

IKAF CEA-P7 Advanced Audit and Assurance

Syllabus and Study Guide

*CEA Certified External Auditor Qualification
(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 External Auditor Qualification level, which also includes the Advanced 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 Advanced Audit and Assurance, part of the Certified External Auditor 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

CEA Certified External Auditor Qualification
(Based on ACCA Certifications)

The Certified External Auditors must first get qualified as a Certified Accountant in IKAF. Not all Certified Accountants are required or need to qualify as Certified Auditors, unless they choose a career in providing legal audits and related services. The Kosovo Financial Reporting Council (KKRF) licenses Auditors in Kosovo and the role of IKAF is to ensure that they are certified in accordance with International Education Standards, the EU's 8th Directive and best international practices. In recent years, education standards and professional practice requirements for Legal Auditors have been updated, so the new IKAF qualification scheme aims to ensure that Kosovo auditors are qualified with the highest international standards.

To get Certified Auditor training you must first be a IKAF member and have completed the Qualification for a Certified Accountant. Membership at this level is open to all professionals who work in accounting and auditing and who have completed the level for a Certified Accountant.

Certified Auditor Candidates should demonstrate knowledge of Advanced Audit and Assurance.

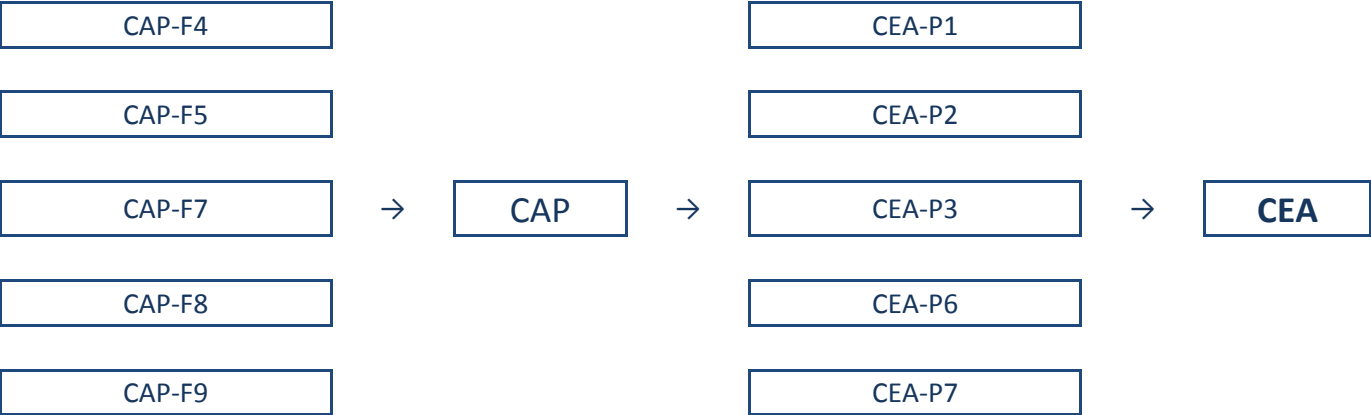


Diagram.1: Certified External Auditor Qualification relations with other modules and certified qualifications

Modules

CEA Certified External Auditor Qualification Level consists of five modules and is mandatory to pass all five in order to obtain the title:

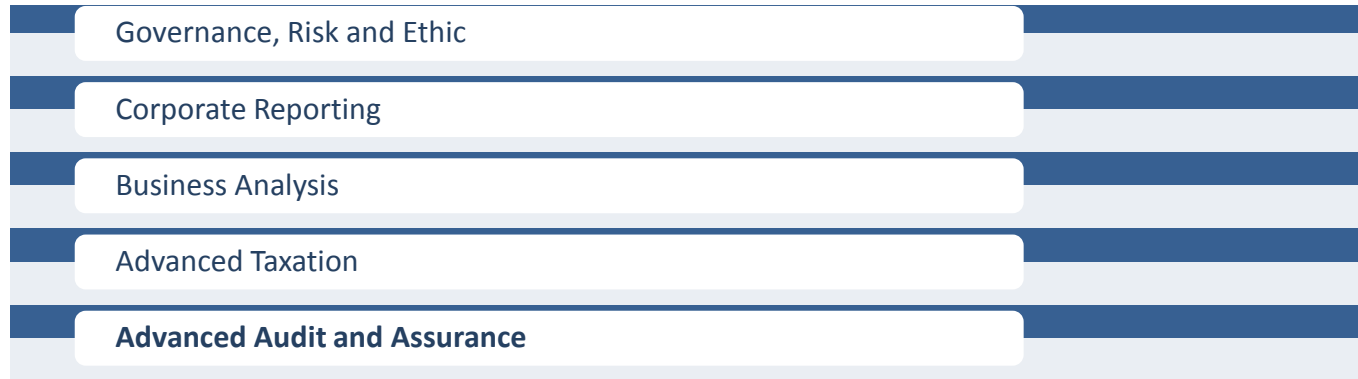


Diagram.2: CEA Certified External Auditor Qualification Level Modules

Qualification and Membership Criteria: Certified External Auditor

- University Degree;
- Completion of Certified Accountant 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:

- A 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 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

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

Rationale

Some modules are directly underpinned by other modules such as Advanced Audit and Assurance (AAA) by Audit and Assurance (AA). Other modules only have indirect relationships with each other such as links existing between the accounting and auditing modules.



Diagram.1: Module relations

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.

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

- Recognize the legal and regulatory environment and its impact on audit and assurance practice
- Demonstrate the ability to work effectively on an assurance or other service engagement within a professional and ethical framework
- Assess and recommend appropriate quality control policies and procedures in practice management and recognize the auditor's position in relation to the
- acceptance and retention of professional appointments
- Identify and formulate the work required to meet the objectives of audit assignments and apply the International Standards on Auditing
- Evaluate findings and the results of work performed and draft suitable reports on assignments

- Identify and formulate the work required to meet the objectives of non-audit assignments
- Understand the current issues and developments relating to the provision of audit-related and assurance services

Topics

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



Diagram.2: Topics of Advanced 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

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 for Professional
1. Accountants
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. The audit of performance information (pre-determined objectives) in the public sector
5. Reporting on other assignments

G Current Issues and Developments

1. Professional and ethical developments
2. Other current issues

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.
- b) Outline and explain the need for the legal and professional framework including:
 - i) public oversight of audit and assurance practice
 - ii) the impact of corporate governance principles 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.
- b) Explain the scope of criminal offences of money laundering and how professional accountants may be protected from criminal and civil liability.

- c) Explain the need for ethical guidance in this area.
- 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.
- e) Explain the importance of customer due diligence (CDD) and recommend the information that should be gathered as part of CDD.
- f) Recognise potentially suspicious transactions and assess their impact on reporting duties.
- g) Describe, with reasons, the basic elements of an anti-money laundering program.

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.
- b) Describe the auditors' considerations of compliance with laws and regulations and plan audit procedures when possible noncompliance is discovered.

- c) Discuss how and to whom noncompliance should be reported.
- d) Recognise and recommend when withdrawal from an engagement is necessary.

B. Professional and ethical considerations

1. Code of Ethics for Professional Accountants

- a) Explain the fundamental principles and the conceptual framework approach.
- b) Identify, evaluate and respond to threats to compliance with the fundamental principles.
- c) Discuss and evaluate the effectiveness of available safeguards.
- d) Recognise and advise on conflicts in the application of fundamental principles.
- e) Discuss the importance of professional scepticism in planning and performing an audit.
- f) Consider the ethical implications of the external auditor providing nonaudit

services to a client including an internal audit service.

- g) Assess whether an engagement has been planned and performed with an attitude of professional scepticism, and evaluate the implications.

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.
- 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.
- 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.
- e) Consider the current and possible future role of auditors in preventing, detecting and reporting error and fraud.

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

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.
- b) Describe the elements of a system of quality control relevant to a given firm.
- c) Evaluate the quality control procedures that are in place for a given firm.

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.
- b) Outline the determinants of fee setting and justify the bases on which fees and commissions may and may not be charged for services.
- c) Discuss the ethical and other professional problems, for example, lowballing, involved in establishing and negotiating fees for a specified assignment.
- 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.

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:

client acceptance

ii) engagement acceptance (new and existing engagements) establish whether the preconditions for an audit are present agreeing the terms of engagement.

Recognise the key issues that underlie the agreement of the scope and terms of an engagement with a client.

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.

b) Evaluate business risks, audit risks and risks of material misstatement for a given assignment.

c) Discuss and demonstrate the use of analytical procedures in the planning of an assignment.

d) Explain how the result of planning procedures determines the relevant audit strategy.

e) Explain the planning procedures specific to an initial audit engagement.

f) Identify additional information that may be required to assist the auditor in obtaining an understanding of the entity.

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).

h) Recognise matters that are not relevant to the planning of an assignment.

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.
- b) Assess and describe how IT can be used to assist the auditor and recommend the use of Computerassisted audit techniques (CAATs) where appropriate.
- c) Identify additional information that may be required to effectively carry out a planned assignment.
- d) Apply the further considerations and audit procedures relevant to initial engagements.
- e) Apply analytical procedures to financial and non-financial data.
- f) Explain the specific audit problems and procedures concerning related parties and related party transactions.
- g) Recognise circumstances that may indicate the existence of unidentified related parties and recommend appropriate audit procedures.

1. 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:
 - b) 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

- c) Evaluate evidence provided or recommend the audit evidence expected to be available to
- d) support the financial statement assertions and accounting treatments (including fair values)
 - ii) support disclosures made in the notes to the financial statements.
- b) Explain how the auditor's responsibilities for corresponding figures, comparative financial statements, and 'other information', are discharged.
- 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).

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).
- b) Evaluate the potential impact of an internal audit department on the planning and performance of the external audit.
- c) Assess the appropriateness and sufficiency of the work of internal auditors and the extent to which reliance can be placed on it.
- d) Recognise and evaluate the impact of outsourced functions, such as payroll, on the conduct of an audit.

5. Group audits

- a) Recognise the specific matters to be considered before accepting appointment as group auditor to a group in a given situation.
- 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.

- c) Identify and explain the matters specific to planning an audit of group financial statements including:
 - a. assessment of group and component materiality,
 - b. the impact of non-coterminous year ends within a group,
 - c. changes in group structure or a complex group structure.
- d) Recommend and discuss the communications and content therein to be provided by the group auditor to the component auditor in a given situation.
- e) Recognise the audit problems and describe audit procedures specific to:
 - a. a business combination, including the classification of investments
 - b. the determination of goodwill and its impairment,
 - c. group accounting policies,
 - d. intra-group trading,
 - e. equity accounting for associates and joint ventures,
 - f. changes in group structure, including acquisitions and disposals,
 - g. and accounting for a foreign subsidiary.
- f) In respect of the consolidation process identify and explain the relevant audit

risks and audit procedures necessary to obtain sufficient appropriate evidence.

- g) Consider how the group auditor should evaluate the audit work performed by a component auditor.
- h) Explain the responsibilities of the component auditor before accepting appointment, and the procedures to be performed in a group situation.
- i) Justify the situations where a joint audit would be appropriate.

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
- b) Evaluate indicators that the going concern basis may be in doubt and recognise mitigating factors.
- 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.
- 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.

2 Completion and final review

- a) Explain the use of analytical procedures in evaluation and review.
- b) Assess whether an engagement has been planned and performed in accordance with professional standards and whether reports issued are appropriate in the circumstances.
- 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.
- d) Evaluate the use of written representations from management to support other audit evidence.

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.
- 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.

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

4. Reports to those charged with governance and management

- a) Critically assess the quality of a report to those charged with governance and management.

- b) Advise on the content of reports to those charged with governance and management in a given situation.

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:

- i. audit-related services and an audit of historical financial statements
ii) an attestation engagement and a direct engagement.

- 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.

- 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.

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.
- b) Identify and describe the matters to be considered before accepting the engagement, including any ethical and professional considerations.
- c) Plan the assignment to gather suitable evidence and provide an appropriate level of assurance in line with the objectives of the assignment.
- 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.
- e) Describe and recommend appropriate substantive, examination or investigative

procedures which can be used to gather sufficient appropriate evidence in the circumstances.

3. The audit of social, environmental and integrated reporting

- a) Plan an engagement to provide assurance on integrated reporting (performance measures and sustainability indicators).
- b) Describe the difficulties in measuring and reporting on economic, environmental and social performance and give examples of performance measures and sustainability indicators.
- c) Describe substantive procedures to detect potential misstatements in respect of socio-environmental matters.
- d) Discuss the form and content of an independent verification statement of an integrated report.

4 The audit of performance information (pre-determined objectives) in the public sector

- a) Describe the audit of performance information (pre-determined objectives) and differentiate from performance auditing.

- b) Plan the audit of performance information (pre-determined objectives), and describe examination procedures to be used in the audit of this type of information.
- c) Discuss the audit criteria of reported performance information, namely compliance with reporting requirements, usefulness, measurability and reliability.
- d) Discuss the form and content of a report on the audit of performance information.
- e) Discuss the content of an audit conclusion on an integrated report of performance against pre-determined objectives.

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.
- b) Discuss the content of a report for an examination of prospective financial information.
- c) Discuss the effectiveness of the 'negative assurance' form of reporting and evaluate situations in which it may be appropriate to modify a conclusion.

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.

- b) Discuss the content and impact of exposure drafts, consultations and other pronouncements issued by IFAC and its supporting bodies (including IAASB, IESBA and TAC).

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.

- 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.

- 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.