governance in public sector

H. FRAUD AND MONEY LAUNDERING

1. Meaning and types of fraud
2. Difference between fraud and error
3. Fraud prevention programmes/ mechanisms
4. Money laundering:
 - (a) Meaning
 - (b) Process
 - (c) Techniques
 - (d) Effects
 - (e) Offences and penalties
 - (f) Detection
 - (g) Prevention
5. Consequences of unethical behaviour to individuals, accountancy profession and the public
6. Effects of cyber-attacks and crypto currencies

I. WHISTLE BLOWING

1. Meaning of whistle blowing
2. Procedures for disclosure of unethical behaviour in public interest:
 - (a) Oral reports
 - (b) Use of information communication technology
 - (c) Reduction of disclosure into writing
3. Process of reporting unethical conduct:
 - (a) Impropriety
 - (b) Persons qualified to make disclosures
 - (c) Persons to whom or institutions to which disclosure maybe made
 - (d) Compulsory receipt of disclosures
4. Process of investigation of impropriety
5. Mechanisms of protecting a whistleblower:
 - (a) Protection from victimisation
 - (b) Protection against court action
 - (c) State protection
 - (d) Application to court for assistance
 - (e) Void employment contracts
6. Offences and penalties relating to whistle blowing

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 - (a) Leadership Code Act, 2002
 - (b) Inspectorate of Government Act, 2002
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