

Advanced Audit and Assurance

CPA Program subject outline

Seventh edition

The *Advanced Audit and Assurance* subject provides a body of knowledge for you to understand the nature and diversity of audit and assurance engagements. The subject provides an insight into audit and assurance processes, methodologies and procedures. It also examines the objectives of assurance engagements, and current and future developments in assurance engagements. The environment within which the auditor or assurance practitioner operates and the respective roles of the private and public sector auditors and internal audit are also discussed.

In the CPA Program, the professional responsibilities of accountants are discussed in the *Ethics and Governance* subject. However, this subject emphasises the ethical and professional conduct of auditors. The strategic business analysis techniques in the *Advanced Audit and Assurance* subject are further discussed in the *Strategic Management Accounting* and *Global Strategy and Leadership* subjects in their respective contexts. This subject and the *Contemporary Business Issues* subject also cover sustainability reporting and assurance with an emphasis on businesses. Advanced topics in financial reporting that complement the accounting knowledge of audit professionals are covered in the *Financial Reporting* subject, and accounting for financial instruments is discussed in the *Financial Risk Management* subject. This subject will introduce you to international pronouncements including the international standards for audit, review and assurance engagements, the standard on quality management for audit firms and the code of ethics. You will be taken through case studies to illustrate the strategic approach in audit engagements. Contemporary developments in assurance engagements are discussed in this subject in the context of future practice management opportunities.

Exam structure

The *Advanced Audit and Assurance* exam is comprised of multiple-choice questions.

Subject aims

The aims of the subject are to address concepts related to:

- the foundational knowledge required to understand the nature and diversity of assurance engagements
- audit planning, including understanding the entity, assessing risk, developing the overall audit strategy, developing the audit plan and application of information technology to planning of audit engagements
- performing the audit, including gathering and evaluating evidence, and application of information technology to performance of audit engagements
- the audit conclusions and auditor's reporting responsibilities and application of information technology to concluding and reporting on audit engagements
- engagements other than audits of historical financial information and application of information technology to other assurance engagements.

General objectives

On completion of this subject, you should be able to:

- understand and apply the framework for assurance engagements in audit and review engagements, and other assurance engagements, and discuss the elements of an assurance engagement
- apply the standards to assurance engagements, and the fundamental ethical principles for the auditing profession
- explain the responsibilities of management and the auditor in relation to an audit
- evaluate historical financial information by applying professional scepticism and judgement
- design audit processes and procedures to be undertaken by auditors in conducting audit and assurance engagements
- evaluate the indicators of potential fraud and recommend a course of action
- apply the relevant auditing standards to the assessment for fraud and going concern in an audit of financial statements
- evaluate the sufficiency and appropriateness of the audit evidence gathered
- apply the appropriate standards that relate to a range of engagement circumstances that impact the auditor's report and the auditor's opinion
- evaluate circumstances that may give rise to modifications to the auditor's report or the auditor's opinion
- describe the various types of assurance engagements.

Subject content

The “weighting” column in the following table provides an indication of the emphasis placed on each module in the exam, while the ‘recommended proportion of study time’ column is a guide for you to allocate your study time for each module.

Module	Recommended proportion of study time (%)	Weighting (%)
1. The auditing and assurance framework	20	20
2. Planning the audit of historical financial information	20	20
3. Performing the audit of historical financial information	20	20
4. Conclusions and reporting responsibility for an audit of historical financial information	20	20
5. Other assurance engagements	20	20

Module descriptions

The subject is divided into five modules. A brief outline of each module is provided below.

Module 1: The auditing and assurance framework

This module starts by providing an overview of the current assurance environment and outlining the structure of the Framework that shapes auditing and other assurance engagements. The key matters pertaining to an assurance engagement are introduced and the importance of professional scepticism and professional judgement in collecting and evaluating evidence is emphasised. The various types of assurance engagements are discussed and include references to the application of the relevant standards to these engagements for different types of entities, including private sector, public sector, and small- and medium-sized entities. This module concludes by outlining the impact a changing environment is having on auditing due to evolving business models, enhanced disclosure requirements related to climate risks and the incorporation of technological innovations.

Module 2: Planning the audit of historical financial information

This module outlines the general principles governing an audit of financial statements and discusses the responsibility of personnel within the audit firm for the quality management of audits. The terms of audit engagements and audit planning procedures are discussed including the overall audit strategy, financial statement assertions, materiality and audit documentation. The focus then turns to the audit planning procedures such as understanding the entity and its environment including the entity's internal controls. Given the increased emphasis by the profession on the detection of fraud, the auditor's responsibility to consider fraud in an audit of financial statements is discussed in some detail. Other risk assessments for specific matters that have the potential to be significant risks are discussed, along with a variety of techniques commonly used for conducting strategic analyses and analytical procedures to better understand business risk and the audit implications. This discussion includes an overview of contemporary tools such as data analytics and visualisations. The module concludes with a brief outline of how auditors may respond to the assessed risks identified during the planning stage of the audit, depending on the overall audit strategy determined by the auditor.

Module 3: Performing the audit of historical financial information

Module 3 considers the general principles underlying the evidence-gathering procedures in an audit. Emphasis is placed on the need for auditors to obtain sufficient appropriate audit evidence on which to base their opinion. Both tests of controls and substantive procedures are examined in detail. Examples are also provided to demonstrate the application of the international auditing standards covering different aspects of performing the audit to gather evidence. The use of audit data analytic techniques is also considered as is the need to maintain audit documentation in relation to the conduct of the audit. In addition, the requirements relating to the security and confidentiality of the documents used in the audit are discussed. Finally, the auditor's requirement to evaluate the audit evidence to ensure sufficient appropriate audit evidence is collected to inform their audit opinion is explained.

Module 4: Conclusions and reporting responsibilities for an audit of historical financial information

Module 4 begins by outlining the procedures auditors perform in completing the audit fieldwork. Procedures, including reviewing significant areas, pending litigation and claims, going concern assumption, obtaining the management representation letter, reviewing for subsequent events, and performing final analytical procedures are specifically discussed. Next to be discussed is the final review of all the evidence to ensure sufficient appropriate audit evidence is obtained and to inform conclusions as to the truth and fairness of the financial statements. The final evaluation of materiality and audit risk, final review of working papers, and the engagement quality review are discussed. Preparing the audit report, including the types of auditor's opinions that are issued, and the circumstances in which they are issued is also explained in detail and demonstrated through the use of examples. The final section covers a discussion of the auditor's communication with the entity and reporting responsibilities to those charged with governance and management, shareholders, and regulatory bodies.

Module 5: Other assurance engagement

The module begins by describing some of the assurance services provided by auditors. This discussion includes the potential for continuous assurance services due to the impact of information technology increasing the availability of data. The role of internal audit in the provision of assurance services is discussed. This module discusses how performance audits in the public sector are performed to comply with legislative requirements and to assist accountability and improved performance in public administration. This module concludes with a discussion on non-assurance services, including agreed-upon procedures, comfort letters and compilation engagements. Agreed-upon procedures are commonplace, as they are designed to reflect the individual circumstances of the clients and meet the needs of users, especially for SMEs that are not required to produce audited financial statements.