

September 2018  
to  
June 2019

# **Advanced Audit and Assurance (AAA) (UK)**

**Syllabus and study guide**

## Guide to structure of the syllabus and study guide

### Overall aim of the syllabus

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

### Relational diagram of linking Advanced Audit and Assurance (AAA) with other ACCA exams

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.

### Main capabilities

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

### Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

### Syllabus 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.

### 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.

### Approach to examining the syllabus

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

### 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. These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (\*see intellectual levels below).

## Intellectual Levels

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1:	Knowledge and comprehension
Level 2:	Application and analysis
Level 3:	Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Applied Knowledge, the Applied Skills and the Strategic Professional exams are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with Applied Knowledge, level 2 equates to Applied Skills and level 3 to Strategic Professional, some lower level skills can continue to be assessed as the student progresses through each level. This reflects that at each stage of study there will be a requirement to broaden, as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

## Learning Hours and Education Recognition

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognised and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognised on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus contains between 20 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down.

## Guide to ACCA Examination Structure

The structure of examinations varies within and between levels.

The Applied Knowledge examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus. These are assessed by a two-hour computer based examination.

The *Corporate and Business Law* exam is a two-hour computer based objective test examination also available as a paper based version.

The other Applied Skills examinations (PM, TX-UK, FR, AA, and FM) contain a mix of objective and longer type questions with a duration of three hours for 100 marks, these questions directly contribute towards the candidate result. These exams are available in computer-based and paper-based formats. Prior to the start of each exam there will be time allocated for students to be informed of the exam instructions.

### Computer-based exams

For the Applied Skills (PM, TX-UK, FR, AA and FM) computer-based exams candidates will be delivered an extra 10 marks of objective test content (either five single OT questions or five OT questions based around a single scenario), for which candidates are given an extra 20 minutes. These questions are included to ensure fairness, reliability and security of exams. These questions do not directly contribute towards the candidate's score. Candidates will not be able to differentiate between the questions that contribute to the result and those that do not. All questions have been subject to

ACCA's regulatory approved quality assurance process.

The total exam time is therefore 3 hours and 20 minutes. Prior to the start of the exam candidates are given an extra 10 minutes to read the exam instructions.

### Paper-based exams

For paper-based exams 15 minutes are added to the three hours to reflect the manual effort required as compared to computer-based exams. All paper-based and computer-based questions have been subject to the same quality assurance process. There will be time awarded by the invigilator to read the exam instructions.

*Strategic Business Leader* is ACCA's case study examination at the Strategic Professional level and is examined as a closed book exam of four hours, including reading, planning and reflection time which can be used flexibly within the examination. There is no pre-seen information and all exam related material, including case information and exhibits are available within the examination. Strategic Business Leader is an exam based on one main business scenario which involves candidates completing several tasks within which additional material may be introduced. All questions are compulsory and each examination will contain a total of 80 technical marks and 20 Professional Skills marks. The detail of the structure of this exam is described in the Strategic Business Leader syllabus and study guide document. The other Strategic Professional exams are all of three hours and 15 minutes duration. All contain two Sections and all questions are compulsory. These exams all contain four professional marks. The detail of the structure of each of these exams is

described in the individual syllabus documents.

The other Strategic Professional exams are all of three hours and 15 minutes duration. All contain two Sections and all questions are compulsory. These exams all contain four professional marks. The detail of the structure of each of these exams is described in the individual syllabus and study guide documents.

ACCA encourages students to take time to read questions carefully and to plan answers but once the exam time has started, there are no additional restrictions as to when candidates may start writing in their answer books.

Time should be taken to ensure that all the information and exam requirements are properly read and understood.

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

## Guide to ACCA Examination Assessment

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified. For the financial accounting, audit and assurance, law and tax exams except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions.

For all examinations, except tax, regulation **issued** or legislation **passed** on or before 31 August annually, will be examinable from 1 September of the following year to 31 August of the year after that. Please refer to the examinable documents for the exam (where relevant) for further information.

Regulation issued or legislation passed in accordance with the above dates may be examinable even if the **effective** date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

## Advanced Audit and Assurance (AAA) (UK) Syllabus and study guide

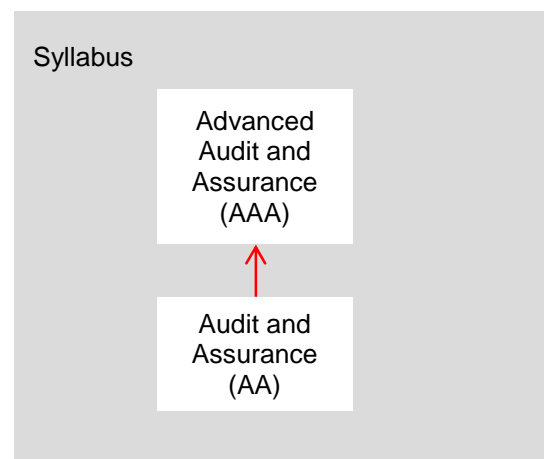
This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

### Aim

To analyse, evaluate and conclude on the assurance engagement and other audit and assurance issues in the context of best practice and current developments.

### Relational diagram linking Advanced Audit and Assurance (AAA) (UK) with other ACCA exams

This diagram shows direct and indirect links between this exam and other exams preceding or following it. Some exams are directly underpinned by other exams such as Advanced Audit and Assurance (AAA) by Audit and Assurance (AA). These links are shown as solid line arrows. Other exams only have indirect relationships with each other such as links existing between the accounting and auditing exams. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.



## Main capabilities

On successful completion of this exam, candidates should be able to:

- A Recognise the legal and regulatory environment and its impact on audit and assurance practice
- B Demonstrate the ability to work effectively on an assurance or other service engagement within a professional and ethical framework
- C Assess and recommend appropriate quality control policies and procedures in practice management and recognise the auditor's position in relation to the acceptance and retention of professional appointments
- D Identify and formulate the work required to meet the objectives of audit assignments and apply the International Standards on Auditing (UK)
- E Evaluate findings and the results of work performed and draft suitable reports on assignments
- F Identify and formulate the work required to meet the objectives of non-audit assignments
- G Understand the current issues and developments relating to the provision of audit-related and assurance services



This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.



## **Rationale**

The Advanced Audit and Assurance (AAA) (UK) syllabus is essentially divided into seven areas.

The syllabus starts with the legal and regulatory environment including money laundering, and professional and ethical considerations, including the Code of Ethics and professional liability. This then leads into procedures in practice management, including quality control and the acceptance and retention of professional engagements.

The syllabus then covers the audit of financial statements, including planning, evidence gathering and evaluation. It then covers the completion, review and reporting on an audit of historical financial information. The next section moves onto other assignments including prospective financial information, due diligence and forensic audit as well as the reporting of these assignments.

The final section covers current issues and developments relating to the provision of audit-related and assurance services.

## **Detailed syllabus**

### **A Regulatory Environment**

1. International regulatory frameworks for audit and assurance services
2. Money laundering
3. Laws and regulations

### **B Professional and Ethical Considerations**

1. Code of Ethics and Conduct
2. Fraud and error
3. Professional liability

### **C Quality Control and Practice Management**

1. Quality control (firm-wide)
2. Advertising, publicity, obtaining professional work and fees
3. Professional appointments

### **D Planning and conducting an audit of historical financial information**

1. Planning, materiality and assessing the risk of material misstatement
2. Evidence and testing considerations
3. Audit procedures and evidence evaluation
4. Using the work of others
5. Group audits

### **E Completion, review and reporting**

1. Subsequent events and going concern
2. Completion and final review
3. Auditor's reports
4. Reports to those charged with governance and management

### **F Other assignments**

1. Audit-related and assurance services
2. Specific assignments
3. The audit of social, environmental and integrated reporting
4. Auditing aspects of insolvency (and similar procedures)
5. Reporting on other assignments

### **G Current Issues and Developments**

1. Professional and ethical developments
2. Other current issues

## Approach to examining the syllabus

The *Advanced Audit and Assurance (AAA) (UK)* exam builds upon the skills and knowledge examined in the *Audit and Assurance* exam. At this stage candidates will be expected to demonstrate an integrated knowledge of the subject. The study guide specifies the wide range of contextual understanding that is required to achieve a satisfactory standard at this level.

### Examination Structure

The syllabus is assessed by a three-hour 15 minutes examination

The examination is constructed in two sections. Questions in both sections will be largely discursive. However, candidates will be expected, for example, to be able to assess materiality and calculate relevant ratios where appropriate.

### Section A

Section A will comprise a Case Study, worth 50 marks, set at the planning stage of the audit, for a single company, a group of companies or potentially several audit clients. Candidates will be provided with detailed information, which will vary between examinations, but is likely to include extracts of financial information, strategic, operational and other relevant financial information for a client business, as well as extracts from audit working papers, including results of analytical procedures.

Candidates will be required to address a range of requirements, from syllabus sections A, B, C and D, thereby tackling a real world situation where candidates may have to address a range of issues simultaneously in relation to planning, risk assessment, evidence gathering and ethical and professional considerations.

Four professional marks will be available in Section A and will be awarded based on the level of professionalism with which a candidate's answer is presented, including the structure and clarity of the answer provided.

### Section B

Section B will contain two compulsory 25 mark questions, with each being predominately based around a short scenario.

One question will always predominantly come from syllabus section E, and consequently candidates should be prepared to answer a question relating to completion, review and reporting. There are a number of formats this question could adopt, including, but not limited to, requiring candidates to assess going concern, the impact of subsequent events, evaluating identified misstatements and the corresponding effect on the auditor's report. Candidates may also be asked to critique an auditor's report or report which is to be provided to management or those charged with governance.

The other Section B question can be drawn from any other syllabus section, including A, B, C, D and F.

**Current issues**

Syllabus section G on current issues may be examined in Section A or B as appropriate. Current issues is unlikely to form the basis of any question on its own but instead will be incorporated into the Case Study or either of the Section B questions dependent on question content and the topical issues affecting the profession at the time of writing.

**Total 100 marks**

## Study Guide

### A. Regulatory environment

#### 1. International regulatory frameworks for audit and assurance services

- a) Explain the need for laws, regulations, standards and other guidance relating to audit, assurance and related services.<sup>[2]</sup>
- b) Outline and explain the need for the legal and professional framework including:<sup>[2]</sup>
  - i) public oversight of audit and assurance practice
  - ii) the impact of the UK Corporate Governance Code on audit and assurance practice
  - iii) the role of audit committees and impact on audit and assurance practice.

#### 2. Money laundering

- a) Define 'money laundering' and discuss international methods for combatting money laundering.<sup>[2]</sup>
- b) Explain the scope of criminal offences of money laundering and how professional accountants may be protected from criminal and civil liability.<sup>[2]</sup>
- c) Explain the need for ethical guidance in this area.<sup>[2]</sup>
- d) Describe how accountants meet their obligations to help prevent and detect money laundering including record keeping and reporting of suspicion to the appropriate regulatory body.<sup>[2]</sup>

- e) Explain the importance of 'Know Your Customer (KYC)' and recommend the information that should be gathered as part of KYC.<sup>[2]</sup>
- f) Recognise potentially suspicious transactions and assess their impact on reporting duties.<sup>[2]</sup>

- g) Describe, with reasons, the basic elements of an anti-money laundering program.<sup>[2]</sup>

#### 3. Laws and regulations

- a) Compare and contrast the respective responsibilities of management and auditors concerning compliance with laws and regulations in an audit of financial statements.<sup>[2]</sup>
- b) Describe the auditors' considerations of compliance with laws and regulations and plan audit procedures when possible non-compliance is discovered.<sup>[2]</sup>
- c) Discuss how and to whom non-compliance should be reported.<sup>[2]</sup>
- d) Recognise and recommend when withdrawal from an engagement is necessary.<sup>[2]</sup>

### B. Professional and ethical considerations

#### 1. Code of Ethics and Conduct

- a) Explain the fundamental principles and the conceptual framework approach.<sup>[1]</sup>
- b) Identify, evaluate and respond to threats to compliance with the fundamental principles.<sup>[3]</sup>

- c) Discuss and evaluate the effectiveness of available safeguards.<sup>[3]</sup>
- d) Recognise and advise on conflicts in the application of fundamental principles.<sup>[3]</sup>
- e) Discuss the importance of professional scepticism in planning and performing an audit.<sup>[2]</sup>
- f) Consider the ethical implications of the external auditor providing non-audit services to a client including an internal audit service.<sup>[2]</sup>
- g) Assess whether an engagement has been planned and performed with an attitude of professional scepticism, and evaluate the implications.<sup>[3]</sup>

## 2. Fraud and error

- a) Identify and develop an appropriate response to circumstances which indicate a high risk of error, irregularity, fraud or misstatement in the financial statements or a given situation.<sup>[2]</sup>
- b) Compare and contrast the respective responsibilities of management and auditors for fraud and error.<sup>[2]</sup>
- c) Describe the matters to be considered and recommend procedures to be carried out to investigate actual and/or potential misstatements in a given situation.<sup>[2]</sup>
- d) Explain how, why, when and to whom fraud and error should be reported and the circumstances in which an auditor should withdraw from an engagement.<sup>[2]</sup>

- e) Consider the current and possible future role of auditors in preventing, detecting and reporting error and fraud.<sup>[2]</sup>

## 3. Professional liability

- a) Recognise circumstances in which professional accountants may have legal liability and the criteria that need to be satisfied for legal liability to be recognised.<sup>[2]</sup>
- b) Describe the factors to determine whether or not an auditor is negligent and discuss the auditor's potential liability in given situations.<sup>[2]</sup>
- c) Compare and contrast liability owed to client with liability owed to third parties (ie contract vs establishing duty of care).<sup>[3]</sup>
- d) Evaluate the practicability and effectiveness of ways in which liability may be restricted including the use of liability limitation agreements.<sup>[3]</sup>
- e) Discuss and appraise the principal causes of audit failure and other factors that contribute to the 'expectation gap' (e.g. responsibilities for fraud and error) and recommend ways in which that gap may be bridged.<sup>[3]</sup>

## C. Quality control and practice management

### 1. Quality control (firm-wide)

- a) Explain the principles and purpose of quality control of audit and other assurance engagements.<sup>[1]</sup>
- b) Describe the elements of a system of quality control relevant to a given firm.<sup>[2]</sup>

- c) Evaluate the quality control procedures that are in place for a given firm.<sup>[3]</sup>

## **2. Advertising, tendering and obtaining professional work and fees**

- a) Evaluate the appropriateness of publicity material including the use of the ACCA logo and reference to fees.<sup>[2]</sup>
- b) Outline the determinants of fee-setting and justify the bases on which fees and commissions may and may not be charged for services.<sup>[3]</sup>
- c) Discuss the ethical and other professional problems, for example, lowballing, involved in establishing and negotiating fees for a specified assignment.<sup>[3]</sup>
- d) Recognise and explain the matters to be considered prior to tendering for an audit or other professional engagement and explain the information to be included in the proposal.<sup>[2]</sup>

## **3. Professional appointments**

- a) Explain the matters to be considered and the procedures that an audit firm/professional accountant should carry out before accepting a specified new client/engagement or continuing with an existing engagement, including:<sup>[3]</sup>
  - i) client acceptance
  - ii) engagement acceptance (new and existing engagements)
  - iii) establish whether the preconditions for an audit are present
  - iv) agreeing the terms of engagement.

- b) Recognise the key issues that underlie the agreement of the scope and terms of an engagement with a client.<sup>[2]</sup>

## **D. Planning and conducting an audit of historical financial information**

### **1. Planning, materiality and assessing the risk of material misstatement**

- a) Define materiality and performance materiality and demonstrate how it should be applied in financial reporting and auditing.<sup>[2]</sup>
- b) Evaluate business risks, audit risks and risks of material misstatement for a given assignment.<sup>[3]</sup>
- c) Discuss and demonstrate the use of analytical procedures in the planning of an assignment.<sup>[3]</sup>
- d) Explain how the result of planning procedures determines the relevant audit strategy.<sup>[2]</sup>
- e) Explain the planning procedures specific to an initial audit engagement.<sup>[2]</sup>
- f) Identify additional information that may be required to assist the auditor in obtaining an understanding of the entity.<sup>[2]</sup>
- g) Discuss how transnational audits may differ from other audits of historical financial information (e.g. in terms of applicable financial reporting and auditing standards, listing requirements and corporate governance requirements).<sup>[2]</sup>

- h) Recognise matters that are not relevant to the planning of an assignment.<sup>[2]</sup>

## 2. Evidence and testing considerations

- a) Identify and describe audit procedures (including substantive and test of controls) to obtain sufficient appropriate audit evidence from identified sources.<sup>[2]</sup>
- b) Assess and describe how IT can be used to assist the auditor and recommend the use of Computer-assisted audit techniques (CAATs) where appropriate.<sup>[2]</sup>
- c) Identify additional information that may be required to effectively carry out a planned assignment.<sup>[2]</sup>
- d) Apply the further considerations and audit procedures relevant to initial engagements.<sup>[2]</sup>
- e) Apply analytical procedures to financial and non-financial data.<sup>[2]</sup>
- f) Explain the specific audit problems and procedures concerning related parties and related party transactions.<sup>[2]</sup>
- g) Recognise circumstances that may indicate the existence of unidentified related parties and recommend appropriate audit procedures.<sup>[2]</sup>

## 3. Audit procedures, and evidence evaluation

- a) Design appropriate audit procedures and evaluate the matters (e.g. materiality, risk, relevant accounting standards, audit evidence) relating to:<sup>[3]</sup>

- i) inventory (including standard costing systems)
- ii) non-current assets
- iii) intangible assets
- iv) biological assets
- v) investment properties
- vi) assets held for sale and discontinued operations
- vii) financial instruments
- viii) fair values
- ix) government grants
- x) leases
- xi) impairment
- xii) provisions, contingent liabilities and contingent assets
- xiii) borrowing costs.
- xiv) employee benefits
- xv) share-based payment transactions
- xvi) taxation (including deferred tax)
- xvii) related parties
- xviii) revenue from contracts with customers
- xix) statement of cash flows
- xx) business combinations
- xxi) events after the end of the reporting period
- xxii) the effects of foreign exchange rates
- xxiii) segmental reporting
- xxiv) earnings per share
- xxv) changes in accounting policy

- b) Evaluate evidence provided or recommend the audit evidence expected to be available to
  - i) support the financial statement assertions and accounting treatments (including fair values)
  - ii) support disclosures made in the notes to the financial statements.<sup>[3]</sup>

- c) Explain how the auditor's responsibilities for corresponding figures, comparative financial statements, and 'other information', are discharged.<sup>[3]</sup>



- d) Explain the auditor's main considerations in respect of social and environmental matters and how they impact on entities and their financial statements (e.g. impairment of assets, provisions and contingent liabilities).<sup>[2]</sup>

#### 4. Using the work of others

- a) Recognise when it is justifiable to place reliance on the work of an expert (e.g. a surveyor employed by the audit client).<sup>[2]</sup>
- b) Evaluate the potential impact of an internal audit department on the planning and performance of the external audit.<sup>[2]</sup>
- c) Assess the appropriateness and sufficiency of the work of internal auditors and the extent to which reliance can be placed on it.<sup>[2]</sup>
- d) Recognise and evaluate the impact of outsourced functions, such as payroll, on the conduct of an audit.<sup>[3]</sup>

#### 5. Group audits

- a) Recognise the specific matters to be considered before accepting appointment as group auditor to a group in a given situation.<sup>[3]</sup>
- b) Identify and describe the matters to be considered and the procedures to be performed at the planning stage, when a group auditor considers the use of the work of component auditors.<sup>[3]</sup>
- c) Identify and explain the matters specific to planning an audit of group financial statements including:
- assessment of group and component materiality,

- the impact of non-coterminous year ends within a group,
- changes in group structure or a complex group structure.<sup>[2]</sup>

- d) Recommend and discuss the communications and content therein to be provided by the group auditor to the component auditor in a given situation.<sup>[3]</sup>

- e) Recognise the audit problems and describe audit procedures specific to:
- a business combination, including the classification of investments
  - the determination of goodwill and its impairment,
  - group accounting policies,
  - intra-group trading,
  - equity accounting for associates and joint ventures,
  - changes in group structure, including acquisitions and disposals,
  - and accounting for a foreign subsidiary.<sup>[3]</sup>

- f) In respect of the consolidation process identify and explain the relevant audit risks and audit procedures necessary to obtain sufficient appropriate evidence.<sup>[3]</sup>
- g) Consider how the group auditor should evaluate the audit work performed by a component auditor.<sup>[2]</sup>
- h) Explain the responsibilities of the component auditor before accepting appointment, and the procedures to be performed in a group situation.<sup>[2]</sup>
- i) Justify the situations where a joint audit would be appropriate.<sup>[2]</sup>

## **E. Completion, review and reporting**

### **1. Subsequent events and going concern**

- a) Design audit procedures to identify subsequent events which may require adjustment to, or disclosure in, the financial statements of a given entity.<sup>[2]</sup>
- b) Evaluate indicators that the going concern basis may be in doubt and recognise mitigating factors.<sup>[2]</sup>
- c) Recommend audit procedures, or evaluate the evidence that might be expected to be available and assess the appropriateness of the going concern basis in given situations.<sup>[3]</sup>
- d) Assess the adequacy of disclosures in financial statements relating to going concern and explain the implications for the auditor's report with regard to the going concern basis.<sup>[3]</sup>

### **2 Completion and final review**

- a) Explain the use of analytical procedures in evaluation and review.<sup>[3]</sup>
- b) Assess whether an engagement has been planned and performed in accordance with professional standards and whether reports issued are appropriate in the circumstances.<sup>[3]</sup>
- c) Justify the review procedures which should be performed in a given assignment, including the need for an engagement quality control review and recommend additional procedures or actions needed in the circumstances.<sup>[2]</sup>

- d) Evaluate the use of written representations from management to support other audit evidence.<sup>[2]</sup>

### **3 Auditor's reports**

- a) Determine the form and content of an unmodified audit report and assess the appropriateness of the contents of an unmodified audit report.<sup>[3]</sup>
- b) Recognise and evaluate the factors to be taken into account when forming an audit opinion in a given situation and justify audit opinions that are consistent with the results of audit procedures.<sup>[3]</sup>
- c) Critically appraise the form and content of an auditor's report in a given situation.<sup>[3]</sup>
- d) Assess whether or not a proposed audit opinion is appropriate.<sup>[3]</sup>
- e) Advise on the actions which may be taken by the auditor in the event that a modified audit report is issued.<sup>[3]</sup>
- f) Explain the implications for the auditor's report on the group financial statements of an entity where the opinion on a component is modified in a given situation.<sup>[2]</sup>
- g) Recognise when the use of an emphasis of matter paragraph and other matter paragraph and KAM disclosure would be appropriate.<sup>[3]</sup>
- h) Discuss the courses of action available to an auditor if a material inconsistency or material misstatement exists in relation to other information such as contained in the integrated report.<sup>[2]</sup>

#### **4. Reports to those charged with governance and management**

- a) Critically assess the quality of a report to those charged with governance and management.<sup>[3]</sup>
- b) Advise on the content of reports to those charged with governance and management in a given situation.<sup>[3]</sup>

### **F Other assignments**

#### **1. Audit-related and assurance services**

- a) Describe the nature of audit-related services, the circumstances in which they might be required and the comparative levels of assurance provided by professional accountants and distinguish between:<sup>[2]</sup>
  - i) audit-related services and an audit of historical financial statements
  - ii) an attestation engagement and a direct engagement.<sup>[2]</sup>
- b) Describe the main categories of assurance services that audit firms can provide and assess the benefits of providing these services to management and external users.<sup>[3]</sup>
- c) Describe the level of assurance (reasonable, high, moderate, limited, negative) for an engagement depending on the subject matter evaluated, the criteria used, the procedures applied and the quality and quantity of evidence obtained.<sup>[3]</sup>

#### **2. Specific assignments**

- **Due Diligence**
- **Review of interim financial information**
- **Prospective financial information**
- **Forensic audits**

For each of the other assignments listed above:

- a) Define and describe the purpose of each type of assignment and analyse the appropriate level of assurance that may be offered by a professional firm in relation to these assignments.<sup>[3]</sup>
- b) Identify and describe the matters to be considered before accepting the engagement, including any ethical and professional considerations.<sup>[3]</sup>
- c) Plan the assignment to gather suitable evidence and provide an appropriate level of assurance in line with the objectives of the assignment.<sup>[2]</sup>
- d) Discuss the level of assurance that the auditor may provide and explain the other factors to be considered in determining the nature, timing and extent of examination procedures.<sup>[1]</sup>
- e) Describe and recommend appropriate substantive, examination or investigative procedures which can be used to gather sufficient appropriate evidence in the circumstances.<sup>[2]</sup>

#### **3. The audit of social, environmental and integrated reporting**

- a) Plan an engagement to provide assurance on integrated reporting

(performance measures and sustainability indicators).<sup>[2]</sup>

- b) Describe the difficulties in measuring and reporting on economic, environmental and social performance and give examples of performance measures and sustainability indicators.<sup>[2]</sup>
- c) Describe substantive procedures to detect potential misstatements in respect of socio-environmental matters.<sup>[2]</sup>
- d) Discuss the form and content of an independent verification statement of an integrated report.<sup>[2]</sup>

#### **4 Auditing aspects of insolvency (and similar procedures)**

- a) Explain the meaning of, and describe the procedures involved in placing a company into voluntary or compulsory liquidation or administration.<sup>[2]</sup>
- b) Explain the consequences of liquidation or administration for a company and its stakeholder.<sup>[2]</sup>
- c) Advise on the differences between fraudulent and wrongful trading and the consequences for company directors.<sup>[2]</sup>
- d) Examine the financial position of a company and determine whether it is insolvent.<sup>[2]</sup>
- e) Identify the circumstances where administration could be adopted as an alternative to liquidation, and explain the benefits of administration compared to liquidation.<sup>[2]</sup>
- f) Explain and apply the priority for the allocation of company assets.<sup>[2]</sup>

#### **5. Reporting on other assignments**

- a) Analyse the form and content of the professional accountant's report for an assurance engagement as compared with an auditor's report.<sup>[2]</sup>
- b) Discuss the content of a report for an examination of prospective financial information.<sup>[2]</sup>
- c) Discuss the effectiveness of the 'negative assurance' form of reporting and evaluate situations in which it may be appropriate to modify a conclusion.<sup>[3]</sup>

### **G Current issues and developments**

Discuss the relative merits and the consequences of different standpoints taken in current debates and express opinions supported by reasoned arguments.

#### **1. Professional and ethical developments**

- a) Discuss emerging ethical issues and evaluate the potential impact on the profession, firms and auditors.<sup>[3]</sup>
- b) Discuss the content and impact of exposure drafts, consultations and other pronouncements issued by FRC and IFAC and its supporting bodies (including IAASB, IESBA and TAC).<sup>[3]</sup>

#### **2. Other current issues**

- a) Discuss current developments in auditing standards including the need for new and revised standards and evaluate their impact on the conduct of audits.<sup>[3]</sup>

- b) Discuss current developments in business practices, practice management and audit methodology and evaluate the potential impact on the conduct of an audit and audit quality.<sup>[3]</sup>
- c) Discuss current developments in emerging technologies, including big data and the use of data analytics and the potential impact on the conduct of an audit and audit quality.<sup>[3]</sup>

## Summary of changes to Advanced Audit and Assurance (AAA) (UK)

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

The main changes which have been made to the syllabus are summarised in the table below.

**Table of amendments**

A3d)	Recognise and recommend when withdrawal from an engagement is necessary. <sup>[2]</sup>	Wording amended slightly for clarification
B2c)	Describe the matters to be considered and recommend procedures to be carried out to investigate actual and/or potential misstatements in a given situation. <sup>[2]</sup>	Wording of learning outcome amended for clarification
D1b)	Evaluate business risks, audit risks and risks of material misstatement for a given assignment. <sup>[3]</sup>	Verb in learning outcome amended to better reflect expected depth of understanding in AAA
D3a)	Design appropriate audit procedures and evaluate the matters (e.g. materiality, risk, relevant accounting standards, audit evidence)	Verb in learning outcome amended to better reflect expected depth of understanding in AAA
E1a and b)	<p>Design audit procedures to identify subsequent events which may require adjustment to, or disclosure in, the financial statements of a given entity.<sup>[2]</sup></p> <p>Evaluate indicators that the going concern basis may be in doubt and recognise mitigating factors.<sup>[2]</sup></p>	Verb in learning outcomes amended to better reflect expected depth of understanding in AAA