

Advanced Audit and Assurance (UK) (P7)

September 2017 - June 2018

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.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other such as links existing between the accounting and auditing papers. 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.

Overall aim of the syllabus

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

Main capabilities

This paper's aim 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, learning 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 Knowledge module, the Skills module and the Professional level 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 the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and 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 recognized and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognized on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken

down.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The *Corporate and Business Law* (F4) paper is a two- hour objective test examination which is also available as a computer based exams for English and Global variants, as well as paper based for all variants.

The skills module examinations F5-F9 contain a mix of objectives and longer type questions with a duration of three hours for 100 marks.* These are available as computer-based and paper-based exams. In the computer-based exams there may be instances where we have extra content for the purposes of ongoing quality assurance and security.

** For paper-based exams there is an extra 15 minutes to reflect the manual effort required.*

The Professional level papers are all of three hours 15 minutes duration and, all contain two sections. Section A is compulsory, but there will be some choice offered in Section B.

ACCA has removed the restriction relating to reading and planning time, so that while the time considered necessary to complete these exams remains at 3 hours, candidates may use the additional 15 minutes as they choose. 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 Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of both the P4 and P5 Options papers contain one 50 mark compulsory question, and Section B will offer a choice of two from three questions each worth 25 marks each.

Section A of each of the P6 and P7 Options papers contains 60 compulsory marks from two questions; question 1 attracting 35 marks, and question 2 attracting 25 marks. Section B of both these Options papers will offer a choice of two from three questions, with each question attracting 20 marks.

All Professional level exams contain four professional marks.

The pass mark for all ACCA Qualification examination papers is 50%.

GUIDE TO 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 papers 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 paper based examinations regulation **issued** or legislation **passed** on or before 31st August annually, will be examinable from 1st September of the following year to 31st August[†] of the year after that. Please refer to the examinable documents for the paper (where relevant) for further information.

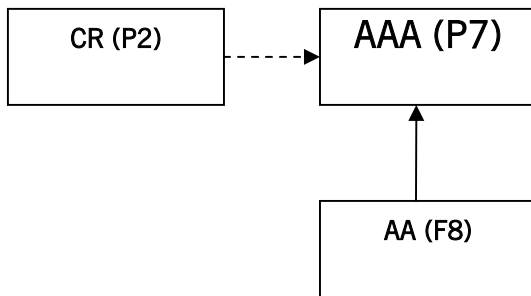
Regulation issued or legislation passed in accordance with the above dates may be examinable even if the **effective** date is in the future.

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.

Syllabus



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.

MAIN CAPABILITIES

On successful completion of this paper 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 and Ireland)
- E** Identify and formulate the work required to meet the objectives of non-audit assignments
- F** Evaluate findings and the results of work performed and draft suitable reports on assignments
- G** Understand the current issues and developments relating to the provision of audit-related and assurance services

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

The Advanced Audit and Assurance 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, gathering evidence and review. It then covers other assignments including prospective financial information, and other assurance assignments, 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 Practice Management

1. Quality control
2. Advertising, publicity, obtaining professional work and fees
3. Tendering
4. Professional appointments

D Audit of historical financial information

1. Planning, materiality and assessing the risk of misstatement
2. Evidence
3. Evaluation and review
4. Group audits

E Other assignments

1. Audit-related and assurance services
2. Prospective financial information
3. Forensic audits
4. Internal audit
5. Outsourcing

6. Auditing aspects of insolvency (and similar procedures)

F. Reporting

1. Auditor's reports
2. Reports to those charged with governance and management
3. Other reports

G Current Issues and Developments

1. Professional and ethical developments
2. Transnational audits
3. The audit of social, environmental and integrated reporting
4. Other current issues

The syllabus is assessed by a three-hour examination available in both computer-based and paper-based formats. *

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.

Number of marks

100

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.^[2]
- b) Outline and explain the legal and professional framework including:^[2]
 - i) public oversight of audit and assurance practice
 - ii) the impact of the UK Corporate Governance Code and its impact 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.^[2]
- b) Explain the scope of criminal offences of money laundering and how professional accountants may be protected from criminal and civil liability.^[2]
- c) Explain the need for ethical guidance in this area.^[2]
- 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.^[2]
- e) Explain the importance of 'know your customer' (KYC) information and recommend the information that should be gathered as part of KYC.^[2]
- f) Recognise potentially suspicious transactions and assess their impact on reporting duties.^[2]
- g) Describe, with reasons, the basic elements of an anti-money laundering program.^[2]

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.^[2]
- b) Describe the auditors' considerations of compliance with laws and regulations and plan audit procedures when possible non-compliance is discovered.^[2]
- c) Discuss how and to whom non-compliance should be reported.^[2]
- d) Recognise when withdrawal from an engagement is necessary.^[2]

B PROFESSIONAL AND ETHICAL CONSIDERATIONS

1. Code of Ethics and Conduct

- a) Explain the fundamental principles and the conceptual framework approach.^[1]
- b) Identify, evaluate and respond to threats to compliance with the fundamental principles.^[3]
- c) Discuss and evaluate the effectiveness of available safeguards.^[3]
- d) Recognise and advise on conflicts in the application of fundamental principles.^[3]
- e) Discuss the importance of professional scepticism in planning and performing an audit.^[2]
- f) Consider the ethical implications of the external auditor providing non-audit services to a client including an internal audit service.^[2]
- g) Assess whether an engagement has been planned and performed with an attitude of professional scepticism, and evaluate the implications.^[3]

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
- b) Compare and contrast the respective responsibilities of management and auditors for fraud and error.^[2]
- c) Describe the matters to be considered and procedures to be carried out to investigate actual and/or potential misstatements in a given situation.^[2]
- 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.^[2]
- e) Discuss the current and possible future role of auditors in preventing, detecting and reporting error and fraud.^[2]

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.^[2]
- b) Describe the factors to determine whether or not an auditor is negligent and discuss the auditor's potential liability in given situations.^[2]
- c) Compare and contrast liability to client with liability owed to third parties (ie contract vs establishing a duty of care).^[3]
- d) Evaluate the practicability and effectiveness of ways in which liability may be restricted including the use of liability limitation agreements^[3]
- 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 the expectation gap might be bridged.^[3]

C PRACTICE MANAGEMENT

1. Quality control

- a) Explain the principles and purpose of quality control of audit and other assurance engagements.^[1]
- b) Describe the elements of a system of quality control relevant to a given firm.^[2]
- c) Select and justify quality control procedures that are applicable to a given audit engagement.^[3]
- d) Assess whether an engagement has been planned and performed in accordance with professional standards and whether reports issued are appropriate in the circumstances.^[3]

2. Advertising, publicity, obtaining professional work and fees

- a) Recognise situations in which specified advertisements are acceptable.^[2]
- b) Discuss the restrictions on practice descriptions, the use of the ACCA logo and the names of practising firms.^[2]
- c) Discuss the extent to which reference to fees may be made in promotional material.^[2]
- d) Outline the determinants of fee-setting and justify the bases on which fees and commissions may and may not be charged for services.^[3]
- e) Discuss the ethical and other professional problems, for example, lowballing, involved in establishing and negotiating fees for a specified assignment.^[3]

3. Tendering

- a) Discuss the reasons why entities change their auditors/professional accountants.^[2]
- b) Recognise and explain the matters to be considered when a firm is invited to submit a proposal or fee quote for an audit or other professional engagement.^[2]

- c) Identify the information to be included in a proposal.^[2]

4. 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:^[3]
 - i) client acceptance
 - ii) engagement acceptance
 - 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.^[2]

D AUDIT OF HISTORICAL FINANCIAL INFORMATION

1. Planning, materiality and assessing the risk of misstatement

- a) Define materiality and performance materiality and demonstrate how it should be applied in financial reporting and auditing.^[2]
- b) Identify and explain business risks for a given assignment.^[3]
- c) Identify and explain audit risks for a given assignment.^[3]
- d) Identify and explain risks of material misstatement for a given assignment.^[3]
- e) Discuss and demonstrate the use of analytical procedures in the planning of an assignment.^[3]
- f) Explain how the result of planning procedures determines the relevant audit strategy.^[2]
- g) Explain the planning procedures specific to an initial audit engagement.^[2]
- h) Identify additional information that may be required to assist the auditor in obtaining an understanding of the entity..^[2]

- i) Recognise matters that are not relevant to the planning of an assignment.^[3]

2. Evidence

- a) Identify and describe audit procedures (including substantive procedures and tests of control) to obtain sufficient, appropriate audit evidence from identified sources including an assessment of the use of IT to assist the auditor and the use of Computer-assisted audit techniques (CAATs) where appropriate.^[2]
- b) Identify additional information that may be required to effectively carry out a planned assignment.^[2]
- c) Identify and evaluate 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.^[3]
- d) Apply analytical procedures to financial and non-financial data.^[2]
- e) Explain the specific audit problems and procedures concerning related parties and related party transactions.^[2]
- f) Recognise circumstances that may indicate the existence of unidentified related parties and select appropriate audit procedures.^[2]
- g) Evaluate the use of written representations from management to support other audit evidence.^[2]
- h) Recognise when it is justifiable to place reliance on the work of an expert (e.g. a surveyor employed by the audit client).^[2]
- i) Assess the appropriateness and sufficiency of the work of internal auditors and the extent to which reliance can be placed on it.^[2]

3. Evaluation and review

- a) Evaluate the matters (e.g. materiality, risk, relevant accounting standards, audit evidence) relating to:^[3]
 - i) inventory
 - ii) standard costing systems
 - iii) statement of cash flows
 - iv) changes in accounting policy
 - v) taxation (including deferred tax)
 - vi) segmental reporting
 - vii) non-current assets
 - viii) fair values
 - ix) leases
 - x) revenue from contracts with customers
 - xi) employee benefits
 - xii) government grants
 - xiii) related parties
 - xiv) earnings per share
 - xv) impairment
 - xvi) provisions, contingent liabilities and contingent assets
 - xvii) intangible assets
 - xviii) financial instruments
 - xix) investment properties
 - xx) share-based payment transactions
 - xxi) business combinations
 - xxii) assets held for sale and discontinued operations
 - xxiii) events after the end of the reporting period
 - xxiv) the effects of foreign exchange rates
 - xxv) borrowing costs.
- b) Explain the use of analytical procedures in evaluation and review.^[3]
- c) Explain how the auditor's responsibilities for corresponding figures, comparative financial statements, and 'other information', are discharged.^[3]
- d) Apply the further considerations and audit procedures relevant to initial engagements.^[2]
- e) Specify audit procedures designed to identify subsequent events that may require adjustment to, or disclosure in, the financial statements of a given entity.^[2]
- f) Identify and explain indicators that the going concern basis may be in doubt and recognise mitigating factors.^[2]

- g) 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.^[3]

- h) 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.^[3]

4. Group audits

- a) Recognise the specific matters to be considered before accepting appointment as group auditor to a group in a given situation.^[3]
- b) Explain the responsibilities of the component auditor before accepting appointment, and the procedures to be performed in a group situation. .^[2]
- 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, and
 - changes in group structure. ^[2]
- d) 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,
 - inter-company trading,
 - equity accounting for associates and joint ventures,
 - changes in group structure including acquisitions and disposals, and
 - accounting for a foreign subsidiary.^[3]
- e) Identify and explain the audit risks, and necessary audit procedures relevant to the consolidation process.^[3]
- f) 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.^[3]

- g) Consider how the group auditor should evaluate the audit work performed by a component auditor.^[2]
- h) Justify the situations where a joint audit would be appropriate.^[2]
- i) Explain the implications for the auditor's report on the financial statements of an entity where the opinion on a component is modified in a given situation.^[2]

E OTHER ASSIGNMENTS

1 Audit-related and assurance services

- a) Describe the nature of audit-related services and the comparative levels of assurance provided by professional accountants and distinguish between:^[2]
 - i) audit-related services and an audit of historical financial statements
 - ii) an attestation engagement and a direct engagement.^[2]
- b) Plan review engagements, for example: ^[2]
 - i) a review of interim financial information
 - ii) a 'due diligence' assignment (when acquiring a company, business or other assets).
- c) Explain the importance of enquiry and analytical procedures in review engagements and apply these procedures.^[2]
- d) 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.^[3]
- e) 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.^[3]

2. Prospective financial information

- a) Define 'prospective financial information' (PFI) and distinguish between a 'forecast', a 'projection', a 'hypothetical illustration' and a 'target'.^[1]
- b) Explain the principles of useful PFI.^[1]
- c) Identify and describe the matters to be considered before accepting a specified engagement to report on PFI.^[2]
- 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.^[1]
- e) Describe examination procedures to verify forecasts and projections.^[2]
- f) Compare the content of a report on an examination of PFI with reports made in providing audit-related services.^[2]

3. Forensic audits

- a) Define the terms 'forensic accounting', 'forensic investigation' and 'forensic audit'.^[1]
- b) Describe the major applications of forensic auditing (e.g. fraud, negligence, insurance claims) and analyse the role of the forensic auditor as an expert witness.^[2]
- c) Apply the fundamental ethical principles to professional accountants engaged in forensic audit assignments.^[2]
- d) Plan a forensic audit engagement.^[2]
- e) Select investigative procedures and evaluate evidence appropriate to determining the loss in a given situation.^[3]

4. Internal audit

- a) Evaluate the potential impact of an internal audit department on the planning and performance of the external audit.^[2]
- b) Explain the benefits and potential drawbacks of outsourcing internal audit.^[2]

- c) Consider the ethical implications of the external auditor providing an internal audit service to a client.^[2]

5. Outsourcing

- a) Explain the different approaches to 'outsourcing' and compare with 'insourcing'.^[2]
- b) Discuss and conclude on the advantages and disadvantages of outsourcing finance and accounting functions.^[3]
- c) Recognise and evaluate the impact of outsourced functions on the conduct of an audit.^[3]

6. 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.^[2]
- b) Explain the consequences of liquidation or administration for a company and its stakeholders.^[2]
- c) Advise on the differences between fraudulent and wrongful trading and the consequences for company directors.^[2]
- d) Examine the financial position of a company and determine whether it is insolvent.^[2]
- e) Identify the circumstances where administration could be adopted as an alternative to liquidation, and explain the benefits of administration compared to liquidation..^[2]
- f) Explain and apply the priority for the allocation of company assets.^[2]

F REPORTING

1 Auditor's reports

- a) Determine the form and content of an unmodified auditor's report and assess the

appropriateness of the contents of an unmodified auditor's report.^[3]

- 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.^[3]
- c) Critically appraise the form and content of an auditor's report in a given situation.^[3]
- d) Assess whether or not a proposed audit opinion is appropriate.^[3]
- e) Advise on the actions which may be taken by the auditor in the event that a modified auditor's report is issued. ^[3]
- f) Recognise when the use of an emphasis of matter paragraph, other matter paragraph and KAM disclosure would be appropriate.^[3]
- g) 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.^[2]

2. Reports to those charged with governance and management

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

3. Other reports

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

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.^[3]
- 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).^[2]

2. Transnational audits

- a) Define 'transnational audits' and explain the role of the Transnational Audit Committee (TAC) of IFAC.^[1]
- b) 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).^[2]

3. The audit of social, environmental and integrated reporting

- a) Plan an engagement to provide assurance on integrated reporting (performance measures and sustainability indicators).^[2]
- b) Describe the difficulties in measuring and reporting on economic, environmental and social performance and give examples of performance measures and sustainability indicators.^[2]
- c) 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).^[2]

- d) Describe substantive procedures to detect potential misstatements in respect of socio-environmental matters.^[2]
- e) Discuss the form and content of an independent verification statement of an integrated report.^[2]

4. 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.^[3]
- 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.^[3]
- 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.^[3]

SUMMARY OF CHANGES TO P7

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. These syllabus changes are effective from September 2017 and will be updated with effect from 1st September each year, thereafter.

the changes are introduced to the syllabus to reflect the latest business and educational developments affecting this paper. These are summarised in the table below.

Section and subject area	Syllabus content
A1b) New sub-learning outcome added to ensure that the overall impact of corporate governance principles on the audit process are considered	b) Outline and explain the need for the legal and professional framework including: ^[2] <ul style="list-style-type: none"> i) public oversight of audit and assurance practice ii) the impact of the UK Corporate Governance Code and its impact on audit and assurance practice iii) the role of audit committees and impact on audit and assurance practice.
A2) Learning outcome a) and b) combined for simplicity	a) Define ‘money laundering’ and discuss international methods for combatting money laundering. ^[2]
A2e) Learning outcome expanded to include the need to identify information that can be used in Client Due Diligence (Know your client)	e) Explain the importance of know your customer (KYC) information and recommend the information that should be gathered as part of KYC. ^[2]
B3a) combined with B3c) to better reflect the requirements in relation to legal liability of auditors	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. ^[2]
B3d) combined with B3e) to better connect methods of reducing liability	d) Evaluate the practicability and effectiveness of ways in which liability may be restricted including the use of liability limitation agreements. ^[3]
B3g) and B3h) combined to better connect the outcomes related to the expectations gap	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 the expectation gap might be bridged. ^[3]
B1f) New outcome covering the ethical implications of providing non-audit services	f) Consider the ethical implications of the external auditor providing non-audit services to a client including an internal audit service. ^[2]
C4a) Outcome extended to specifically refer to continuance decisions	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. ^[3]

D2a) Outcome extended to specifically refer to relevant procedures	a) Identify and describe audit procedures (including substantive and tests of control) to obtain sufficient, appropriate audit evidence from identified sources including an assessment of the use of IT to assist the auditor and the use of Computer-assisted audit techniques (CAATs) where appropriate. ^[2]
F1f) Outcome extended to specifically refer to KAM disclosure requirements as per ISA 701	f) Recognise when the use of an emphasis of matter paragraph, other matter paragraph and extended auditor's report requirements would be appropriate. ^[3]
F1g) Previously outcome D3e) moved as refers to reporting implications of Other Information and more appropriate in reporting section	g) 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. ^[2]
G1a), b) and c) replaced with two more outcomes specifically focused on the changes and current developments relevant to the profession and being initiated by the relevant regulatory bodies	<p>a) Discuss emerging ethical issues and evaluate the potential impact on the profession, firms and auditors.^[3]</p> <p>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).^[2]</p>
G4a) Outcome verb changed to better reflect exam requirements	a) Discuss current developments in auditing standards including the need for new and revised standards and evaluate their impact on the conduct of audits. ^[3]
G4b) Outcome rewritten to better reflect other relevant current issues	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. ^[3]
G4c) New outcome regarding the impact of emerging technologies of the profession	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. ^[3]