

CPA STRATEGIC: ADVANCED AUDIT AND ASSURANCE

Aim

The aim of this module is to prepare students to demonstrate the knowledge, skills, competencies and professional scepticism 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.

Advanced Audit and Assurance as an Integral Part of the Syllabus

The study of Audit & Assurance at the previous level is a prerequisite for the study of Advanced Audit & Assurance. Other modules in the domains of management accounting, financial accounting, law and taxation are also essential prerequisites for the study of Advanced Audit and Assurance.

Syllabus and Subject Dependencies

LEVEL	SUBJECT					
CPA Foundation	Financial Accounting	Management Fundamentals	Taxation		Management Accounting	
CPA Professional	Financial Reporting	Corporate Law	Advanced Taxation	Audit & Assurance	Performance Management	Managerial Finance
CPA Strategic	Advanced Financial Reporting	Strategy & Leadership	Advanced Tax Strategy	Advanced Audit & Assurance	Data Analytics for Finance	Strategic Corporate Finance

Minimum Intended Learning Outcomes

On successful completion of this module, students will be able to:

- Demonstrate the ability to exercise appropriate judgement in the application of legal, regulatory, professional and ethical requirements to audit and assurance services
- Critically evaluate financial statements, analyse and interpret data, and utilise information to assess audit risk; devise audit strategy, design, plan and execute the audit and/or assurance service
- Determine the application of International Standards on Auditing (Ireland), International Standards on Quality Control (ISQC) (Ireland) and other technical pronouncements related to audit and assurance services
- Evaluate the evidence-based conclusions from audit and assurance procedures to communicate effectively to various stakeholders choosing appropriate report formats
- Critique current issues and developments relating to audit and assurance services.

Indicative Syllabus

		Competency Level
The legal, regulatory, professional and ethical framework of auditing	<ul style="list-style-type: none"> Companies Act / Orders, EU Directives & Company Law Irish & London Stock Exchange listed companies Auditing Standards – IASB, IAASB & IAASA Case law, legal liabilities & obligations Anti-money laundering Corporate governance frameworks CPA Code of Ethics and the Ethical Standard for Auditors (Ireland) 2017 Professional negligence & indemnity 	3 2 3 2 2 2 3 3
Risk Assessment, audit planning and execution	<ul style="list-style-type: none"> New engagements and acceptance procedures Planning, conducting and documenting an audit Review of financial statements, analysis and interpretation of data and other information Materiality and risk assessment Quality control, professional scepticism and practice management Evaluation and testing controls (see below) Substantive testing Using the work of others Laws and regulations Fraud and error 	3 3 3 3 3 3 3 3 3 3
Internal Controls and Financial Systems	<ul style="list-style-type: none"> Control environment and control procedures Internal controls & internal control systems Computer control environment Continuous control monitoring 	3 3 2 2
Completion and Reporting	<ul style="list-style-type: none"> Subsequent events and going concern Final review and matters arising Key concepts – opinion, true & fair view/ fair presentation, materiality & statutory requirements Auditor's report Modified reports Limitations on scope/ Disagreement Emphasis of matter / other matters / KAMs Auditor's responsibility 	3 3 3 3 3 3 3 3
Special Audits & Other Engagements	<ul style="list-style-type: none"> Engagement, planning, execution and reporting Professional practice considerations 	2 2
Performance Evaluation	<ul style="list-style-type: none"> Corporate reports and extended stakeholder reports e.g. sustainability, governance and environmental reports Performance management reports and KPIs 	2 2
Current Issues	<ul style="list-style-type: none"> Current developments in the audit and assurance environment Auditing new technologies e.g. Artificial Intelligence (AI) and Blockchain 	2 1

Learning Guide

The legal, regulatory, professional and ethical framework of auditing

- Demonstrate an in-depth understanding of the Companies Act / Orders and relevant EU directives and other company law legislation affecting the auditor
 - Explain the responsibilities imposed on auditors of Irish Stock Exchange (ISEQ) and London Stock Exchange listed companies and describe the auditor's legal responsibilities to shareholders
 - Demonstrate an in-depth understanding of Auditing standards and other technical pronouncements issued by the IASB, IAASB and IAASA
 - Describe the implications for the auditing process of relevant case law decisions and explain how other legal liabilities and obligations affects auditors and accountants in providing audit and assurance services
 - Define money-laundering; advise how auditors and accountants can meet their obligations under anti-money laundering legislation; demonstrate an ability to recognise suspicious transactions and describe how these transactions should be reported
 - Appraise and critique the implications of corporate governance frameworks on the accounting and audit profession
 - Explain and describe with examples, the fundamental principles of the CPA Code of Ethics and the Ethical Standard for Auditors (Ireland) 2017 and determine how they apply to audit and assurance services and the profession, including the impact of provision of non-audit services and the need for professional scepticism
 - Illustrate the situations whereby auditors and accountants may have professional liability and explain professional indemnity, misconduct, negligence and the code of confidentiality.
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Risk Assessment, audit planning and execution

- Explain the procedures to be undertaken before acceptance of a new or recurring engagement and recognise when an engagement should be refused
 - Describe the strategic design and planning of an audit, and explain how the audit strategy is derived from the result of planning procedures. Discuss the importance of knowledge and understanding of the client's business and the importance of audit documentation in this process.
 - Demonstrate the ability to critically review financial statements and other relevant information to plan the audit and assess risk. Identify, formulate and explain analytical procedures, data analysis and interpretation. Describe how technology can assist the auditor with this process and identify any risks associated with reliance on data reports, AI generated information and algorithmic processes.
 - Consider materiality and performance materiality and illustrate how these concepts are applied in auditing. Explain how materiality and risk are related and evaluate business and audit risk, including the risk of material misstatement in an audit/assurance engagement. Consider other risk factors that may impact on the assurance engagement.
 - Explain the principles of quality control and evaluate the quality control procedures to ensure good practice management. Describe the importance of professional scepticism throughout the audit and assurance engagement.
 - Design and evaluate tests of controls and assess their role in gathering audit evidence
 - Design and implement tests of substance on specific audit areas within the financial statements and evaluate their importance in gathering audit evidence
 - Explain why and how the auditor may use the work of others
 - Consider the impact of non-compliance with laws and regulations for the audit and assurance engagement
 - Recognise and contrast the characteristics of fraud and error and explain with examples, the responsibility of auditors for detecting and reporting material misstatement due to fraud and error
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Internal Controls and Financial Systems

- Describe how the control environment and control procedures operate within a business
 - Explain effective internal controls and discuss the limitations on the effectiveness of internal controls
 - Ascertain and understand internal control systems through use of narrative notes, flowcharts, checklists, questionnaires and walk-through tests
 - Evaluate and assess accounting and internal control systems and the subsequent impact on audit work
 - Define internal audit and ascertain and describe the situations when an auditor can/cannot place reliance on internal controls and/or internal audit
 - Understand the principles and control procedures in a computer environment, including system analysis, design considerations and continuous control monitoring
 - Understand that continuous audits are usually technology-driven and operate in real-time and recognise the importance of computer assisted audit techniques for continuous audit. Outline the 7-steps in continuous audit
 - Assess the uses of computer-assisted audit techniques and the impact of data analytics, artificial intelligence (AI) and blockchain for the audit of internal controls and financial systems
 - Identify the risks associated with reliance on technologically generated reports and outline the need to exercise professional scepticism in questioning the underlying assumptions and algorithms
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Learning Guide contd.

Completion and Reporting

- Design audit procedures to identify subsequent events and assess the impact on the financial statements
 - Evaluate the going concern indicators for an engagement and design audit procedures to gather evidence of going concern issues and their potential impact on the business, financial statements and the audit report
 - Ascertain the remaining evidence to be gathered before the audit conclusion can be reached e.g. solicitor's confirmation, review of provisions and contingencies, written representations etc.
 - Conclude on the results of audit procedures performed and evidence gathered; identify adjustments and evaluate the impact on the final financial report of unadjusted errors.
 - Explain the importance of analytical procedures throughout the audit and apply final analytical procedures and disclosure checks to the final financial statements
 - Formulate any matters arising from the final review which may have an impact on the audit report
 - Describe key concepts such as: audit opinion, true and fair view/fair presentation, materiality, statutory requirements, key audit matters (KAM) etc.
 - Determine the form and content of an unmodified auditor's report and outline the elements comprising the report
 - Advise on modifications to the auditor's report and when they are justified, differentiating between matters that do not affect the auditor's opinion, and those that do affect the auditor's opinion providing examples of circumstances giving rise to modified reports
 - Recognise and contrast limitations on scope and disagreements with management and the impact of each on the modified audit report
 - Recognise when it is appropriate to use emphasis of matter paragraph, other matter paragraph and KAM disclosure
 - Explain the auditor's responsibility for their opinion and their responsibility before and after the date of the auditor's report
 - Explain the auditor's responsibility for other information in documents (e.g. Annual Report) containing audited financial statements
 - Describe other types of assurance report
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Special audits and other engagements

- Describe the relevant engagement planning, execution (including internal control implications), reporting and professional practice considerations concerning:
 - Group audits, small business audits (including small business exemption), not-for-profit audits, first time audits
 - Prospectuses and other offering documents (investment circulars): historical year-end financial statements, interim financial statements, and future oriented information
 - 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
 - Assurance on internal controls in service organisations (e.g. data holding and or processing company)
 - Other types of audits: value for money/operational, social and environmental, due diligence, health and safety, forensic (fraud identification, analysis and assessment)
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Performance evaluation

- Critique corporate reports and extended stakeholder reports e.g. Corporate Social Responsibility Report (CSR), Environmental, Social and Governance Report (ESG), and other forms of sustainability and environmental reports
 - Clarify the importance of ratio analysis and the use of Key Performance Indicators (KPIs) in performance management reports
 - Recognise potential for bias in performance management reports
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Current issues

- Discuss the current issues and developments relating to practice management, audit and assurance services, including audit expectations and developments in the regulation of audits
 - Discuss the impact of emerging technologies on the audit itself and the accounting profession e.g. Artificial Intelligence (AI), Automated Accounting technology, Blockchain technology, Cloud computing, Data Analytics and the use of Big Data, Machine Learning (ML) and Robotic Process Automation (RPA)
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Learning Resources

Core Texts

The Audit Process, Principles, Practice & Cases 7th Edition/Gray, Manson and Crawford / Cengage 2019 / ISBN: 9781473760189

Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities /2018 / IFAC / ISBN 978-1-60815-353-4 Published in two volumes, with Companion Manual, freely available for download from:

www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/guide-using-international-standards-auditing-audits-small-and-medium-sized-entities

Technical Material

1. Assurance and Quality Control Standards

- International Standards on Auditing (Ireland)
- International Standards on Review Engagements (ISAE's)
- 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 <https://op.europa.eu/en/publication-detail/-/publication/1e1688e8-f9a6-11e7-b8f5-01aa75ed71a1/language-en/format-PDF/source-130716561>
- 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) 2017 are available from Irish Auditing and Accounting Supervisory Authority www.iaasa.ie.
- CPA – Code of Ethics, available from the CPA website at www.cpaireland.ie

4. Examinable Material Document on pages 84 - 89 of this document

Supplementary Texts

Principles of External Auditing 4th Edition / Porter, Hatherly, Simon / Wiley 2014 / ISBN-13: 978-0470974452

External Auditing and Assurance: An Irish Textbook 3rd Edition by Martin Nolan and Christine Nangle Revised/2018 / ICAI / ISBN 978-1-912350-03-2

Cosserat / Modern Auditing / Wiley / 4th Edition 2016 /ISBN-13: 978-1118962824

AccountancyPlus

CPA Students' eBulletin

Useful Websites (as of date of publication)

www.cpaireland.ie - CPA Ireland.

www.iaasa.ie - Irish Auditing and Accounting Supervisory Authority.

www.frc.org.uk/about-the-frc/structure-of-the-frc/audit-and-assurance-council - FRC - Audit and Assurance Council

www.frc.org.uk/about-the-frc/structure-of-the-frc/corporate-reporting-council - FRC Corporate Reporting Council

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