

IKAF CAP-F8 Audit and Assurance

Syllabus and Study Guide

*CAP Certified Accountant Professional Qualification Level
(Based on ACCA Certifications)*

This syllabus and study guide is designed to assist in teaching and learning, also is intended to provide detailed information on the qualification, module and study guide.

Qualification Structure

It explains the content of Certified Accountant Professional Qualification level, which also includes the Audit and Assurance Module. Explains the connection of this module to other levels and modules of qualification; modules included at the specified level as well as membership criteria; as well as the characteristics of lectures that are held during the certification period. Modules and Qualifications are also presented through diagrams.

Module

It explains briefly the reasoning of the module's importance, the general and detailed objectives of the module and, also shows in the widest sense the skills that will be developed during the study of the module. The relation of the module to the other modules is presented through a diagram representing the links between them; in order to be as clear as possible for the reader. Also, topics that belong to the module are described; also, how the module's topics and subthemes are planned. Moreover, the form of examination and evaluation is explained in detail, what the exam will consider and why. In the end, the module's content is attached.

Syllabus Structure

It explains the syllabus content of the module Audit and Assurance part of the Certified Accountant Professional Qualification Level. This module contains the main reasoning, aim, and capabilities expected to get learned during the course of the study. In addition, the syllabus includes the topics of the modules, the structure of the examination after the successful completion of the module as well as reading and scheduling the time.

Study Guide

This is the main document that students, education and content providers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations

QUALIFICATION STRUCTURE

*CAP Certified Accountant Professional Qualification Level
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The Qualification Program for Certified Accountants particularly emphasizes financial reporting skills that have been developed in accordance with International Financial Reporting Standards (IFRS). Certified Accountants will learn the principles and internal control systems for enterprises, audit methods and standards as well as a wide group of business planning, decisions support and performance management skills.

To get Certified Accountant training you must first complete the Qualification for Accounting Technician. Membership for Certified Accountant is open for professional accountants who have completed IKAF Qualification for Accounting Technician.

Certified Accountant Candidates should demonstrate knowledge of Audit and Assurance Module.

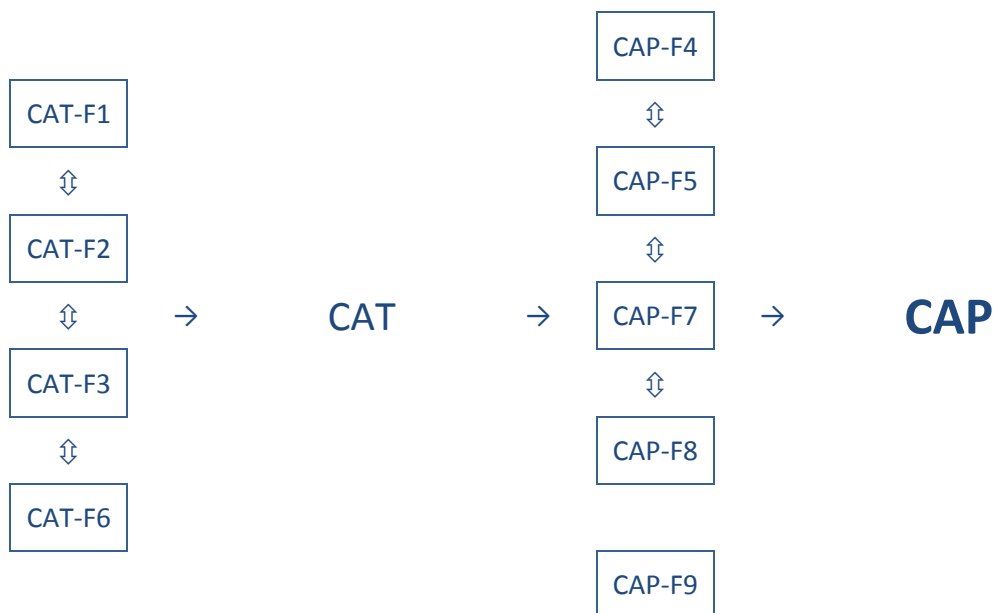


Diagram.1: Certified Accountant Qualification relations with other modules and certified qualifications

Modules

CAP Certified Accountant Professional Qualification Level consists of five modules and is mandatory to pass all five in order to obtain the title:

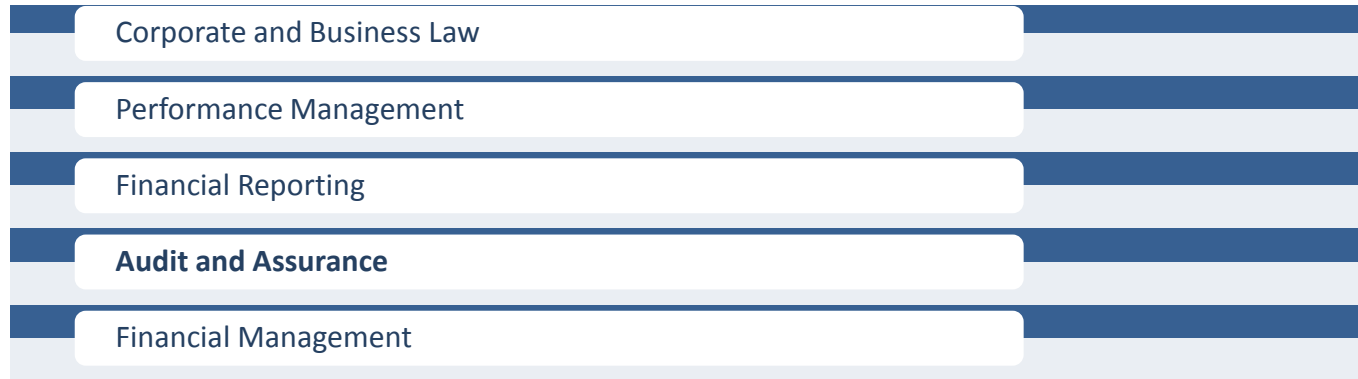


Diagram.2: CAP Certified Accountant Professional Qualification Level Modules

Qualification and Membership Criteria: Certified Accountant Professional

- University Degree;
- Completion of Accounting Technician Level;
- Proof for at least three (3) years of verified work experience in accounting - which can be acquired during or after the training;
- Have attended and passed five (5) certification exams for this purpose (Exam is passed if 50% of test points are reached) ;
- A person who has been certified in this qualification by IKAF and continues to have a regular membership status of the IKAF has the right to use the title "Certified Accountant" by fulfilling all of the above criteria;
- Regular members of the IKAF to use the title "Certified Accountant" are required to attend Continuing Professional Development (CPD) as defined in the IKAF Regulation.

Training Features:

- The comprehensive review of modules and during the training, participants will be provided with case studies, exercises similar to those given in the ACCA exams, and mock exam.
- Trainers are holding professional qualifications, and well experience in their field
- ACCA's materials shall be used in the training
- Upon completion of this course, participants will be able to take the exams of modules at IKAF center.

SYLLABUS STRUCTURE

Rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Relational diagram linking modules

This diagram shows direct and indirect links between this exam and other exams preceding or following it. It indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall Aim

This explains briefly the overall objective of the syllabus and indicates in the broadest sense the capabilities to be developed within the exam.

Main Capabilities

The aim of the syllabus is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Topics

Certain topics that module contains and that will be treated during tuitions.

Examining Structure

This section briefly explains the structure of the examination and how it is assessed.

Annex: Detailed Syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

MODULE

To develop knowledge and understanding of the process of carrying out the assurance engagement and its application in the context of the professional regulatory framework.

Rationale

The syllabus for Audit and Assurance has direct and indirect links between other modules and preceding modules. Some modules are directly underpinned by other exams such as Advanced Audit and Assurance by Audit and Assurance. Other modules only have indirect relationships with each other such as links existing between the accounting and auditing exams.



Diagram.1: Modules relations

The Audit and Assurance syllabus is essentially divided into five areas. The syllabus starts with the nature, purpose and scope of assurance engagements, including the statutory audit, its regulatory environment, and introduces governance and professional ethics relating to audit and assurance. It then leads into planning the audit and performing risk assessment. The syllabus then covers a range of areas relating to an audit of financial statements including the scope of internal control and the role and function of internal audit. These include, evaluating internal controls, audit evidence, and a review of the financial statements. In addition to final review procedures, the final section concentrates on reporting, including the form and content of the independent auditor's report.

Aim

To develop knowledge and understanding of the process of carrying out the assurance engagement and its application in the context of the professional regulatory framework.

Main capabilities

- Explain the concept of audit and assurance and the functions of audit, corporate governance, including ethics and professional conduct.

- Demonstrate how the auditor obtains and accepts audit engagements, obtains an understanding of the entity and its environment, assesses the risk of material misstatement (whether arising from fraud or other irregularities) and plans an audit of financial statements
- Describe and evaluate internal controls, techniques and audit tests, including IT systems to identify and communicate control risks and their potential consequences, making appropriate recommendations. Describe the scope, role and function of internal audit.
- Identify and describe the work and evidence obtained by the auditor and others required to meet the objectives of audit engagements and the application of the International Standards on Auditing (ISAs)
- Explain how consideration of subsequent events and the going concern principle can inform the conclusions from audit work and are reflected in different types of auditor's report, written representations and the final review and report.

Topics

Major topics of Audit and Assurance Module that will be covered during the training:

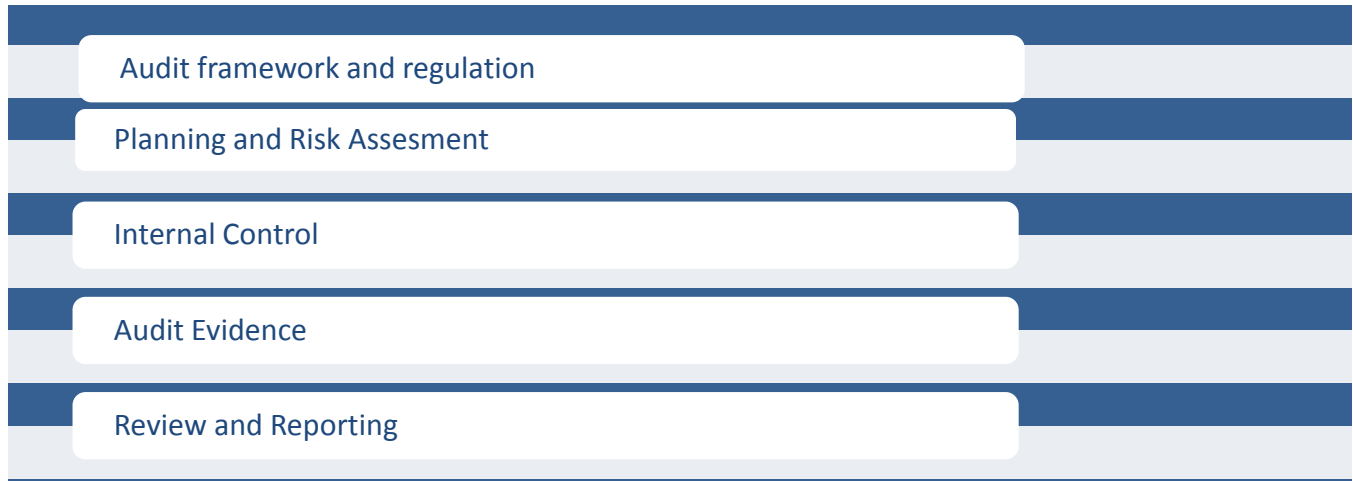


Diagram.2: Topics of Audit and Assurance Module that will be covered during the training

Examination Structure

The syllabus is assessed by a three-hour examination available in paper-based format. * All questions are compulsory. Some questions will adopt a scenario/case study approach. Candidates are provided with a formulae sheet.

Reading and Time Planning

For paper-based exams 15 minutes are added to the three hours to reflect the manual effort required. The total exam time is therefore three hours and 15 minutes. Prior to the start of the exam candidates are given an extra 10 minutes to read the exam instructions.

The pass mark for all IKAF Qualification examinations is 50%.

Annex: Detailed Syllabus

DETAILED SYLLABUS

1 Audit framework and regulation

- 1.1 The concept of audit and other assurance engagements
- 1.2 External audits
- 1.3 Corporate governance
- 1.4 Professional ethics and ACCA's Code of Ethics and Conduct

2 Planning and risk assessment

- 2.1 Obtaining, accepting and continuing audit engagements
- 2.2 Objective and general principles
- 2.3 Assessing audit risks
- 2.4 Understanding the entity and its environment
- 2.5 Fraud, laws and regulations
- 2.6 Audit planning and documentation

3 Internal control

- 3.1 Internal control systems
- 3.2 The use and evaluation of internal control systems by auditors
- 3.3 Tests of control
- 3.4 Communication on internal control

3.5 Internal audit and governance and the differences between external audit and internal audit

3.6 The scope of the internal audit function, outsourcing and internal audit assignments

4 Audit evidence

4.1 Financial statement assertions and audit evidence

4.2 Audit procedures

4.3 Audit sampling and other means of testing

4.4 The audit of specific items

4.5 Computer-assisted audit techniques

4.6 The work of others

4.7 Not-for-profit organisations

5 Review and reporting

5.1 Subsequent events

5.2 Going concern

5.3 Written representations

5.4 Audit finalisation and the final review

5.5 The Independent Auditor's Report

STUDY GUIDE

A Audit framework and regulation

1 The concept of audit and other assurance engagements

- Identify and describe the objective and general principles of external audit engagements.[2]
- Explain the nature and development of audit and other assurance engagements.[1]
- Discuss the concepts of accountability, stewardship and agency.[2]
- Define and provide the objectives of an assurance engagement.[1]
- Explain the five elements of an assurance engagement.[2]
- Describe the types of assurance engagement[2]
- Explain the level of assurance provided by an external audit and other review engagements and the concept of true and fair presentation.[1]

2 External audits

- Describe the regulatory environment within which external audits take place.[1]
- Discuss the reasons and mechanisms for the regulation of auditors.[1]
- Explain the statutory regulations governing the appointment, rights, removal and resignation of auditors.[1]
- Explain the regulations governing the rights and duties of auditors[1]
- Describe the limitations of external audits.[1]
- Explain the development and status of International Standards on Auditing (ISAs).[1]

- Explain the relationship between International Standards on Auditing and national standards.[1]

3 Corporate governance

- Discuss the objectives, relevance and importance of corporate governance.[2]
- Discuss the provisions of international codes of corporate governance (such as OECD) that are most relevant to auditors.[2]
- Describe good corporate governance requirements relating to directors' responsibilities (e.g. for risk management and internal control) and the reporting responsibilities of auditors.[2]
- Evaluate corporate governance deficiencies and provide recommendations to allow compliance with international codes of corporate governance.[2]
- Analyse the structure and roles of audit committees and discuss their benefits and limitations.[2]
- Explain the importance of internal control and risk management.[1]
- Discuss the need for auditors to communicate with those charged with governance.[2]

4 Professional ethics and ACCA's Code of Ethics and Conduct

- Define and apply the fundamental principles of professional ethics of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.[2]
- Define and apply the conceptual framework, including the threats to the fundamental principles of self-interest,

self-review, advocacy, familiarity, and intimidation.[2]

- Discuss the safeguards to offset the threats to the fundamental principles.[2]
- Describe the auditor's responsibility with regard to auditor independence, conflicts of interest and confidentiality.[1]

B Planning and risk assessment

1 Obtaining, accepting and continuing audit engagements

- Discuss the requirements of professional ethics and ISAs in relation to the acceptance / continuance of audit engagements. [2]
- Explain the preconditions for an audit [2]
- Explain the process by which an auditor obtains an audit engagement. [2]
- Discuss the importance of engagement letters and their contents.[1]
- Explain the quality control procedures that should be in place over engagement performance, monitoring quality and compliance with ethical requirements [2]

2 Objective and general principles

- Identify the overall objectives of the auditor and the need to conduct an audit in accordance with ISAs.[2]
- Explain the need to plan and perform audits with an attitude of professional scepticism, and to exercise professional judgment.[2]

3 Assessing audit risks

- Explain the components of audit risk.[1]
- Describe the audit risks in the financial statements and explain the auditor's response to each risk.[2]

- Define and explain the concepts of materiality and performance materiality.[2]
- Explain and calculate materiality levels from financial information.[2]

4 Understanding the entity and its environment

- Explain how auditors obtain an initial understanding of the entity and its environment.[2]
- Describe and explain the nature, and purpose of, analytical procedures in planning.[2]
- Compute and interpret key ratios used in analytical procedures.[2]

5 Fraud, laws and regulations

- Discuss the effect of fraud and misstatements on the audit strategy and extent of audit work.[2]
- Discuss the responsibilities of internal and external auditors for the prevention and detection of fraud and error.[2]
- Explain the auditor's responsibility to consider laws and regulations.[2]

6 Audit planning and documentation

- Identify and explain the need for and importance of planning an audit.[2]
- Identify and describe the contents of the overall audit strategy and audit plan.[2]
- Explain and describe the relationship between the overall audit strategy and the audit plan.[2]
- Explain the difference between an interim and final audit.[1]
- Describe the purpose of an interim audit, and the procedures likely to be adopted at this stage in the audit.[2]

- Describe the impact of the work performed during the interim audit on the final audit.[2]
- Explain the need for, and the importance of, audit documentation.[1]
- Describe the form and contents of working papers and supporting documentation.[2]
- Explain the procedures to ensure safe custody and retention of working papers.[1]

C Internal control

1 Internal control systems

- Explain why an auditor needs to obtain an understanding of internal control relevant to the audit.[1]
- Describe and explain the five components of internal control[2]
 - the control environment
 - the entity's risk assessment process,
 - the information system, including the related business processes, relevant to financial reporting and communication
 - control activities relevant to the audit
 - monitoring of controls

2 The use and evaluation of internal control systems by auditors

- Explain how auditors record internal control systems including the use of narrative notes, flowcharts, internal control questionnaires and internal control evaluation questionnaires.[2]
- Evaluate internal control components, including deficiencies and significant deficiencies in internal control.[2]

- Discuss the limitations of internal control components. [2]

3 Tests of control

- Describe computer systems controls including general IT controls and application controls. [2]
- Describe control objectives, control procedures, activities and tests of control in relation to: i) The sales system; ii) The purchases system iii) The payroll system iv) The inventory system v) The cash system vi) Non-current assets

4 Communication on internal control

- Discuss the requirements and methods of how reporting significant deficiencies in internal control are provided to management and those charged with governance.[2]
- Explain, in a format suitable for inclusion in a report to management significant deficiencies within an internal control system and provide recommendations for overcoming these deficiencies to management

5 Internal audit and governance and the differences between external audit and internal audit

- Discuss the factors to be taken into account when assessing the need for internal audit.[2]
- Discuss the elements of best practice in the structure and operations of internal audit with reference to appropriate international codes of corporate governance.[2]
- Compare and contrast the role of external and internal audit.

6 The scope of the internal audit function, outsourcing and internal audit assignments

- Discuss the scope of internal audit and the limitations of the internal audit function.[2]
- Explain outsourcing and the associated advantages and disadvantages of outsourcing the internal audit function.[1]
- Discuss the nature and purpose of internal audit assignments including value for money, IT, financial, regulatory compliance, fraud investigations and customer experience.[2]
- Discuss the nature and purpose of operational internal audit assignments [2]
- Describe the format and content of internal audit review reports and make appropriate recommendations to management and those charged with governance.[2]

D Audit evidence

1 Financial statement assertions and audit evidence

- Explain the assertions contained in the financial statements about:[2] (i) Classes of transactions and events and related disclosures; (ii) Account balances and related disclosures at the period end;
- Describe audit procedures to obtain audit evidence , including inspection, observation, external confirmation, recalculation, re-performance, analytical procedures and enquiry.[2]
- Discuss the quality and quantity of audit evidence.[2]
- Discuss the relevance and reliability of audit evidence.[2]

2 Audit procedures

- Discuss substantive procedures for obtaining audit evidence.[2]
- Discuss and provide examples of how analytical procedures are used as substantive procedures.[2]
- Discuss the problems associated with the audit and review of accounting estimates.[2]
- Describe why smaller entities may have different control environments and describe the types of evidence likely to be available in smaller entities.[1]
- Discuss the difference between tests of control and substantive procedures.[2]

3 Audit sampling and other means of testing

- Define audit sampling and explain the need for sampling.[1]
- Identify and discuss the differences between statistical and non-statistical sampling.[2]
- Discuss and provide relevant examples of the application of the basic principles of statistical sampling and other selective testing procedures.[2]
- Discuss the results of statistical sampling, including consideration of whether additional testing is required.[2]

4 The audit of specific items

- For each of the account balances stated in this sub-capability:
- Explain the audit objectives and the audit procedures to obtain sufficient, appropriate evidence in relation to:
- Receivables: [2] i) direct confirmation of accounts receivable ii) other evidence in relation to receivables and prepayments, iii) other evidence in relation to current

assets; and iv) completeness and occurrence of revenue.

- Inventory: [2] i) inventory counting procedures in relation to year-end and continuous inventory systems ii) cut-off testing auditor's attendance at inventory counting v) direct confirmation of inventory held by third parties vi) valuation, and vii) other evidence in relation to inventory.
- Payables and accruals: [2] i) supplier statement reconciliations and direct confirmation of accounts payable, ii) obtain evidence in relation to payables and accruals, iii) other evidence in relation to current liabilities; and iv) purchases and other expenses, including payroll.
- Bank and cash: [2] i) bank confirmation reports used in obtaining evidence in relation to bank and cash ii) other evidence in relation to bank and iii) other evidence in relation to cash.
- Tangible and intangible non-current assets [2] i) evidence in relation to non-current assets, ii) depreciation, and iii) profit/loss on disposal
- Non-current liabilities, provisions and contingencies [2] i) evidence in relation to non-current liabilities, and ii) provisions and contingencies
- Share capital, reserves and directors' emoluments: [2] i) evidence in relation to share capital, reserves and directors' emoluments

5 Computer-assisted audit techniques

- Explain the use of computer-assisted audit techniques in the context of an audit.[1]
- Discuss and provide relevant examples of the use of test data and audit software.[2]

6 The work of others

- Discuss why auditors rely on the work of others.[2]
- Discuss the extent to which external auditors are able to rely on the work of experts, including the work of internal audit.[2]
- Explain the audit considerations relating to entities using service organisations.[2]
- Explain the extent to which reference to the work of others can be made in the independent auditor's report.[1]

7 Not-for-profit organisations

- Apply audit techniques to not-for-profit organisations.[2]

E Review and reporting

1 Subsequent events

- Explain the purpose of a subsequent events review.[1]
- Explain the responsibilities of auditors regarding subsequent events.[1]
- Discuss the procedures to be undertaken in performing a subsequent events review.[2]

2 Going concern

- Define and discuss the significance of the concept of going concern.[2]
- Explain the importance of and the need for going concern reviews.[2]
- Explain the respective responsibilities of auditors and management regarding going concern.[1]
- Identify and explain potential indicators that an entity is not a going concern. [2]
- Discuss the procedures to be applied in performing going concern reviews.[2]

- Discuss the disclosure requirements in relation to going concern issues.[2]
- Discuss the reporting implications of the findings of going concern reviews.[2]

3 Written representations

- Explain the purpose of and procedure for obtaining written representations.[2]
- Discuss the quality and reliability of written representations as audit evidence.[2]
- Discuss the circumstances where written representations are necessary and the matters on which representations are commonly obtained.[2]

4 Audit finalisation and the final review

- Discuss the importance of the overall review in ensuring that sufficient, appropriate evidence has been obtained.[2]
- Describe procedures an auditor should perform in conducting their overall review of financial statements.[2]
- Explain the significance of uncorrected misstatements.[1]
- Evaluate the effect of dealing with uncorrected misstatements.[2]

5 The Independent Auditor's Report

- Identify and describe the basic elements contained in the independent auditor's report.[1]
- Explain unmodified audit opinions in the auditor's report.[2]
- Explain modified audit opinions in the auditor's report.[2]
- Describe the format and content of key audit matters, emphasis of matter and other matter paragraphs.[2]