

# EXAMINATION INFORMATION GUIDE

## ADVANCED AUDIT AND ASSURANCE

### Structure of examination paper

The syllabus will be assessed in a 3 hours paper plus a 15 minutes reading time. The questions will be in two sections as follows:

#### Section A:

Section A will be a compulsory 40 marks scenario-based /case study question taken from section C, Planning and undertaking audit work, the core area of the syllabus.

#### Section B:

Section B will be five (5) questions of 20 marks each, out of which candidates will be required to attempt three (3) questions. The five (5) questions will be from all the sections of the syllabus, based on the weight attached to each section in the syllabus.

### Detailed contents of the syllabus

#### A. Laws and regulations on audit and assurance engagements 20%.

##### Laws, regulations and ethical issues:

- (i) Advise on technical, professional and ethical issues that may arise during assurance engagements in the public and private sectors including evaluation and communication with any party to the engagement.
- (ii) Identify and make judgments on when it may be appropriate to refer a matter to a more senior colleague or for third party advice or consultation.
- (iii) Identify and explain the nature and purposes of laws, regulations, standards and codes in the context of assurance engagements.
- (iv) Evaluate, explain and communicate the process and issues involved in standards setting process at national and international levels.
- (v) Evaluate and communicate the interactions between national laws and regulations and the requirements of an assurance engagement.
- (vi) Evaluate and communicate the differences between various jurisdictions and how they deal with audit issues including national and international approaches such as the US Sarbanes-Oxley and related requirements for audit.

- (vii) Evaluate and explain how audits may fail to meet users' expectations.
- (viii) Evaluate and explain the extent of legal liabilities including criminal and civil law liabilities and professional negligence and how they can be mitigated.

**B. Accepting professional engagement and managing assignments** **15%**

**1. Accepting engagements**

- (a) Analyse and evaluate the issues that may arise during the process of obtaining audit work.
- (b) Identify and explain the legal, professional and ethical issues that may arise during the acceptance of assurance or audit assignments.
- (c) Analyse and evaluate the potential issues that determine the nature, scope and extent of an assurance or audit engagement.
- (d) Discuss how engagement terms can be agreed and recorded by an auditor including those agreed with a client and those imposed by laws or regulations.

**2. Practice management**

- (a) Evaluate and apply appropriate procedures and policies for management of an assurance or audit engagement.
- (b) Evaluate and apply appropriate quality control measures that may be used by a firm during the course of an assurance or audit engagement.
- (c) Identify and evaluate the extent to which assurance and audit functions within an entity can be used or relied upon.
- (d) Evaluate and apply appropriate monitoring and review procedures to effectively manage an audit or assurance engagement.
- (e) Identify and explain the purposes of external monitoring of audit and assurance engagements and how this might ensure engagement or firm's quality.
- (f) Identify and evaluate the considerations by an auditor of risk issues identified prior to accepting an engagement.

**C. Planning and undertaking audit work** **40%**

**1. Overall audit strategy**

- (a) Analyse, evaluate and explain the areas of a business that are important to understand how to develop an effective strategy or plan based on a business scenario. **(ISA 300 – Planning and audit of financial statements)**
- (b) Analyse and evaluate the relevant techniques needed for an effective understanding of the audit work.
- (c) Analyse and evaluate the situations when third party expertise may be required **(ISA 620 - Using the work of an auditor's expert)**
- (d) Evaluate and advise on elements of audit risks including inherent and control (risk of material misstatement), sampling and non-sampling (detection risk) and their relationships with audit planning procedures **(ISA 315 – Identifying and assessing the risk of material misstatement through understanding the entity and its environment)**.
- (e) Identify and evaluate the components of risk for any assurance engagement.
- (f) Evaluate and explain how business process effectiveness may affect an audit assignment.
- (g) Identify and evaluate the risks arising from accounting manipulation, error, fraud or other irregularities in a business scenario.
- (h) Identify and evaluate the risks arising from business and financial issues in a business scenario.
- (i) Evaluate and apply judgments and measures of materiality in carrying out an audit or assurance engagement **(ISA 320 – Materiality in planning and performing an audit)**.
- (j) Evaluate and apply analytical procedures that may be used to plan an audit or assurance engagement.
- (k) Analyse and evaluate how risk and materiality judgments affect the planning of an assurance or audit engagement, including the nature, timing and extent of work.
- (l) Develop an audit plan with justifications of judgments made for an audit or assurance engagement based on a business scenario including considerations relating to:
  - ❖ Materiality decisions;
  - ❖ Internal control assessments including information technology (IT) control;
  - ❖ Reliance on internal audit, specialists and the work of other auditors;
  - ❖ Use of client generated data, information and reports
  - ❖ Tests of control, substantive procedures including analytical procedures; and
  - ❖ Visits to locations, branches and departments.

- (m) Describe the appropriate procedures for assurance engagements in respect of corporate social responsibility and sustainability reports.
- (n) Describe the differences between assurance engagements and audit engagements for profit and not-for-profit entities including those in the public sector.
- (o) Explain local and international frameworks for auditing and assurance work in private and public sectors.

## **2. Assessment of risks, internal controls, internal financial controls**

- (a) Identify and assess reporting and compliance risks in the context of an assurance or audit engagement in the public or private sector based on a given business scenario.
- (b) Give an advice based on the assessment above.
- (c) Analyse the role of information technology control framework in internal control.

## **3. Evaluation of accounting treatments**

Evaluate and draw conclusions on the appropriateness of stated accounting treatments in the context of a given scenario for the public or private sector based on national and international standards on auditing and international financial reporting standards (IFRS).

- ❖ IAS1 -Presentation of Financial Statements
- ❖ IAS 2 -Inventories
- ❖ IAS 7 -Statement of Cash Flows
- ❖ IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors
- ❖ IAS 10 -Events after the Reporting Period
- ❖ IAS 12 -Income Taxes
- ❖ IAS 16 -Property, Plant and Equipment
- ❖ IAS 19 -Employee Benefits
- ❖ IAS 20 -Accounting for Government Grants and Disclosure of Government Assistance
- ❖ IAS 21 -The Effects of Changes in Foreign Exchange Rates
- ❖ IAS 23 -Borrowing Costs
- ❖ IAS 24 -Related Party Disclosures
- ❖ IAS 26 -Accounting and Reporting by Retirement Benefit Plans
- ❖ IAS 27 -Separate Financial Statements
- ❖ IAS 28 -Investments in Associates and Joint ventures
- ❖ IAS 29 -Financial Reporting in Hyperinflationary Economies
- ❖ IAS 32 -Financial Instruments: Presentation

- ❖ IAS 33 -Earnings per Share
- ❖ IAS 34 -Interim Financial Reporting
- ❖ IAS 36 -Impairment of Assets
- ❖ IAS 37 -Provisions, Contingent Liabilities and Contingent Assets
- ❖ IAS 38 -Intangible Assets
- ❖ IAS 40 -Investment Property
- ❖ IAS 41 -Agriculture
- ❖ IFRS 1 -First-Time Adoption of IFRS
- ❖ IFRS 2 -Share-based Payment
- ❖ IFRS 3 -Business Combinations
- ❖ IFRS 5 -Non-current Assets Held for Sale and Discontinued Operations
- ❖ IFRS 6 -Exploration for and Evaluation of Mineral Resources
- ❖ IFRS 7 -Financial Instruments: Disclosures
- ❖ IFRS 8 -Operating Segments
- ❖ IFRS 9 -Financial Instruments
- ❖ IFRS 10 -Consolidated Financial Statements
- ❖ IFRS 11 -Joint Arrangements
- ❖ IFRS 12 -Disclosure of Interest in other entities
- ❖ IFRS 13 -Fair Value Measurement
- ❖ IFRS 14 -Regulatory Deferral Accounts
- ❖ IFRS 15 -Revenue from Contract with customers
- ❖ IFRS 16 -Leases
- ❖ IFRS 17 -Insurance

#### 4. **Specialised audits and investigations**

- (a) Understanding of special features of certain types of audit and investigation situations.
  - (i.) Forensic investigation and reporting
    - ❖ Describe the major applications of forensic auditing e.g fraud, negligence, insurance claims and analyse the role of forensic auditor as an expert witness.
    - ❖ Distinguish among forensic accounting, forensic investigation and forensic audit
    - ❖ Identify the various government agencies associated with forensic auditing.
    - ❖ Apply the fundamental ethical principles to forensic auditors' engagement.
    - ❖ Describe the procedures to be adopted in forensic audit.
    - ❖ Select investigative procedures and evaluate the evidence appropriate to determine the amount of loss in specific circumstances.

- (ii) Banks, insurance companies, primary mortgage institutions, other financial institutions, farmers, professionals, hospitals, hotels and pension fund administrators (PFAs).
    - ❖ Identify the relevant legal frameworks that affect these institutions,
    - ❖ Evaluate the critical audit area in respect to each of these institutions,
    - ❖ Develop audit plans and procedures for each of the identified these institutions.
    - ❖ Recognise various provisions of the Central Bank of Nigeria (CBN) Act that affect each of the financial institutions.
    - ❖ Advise on the application of control measures on the activities of each of the institutions.
  - (iii) Not-for-profit organisations – charities, non- governmental organisations (NGOs).
    - ❖ Identify and explain various types and objectives of not-for-profit organisations.
    - ❖ Explain how the audit of a not-for-profit organisation differs from the audit of a profit oriented organisation.
    - ❖ Assess the audit risks associated with not-for-profit organisations.
    - ❖ Develop plans and procedures for the audit of not- for-profit organisations.
    - ❖ Suggest various control measures that can be applied by a not-for-profit organisation in its operations.
    - ❖ Determine the form and content of audit report for a not-for-profit-organisation.
- (b) Joint audits
  - (i) Explain the term 'joint audit'.
  - (ii) Develop plans for a joint audit.
  - (iii) Identify circumstances under which a joint audit occurs.
  - (iv) Describe the factors to consider in sharing audit work in joint audits.
  - (v) Advise management on the merits and demerits of joint audits.
  - (vi) Advise on matters to consider between firms engaging in joint audits.
- (c) Investigations

- (i) Identify and discuss various circumstances under which an investigation may be conducted.
  - (ii) Differentiate between investigation and statutory audit.
  - (iii) Analyse and evaluate various stages involved in conducting investigations.
  - (iv) Write appropriate report on each investigation.
  - (v) Discuss the nature and methods of investigation relating to liquidation and bankruptcy.
  - (a) Write appropriate report on each investigation.
- (d) Due diligence reviews for mergers, acquisitions and business combinations
- (i) Differentiate between due diligence and external audit.
  - (ii) Describe the procedures involved in carrying out due diligence in an audit assignment.
  - (iii) Write a report on the outcome of due diligence assignment.
- (e) Discuss the duties and responsibilities of a reporting accountant in raising capital.

**5. Application of information technology in auditing**

- (a) Explain the impact of IT in an auditing environment.
- (b) Analyse the benefits of IT control frameworks in internal controls (example COBIT Framework).

**D. Drawing conclusions and reporting 25%**

**1. Drawing conclusions**

- (a) Analyse, evaluate and propose how issues identified during the course of an assignment may be raised and dealt with in communication with management, directors and those charged with governance including actions taken when issues cannot be agreed.
- (b) Identify, explain and apply procedures that may be used and considerations relating to the identification of subsequent events that may require adjustments or disclosures.
- (c) Identify, explain and apply procedures that may be used and considerations relating to the identification of risk issues that may require disclosures.
- (d) Evaluate and apply quantitative and qualitative judgments based on the results of tests and evidence obtained.

**2. Audit report**

- (a) Discuss the concept of key audit matters (KAM) and justify the basis for reporting same.
- (b) Explain the responsibilities of an auditor with respect to KAM.
- (c) Explain the audit documentation requirements of ISA 701 with respect to KAM.
- (d) Identify the additional national requirements beyond those of ISA 701 for entities that should be within the scope of ISA 701 per the requirements of the Financial Reporting Council of Nigeria.
- (e) Appraise the form and contents of the audit report under ISA 700 (revised) given a specific situation.
- (f) Explain the responsibilities of auditors in respect to other information in line with the requirements of ISA 710
- (g) Explain circumstances under which emphasis of matters or other matters paragraph may be appropriate to an audit report.
- (h) Draft extracts of a suitable audit, assurance and management reports based on a given scenario in accordance with Nigerian laws and international standards on auditing.
- (i) Evaluate and apply suitable judgments on when it may be appropriate to refer to a specialist in giving an opinion or preparing a report.
- (j) Evaluate and apply suitable judgments on when it may be appropriate to withhold an opinion, withdraw an opinion or take other such appropriate actions on an audit or assurance engagement.
- (k) Identify and explain the issues that may be relevant and the nature of report that may be given relating to risk management, internal controls and governance.

## **E. Applicable Standards**

### **1. International standards on auditing (ISA)**

- ❖ 200 - Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing
- ❖ 210 - Agreeing the Terms of Audit Engagements
- ❖ 220 - Quality Control for an Audit of Financial Statements
- ❖ 230 - Audit Documentation
- ❖ 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements



- ❖ 250- A Consideration of Laws and Regulations in an Audit of Financial Statements
- ❖ 260 - Communication with Those Charged with Governance
- ❖ 265- Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
- ❖ 300 - Planning an Audit of Financial Statements
- ❖ 315 - Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment
- ❖ 320 - Materiality in Planning and Performing an Audit
- ❖ 330 - The Auditor's Responses to Assessed Risks
- ❖ 402 -Audit Considerations Relating to an Entity Using a Service Organisation
- ❖ 450 - Evaluations of Misstatements Identified during the Audit
- ❖ 500 - Audit Evidence
- ❖ 501 - Audit Evidence - Specific Considerations for Selected Items
- ❖ 505 - External Confirmations.
- ❖ 510 - Initial Audit Engagements - Opening Balances
- ❖ 520 - Analytical Procedures
- ❖ 530 - Audit Sampling
- ❖ 540- Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures
- ❖ 550 - Related Parties
- ❖ 560 - Subsequent Events
- ❖ 570 - Revised Going Concern
- ❖ 580 - Written Representations
- ❖ 600 - Special Considerations – Audits of Group Financial Statements (including the Work of Component Auditors)
- ❖ 610 - Using the Work of Internal Auditors
- ❖ 620 - Using the Work of an Auditor's Expert
- ❖ 700 - Revised Forming an Opinion and Reporting on Financial Statements
- ❖ 701 – Communicating Key Audit Matters in the Independent Auditor's Reports
- ❖ 705- Modifications to the Opinion in the Independent Auditor's Report
- ❖ 706- Revised emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
- ❖ 710- Revised comparative Information – Corresponding Figures and Comparative Financial Statements
- ❖ 720- Revised the Auditor's Responsibility Relating to Other Information in Documents Containing Audited Financial Statements

- 800- Special Considerations – Audits of Financial Statements prepared in Accordance with Special Purpose Frameworks
- 805- Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or items of a Financial Statement
- ❖ 810 - Engagements to Report on Summary Financial Statements

**2. International Auditing Practice Statements (IAPSS):**

- ❖ 1000 - Inter-bank Confirmation Procedures
- ❖ 1004- The Relationship Between Banking Supervisors and Banks' External Auditors
- ❖ 1006 - Audits of the Financial Statements of Banks
- ❖ 1010 -The Consideration of Environmental Matters in the Audit of Financial Statements.
- ❖ 1012 - Auditing Derivative Financial Instruments
- ❖ 1013- Electronic Commerce: Effect on the Audit of Financial Statements.

**3. International Standards on Review Engagements (ISREs):**

- ❖ 2400 - Engagements to Review Financial Statements
- ❖ 2410 -Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

**1. International Standards on Assurance Engagements (ISAEs):**

- ❖ 3000 - Assurance Engagements Other than Audits or Reviews of Historical Financial Information
- ❖ 3400 - The Examination of Prospective Financial Information.
- ❖ 3402 - Assurance Reports on Controls at a Service Organisation.

**2. International Standards on Related Services (ISRSs):**

- ❖ 4400- Engagements to Perform Agreed-upon Procedures Regarding Financial Information.
- ❖ 4410 -Engagements to Compile Financial Statements.

**3. IFAC Statements:**

- ❖ ISQC1- Quality Control for Firms that Perform Audits and Reviews Financial Statements, and Other Assurance and Related Services.
- ❖ IFAC - IESBA Code of Ethics for Professional Accountants.

4. **Other relevant laws and pronouncements including:**
- (a) Insurance Act;
  - (b) BOFIA, including prudential guidelines and other circulars issued by CBN from time to time;
  - (c) Money (Prohibition) Laundering Act 2011;
  - (d) Corporate Governance Codes;
  - (e) ICAN Professional Code of Ethics and Guide for Members;
  - (f) International Financial Reporting Standards (IFRS) and Nigerian Standards on Auditing (NSAs); and
  - (g) Companies and Allied Matters Act (CAMA) 1990 as amended.

