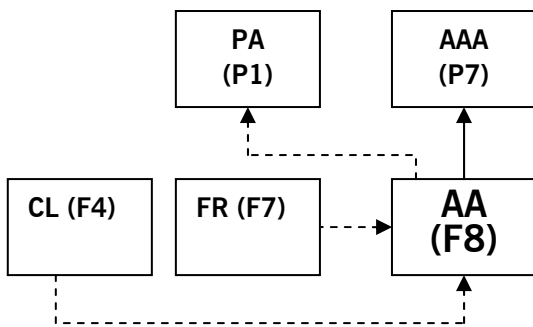


Syllabus



AIM

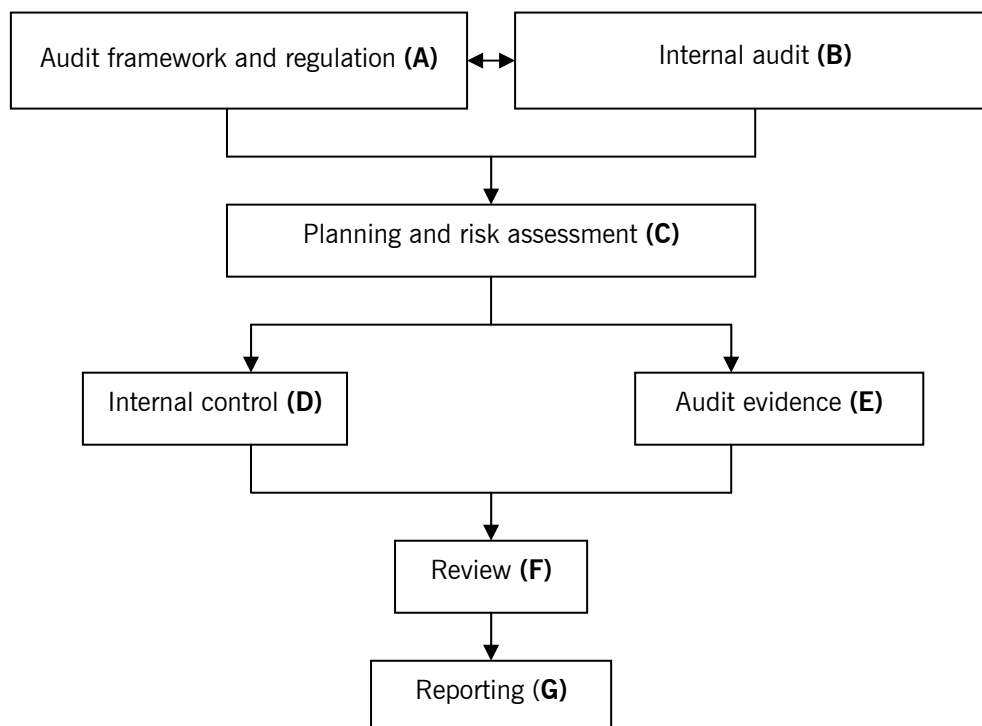
To develop knowledge and understanding of the process of carrying out the assurance engagement and its application in the context of the professional regulatory framework.

MAIN CAPABILITIES

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

- A** Explain the nature, purpose and scope of assurance engagements including the role of the external audit and its regulatory and ethical framework
- B** Explain the nature of internal audit and describe its role as part of overall performance management and its relationship with the external audit
- C** Demonstrate how the auditor obtains an understanding of the entity and its environment, assesses the risk of material misstatement (whether arising from fraud or other irregularities) and plans an audit of financial statements
- D** Describe and evaluate information systems and internal controls to identify and communicate control risks and their potential consequences, making appropriate recommendations
- E** Identify and describe the work and evidence required to meet the objectives of audit engagements and the application of the International Standards on Auditing
- F** Evaluate findings and modify the audit plan as necessary
- G** Explain how the conclusions from audit work are reflected in different types of audit report, explain the elements of each type of report.

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

The Audit and Assurance syllabus is essentially divided into seven areas. The syllabus starts with the nature, purpose and scope of assurance engagements, including the statutory audit, its regulatory environment, and introduces professional ethics relating to audit and assurance. It then leads into internal audit, including the scope of internal audit as well as the differences between internal audit and external audit. The syllabus then covers a range of areas relating to an audit of financial statements. These include planning and risk assessment, evaluating internal controls, audit evidence, and a review of the financial statements. The final section then deals with reporting, including statutory audit reports, management reports, and internal audit reports.

DETAILED SYLLABUS

A. Audit framework and regulation

1. The concept of audit and other assurance engagements
2. Statutory audits
3. The regulatory environment and corporate governance
4. Professional ethics and ACCA's Code of Ethics and Conduct

B. Internal audit

1. Internal audit and corporate governance
2. Differences between the external auditor and the internal audit function
3. The scope of the internal audit function
4. Outsourcing the internal audit function
5. Internal audit assignments

C. Planning and risk assessment

1. Objective and general principles
2. Assessing the risks of material misstatement

3. Understanding the entity and its environment
4. Materiality, fraud, laws and regulations
5. Analytical procedures
6. Planning an audit
7. Audit documentation

D. Internal control

1. Internal control systems
2. The use of internal control systems by auditors
3. Transaction cycles
4. Tests of control
5. The evaluation of internal control components
6. Communication on internal control

E. Audit evidence

1. The use of assertions by auditors
2. Audit procedures
3. The audit of specific items
4. Audit sampling and other means of testing
5. Computer-assisted audit techniques
6. The work of others
7. Not-for-profit organisations

F. Review

1. Subsequent events
2. Going concern
3. Written representations
4. Audit finalisation and the final review

G. Reporting

1. Audit reports

2. Reports to management
3. Internal audit reports

APPROACH TO EXAMINING THE SYLLABUS

The syllabus is assessed by a three-hour paper-based examination, consisting of five compulsory questions. The bulk of the questions will be discursive but some questions involving computational elements will be set from time to time.

The questions will cover all areas of the syllabus.

Question 1 will be a scenario-based question worth 30 marks. Question 2 will be a knowledge-based question worth 10 marks. Questions 3, 4 and 5 will be worth 20 marks each.

Study Guide

A AUDIT FRAMEWORK AND REGULATION

1. The concept of audit and other assurance engagements

- a) Identify and describe the objective and general principles of external audit engagements.^[2]
- b) Explain the nature and development of audit and other assurance engagements.^[1]
- c) Discuss the concepts of accountability, stewardship and agency.^[2]
- d) Discuss the concepts of true and fair presentation and reasonable assurance.^[2]
- e) Explain reporting as a means of communication to different stakeholders.^[1]
- f) Define and provide the objectives of an assurance engagement.^[1]
- g) Explain the five elements of an assurance engagement.^[2]
- h) Explain the level of assurance provided by audit and other review engagements.^[1]

2. Statutory audits

- a) Describe the regulatory environment within which statutory audits take place.^[1]
- b) Discuss the reasons and mechanisms for the regulation of auditors.^[2]
- c) Explain the statutory regulations governing the appointment, rights, removal and resignation of auditors.^[1]
- d) State the objectives and principle activities of statutory audit and assess its value (e.g. in assisting management to reduce risk and improve performance).^[1]
- e) Describe the limitations of statutory audits.^[1]

3. The regulatory environment and corporate governance

- a) Explain the development and status of International Standards on Auditing (ISAs).^[1]
- b) Explain the relationship between International Standards on Auditing and national standards.^[1]
- c) Discuss the objective, relevance and importance of corporate governance.^[2]
- d) Discuss the need for auditors to communicate with those charged with governance.^[2]
- e) Discuss the provisions of international codes of corporate governance (such as OECD) that are most relevant to auditors.^[2]
- f) Describe good corporate governance requirements relating to directors' responsibilities (e.g. for risk management and internal control) and the reporting responsibilities of auditors.^[1]
- g) Analyse the structure and roles of audit committees and discuss their benefits and limitations.^[2]
- h) Explain the importance of internal control and risk management.^[1]
- i) Compare the responsibilities of management and auditors for the design and operation of systems and controls.^[2]

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

- a) Define and apply the fundamental principles of professional ethics of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.^[2]
- b) Define and apply the conceptual framework, including the threats to the fundamental principles of self-interest, self-review, advocacy, familiarity, and intimidation.^[2]
- c) Discuss the safeguards to offset the threats to the fundamental principles.^[2]

- d) Describe the auditor's responsibility with regard to auditor independence, conflicts of interest and confidentiality.^[1]
- e) Discuss the preconditions, requirements of professional ethics, and other requirements in relation to the acceptance of new audit engagements.^[2]
- f) Discuss the process by which an auditor obtains an audit engagement.^[2]
- g) Explain the importance of engagement letters and state their contents.^[1]

B INTERNAL AUDIT

1. Internal audit and corporate governance

- a) Discuss the factors to be taken into account when assessing the need for internal audit.^[2]
- b) Discuss the elements of best practice in the structure and operations of internal audit with reference to appropriate international codes of corporate governance.^[2]

2. Differences between the external auditor and the internal audit function

- a) Compare and contrast the role of external and internal audit regarding audit planning and the collection of audit evidence.^[2]

3. The scope of the internal audit function

- a) Discuss the scope of internal audit and the limitations of the internal audit function.^[2]

4. Outsourcing the internal audit function

- a) Explain the advantages and disadvantages of outsourcing the internal audit function.^[1]

5. Internal audit assignments

- a) Discuss the nature and purpose of internal audit assignments including value for money, IT, best value and financial.^[2]
- b) Discuss the nature and purpose of operational internal audit assignments including procurement.^[2]

C PLANNING AND RISK ASSESSMENT

1. Objective and general principles

- a) Identify the overall objectives of the auditor.^[2]
- b) Identify and describe the need to plan and perform audits with an attitude of professional scepticism, and to exercise professional judgment.^[2]
- c) Explain the need to conduct an audit in accordance with ISAs.^[1]

2. Assessing the risks of material misstatement

- a) Explain the components of audit risk.^[1]
- b) Explain the risks of material misstatement in the financial statements.^[2]

3. Understanding the entity and its environment

- a) Explain how auditors obtain an initial understanding of the entity and its environment.^[2]
- b) Describe risk assessment procedures for the identification and assessment of the risks of material misstatement.^[2]

4. Materiality, fraud, laws and regulations

- a) Define and explain the concepts of materiality and performance materiality.^[2]
- b) Explain and calculate materiality levels from financial information.^[2]
- c) Discuss the effect of fraud and misstatements on the audit strategy and extent of audit work.^[2]
- d) Discuss the responsibilities of internal and external auditors for the prevention and detection of fraud and error.^[2]
- e) Explain the auditor's responsibility to consider laws and regulations.^[2]

5. Analytical procedures

- a) Describe and explain the nature, and purpose of, analytical procedures in planning.^[2]
- b) Compute and interpret key ratios used in analytical procedures.^[2]

6. Planning an audit

- a) Identify and explain the need for planning an audit.^[2]
- b) Identify and describe the contents of the overall audit strategy and audit plan.^[2]
- c) Explain and describe the relationship between the overall audit strategy and the audit plan.^[2]
- d) Explain the difference between interim and final audit.^[1]

7. Audit documentation

- a) Explain the need for and the importance of audit documentation.^[1]
- b) Describe the contents of working papers and supporting documentation.^[2]
- c) Explain the procedures to ensure safe custody and retention of working papers.^[1]

D INTERNAL CONTROL

The following transaction cycles and account balances are relevant to this capability:

- revenue,
- purchases,
- inventory,
- revenue and capital expenditure,
- payroll,
- bank and cash.

1. Internal control systems

- a) Explain why an auditor needs to obtain an understanding of internal control relevant to the audit.^[1]
- b) Describe and explain the five components of an internal control system of the control environment, the entity's risk assessment

process, the information system, including the related business processes, relevant to financial reporting, and communication, control activities relevant to the audit, and monitoring of controls.^[2]

- c) Discuss the difference between tests of control and substantive procedures.^[2]

2. The use of internal control systems by auditors

- a) Explain how auditors record internal control systems including the use of internal control questionnaires and internal control evaluation questionnaires.^[2]
- b) Explain how auditors identify deficiencies and significant deficiencies in internal control systems and how those significant deficiencies limit the extent of auditors' reliance on those systems.^[2]

3. Transaction cycles

- a) Explain, analyse and provide examples of internal control procedures and control activities.^[2]
- b) Provide examples of computer system controls.^[2]

4. Tests of control

- a) Explain and tabulate tests of control suitable for inclusion in audit working papers.^[2]
- b) List examples of application controls and general IT controls.^[2]

5. The evaluation of internal control components

- a) Analyse the limitations of internal control components in the context of fraud and error.^[2]
- b) Explain the need to modify the audit strategy and audit plan following the results of tests of control.^[1]
- c) Identify and explain management's risk assessment process with reference to internal control components.^[1]

6. Communication on internal control

- a) Discuss and provide examples of how the reporting of internal control significant deficiencies and recommendations to overcome those significant deficiencies are provided to management.^[2]

E AUDIT EVIDENCE

1. The use of assertions by auditors

- a) Explain the assertions contained in the financial statements.^[2]
- b) Explain the assertions in relation to classes of transactions, account balances, and presentation and disclosures.^[1]
- c) Explain the use of assertions in obtaining audit evidence.^[2]

2. Audit procedures

- a) Discuss the quality and quantity of audit evidence.^[2]
- b) Discuss the relevance and reliability of audit evidence.^[2]
- c) Discuss and provide examples of how analytical procedures are used as substantive procedures.^[2]
- d) Discuss the problems associated with the audit and review of accounting estimates.^[2]
- e) Describe why smaller entities may have different control environments and describe the types of evidence likely to be available in smaller entities.^[1]
- f) Explain the auditor's responsibilities and describe procedures to be applied in relation to opening balances and comparative information.^[2]

3. The audit of specific items

For each of the account balances stated in this sub-capability:

- explain the purpose of substantive procedures in relation to assertions,

- explain the substantive procedures used in auditing each balance.

- a) Receivables:^[2]
 - i) direct confirmation of accounts receivable
 - ii) other evidence in relation to receivables and prepayments, and
 - iii) the related income statement entries.
- b) Inventory:^[2]
 - i) inventory counting procedures in relation to year-end and continuous inventory systems
 - ii) cut-off
 - iii) auditor's attendance at inventory counting
 - iv) direct confirmation of inventory held by third parties,
 - v) other evidence in relation to inventory.
- c) Payables, accruals, provisions and contingencies:^[2]
 - i) supplier statement reconciliations and direct confirmation of accounts payable,
 - ii) obtain evidence in relation to payables and accruals, and
 - iii) the related income statement entries.
- d) Bank and cash:^[2]
 - i) bank confirmation reports used in obtaining evidence in relation to bank and cash
 - ii) other evidence in relation to bank and cash, and
 - iii) the related income statement entries.
- e) Tangible non-current assets and non-current liabilities:^[2]
 - i) evidence in relation to non-current assets and
 - ii) non-current liabilities and
 - iii) the related income statement entries.
- f) Share capital, reserves and directors' emoluments:^[2]
 - i) evidence in relation to share capital, reserves and directors' emoluments, and
 - ii) the related income statement entries.

4. Audit sampling and other means of testing

- a) Define audit sampling and explain the need for sampling.^[1]

- b) Identify and discuss the differences between statistical and non-statistical sampling.^[2]
- c) Discuss and provide relevant examples of, the application of the basic principles of statistical sampling and other selective testing procedures.^[2]
- d) Discuss the results of statistical sampling, including consideration of whether additional testing is required.^[2]

5. Computer-assisted audit techniques

- a) Explain the use of computer-assisted audit techniques in the context of an audit.^[1]
- b) Discuss and provide relevant examples of the use of test data and audit software for the transaction cycles and balances mentioned in sub-capability 3.^[2]

6. The work of others

- a) Discuss the extent to which auditors are able to rely on the work of experts.^[2]
- b) Discuss the extent to which external auditors are able to rely on the work of internal audit.^[2]
- c) Discuss the audit considerations relating to entities using service organisations.^[2]
- d) Discuss why auditors rely on the work of others.^[2]
- e) Explain the extent to which reference to the work of others can be made in audit reports.^[1]

7. Not-for-profit organisations

- a) Apply audit techniques to not-for-profit organisations.^[2]
- b) Explain how the audit of not-for-profit organisations differs from the audit of for-profit organisations.^[1]

F REVIEW

1. Subsequent events

- a) Explain the purpose of a subsequent events review.^[1]
- b) Discuss the procedures to be undertaken in performing a subsequent events review.^[2]

2. Going concern

- a) Define and discuss the significance of the concept of going concern.^[2]
- b) Explain the importance of and the need for going concern reviews.^[2]
- c) Explain the respective responsibilities of auditors and management regarding going concern.^[1]
- d) Discuss the procedures to be applied in performing going concern reviews.^[2]
- e) Discuss the disclosure requirements in relation to going concern issues.^[2]
- f) Discuss the reporting implications of the findings of going concern reviews.^[2]

3. Written representations

- a) Explain the purpose of and procedure for obtaining written representations.^[2]
- b) Discuss the quality and reliability of written representations as audit evidence.^[2]
- c) Discuss the circumstances where written representations are necessary and the matters on which representations are commonly obtained.^[2]

4. Audit finalisation and the final review

- a) Discuss the importance of the overall review of evidence obtained.^[2]
- b) Explain the significance of uncorrected misstatements.^[1]

- c) Evaluate the effect of dealing with uncorrected misstatements.^[2]

G REPORTING

1. Audit reports

- a) Describe and analyse the format and content of unmodified audit reports.^[2]
- b) Describe and analyse the format and content of modified audit reports.^[2]

2. Reports to management

- a) Identify and analyse internal control and system deficiencies and significant deficiencies and their potential effects, and make appropriate recommendations to management.^[2]

3. Internal audit reports

- a) Describe and explain the format and content of internal audit review reports and other reports dealing with the enhancement of performance.^[1]
- b) Explain the process for producing an internal audit report.^[1]

READING LIST

This section only contains examiner suggested reading which is in addition to the study texts and/or revision materials and/or other reading listed within the learning content provider directory.

Additional examiner suggested reading:

Please note, the following text is only relevant for students studying in Singapore

AUDIT COMMITTEE GUIDANCE COMMITTEE GUIDEBOOK FOR AUDIT COMMITTEES IN SINGAPORE

Further details on reading lists and Approved Learning Content can be found in the first few sections of this guide and on the following link.

http://www.accaglobal.com/learningproviders/alpc/content_provider_directory/search/

SUMMARY OF CHANGES TO F8

RATIONALE FOR CHANGES TO STUDY GUIDE PAPER F8

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. As a result of the latest review, ACCA is making changes to the ACCA Qualification effective from June 2011. With each syllabus is included a specific rationale for these changes as far as each examination syllabus and study guide is concerned.

Changes have been made to F8 (INT) to provide clarification regarding items which were listed in the examinable documents, but not specifically referred to in the study guide. These were therefore intrinsically always within the syllabus and are not additions as such.

The deletions are areas which will not be examined by the new examiner.

The main areas to be added or deleted from the syllabus from that date are shown in Table 1 below:

Table 1 – Additions to F8

Section and subject area	Syllabus content
A1f) Audit framework and regulation	Objectives of an assurance engagement
A1g) Audit framework and regulation	Five elements of an assurance engagement
A4d)	Auditor independence, conflicts of interest and confidentiality
C1a) Planning and risk assessment	Overall objectives of the auditor
C1c)	The need to conduct an audit in accordance with ISAs
C3b)	Risk assessment procedures
C4e)	Laws and regulations
D2a) Internal control	Internal control questionnaires and internal control evaluation questionnaires
E2b) Audit evidence	Relevance and reliability of audit evidence
E2f)	Opening balances and comparative information
E3c)	Provisions and contingencies
E3f)	Share capital, reserves, and directors' emoluments
F4c) Review	Effect of uncorrected misstatements

The areas to be removed from the syllabus are shown in Table 2 below:

Table 2 – Deletions to F8

Section and subject area	Syllabus content
A Audit framework and regulation	2d) Types of opinion provided in statutory audits
B Internal Audit	2b) Compare and contrast internal and external audit reports
B	3b) Types of audit report provided in internal audit assignments
B	5b) Marketing, treasury and human resources management
C Planning and risk assessment	1b) Engagement risks affecting the audit
C	1d) Compare and contrast risk based, procedural and other approaches to audit work
C	1e) Importance of risk analysis
C	1f) Information technology in risk analysis
D Internal control	2a) The importance of internal control to auditors
D	5d) develop and document an audit plan
E Audit evidence	2a) Sources and merits of different types of evidence
E	5c) Use of computers in relation to the administration of the audit

Note: C7 The work of others has moved to E6