

ACCA Certificate in Audit (RQF Level 4) (FAU)

Syllabus and study guide

December 2019 and June 2020

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1. INTELLECTUAL LEVELS

ACCA qualifications are designed to progressively broaden and deepen the knowledge and skills demonstrated by the student at a range of levels through each qualification.

Throughout, the study guides assess both knowledge and skills. Therefore a clear distinction is drawn, within each subject area, between assessing knowledge and skills and in assessing their application within an accounting or business context. The assessment of knowledge is denoted by a superscript^K and the assessment of skills is denoted by the superscript^S.

2. LEARNING HOURS AND EDUCATIONAL RECOGNITION

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 about recognition.

3. GUIDE TO ACCA EXAMINATION STRUCTURE AND DELIVERY MODE

The structure of examinations varies. The Foundations examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus. All Foundations examinations are assessed by two-hour computer based examinations. The pass mark for all FIA examinations is 50%.

4. GUIDE TO ACCA EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within any study guide within any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For specified financial accounting, audit and tax examinations, 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 this examination regulation **issued** or legislation **passed** on or before 31st August annually, will be assessed from September 1st of the following year to August 31st of the year after. Please refer to the examinable documents for the exam (where relevant) for further information.

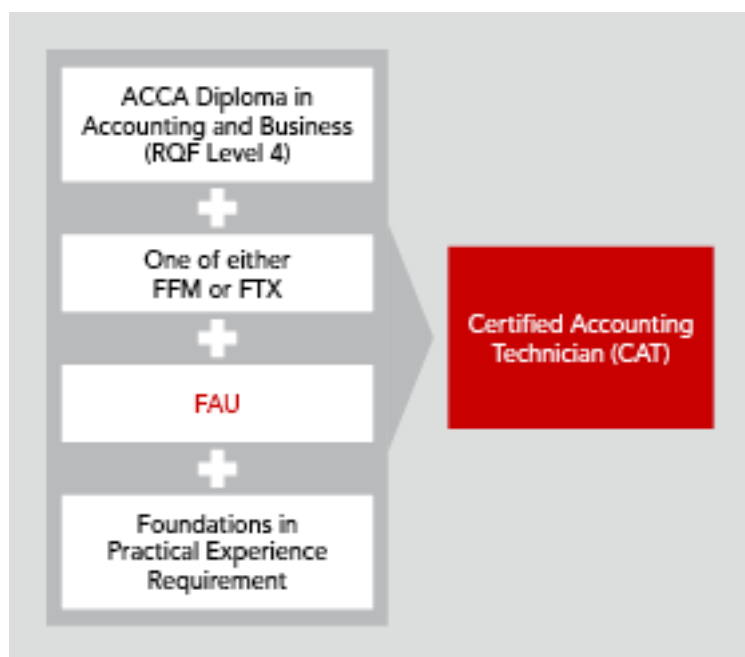
Regulation issued or legislation passed in accordance with the above dates may be examinable even if the **effective** date is in the future. The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to 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.

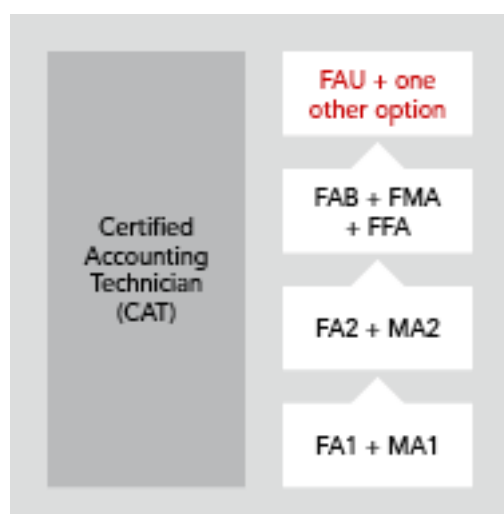
5. QUALIFICATION STRUCTURE

The Certified Accounting Technician (CAT) Qualification consists of nine exams which include seven of the FIA examinations, at all three levels, plus two examinations from three of the specialist options exams. The CAT qualification also requires the completion of the Foundations in Professionalism (FiP) module and 12 months relevant work experience, including the demonstration of 10 work based competence areas. Exemptions can be claimed from a maximum of the first four FIA exams for relevant work experience.



6. RELATIONAL DIAGRAM LINKING FOUNDATIONS IN AUDIT WITH OTHER EXAMS

The CAT syllabus is designed at three discrete levels. To be awarded the CAT qualification students must either pass or be exempted from all nine examinations including two specialist options exams. Exemptions based on relevant work experience can be claimed from up to the first four FIA exams.



7. OVERALL AIM OF THE SYLLABUS

To develop knowledge and understanding of the principles of external audit and the audit process and technical proficiency in the skills used for auditing financial statements.

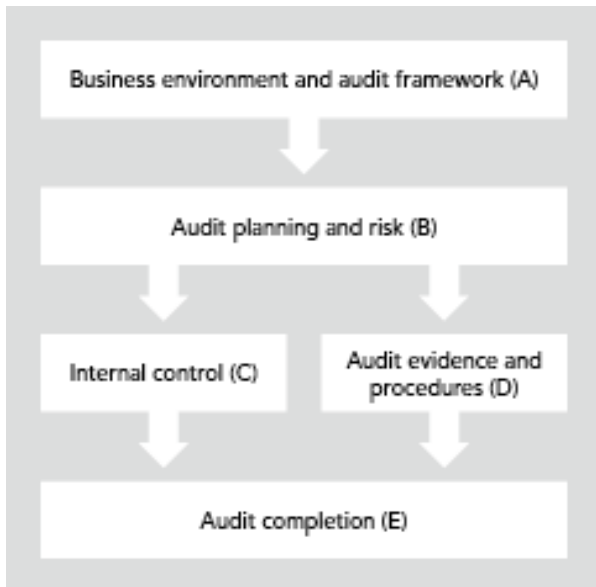
8. RATIONALE

The syllabus for FAU starts with an introduction to the nature and purpose of an audit, including the duties and liability of auditors, and the regulation that auditors must adhere to. The syllabus then covers the areas relating to the process of an audit of financial statements starting at audit planning and risk assessment, recording and evaluating internal control, as well as tests of controls, audit evidence and the use of substantive procedures. The final section deals with audit completion including the auditor's report.

9. MAIN CAPABILITIES

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

- A Explain the purpose and scope of an audit and its regulatory framework
- B Explain how an auditor assesses risk and plans an audit
- C Identify the principles of internal control and describe and evaluate the features of information systems
- D Identify and describe audit evidence and audit procedures required to meet the objectives of an audit and apply International Standards on Auditing (ISAs)
- E Explain how the audit is completed and reflected in the different types of auditor's reports.



10. APPROACH TO EXAMINING THE SYLLABUS

The syllabus is assessed by a two hour computer-based examination. Questions will assess all parts of the syllabus.

The examination will consist of two sections. Section A will contain 15 two mark objective test questions. Section B will contain 8 questions. These will include 2 questions which are 15 marks each, 2 questions which are 10 marks each and, 4 questions which are 5 marks each.

11. THE SYLLABUS

A Business environment and audit framework

1. The purpose and scope of an audit
2. The legal duties of auditors
3. Professional ethics and ACCA's Code of Ethics and Conduct
4. Auditor engagement and liability
5. Audit regulation
6. Internal audit

B Audit planning and risk assessment

1. Audit risk
2. Understanding the entity and its environment
3. Audit strategy and the audit plan
4. Audit documentation

C Internal control

1. General principles of internal control
2. Techniques to understand, record and evaluate accounting systems
3. Tests of controls
4. Communicating control deficiencies

D Audit evidence and procedures

1. Audit evidence
2. Audit procedures and assertions
3. Substantive procedures
4. Audit sampling
5. Computer-assisted audit techniques (CAATs)

E Audit completion

1. Going concern
2. Subsequent events
3. Written representations
4. Independent Auditor's Report

12. DETAILED STUDY GUIDE

A BUSINESS ENVIRONMENT AND AUDIT FRAMEWORK

1. The purpose and scope of an audit

- a) Explain the nature of an audit. ^[K]
- b) Explain the purpose of an audit, including the advantages and disadvantages of an audit. ^[K]
- c) Explain the nature of accounting records, including proper records. ^[K]
- d) Explain the concept of true and fair presentation, and reasonable assurance. ^[K]
- e) Identify the form and content of the auditors' report. ^[S]

2. The legal duties of auditors

- a) Describe the duties of auditors. ^[K]
- b) Describe the rights of auditors. ^[K]

3. Professional ethics and ACCA's Code of Ethics and Conduct

- a) Discuss the fundamental principles of professional ethics of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. ^[S]
- b) Describe the detailed requirements, and application of professional ethics, in the context of integrity, objectivity and independence. ^[S]
- c) Describe the auditor's responsibility with regard to confidentiality. ^[S]

4. Auditor engagement and liability

- a) Explain the factors that auditors should consider before accepting and audit engagement. ^[S]
- b) Explain the purpose and nature of an engagement letter. ^[K]

- c) Explain the liability of auditors under contract and negligence to clients. ^[K]

- d) Explain the liability of auditors to third parties. ^[K]

5. Audit regulation

- a) Explain the purpose and scope of ISAs. ^[K]

6. Internal audit

- a) Explain the purpose and scope of an internal audit function. ^[K]
- b) Identify the factors that external auditors should consider when evaluating the work of internal auditors. ^[K]

B AUDIT PLANNING AND RISK ASSESSMENT

1. Audit risk

- a) Define audit risk, including inherent risk, control risk and detection risk. ^[K]
- b) Explain the risk-based approach to an audit. ^[K]
- c) Define the concept of materiality and how materiality levels are calculated from financial information. ^[K]

2. Understanding the entity and its environment

- a) Explain how auditors obtain an initial understanding of the entity and its environment. ^[K]

3. Audit strategy and audit plan

- a) Identify and explain the need for planning an audit. ^[K]
- b) Identify and describe the contents of the overall audit strategy and the audit plan. ^[S]
- c) Explain the use of analytical procedures in planning. ^[K]

- d) Describe general planning issues including the availability and management of audit resources, the effect of information technology on audit procedures, the audit of complex areas and the need to use experts.^[S]
- e) Explain the role of audit programmes and the advantages and disadvantages of using standard audit programmes.^[K]

4. Audit documentation

- a) Describe the reasons for maintaining audit documentation.^[K]
- b) Explain the purpose and contents of the current file and the permanent file.^[K]
- c) Explain the quality control procedures that should exist over the review of audit working papers.^[K]
- d) Explain how information technology (IT) may be used in the documentation of audit work.^[K]

C INTERNAL CONTROL

1. General principles of internal control

- a) Describe the five components of an internal control system.^[K]
- b) Describe the objectives of an internal control system.^[K]
- c) Describe the inherent limitations of an internal control system.^[K]
- d) Explain the importance of internal control to auditors.^[K]

2. Techniques to understand, record and evaluate accounting systems

- a) Describe the techniques used by auditors to understand and record accounting systems including narrative notes and flowcharts.^[K]
- b) Describe the techniques used by auditors to evaluate accounting systems including internal control questionnaires (ICQs), internal control evaluation questionnaires (ICEQs) and checklists.^[K]

- c) Provide examples of, and explain the format and contents of ICQs and ICEQs.^[S]
- d) Evaluate the internal control system.^[S]

3. Test of controls

- a) Describe and provide examples of control procedures to meet specified objectives for each of the following areas:^[S]
 - purchases and trade payables
 - sales and trade receivables
 - wages and salaries (payroll)
 - tangible non-current assets
 - inventory
- b) Explain the purpose of tests of controls.^[K]
- c) Identify and explain the testing of controls over the following areas:^[K]
 - purchases and trade payables
 - sales and trader receivables
 - wages and salaries (payroll)
 - tangible non-current assets
 - inventory

- d) Distinguish between tests of controls and substantive procedures.^[K]

- e) Distinguish between application controls and general IT controls and identify the objectives of each control type.^[S]

- f) Provide examples of specific application controls and general IT controls.^[S]

4. Communicating control deficiencies

- a) Identify and define significant internal control deficiencies and explain the requirements and methods for communicating significant deficiencies to management and those charged with governance.^[S]

D AUDIT EVIDENCE AND PROCEDURES

1. Audit evidence

- a) Explain the importance of audit evidence, including sufficient appropriate audit evidence.^[K]

- b) Identify the factors that influence the relevance and reliability of audit evidence.^[K]

2. Audit procedures and assertions

- a) Explain the importance of the use of the assertions by the auditor.^[K]
- b) Explain the assertions in relation to classes of transactions and related disclosures and, account balances and related disclosures.^[K]
- c) Describe and give examples of procedures used by auditors to obtain audit evidence, including inspection, observation, external confirmation, recalculation, reperformance, analytical procedures and inquiry.^[K]

3. Substantive procedures

- a) Explain the rationale for designing audit programmes by reference to audit objectives.^[K]
- b) Identify and explain the substantive procedures used in auditing each of the following:^[K]
 - tangible non-current assets
 - investments
 - trade receivables, prepayments and other receivables
 - trade payables, accruals and other payables
 - bank and cash
 - non-current liabilities
 - provisions.
- c) Explain why the audit of inventory is often an area of high inherent risk.^[K]
- d) Describe the audit procedures that should be undertaken before, during and after attending an inventory count.^[K]
- e) Explain the extent to which an auditor may rely on a system of perpetual inventory.^[K]
- f) Explain the substantive procedure to meet the specific objectives for the audit of inventory.^[K]

4. Audit sampling

- a) Define audit sampling and the relevance of sampling to the auditor.^[K]

- b) Identify sampling selection methods, including random selection, systematic selection and haphazard selection.^[K]

- c) State the main factors affecting sample sizes.^[K]

5. Computer-assisted audit techniques (CAATs)

- a) Explain the use of CAATs in an audit including the use of audit software and test data.^[K]
- b) Explain the advantages and disadvantages of the use of CAATs to the auditor.^[K]

E AUDIT COMPLETION

1. Going concern

- a) Define and discuss the significance of going concern.^[S]
- b) Discuss indicators of going concern problems.^[S]
- c) Explain the procedures to be applied in performing going concern reviews.^[K]

2. Subsequent events

- a) Explain the responsibilities of the auditor regarding subsequent events occurring up to the date of the auditor's report.^[K]
- b) Explain the procedures to be applied in performing subsequent events reviews.^[K]

3. Written representations

- a) Explain the purpose of written representations.^[K]
- b) Describe the circumstances where written representations are necessary.^[S]

4. Independent Auditor's reports

- a) Describe the form and content of unmodified auditor's reports.^[S]
- b) Describe the circumstances, including those where there are identified uncorrected misstatements, in which an auditor should issue a modified audit opinion in the auditor's report.^[S]

13. SUMMARY OF CHANGES TO FOUNDATIONS IN AUDIT (FAU)

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders including employers, students, regulatory and advisory bodies and learning providers. These syllabus changes are effective from September 2019 and the next update will be September 2020.

There are no significant changes to the syllabus however minor changes are identified in table 1.

Table 1 – changes to FAU

Section and subject area	Syllabus content
A5 – Clarification that candidates may be examined on the purpose of ISAs.	A5 Audit regulation a) Explain the purpose and scope of ISAs. ^[K]
B1 – Understanding the basis on which materiality will be calculated has been introduced into the syllabus.	B1 Audit risk c) Define the concept of materiality and how materiality levels are calculated from financial information. ^[K]