

PROFESSIONAL ACCOUNTANCY QUALIFICATION DETAILED SYLLABUS

DIPLOMA STAGE AUDIT AND ASSURANCE

1. INTRODUCTION AND SCOPE

CIPFA's Statement of Expertise identifies the key areas of competence and standards of performance expected of a CPFA within 5 years of initial qualification. The CIPFA Professional Accountancy Qualification is designed to provide the professional education element of CIPFA's qualification scheme, equipping newly-qualified CPFAs with the technical and managerial knowledge and skills which underpin the competences described in the Statement of Expertise. Each module of the Professional Accountancy Qualification contributes to the attainment of a range of these competences.

This module is part of the Diploma Stage of the CIPFA scheme. The module will deliver a series of objectives (see below) which represent the standard of attainment expected of a newly-qualified CPFA. This level of attainment, coupled with initial professional development activities, will enable the CPFA to perform to the standards specified in areas of the Statement of Expertise as described below.

2. LINKAGES

Auditing has application throughout organisations and consequently audit is linked to all other parts of the syllabus. However, there are particular linkages in respect of the following: -

- External Auditing involves an appraisal of financial accounting statements and so prior learning of the requirements of Financial Accounting at the Certificate stage is important.
- Both internal and external auditors review financial management and control and so there is a need to understand what the main objectives of financial management are. This prior learning is included in the Financial Management, Systems and Techniques module at the Certificate stage.

3. OVERALL OBJECTIVES

On completion of the module, the successful candidate will be able to:

- A) Explain the nature of auditing and apply the fundamental principles and standards which are used to govern its practice. (SOE: GEV3, A&A2)¹
(15%)**

¹ Note that these references link to specific areas of expertise described in the Statement of Expertise.

- B) Explain the scope of both internal and external audit work and audit's relationship to management.** (SOE: SOFM1, GEV3, A&A3) (15%)
- C) Analyse audit's unique role in promoting corporate governance, accountability and internal control.** (SOE: GEV1, GEV2, GEV3, GEV4, A&A3) (20%)
- D) Explain and demonstrate the stages in managing and performing an audit through to the reporting of findings.** (SOE: GEV4, PSR1, PSR2, PSR3, CRPM2) (15%)
- E) Apply the various techniques and methodologies used in auditing.** (SOE: A&A1, CRPM4, PCM3, PCM4) (20%)
- F) Identify the role of information technology and systems in auditing both as a tool for auditing and as an audit environment.** (SOE: A&A1) (15%)

4. LEARNING OUTCOMES

- A) Explain the nature of auditing and apply the fundamental principles and standards which are used to govern its practice.**

The successful candidate will be able to:

- A1) Explain the nature of auditing:
 Definitions of 'audit' and related terms and main types and forms of audit
 The growth in audit and inspection work
 The common features and differences between the private and public sectors
- A2) Explain and apply fundamental auditing principles:
 Basic tenets and concepts of audit work
 Power and authority available to auditors
 Ethical principles which relate to auditors
 Concepts of independence and objectivity, and customer focus
 Materiality
- A3) Explain and apply the professional standards which govern auditors' conduct and practice:
 Audit standards and the role played by the professional bodies and others in setting them
 The audit standard setting process
 Internal and external audit standards, guidelines and codes and the different sources of audit standards including case law and good practice manuals
 The requirement for Due Care and the implications of auditor liability

Related learning from other modules:

Financial Accounting and Financial Management, Systems and Techniques modules at the Certificate Stage.

B) Explain the scope of both internal and external audit work and audit's relationship to management.

The successful candidate will be able to:

B1) Explain the scope of audit work:

The scope of audit activity in the public and private sectors
Contrasts between financial and operational audit and the differing levels at which audit can work within an organisation
The impact of statutory rules on audit scope
The role of audit in relation to high level corporate systems, 'overall arrangements', and strategic systems and controls

B2) Explain the scope of internal audit work:

The role of internal audit as a contributor to the management of the organisation (understanding the business, making recommendations for improvement and providing assurance)
Essential conditions for internal audit to exist (status and support, appropriate reporting lines, gaining recognition, responsible/accounting officers)
Statutory and regulatory constraints on internal audit work
Roles played by internal audit in different sectors
Options for providing internal audit (in-house, consortium and outsourcing)

B3) Explain the scope of external audit work:

Roles of external audit in public and private organisations
Role of auditors as defined by statutory and regulatory authority
Arrangements for the audit of public service organisations and regulated industries (particularly central and local government, the NHS, further and higher education and regulated private sector utilities)
The impact of the European Union and devolution on public service external audit

C) Analyse audit's unique role in promoting corporate governance, accountability and internal control.

The successful candidate will be able to:

C1) Analyse the role of internal audit in respect of Corporate Governance:

The role of Audit Committees in Corporate Governance in both the public and private sectors

Internal and external audits' contribution to Corporate Governance, in particular through their relationship with the Audit Committee

- C2) Analyse audit's role in respect of risk management:
The responsibilities for establishing and maintaining systems of internal control
How a risk management process could work
The regulatory requirements for risk management in different parts of the public sector
The role of internal and external audit in reviewing risk management and in facilitating risk management workshops
- C3) Analyse the concept and practice of control frameworks:
The nature and purpose of integrated control frameworks
How management constructs, maintains and reviews control frameworks including Control Risk Self Assessment
The role of audit in evaluating control environments

Related learning from other modules:

- C1) General principles of ethical behaviours and corporate governance, definitions and developments in governance (Governance & Public Policy)

D) Explain and demonstrate the stages in managing and performing an audit through to the reporting of findings

The successful candidate will be able to:

- D1) Explain the scope of audit management:
The control of staff and budgets to meet audit objectives
The similarities and differences between internal and external audit management
- D2) Demonstrate the management process for an individual audit:
Allocation of responsibilities for audits
Planning audit work based on risk assessment
Management of progress and productivity of audit fieldwork
Audit closure procedures
- D3) Demonstrate the ways in which management of clients is conducted:
The identification of potential clients and their requirements
Matching client needs to the audit objectives
The impact of audit independence on client relationships
- D4) Explain how evidence is gathered during the audit:
Professional requirements for sufficient, relevant and reliable evidence
Evidence collection, verification, recording and evaluation

Audit working papers

- D5) Explain and demonstrate the process of reporting on audit findings:
 - Reporting procedures
 - The compilation and presentation of audit reports

E) Apply the various techniques and methodologies used in auditing.

The successful candidate will be able to:

- E1) Apply appropriate audit techniques:
 - Planning techniques
 - Identification of objectives
 - Control identification and assessment
 - Sampling
 - Testing
- E2) Apply audit techniques to the audit of:
 - Financial systems
 - Financial statements
- E3) Apply audit techniques to the audit of operational systems:
 - Front line activities
 - Contracted out services
 - Support functions and central services
 - Asset management systems
 - Capital and revenue contracts
- E4) Apply the concepts and techniques of Value for Money auditing:
 - Components of Value for Money
 - Responsibilities for achieving Value for Money
 - Audit approaches to Value for Money
- E5) Explain the role of the auditor in dealing with misconduct:
 - The respective responsibilities of auditors and management in regard to impropriety, illegality, fraud and other irregularities
 - Fraud and other malpractices
 - Safeguards against fraud, including those arising from recent initiatives
 - Stages and specialist skills for a fraud investigation
 - Legal issues which arise within a fraud investigation
- E6) Demonstrate an awareness of emerging audit activities.

Related learning from other modules:

- E4) Definitions and understanding of value for money (Financial and Performance Reporting)

F) Identify the role of information technology and systems in auditing both as a tool for auditing and as an audit environment.

The successful candidate will be able to:

- F1) Identify the impact of IT on auditing:
 - Risks in auditing an IT environment
 - Key legislation and standards for an IT environment
 - Key controls necessary for opportunities to be taken, whilst avoiding risks
 - Guidance available on IT security and related issues

- F2) Apply audit techniques to the audit of computer systems:
 - Audit of the strategies and overall arrangements for IT
 - Audit of applications
 - Audit role in systems development
 - Role of specialist computer auditors

- F3) Demonstrate the uses made of IT within audit work:
 - Specialist software for audit planning and fieldwork
 - Potential offered by IT for improving audit efficiency, effectiveness and professionalism