



ACCA

# Advanced Audit and Assurance (AAA-UK)

Syllabus and study guide

September 2022 to June 2023

Designed to help with planning study and to provide detailed information on what could be assessed in any examination session

Think Ahead

## Contents

|   |    |
|---|----|
| 1. Intellectual levels.....   | 3  |
| 2. Learning hours and education recognition<br>.....                                    | 3  |
| 3. The structure of ACCA qualification .....  | 4  |
| 4. Guide to ACCA examination structure and<br>delivery mode .....                       | 5  |
| 5. Guide to ACCA examination assessment   | 7  |
| 6. Relational diagram linking Advanced Audit<br>and Assurance (AAA-UK) with other exams | 8  |
| 7. Approach to examining the syllabus .....   | 8  |
| 8. Introduction to the syllabus.....  | 10 |
| 9. Main capabilities .....  | 11 |
| 10. The syllabus.....   | 12 |
| 11. Detailed study guide.....   | 13 |
| 12. Summary of changes to Advanced Audit<br>and Assurance (AAA-UK) .....                | 22 |

## 1. 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 learning outcome. 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.

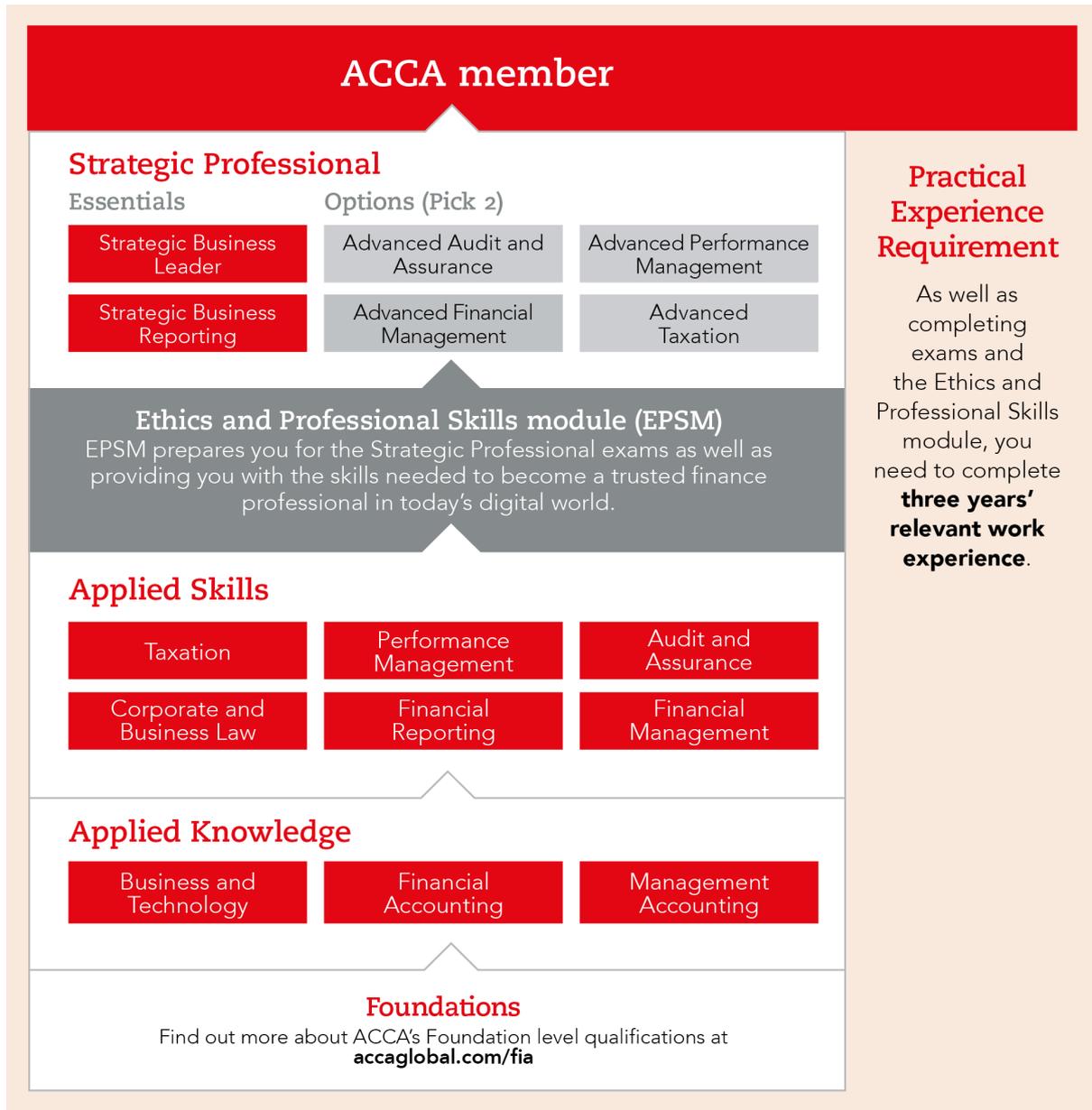
## 2. Learning hours and education recognition

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 qualification is recognised and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualification is currently recognised on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus is organised into main subject area headings which are further broken down to provide greater detail on each area.

### 3. The structure of ACCA qualification



\*See accaglobal.com for details

## 4. Guide to ACCA examination structure and delivery mode

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

The structure and delivery mode of examinations varies.

### Applied Knowledge

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.

### Applied Skills

The Corporate and Business Law exam is a two-hour computer-based objective test examination for English and Global.

For the format and structure of the Corporate and Business Law or Taxation variant exams, refer to the 'Approach to examining the syllabus' section of the relevant syllabus and study guide.

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 are assessed by a three-hour computer-based exam. Prior to the start of each exam there will be time allocated for students to be informed of the exam instructions.

The longer (constructed response) question types used in the Applied Skills exams (excluding Corporate and Business Law) require students to effectively mimic what they do in the workplace. Students will need to use a range of digital skills and demonstrate their ability to use spread sheets and word processing tools in producing their answers, just as they would use these tools in the workplace. These assessment methods allow ACCA to focus on testing students' technical and application skills, rather than, for example, their ability to perform simple calculations.

### Strategic Professional

#### Essentials:

Strategic Business Leader is ACCA's case study examination at Strategic Professional 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.

Strategic Business Reporting is a three-hour 15 minutes exam. It contains two sections and all questions are compulsory. This exam contains four professional marks.

#### Options:

The Strategic Professional Options are all three hours and 15 minutes computer-based exams. All contain two sections and all questions are compulsory.

From September 2022, AFM, APM and AAA will contain a total of 80 technical marks and 20 Professional Skills marks.

From June 2023, ATX will similarly contain a total of 80 technical marks and 20 Professional Skills marks.

The question types used at Strategic Professional require students to effectively mimic what they would do in the workplace. These exams offer ACCA the opportunity to focus on the application of knowledge to scenarios, using a range of tools including word processor, spreadsheets and presentation slides - not only enabling students to demonstrate their technical and professional skills but also their use of the technology available to today's accountants.

Time management

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 producing their answer.

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

## 5. Guide to ACCA examination assessment

ACCA reserves the right to examine any learning outcome contained within the study guide. 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 most examinations (not tax), regulations **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.

Regulations 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's 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.

For **UK** tax exams, examinations falling within the period 1 June to 31 March will generally examine the Finance Act which was passed in the previous year. Therefore, exams falling in the period 1 June 2022 to

31 March 2023 will examine the Finance Act 2021 and any examinable legislation which is passed outside of the Finance Act before 31 May 2021.

For additional guidance on the examinability of specific tax rules and the depth in which they are likely to be examined, reference should be made to the relevant Finance Act article written by the examining team and published on the ACCA website.

None of the current or impending devolved taxes for Scotland, Wales, and Northern Ireland is, or will be, examinable.

## 6. Relational diagram linking Advanced Audit and Assurance (AAA-UK) with other exams

This diagram shows 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) and Strategic Business Reporting (SBR). This diagram indicates where students are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.



## 7. 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.

The examination will also focus on the following professional skills and behaviours:

- Communication
- Analysis and Evaluation
- Professional Scepticism and Judgement
- Commercial Acumen

### 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. The 50 marks will comprise of 40 technical marks and 10 professional skills marks. All professional skills will be examined in Section A.

Candidates will be required to address a range of requirements, predominantly 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. Please note that other syllabus areas, excluding E, may also be drawn on as part of the Case Study.

## **Section B**

Section B will contain two compulsory 25-mark questions, with each being predominately based around a short scenario which may relate to more than one client. The 25 marks will comprise of 20 technical marks and five professional skills marks. Section B questions will examine a combination of professional skills appropriate to the question. Each question will examine a minimum of two professional skills from analysis and evaluation, professional scepticism and judgement and commercial acumen

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 evaluate the matters to be included in a 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.

## **Quality management and ethics**

The auditor's assessment of effective quality management and consideration of ethical issues are fundamental to all stages of the audit and therefore these concepts could be examined in any section of the exam.

## **Current issues**

Syllabus section G on current issues may be examined in Section A or B as appropriate. Current issues are 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**

## 8. Introduction to the syllabus

The aim of the syllabus is to analyse, evaluate and conclude on the assurance engagement and other audit and assurance issues in the context of best practice and current developments.

The Advanced Audit and Assurance (AAA-UK) syllabus further develops key skills introduced in Audit and Assurance at the Applied Skills level.

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 quality management, including quality management relevant at the firm and the engagement level and the acceptance and retention of professional engagements.

The syllabus then covers the audit of financial statements, including planning, and evidence gathering. It then covers the completion, evidence evaluation and 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 and also auditing aspects of insolvency.

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

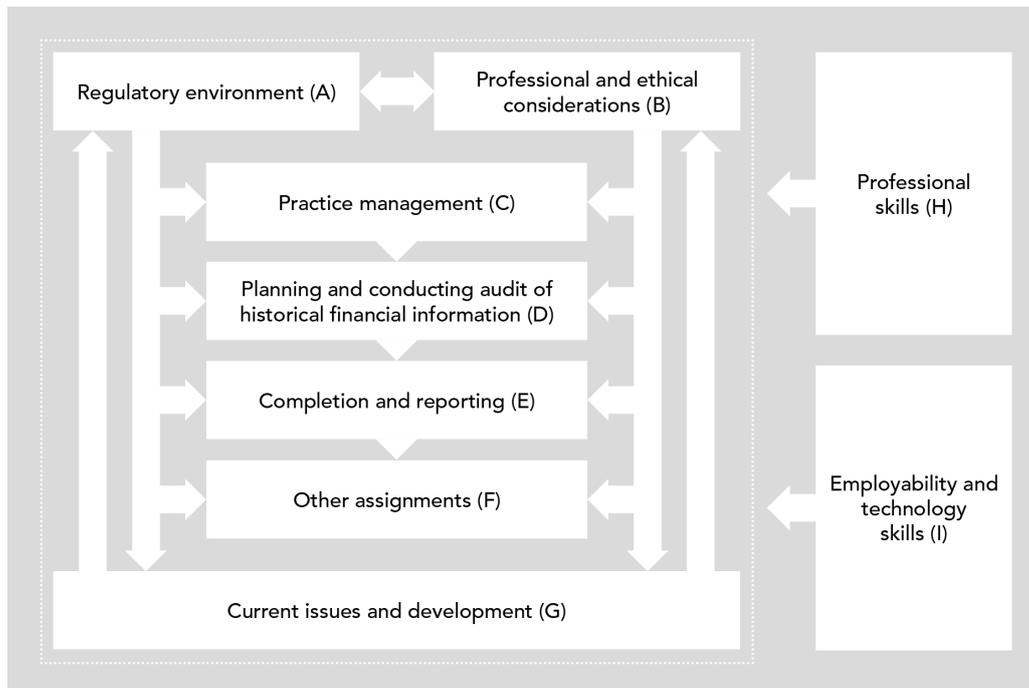
The professional skills section of the syllabus links to all others and provides a range of professional skills which the candidate must demonstrate in the exam. These professional skills will make candidates more employable, or if already in work, will enhance their opportunities for advancement.

The final section of the syllabus contains outcomes relating to the demonstration of appropriate digital and employability skills in preparing for and taking the AAA examination. This includes being able to access and open exhibits, requirements and response options from different sources and being able to use the relevant functionality and technology to prepare and present response options in a professional manner. These skills are specifically developed by practicing and preparing for the AAA exam, using the learning support content for computer-based exams available via the practice platform and the ACCA website and will need to be demonstrated during the live exam.

## 9. 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 management policies and procedures 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
- H Apply a range of professional skills in addressing requirements within the Advanced Audit and Assurance exam, and in preparation for, or to support current work experience
- I Demonstrate employability and technology skills



## 10. The 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 management

1. Quality management (firm and engagement level)
2. Advertising, tendering and 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 obtaining evidence
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

### H Professional skills

1. Communication
2. Analysis and evaluation
3. Professional Scepticism and Judgement
4. Commercial acumen

### I Employability and technology skills

1. Use computer technology to efficiently access and manipulate relevant information.
2. Work on relevant response options, using available functions and technology, as required by the workspace.
3. Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools
4. Present data and information effectively, using the appropriate tools.

## 11. Detailed 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
- c) Discuss the role of the audit committee and its impact on audit and assurance practice in relation to:<sup>[2]</sup>
  - i) the relationship with the external auditor, including the appointment, removal and monitoring of effectiveness; and
  - ii) the oversight and approval of the provision of non-audit services.

#### 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 customer due diligence (CDD) also referred to as 'Know Your Customer (KYC) and

recommend the information that should be gathered as part of CDD/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 management

### 1. Quality management (firm and engagement level)

- a) Explain the principles and purpose of quality management of audit and other assurance engagements.<sup>[1]</sup>
- b) Describe the elements of a system of quality management relevant to a given firm.<sup>[2]</sup>
- c) Evaluate the system of quality management which is in place for a given firm, including the identification and impact of deficiencies, and assess if appropriate quality management has been applied in a given engagement.<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) establishing 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) Discuss and demonstrate the use of analytical procedures in the planning of an assignment.<sup>[3]</sup>
- c) Evaluate and prioritise business risks, audit risks and risks of material misstatement for a given assignment.<sup>[3]</sup>
- d) Interpret the results of analytical procedures, in an unbiased manner and apply professional scepticism to support the identification of contradictory information and assessment of risks of material misstatement.<sup>[3]</sup>
- e) Explain the results of planning and risk assessment procedures to determine the relevant audit strategy including the auditor's responses.<sup>[3]</sup>

- f) Explain the planning procedures specific to an initial audit engagement.<sup>[2]</sup>
- g) Discuss the importance of the auditor gaining an understanding of the entity including the applicable financial reporting framework, its accounting policies, significant classes of transactions, balances and disclosures and the entity's system of internal control and recommend additional information which may be required in gaining that understanding.<sup>[2]</sup>
- h) 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>
- i) Recognise matters which 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 tests of controls (for both direct and indirect controls)) to obtain sufficient appropriate audit evidence from identified sources to support the relevant assertions and disclosures.<sup>[2]</sup>
- b) Assess and describe how IT can be used to assist the auditor and recommend the use of automated tools and techniques, such as audit software, test data and other data analytics where appropriate.<sup>[2]</sup>
- c) Evaluate and interpret the results of data analytics tools when used during planning or evidence collection.<sup>[2]</sup>
- d) Recommend additional information which may be required to effectively carry out a planned engagement or a specific aspect of an engagement.<sup>[2]</sup>
- e) Apply the further considerations and audit procedures relevant to initial engagements.<sup>[2]</sup>

- f) Apply analytical procedures to financial and non-financial data.<sup>[2]</sup>
- g) Explain the specific audit problems and procedures concerning related parties and related party transactions.<sup>[2]</sup>
- h) Recognise circumstances that may indicate the existence of unidentified related parties and recommend appropriate audit procedures.<sup>[2]</sup>

### 3. Audit procedures and obtaining evidence

- a) Design appropriate audit procedures 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) accounting estimates including 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) financial statement notes and related disclosures
  - xxv) earnings per share
  - xxvi) changes in accounting policy
  - xxvii) payroll and other expenses

- b) Explain how the auditor's responsibilities for corresponding figures,

- comparative financial statements, and 'other information', are discharged.<sup>[3]</sup>
- 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).<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 or audit firm).<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 of accounting 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 of accounting 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 of accounting.<sup>[3]</sup>

### 2 Completion and final review

- a) Apply analytical procedures for the purposes of evaluation and review and evaluate the results in the context of other audit evidence.<sup>[3]</sup>
- b) Assess whether an engagement has been planned and performed in accordance with professional standards.<sup>[3]</sup>
- c) Evaluate whether reports issued are appropriate in the circumstances.<sup>[3]</sup>
- d) Evaluate as part of the final review the matters (eg materiality, risk, relevant accounting standards) and audit evidence to confirm if sufficient and appropriate evidence has been obtained.<sup>[3]</sup>
- e) Justify the review procedures which should be performed in a given assignment, including the need for an engagement quality review and the appropriateness of the review performed, and recommend additional procedures or actions needed in the circumstances.<sup>[2]</sup>
- f) 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 auditor's report and assess the appropriateness of the contents of an auditor's report containing an unmodified opinion.<sup>[3]</sup>
- b) Recognise and evaluate the factors to be taken into account when forming an audit opinion in a given situation,

including the effect of uncorrected misstatements, and justify audit opinions which 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 auditor's opinion 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, other matter paragraph and KAM disclosure would be appropriate and recommend and justify the content of each.<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.
- 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 which may be offered by a professional firm in relation to these assignments.<sup>[3]</sup>
- b) Evaluate the matters to be considered before accepting the engagement, including any ethical and professional considerations.<sup>[3]</sup>
- c) Plan the assignment, applying professional scepticism, 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 and appropriate evidence in the circumstances.<sup>[2]</sup>

### **3. The audit of social, environmental, sustainability 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, social and sustainability information 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 and sustainability matters.<sup>[2]</sup>
- d) Discuss the form and content of an independent verification statement of an integrated report or sustainability information.<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 stakeholders.<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 the proposed changes to the audit profession in the UK and critically evaluate the implications of these changes for companies and audit firms and their impact on audit process and quality.<sup>[3]</sup>
  - d) Discuss current developments in emerging technologies, including big data and the use of automated tools and techniques such as data analytics and sustainability reporting and the potential impact on the conduct of an audit and audit quality.<sup>[3]</sup>
  - e) Discuss the impact of significant global events on audit practice.<sup>[3]</sup>
- significant risks and appropriate responses.<sup>[3]</sup>
  - b) Consider information, evidence and findings carefully, reflecting on their implications and how they impact the engagement, audit firm or audit client.<sup>[3]</sup>
  - c) Assess and apply appropriate judgement when considering ethical and professional issues, audit matters and when making conclusions or recommendations, taking into account the implications of such decisions on the audit firm, engagement and audit client.<sup>[3]</sup>
  - d) Appraise information objectively, in order to effectively prioritise audit issues, explore suitable audit responses and when making decisions, devising courses of action or determining audit conclusions.<sup>[3]</sup>

## H Professional skills

### 1. Communication

- a) Inform concisely, objectively and unambiguously, adopting a suitable style and format, using appropriate technology.<sup>[3]</sup>
- b) Advise using compelling and logical arguments, demonstrating the ability to counter argue where appropriate.<sup>[3]</sup>
- c) Clarify and simplify complex issues to convey relevant information in a way that adopts an appropriate tone and is easily understood by and reflects the requirements of the intended audience.<sup>[3]</sup>

### 2. Analysis and Evaluation

- a) Investigate relevant information from a range of sources, using appropriate analytical techniques to establish reasons and causes of issues, connections between different sources of information and to determine

### 3. Professional scepticism and judgement

- a) Explore the underlying reasons for issues, applying an attitude of a questioning mind, beyond what is immediately apparent from the usual sources and opinions available and demonstrate the ability to be alert to, and identify, conditions which might indicate misstatements or the existence of fraud or error.<sup>[3]</sup>
- b) Question contradictory information or facts, opinions, assertions and the reliability or inherent bias of information presented, by seeking corroboratory or additional information to either support or reject its acceptance.<sup>[3]</sup>
- c) Challenge and critically assess the information and evidence presented, or decisions made, to reach a conclusion on whether sufficient and appropriate evidence has been obtained on which to base the audit opinion.<sup>[3]</sup>
- d) Demonstrate appropriate professional judgement, including the application of appropriate auditing, accounting and ethical standards, to draw conclusions

and make informed decisions about the courses of action which are appropriate in the context of the engagement.<sup>[3]</sup>

#### **4. Commercial Acumen**

- a) Demonstrate awareness of any wider external factors or implications, in a given scenario, for the audit engagement, audit firm or audit client.<sup>[3]</sup>
- b) Recognise key issues and limitations, and consider the plausibility, and the practical or commercial implications, of recommendations made in the context of the engagement and audit firm.<sup>[3]</sup>
- c) Show insight and perception in understanding the wider implications and impact of implementing relevant recommendations and demonstrate acumen in arriving at suitable conclusions.<sup>[3]</sup>

### **I Employability and technology skills**

- 1. Use computer technology to efficiently access and manipulate relevant information.**
- 2. Work on relevant response options, using available functions and technology, as required by the workspace.**
- 3. Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools**
- 4. Present data and information effectively, using the appropriate tools.**

## 12. 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**

|                |   |  |
|----------------|---|--|
| C1)            | <p><b>Quality management (firm and engagement level)</b></p> <p>a) Explain the principles and purpose of quality management of audit and other assurance engagements.<sup>[1]</sup></p> <p>b) Describe the elements of a system of quality management relevant to a given firm.<sup>[2]</sup></p> <p>c) Evaluate the system of quality management which is in place for a given firm, including the identification and impact of deficiencies, and assess if appropriate quality management has been applied in a given engagement.<sup>[3]</sup></p> | Wording of learning outcomes amended to reflect the requirements of ISA (UK) 220 (Revised ), ISQM1 (UK) and ISQM2 (UK) |
| E2e)           | <p>e) Justify the review procedures which should be performed in a given assignment, including the need for an engagement quality review and the appropriateness of the review performed, and recommend additional procedures or actions needed in the circumstances.<sup>[2]</sup></p>   | Wording of learning outcome extended to reflect the new terminology in the quality management standards                |
| F3b-d) and G2d | <p><b>F3. The audit of social, environmental, sustainability and integrated reporting</b></p> <p>b) Describe the difficulties in measuring and reporting on economic, environmental and social and sustainability information and give examples of performance measures and sustainability indicators.<sup>[2]</sup></p> <p>c) Describe substantive procedures to detect potential misstatements in respect of socio-environmental and sustainability matters.<sup>[2]</sup></p>  | Wording of syllabus section F3 and G2 extended to cover sustainability information and reporting.                      |

|   |  |   |
|---|--|---|
|   | <p>d) Discuss the form and content of an independent verification statement of an integrated report or sustainability information.<sup>[2]</sup></p> <p>G2d) Discuss current developments in emerging technologies, including big data and the use of automated tools and techniques such as data analytics, and sustainability reporting and the potential impact on the conduct of an audit and audit quality.<sup>[3]</sup></p> |   |
| H | Professional Skills  | This section has been added to reflect the professional skills required for the AAA (UK) examination. |