

STAGE: PROFESSIONAL 2

Subject Title:

AUDIT PRACTICE & ASSURANCE SERVICES

Examination Duration: 3.5 hours (Open Book)

Aim

The aim of this subject is to prepare students to demonstrate the knowledge, skills and competencies necessary to carry out the audit of an entity and undertake assurance engagements, having due regard to the Institute's and profession's ethical standards in a changing and complex business environment.

Audit Practice and Assurance Services as an Integral Part of the Syllabus

In carrying out the audit of an entity's financial statements it is essential to understand fully the application of the relevant International Standards in Auditing (ISAs), International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs). Many issues that face auditors frequently arise from the accounting treatment of certain financial transactions in the financial statements of the entity.

The study of the subject Auditing at Professional 1 Stage is an essential foundation for the study of *Audit Practice and Assurance Services* at Professional 2 Stage. *Financial Accounting and Information Systems* (at Formation 2 Stage) and *Corporate Reporting and Corporate Laws and Governance* (at Professional 1 Stage) are also essential prerequisites for the study of *Audit Practice and Assurance Services*.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws and Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1			Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

Audit Practice and Assurance Services integrates and builds on, as appropriate, the capabilities developed in the earlier subjects as highlighted in the table above.

Learning Outcomes

Upon successful completion of this subject, students should be able to:

- Appraise and apply the legal, regulatory and ethical framework to the role of the auditor.
- Access audit risks, and describe the procedures undertaken at the planning stage to meet the objectives of the audit.
- Design, evaluate and report on internal control and financial reporting systems, and identify and communicate control risks, applying these skills to practical situations in both manual and computerised environments.
- Discuss the application of computer-assisted auditing techniques.
- Design, plan and apply audit testing techniques and procedures in the practical application of International Standards on Auditing (Ireland), International Standards on Quality Control (ISQC) (Ireland) and other technical pronouncements related to auditing and assurance situations.
- Evaluate the role of internal audit, including a comparison with the role of the external auditor.
- Draw conclusions, having applied appropriate professional skill, scepticism and judgement.
- Report to shareholders, management and other relevant parties in the course of providing audit and assurance services.
- Plan and perform the necessary work and report on other assurance engagements in the context of agreed terms of reference and the legal, regulatory and ethical framework.
- Undertake audit and assurance engagements with reference to the best practices and developments in Corporate Governance and their application to clients' processes.
- Appraise issues and developments relating to auditing, including audit expectations and developments in the regulation of audits.
- Demonstrate an ability to work within a professional and ethical framework.

Syllabus

1: LEGAL AND REGULATORY ENVIRONMENT

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An in-depth knowledge of the Companies Act / Orders and relevant EU directives and other company law legislation affecting the auditor. 3

Responsibilities imposed on auditors of Irish Stock Exchange (ISEQ) and London Stock Exchange listed companies and legal responsibilities to shareholders. 2

An in-depth knowledge of standards and other technical pronouncements issued by the IASB, IAASB and the IAASA. 3

A detailed awareness of case law decisions and their implications for the auditing process. 2

An in-depth knowledge of other legal liabilities affecting auditors and accountants in providing audit and assurance services. 2

2: ETHICS

Application of the CPA Code of Ethics. 3

The fundamental principles of professional ethics. 3

Threats and safeguards. 3

Responsibilities to clients and colleagues. 3

Other responsibilities and practices including: 3

- Changes in professional appointments.

- Use of lien in fee disputes.

- Advertising and publicity.

- Use of professional designations.

Conflicts of interests. 3

Code of confidentiality.	3
Professional liability and indemnity.	3
Misconduct and negligence.	3
Ethical Standard for Auditors (Ireland) 2016	3

3: INTERNAL CONTROLS AND FINANCIAL SYSTEMS

The definition of the control environment and control procedures.	3
Effective internal controls.	3
The limitations on the effectiveness of internal controls.	3
Ascertaining and understanding internal control systems: narrative notes, flowcharts, checklists, internal control questionnaires, walk through tests.	3
Evaluation and assessment of accounting systems and internal control systems and subsequent impact on audit work.	3
Reliance on internal controls and internal audit.	3
The principles and control procedures in a computer environment, including system analysis and design considerations.	2
The use of computer-assisted audit techniques.	2

4: RISK ASSESSMENT & AUDIT PROCESS

New engagements.	3
The strategic design and planning of an audit and knowledge of the client's business.	3
The review of financial statements to include analysis and critical assessment.	3
Quality control and recording of the audit.	3

The evaluation and testing of control procedures and audit evidence.	3
The design and carrying out of tests of substance on specific audit areas.	3
Consideration of materiality, audit risk, reliance on other specialists, events after the reporting period, contingencies, related parties.	3
Use of experts.	3
Characteristics of fraud and the responsibility of auditors for detecting material misstatement due to fraud.	3

5: REPORTING

Reporting on Audited Financial Statements.	3
Key concepts: opinion, true and fair view, materiality, statutory requirements.	3
Basic elements of the Auditor's Report.	3
Modified Reports, differentiating between	3
Matters that do not affect the auditor's opinion, and	
Matters that do affect the auditor's opinion.	
Circumstances giving rise to Modified Reports.	3
Limitations on scope.	
Disagreements with management.	
Auditor's responsibility before and after the date of the Auditor's Report.	3
Auditor's responsibility for other information in documents (e.g. Annual Report) containing audited financial statements.	3

6: SPECIAL AUDITS AND OTHER ASSURANCE ENGAGEMENTS

Relevant audit planning, execution (including internal control implications), reporting and professional practice considerations concerning: 2

Group audits, small business audits (including small business exemption), not-for-profit audits, first time audits. 2

Prospectuses and other offering documents (investment circulars): historical year-end financial statements, interim financial statements, and future oriented information. 2

Other types of historical financial assurance engagements: financial statements review engagement (Accountant's Report), financial statements compilation engagements (Compilation Report), audit or review of specific financial information (e.g. sales figures for retail park leases), compliance with agreements (e.g. loan covenants), agreed-upon procedures. 2

Assurance on internal controls in service organisations (eg: data processing company). 2

Other types of audits: value for money/ operational, social and environmental, health and safety, forensic (fraud identification, analysis and assessment). 2

7: CORPORATE GOVERNANCE

The Code of Best Practice (based on Cadbury Report) 3

Audit Committees – structures, roles, benefits and drawbacks. 3

Roles and effectiveness of Non-Executive Directors. 3

Anti-Money Laundering Procedures. 2

The Combined Code (of the Committee on Corporate Governance) 2

UK Corporate Governance Code 2018. 2

8: CURRENT ISSUES

The current issues and developments relating to auditing, including audit expectations and developments in the regulation of audits. 2

FINANCIAL REPORTING AND AUDITING STANDARDS:

See Examinable Material Document on pages 92 to 99 for details of the Financial Reporting and Auditing Standards etc. applicable to this examination.

COMPANIES ACT:

See Examinable Material Document on pages 92 to 99 for details of the Companies Act applicable to this examination.

Assessment Strategy

EXAMINATION APPROACH

The subject should be approached on the basis that it is a final professional stage examination. It builds on the knowledge gained at Professional 1 Stage in relation to the core auditing issues. The 50-mark case-study question presents opportunities for students to display logical and analytical thinking and critical analysis. Questions require students to write reports, which must be tailored to the technical knowledge of the target audience. Students are also presented with the opportunity to demonstrate professional judgement and ethical sensitivity.

Particular attention must be paid to the interaction between the various elements of the syllabus and other subjects studied. Students are expected to select and integrate relevant syllabus material from Audit Practice and Assurance Services and other subjects as appropriate. They must also be able to appraise and defend the audit function and its impact on financial statements and the maintenance of standards.

EXAMINATION FORMAT

Assessment is by an open-book examination of 3.5 hours duration. The examination consists of Section A, with one compulsory question, based on a case-study (worth 50% of the marks for the examination) and Section B, with a choice of two out of three elective questions, which may refer also to material in the major case-study and / or be based on minor case studies, each worth 25% of the marks for the examination.

Marks Allocation	Marks
Section A	
■ Compulsory Question (Case Study)	■ 50
Section B	
■ Choice of 2 questions out of 3 (25 marks each)	■ 50
	Total 100

Learning Resources

CORE TEXTS;

The Audit Process, Principles, Practice & Cases 6th edition/Gray, Manson and Crawford / Cengage 2015 / ISBN-13: 978-1408081709

Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities /3rd Edition 2011 / IFAC / ISBN-13: 978-1608150991 Published in two volumes freely available for download from:

Volume 1:

www.ifac.org/sites/default/files/publications/files/SMP-ISA-Audit-Guide-Volume-1-3e.pdf

Volume 2:

<http://www.ifac.org/sites/default/files/publications/files/SMP-ISA-Audit-Guide-Volume-2-3e.pdf>

Technical Material:

1. Assurance and Quality Control Standards

International Standards on Auditing (Ireland).

– International Standards on Assurance Engagements (ISAEs).

International Standards on Review Engagements (ISREs).

ISQC (Ireland) Quality control for firms that perform audits and reviews of financial statements and related services engagements.

These are available from the Irish Auditing and Accounting Supervisory Authority www.iaasa.ie.

2. Financial Accounting and Reporting Standards

International Financial Reporting Standards (IFRSs) EU Endorsed are available from the European Commission on http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The International Standards on Auditing Ireland are available from the Irish Auditing and Accounting Supervisory Authority www.iaasa.ie.

3. Ethical Standards

Ethical Standard for Auditors (Ireland) 2016 are available from Irish Auditing and Accounting Supervisory Authority www.iaasa.ie. ß

CPA – Code of Ethics, available from the CPA website at www.cpaireland.ie

4. Examinable Material Document

See pages 92 to 99

SUPPLEMENTARY TEXTS AND JOURNAL

Principles of External Auditing 4th ed / Porter, Hatherly, Simon / Wiley 2014 / ISBN-13: 9780470974452

Cosserat / Modern Auditing / Wiley / 3rd Edition 2009 / ISBN-13: 978-0470319734

External Auditing and Assurance: An Irish Textbook 2nd Edition by Martin Nolan and Christine Nangle Revised/2016/ICAI/ ISBN-13: 978-1910374696

AccountancyPlus

CPA Students' eBulletin

USEFUL WEBSITES (AT DATE OF PUBLICATION)

www.cpaireland.ie – CPA Ireland.

www.iaasa.ie/ – Irish Auditing and Accounting Supervisory Authority.

www.frc.org.uk/About-the-FRC/FRCstructure/Former-FRC-structure/AuditingPractices-Board.aspx – Auditing Practices Board

www.ifac.org/auditing-assurance – International Auditing & Assurance Standards Board

www.ifac.org – The International Federation of Accountants.

www.ifrs.org/ – The International Financial Reporting Standards Foundation.

www.frc.org.uk/About-the-FRC/FRCstructure/Audit-and-Assurance-Council.aspx, FRC – Audit and Assurance Council

frc.org.uk/About-the-FRC/FRCstructure/Accounting-Council.aspx, FRC Accounting Council

www.frc.org.uk/About-the-FRC/FRCstructure/Conduct-Committee.aspx, FRC-Conduct Committee

www.accountingnet.ie/ – Irish Accounting and Business Portal.