

# AUDITING AND OTHER ASSURANCE SERVICES - PAPER 17

Auditing & Other Assurance Services – Paper 17



Auditing & Professional Ethics and Values – Paper 12

## **OVERALL AIM**

To enable the learner consolidate knowledge and understanding of the process of executing and finalising an audit and other assurance engagements in compliance with International Standards on Auditing and the Ugandan regulatory framework.

## **LEARNING OUTCOMES**

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

1. Advise on regulatory, professional and ethical issues relevant to those carrying out audits or other assurance engagements.
2. Analyse risk assessment and planning procedures.
3. Prepare audit working papers, other documents of the tests performed to obtain sufficient and appropriate audit evidence.
4. Discuss the issues associated with group audits.
5. Prepare working papers documenting audit finalisation procedures performed.
6. Use audit evidence gathered to form an audit opinion.
7. Critically assess the ethical issues facing auditors.
8. Advise on internal audit engagements and management of the internal audit function.



9. Demonstrate an understanding of forensic audits and investigations.
10. Discuss the performance of other assurance engagements.
11. Demonstrate an understanding of the management of an audit firm.
12. Discuss emerging issues in auditing.

### **LEVEL OF ASSESSMENT**

The examination will test knowledge, comprehension, application, analysis, synthesis and evaluation of the auditing and other assurance principles.

### **EXAMINATIONS STRUCTURE**

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

### **DETAILED SYLLABUS**

#### **A. A PROFESSIONAL, LEGAL AND REGULATORY ENVIRONMENT**

1. Introduction:
  - (a) Meaning, role and benefits of auditing and other assurance services
  - (b) Types of auditing and other assurance services
  - (c) Audit of financial statements
  - (d) Need for performance of audits of financial statements by external personnel independent of management and owners
  - (e) International Audit and Assurance Standards Board (IAASB):
    - (i) The standard setting process
    - (ii) Significant current assurance issues
  - (f) The authority of national and international standards
  - (g) Audit failure:
    - (i) Principal causes
    - (ii) Effects
  - (h) Audit engagements outcomes versus expectations of users of audit reports
2. The statutory audit:
  - (a) The scope, purpose and initiators of statutory audits
  - (b) Objectives, principle activities and value of statutory audit (in assisting management to reduce risk, improve their internal control systems and performances)
  - (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
  - (g) Types of opinion provided in statutory audits
  - (h) Limitations of statutory audits
3. The non-statutory audits
    - (a) The scope, purpose and initiators of non-statutory audits
    - (b) Nature, purpose and scope of assurance engagements including the role of the external audit and its regulatory and ethical framework
    - (c) Concepts of accountability, stewardship, agency
    - (d) Reporting as a means of communication to different stakeholders
    - (e) Reasons and mechanisms of auditing sole proprietors and partnerships
  4. Fair presentation
    - (a) Presentation of financial statements in accordance with International Financial Reporting Standards (IFRS)
    - (b) Fair presentation of information in the financial statements
  5. Setting objectives, obtaining evidence and forming audit opinions
    - (a) Audit objectives: completeness, accuracy, valuation, existence/ occurrence, cut-off procedures, rights and obligations, presentation and disclosures
    - (b) Audit evidence:
      - (i) Methods of obtaining audit evidence
      - (ii) Quality
    - (c) Formation of an audit opinion in given situations
  6. Application of substantive and other testing procedures

## **B. RISK ASSESSMENT AND PLANNING PROCEDURES**

7. Importance of understanding the business when planning an engagement
8. Ways of gaining an understanding of a client's business
9. Need for external expertise to support assurance processes
10. Identification and implications of risks arising from:
  - (i) Business processes and circumstances
  - (ii) Error, fraud and non-compliance with law and other regulations
1. Business risks and their impact on performance measurement of an organisation
2. Components of risk for a specified assurance engagement
3. Impact of risk and materiality on an engagement plan, including the nature, timing and extent of assurance procedures
4. Benefits and limitations of analytical procedures at the planning stage
5. Determination of an appropriate approach for an engagement which addresses:



- (a) Possible reliance on:
    - (i) Controls (including those within Information Technology (IT) systems)
    - (ii) Work of internal audit, other experts, another auditor
  - (b) Extent of tests of controls and substantive procedures, including analytical procedures
  - (c) Nature and extent of client-generated information
  - (d) Number, timing, staffing and location of assurance visits
  - (e) Assurance of the entities' published sustainability and corporate responsibility reports
6. Components of audit risk for a specified audit engagement
  7. Aspects of employment and social security law relevant to statutory audit
  8. Auditing a non-specialised profit oriented entity:
    - (a) Audit of a non-specialised profit oriented entity versus the audit of a specialised profit oriented entity
    - (b) Audit of a non-specialised profit oriented entity versus the audit of a given not-for-profit entity
    - (c) Planning, performing, concluding and reporting on the audit of the financial statements of a non-specialised profit oriented entity in accordance with the terms of the engagement including appropriate auditing standards
  9. Impact of risk and materiality on preparing an audit plan, including the nature, timing and extent of audit procedures

## **C. AUDIT TESTING AND PROCEDURES**

1. The systems audit
  - (a) Testing system recording
  - (b) Control assessments
  - (c) Compliance tests
  - (d) Substantive tests of transactions and account balances
2. Verification of assets and liabilities:
  - (a) Account balances:
    - (i) Purpose of substantive procedures in relation to financial statement assertions
    - (ii) Substantive procedures used in auditing each balance, and tabulate those substantive procedures in a work program
  - (b) Tangible non-current assets and long-term liabilities:
    - (i) Evidence in relation to non-current assets
    - (ii) Non-current liabilities
    - (iii) The related income statement entries
  - (c) Prepayments and receivables:



- (i) Confirmation
  - (ii) Other evidence in relation to prepayments and receivables
  - (iii) The related income statement entries
  - (d) Inventory:
    - (i) Counting procedures in relation to year-end and continuous inventory systems
    - (ii) Procedures in the verification of the client's cut-off and review of consistency of cut-off date
    - (iii) Auditor's attendance at inventory counting, direct confirmation of inventory held by third parties
    - (iv) Other evidence in relation to inventory
  - (e) Bank and cash:
    - (i) Bank confirmation reports used in obtaining evidence in relation to bank and cash
    - (ii) Other evidence in relation to bank and cash
  - (f) Payables and accruals:
    - (i) Comprehensive schedule agreeable to the client's existing records
    - (ii) Supplier statement reconciliations and direct confirmation of accounts payable
    - (iii) Obtain evidence in relation to payables and accruals, and the related income statement entries
3. Related parties considerations in an audit of financial statements

## **D. GROUP AUDITS**

1. Multi-location audit considerations
2. Procedures for understanding of the component auditors by the lead auditor
3. Regulatory requirements: different laws, regulations and accounting standards (which would need to be converted to a consistent set of standards for group accounts)
4. Language and cultural differences
5. Emerging markets considerations (evolving laws and regulations, corporate governance practices, potentially higher business risks)
6. Site visits of the company's locations by the lead auditor around the world
7. Additional procedures to support timely, accurate two-way communications between the lead auditor and component auditors
8. Review of the audit procedures performed by the component auditors

## **E. AUDIT FINALISATION**

1. Subsequent events: Nature and timing of specific procedures designed to identify subsequent events that may require adjustment or disclosure in relation to the matters being reported on
2. Going concern: Nature and timing of specific procedures designed to identify the



appropriateness of the going concern assumption, including compliance with relevant legal and regulatory requirements

3. Quantitative and qualitative evaluation of the results and conclusions obtained from assurance procedures

## **F. REPORTING**

1. Draw conclusions, on the ability to report on an engagement, which are consistent with the results of the assurance work
2. Drafting suitable extracts for an audit or assurance report (including any report to the management issued as part of the engagement) in relation to a specified organisation on the basis of given information, including in the extracts (where appropriate) statements of facts, their potential effects, and recommendations for action relevant to the needs and nature of the organisation being reported upon
3. Advising on reports to be issued to those responsible for governance in accordance with International Standards on Auditing, legislation, regulation and codes of corporate governance
4. Judging when to refer reporting matters for specialist help
5. Elements (both explicit and implicit) of the auditor's report issued in accordance with the International Standards on Auditing and statutory requirements and recommend the nature of an audit opinion to be given in such a report

## **G. ETHICAL ISSUES FACING THE AUDITOR**

1. Fundamental ethical principles for professional accountants
2. Concept of independence
3. Identifying and resolving threats to fundamental ethical principles
4. Ethical issues relevant to professional accountants in public practice
5. Identifying and advising upon professional and ethical issues that may arise during an audit or assurance engagement
6. Judging when to raise legal and ethical matters arising from assurance work with senior colleagues for review and possible referral to external parties
7. Purposes and consequences of laws and other regulatory requirements

## **H. INTERNAL AUDITING**

1. Purpose, authority and responsibility of the internal audit function
2. Ethical requirements for the internal auditor
3. Managing the internal audit function
4. Internal audit planning
5. Performing internal audit engagements
6. Communicating results of internal audit engagement
7. Quality assurance in internal auditing
8. Internal auditing in the public sector
9. 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) The wide range of investigative work which accountants in practice



- could be asked to perform
- (c) The parties' responsibility for prevention and detection of fraud
2. Applications of forensic auditing (fraud, negligence, insurance claims)
    - (a) Investigating a financial matter or non-fraud situation in settling of money disputes in relation to business closure or matrimonial disputes under insurance claims
    - (b) Role of the forensic auditor as an expert witness in court proceedings
  3. Back duty investigations:
    - (a) Their instigation and auditor's responsibility
    - (b) Information an investigator needs at the planning stage
    - (c) The laws related to fraud and individual rights during investigations
    - (d) Collection and preservation of court admissible evidence
  4. Processes to follow if fraud/ illegal acts are suspected:
    - (a) The planning stage, gathering of evidence, review process, and reporting to the client
    - (b) Conducting successful fraud and corruption investigations
    - (c) Criminal and civil prosecution in Uganda for fraud cases, and recommendations
  5. Fraud/ Illegal Act:
    - (a) Categories of frauds:
      - (i) Corruption
      - (ii) Asset misappropriation
      - (iii) Financial statement fraud
    - (b) Rules of evidence (and how to put up a strong case)
    - (c) Interviewing
    - (d) Liaising with legal counsel
    - (c) Making testimony in court
  6. Investigative Procedures:
    - (a) Planning in forensic audit; setting the audit objectives
    - (b) Ways of gathering evidence
    - (c) Use of computer-assisted audit techniques

## **J. MANAGEMENT OF AN AUDIT FIRM**

1. Quality Control
  - (a) Principles and purpose
  - (b) Elements of a system of quality control relevant to a given firm
  - (c) Leadership responsibility for quality control within an audit firm
  - (d) Quality control procedures
  - (e) Assessment of whether an engagement has been performed in accordance with professional standards and whether reports issued are appropriate in the circumstances
  - (f) Sources of liability, including professional negligence, arising from an assurance engagement and their impact upon the conduct of the engagement
2. Acceptance and continuance of client relationship



- (a) Legal, professional and ethical considerations before accepting an engagement
  - (b) Issues which underlie the agreement of the scope and terms of an assurance engagement
  - (c) Suitable approach for the management of an assurance engagement
  - (d) Issues and risks for consideration with regard to the acceptance of an audit engagement
  - (e) Reasons for changing auditors/professional accountants
  - (f) Accepting a specified new client/ engagement:
    - (i) Matters to consider
    - (ii) Procedures to be undertaken
  - (g) Responsibilities of management and auditors in an audit of financial statements
  - (h) Withdrawal from an engagement
3. Managing human resources:
- (a) Relevant issues, policies and procedures
  - (b) Recruitment process and staff competence development methods
  - (c) Assignment of the engagement team
  - (d) Promoting an internal culture of quality control
  - (e) Consistency in the quality of engagement performance
4. Engagement performance:
- (a) Consistency in the quality of engagement performance; supervision and review responsibilities
  - (b) Requirements for sufficient and appropriate technical expertise, experience in an engagement
  - (c) Need for consultation in promoting audit quality and application of professional judgement
  - (d) Criteria, conduct and documentation of engagement quality control reviews
5. Ethical requirements
- (a) Policies and procedures designed to provide reasonable assurance that the firm and its personnel:
    - (i) comply with relevant ethical requirements
    - (ii) are subjected to independence requirements
  - (b) 'Low balling' and whether or not it impairs independence
6. Marketing professional services:
- (a) Process of obtaining audit engagements





- (b) Need for guidance in marketing professional services
- (c) Extent to which reference to fees may be made in promotional material
- (d) Determinants of fee-setting and bases on which fees and commissions may/or may not be charged for services
- (e) Ethical and professional considerations in establishing and negotiating fees

7. Monitoring of:

- (a) The assurance function within an organisation
- (b) Quality and control through procedures external to the organisation

## **K. OTHER ASSURANCE ENGAGEMENTS**

1. Types:

- (a) Review engagements
- (b) Compilation engagements
- (c) Engagement to perform agreed-upon procedures

2. Business Performance Measurement:

- (a) Benefits of providing assurance on business performance measures using appropriate ratios
- (b) Relevance of traditional financial and operational performance measures
- (c) Assessment of reliability of performance information systems, including benchmarking
- (d) Value for money audit:
  - (i) Approach
  - (ii) Application
  - (iii) Benefits

3. System Reliability

- (a) The need for information integrity and controls
- (b) Demand for reliable and timely reporting
- (c) Benefits for providing assurance to management and external users
- (d) Procedures for assessing internal control effectiveness

4. IT Audits and Electronic Commerce (E-commerce)

- (a) Use of core technologies
- (b) Recent trends in IT and their current and potential impact on auditors (implications of 'cyber incidents' and other risks)
- (c) Application of IT in automating audit process
- (d) Problems that may be encountered in automating the audit process
- (e) Effects of E-commerce on the business risk of an entity



- (f) Privacy and security of information for transactions and communications
- (g) Principles and criteria underlying web assurance
- (h) IT security and related considerations
- (i) Reliance on embedded controls
- (j) Auditing an IT system

5. Social and Environmental Audits:

- (a) Importance of policies governing the relationship of an organisation with its employees, societies and the environment
- (b) Difficulties in measuring social and environmental performance
- (c) The auditor's considerations with respect to social and environmental matters and their impact on companies and their financial statements (impairments of assets, provisions and contingent liabilities)
- (d) Control over social and environmental risks by management and evaluation by the auditor
- (e) Substantive procedures for detecting potential misstatements in respect of socio-environmental matters
- (f) Actions that may be taken by the auditor in situations of non-compliance with relevant laws and regulations (environmental Acts and health and safety regulations)
- (g) Form and content of an independent verification statement on an environmental management system and a report to society

## **L. EMERGING ISSUES IN AUDITING**

1. Money laundering:

- (a) Meaning
- (b) International efforts at combating money laundering
- (c) The scope of criminal offences of money laundering
- (d) Protection of professional accountants from criminal and civil liability
- (e) Need for ethical guidance on money laundering
- (f) Accountants' obligations in the prevention and detection of money laundering
- (g) Importance of customer due diligence
- (h) Suspicious transactions and their impact on reporting duties
- (i) Elements of anti-money laundering programmes



2. Other Issues
  - (a) Overcoming problems associated with the audit of small enterprises
  - (b) International Standards on Auditing and small firms
  - (c) Dominance of global firms; their influence and impact on the accountancy profession
  - (d) Impact of developments in public company oversight on external auditors
  - (e) Current developments in auditing standards
    - (i) The need for new and revised standards
    - (ii) Impact on the conduct of audits
  - (f) Current legal, ethical, professional and practical matters that affect accountants, auditors, their employers and the profession
3. Generally Accepted Auditing Standards:
  - (a) Meaning and objectives
  - (b) Scope
  - (c) Comparison with International Standards on Auditing (ISAs)
4. The International Standards of Supreme Audit Institutions (ISSAIs):
  - (a) Meaning and objectives
  - (b) Scope and fundamental auditing principles
  - (c) Comparison of ISSAIs with ISAs

## REFERENCES

1. Arens Alvin, Beasley Mark and Elder J Randall (2011): Auditing and Assurance Services: An Integrated Approach, Prentice Hall, United Kingdom. 14<sup>th</sup> Edition
2. Chambers Andrew (1991): Computer Auditing, Pearson Education. 3<sup>rd</sup> Edition
3. Gray Iain and Manson Stuart (2011): The Audit Process: Principles, Practice and Cases, Cengage Learning EMEA. 5<sup>th</sup> Edition
4. International Federation of Accountants (2012): Handbook of International Auditing Assurance and Ethics Pronouncements, Butterworth Law, Revised Edition
5. Millichamp Alan (2002): Auditing, Continuum International Publishing Group. 8<sup>th</sup> Edition
6. Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, International Accounting Standards Board, International Accounting Standards Board



# ANNEX

## EXAMINABLE STANDARDS

	<b>INTERNATIONAL STANDARDS ON QUALITY CONTROL (ISQC)</b>
1.	ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements
	<b>INTERNATIONAL STANDARDS ON AUDITING (ISA)</b>
2.	ISA 200 Overall Objectives of Independent Auditor and the Conduct of an Audit in Accordance with International Standards of Auditing
3.	ISA 210 Agreeing the Terms of Audit Engagements
4.	ISA 220 Quality Control for an Audit of Financial Statements
5.	ISA 230 Audit Documentation
6.	ISA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
7.	ISA 250 Consideration of Laws and Regulations in an Audit of Financial Statements
8.	ISA 260 Communication with Those Charged with Governance
9.	ISA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
10.	ISA 300 Planning an Audit of Financial Statements
11.	ISA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
12.	ISA 320 Materiality in Planning and Performing an Audit
13.	ISA 330 The Auditor's Responses to Assessed Risks
14.	ISA 402 Audit Considerations Relating to an Entity Using a Service Organisation
15.	ISA 450 Evaluation of Misstatements Identified during the Audit
16.	ISA 500 Audit Evidence
17.	ISA 501 Audit Evidence – Specific Considerations for Selected Items
18.	ISA 505 External Confirmations
19.	ISA 510 Initial Audit Engagements – Opening Balances
20.	ISA 520 Analytical Procedures



21.	ISA 530 Audit Sampling
22.	ISA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
23.	ISA 550 Related Parties
24.	ISA 560 Subsequent Events
25.	ISA 570 Going Concern
26.	ISA 580 Written Representations
27.	ISA 600 Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)
28.	ISA 610 (Revised) Using the Work of Internal Auditors
29.	ISA 620 Using the Work of an Auditor's Expert
30.	ISA 700 Forming an Opinion and Reporting on Financial Statements
31.	ISA 705 Modifications to the Opinion in the Independent Auditor's Report
32.	ISA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
33.	ISA 710 Comparative Information-Corresponding Figures and Comparative Financial Statements
34.	ISA 720 The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements
35.	ISA 800 Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
36.	ISA 805 Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
37.	ISA 810 Engagements to Report on Summary Financial Statements
38.	IAPN 1000 Special Considerations in Auditing Financial Instruments



# INTEGRATION OF KNOWLEDGE – PAPER 18

## **LEARNING OUTCOMES**

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

1. Evaluate and integrate the knowledge and skills acquired in the previous levels together with the knowledge and skills acquired within this level
2. Develop professional solutions to business problems involving skills in judgement, analysis, communication and presentation
3. Report solutions to business problems in an understandable manner
4. Exercise judgment on advanced reporting issues
5. Assess critically taxation issues to provide appropriate planning advice for individuals and businesses
6. Develop appropriate treasury solutions for financial planning purposes
7. Evaluate and advise on corporate governance and control
8. Demonstrate an understanding of the current issues affecting business

## **SYLLABUS**

**A        Levels 1 – 3**

**B        Communication and presentation skills**

