



SINGAPORE QP SYLLABUS HANDBOOK

AS ASSURANCE

2014-2015



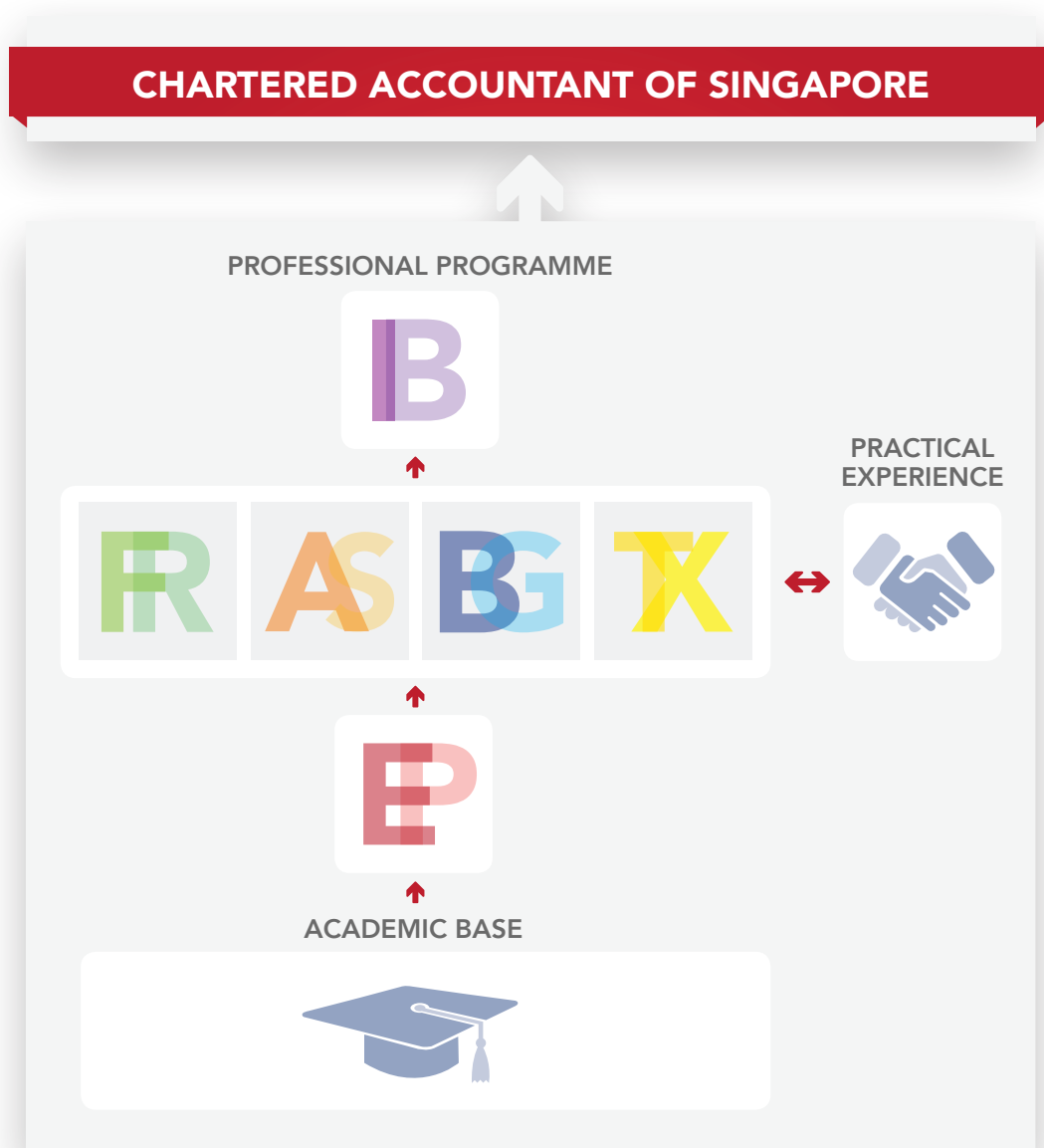


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Singapore QP Syllabus Handbook

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MODULE OBJECTIVE

Upon completion of the Assurance Module, Candidates will be able to analyse, exercise judgment, evaluate and conclude on the assurance engagement and other audit and assurance issues in the context of best practice and current developments in Singapore and internationally. The Module addresses a wide variety of issues that a Chartered Accountant of Singapore may encounter. It develops the Candidates' understanding of professional and ethical considerations as well as ensuring they have a broad understanding of the regulatory environment in Singapore. The Module covers procedures in practice management, including quality control and the acceptance and retention of professional engagements; the audit of financial statements including planning, managing, evidence and review, as well as other assignments and reporting.

RECOMMENDED PROGRESSION

The Ethics and Professionalism module must be completed before enrolment in any technical module in the Professional Programme. It is recommended (but not required) that Candidates complete the Financial Reporting module before attempting this module.

COGNITIVE LEVELS

This document includes learning outcomes which Candidates are expected to achieve. Each learning outcome is identified with a cognitive level ranging from 1 to 3. The cognitive levels are described below:

1 Cognitive Level
An ability to communicate sound knowledge and insight in relation to emerging trends, current issues, and regulatory changes, with some practical application.

2 Cognitive Level
An ability to analyse and apply knowledge to moderately complex scenarios that a Candidate would be likely to encounter in the workplace to derive the best possible outcome.

3 Cognitive Level
An ability to demonstrate an elevated level of application of knowledge, as well as synthesise and evaluate information in more complex scenarios in order to arrive at value-added solutions.

The cognitive levels give an indication of the intellectual depth which Candidates are expected to achieve.

The technical modules in the Professional Programme are designed at post-university level and build on knowledge, skills and values achieved during the undergraduate studies. The technical modules are designed to develop higher order skills of application, analysis, synthesis and evaluation. For this reason, there are very few learning outcomes with cognitive level 1.

LEARNING OUTCOMES

LEGAL AND PROFESSIONAL FRAMEWORK



Regulatory Frameworks For Audit And Assurance Services

EXPLAIN the need for laws, regulations, standards and other guidance relating to audit, assurance and related services in Singapore and how they align with international regulatory frameworks, such as those issued by the International Auditing and Assurance Standards Board (IAASB).

OUTLINE and **EXPLAIN** the need for the legal and professional framework including:

- Public oversight of an audit and assurance practice; and
- The role of audit committees and the impact on audit and assurance practice.

Cognitive Level
2

Anti-money laundering and terrorism financing



EXPLAIN the scope of 'money laundering and terrorism financing' and the related obligations of a Chartered Accountant of Singapore.

EXPLAIN national Singaporean and international efforts to combat money laundering.

Cognitive Level
2



Laws and Regulations

COMPARE and **CONTRAST** the respective responsibilities of directors, management and auditors concerning compliance with laws and regulations in an audit of financial statements.

Cognitive Level
2

DESCRIBE the auditor's considerations of compliance with laws and regulations and plan audit procedures when possible non-compliance is discovered.

Cognitive Level
2

EXPLAIN how, why, when and to whom non-compliance should be reported and the circumstances in which an auditor should withdraw from an engagement.

Cognitive Level
3

CONSIDERATIONS FOR THE PROFESSIONAL ACCOUNTANT

Cognitive Level
3

Code Of Professional Conduct And Ethics

EXPLAIN the fundamental principles of the Code of Professional Conduct and Ethics.

RECOGNISE conflicts in the application of fundamental ethical principles.

DISCUSS the importance of auditors' independence and professional scepticism in planning and performing an audit.

RECOMMEND a suitable course of action for a professional accountant to take upon discovering a breach of professional ethics by themselves or by others.



Fraud And Error

COMPARE and **CONTRAST** the respective responsibilities of management and auditors relating to fraud and error.

Cognitive Level
3

Cognitive Level
3

DESCRIBE the matters to be considered and procedures to be carried out in response to risks of misstatements arising from fraud and error.

Communication

DESCRIBE the auditor's responsibility to communicate with those charged with governance and understand the importance of effective two-way communication of specific matters that are required to be communicated to those charged with governance under local and international auditing standards.

2

Professional Liability



RECOGNISE circumstances in which professional accountants may have legal liability.

2

EXPLAIN the concept of due care in the performance of work and describe the factors to determine whether or not an auditor is negligent in given situations.

3

RECOGNISE the auditor's liability to clients and third parties, including those in transnational engagements and non-audit engagements.

2

EVALUATE the practicability and effectiveness of ways in which legal liability may be restricted.

3

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).

3

PRACTICE MANAGEMENT

Quality Control

EXPLAIN the principles and purpose of quality control of audits and other assurance engagements under the regulatory framework.

3

SELECT and **JUSTIFY** quality control procedures that are applicable to a given firm and audit engagement.

3

ASSESS whether an engagement has been planned and performed in accordance with professional standards and public oversight requirements.

3

DISCUSS how the provision of non-audit services to audit clients (including auditor initiated audit adjustments arising from audit work) may compromise the independence of the audit process.

3



Appointment and Reappointment of Auditors

DISCUSS the reasons why entities change their statutory auditors professional accountants.

2

RECOGNISE and **EXPLAIN** the factors to be considered when a firm is invited to submit a proposal or fee quote for an audit or other professional engagement.

2

IDENTIFY the information to be included in a proposal.

2

EXPLAIN the matters to be considered and the procedures that an audit firm/professional accountant should carry out before accepting and/or continuing a specified client/engagement including:

3

- Client acceptance and continuance;
- Engagement acceptance and continuance;
- Establish whether the preconditions for an audit are present;
- Communicating with the predecessor auditor; and
- Agreeing the terms of engagement.

RECOGNISE the key issues that underlie the agreement of the scope and terms of an engagement with a client including the full scope of a statutory audit.

2

Advertising, publicity, obtaining professional work, and fees



RECOGNISE situations in which specified advertisements are acceptable.

2

EXPLAIN the restrictions on practice descriptions and the names of public accounting entities.

2

OUTLINE the determinants of fee setting and justify the basis on which fees and commissions may and may not be charged for services.

3

DISCUSS the ethical and other professional issues, for example, lowballing, involved in establishing and negotiating fees and other types of remuneration for a specified assignment.

3

PERFORMING THE AUDIT



Evidence

EXPLAIN the matters that are likely to be relevant in determining what constitutes sufficient, appropriate evidence.

EVALUATE whether a given scenario represent sufficient evidence.

EXPLAIN the rules for documentation of audit evidence, using appropriate media and the reasons for those rules.

IDENTIFY and describe audit procedures to obtain sufficient audit evidence from identified sources, e.g. inquiries, inspection, observation and re-performance.

ASSESS whether more cost-efficient methods for obtaining evidence to support an assertion would have been possible in a given scenario.

IDENTIFY and **EVALUATE** the audit evidence expected to be available to support the assertions about classes of transactions, account balances, and presentation and disclosure.

APPLY analytical procedures as substantive audit procedures using financial and non-financial data.

EXPLAIN the specific audit risks and procedures concerning related parties and related party transactions including significant transactions outside normal business.

RECOGNISE circumstances that may indicate the existence of unidentified related parties and select appropriate audit procedures.

EXPLAIN the use of written management representations to support other audit evidence and the limitations of representations as evidence.

IDENTIFY and **EXPLAIN** the circumstances in which an auditor is likely to need an expert opinion to obtain sufficient, appropriate evidence on a matter.

EXPLAIN the differences for evidence evaluation between an expert appointed by an auditor and an expert appointed by a client.

EVALUATE the work required to be done when there is the use of an expert including:

- Evaluating the relevance, completeness and accuracy of that source data significant to that expert's work provided by management;
- Evaluation of the expert's competence, capabilities and objectivity for the auditor's purposes;
- Adequacy of the expert's work; and
- The auditor's duty to form a concurring opinion with the expert.

Note: in this paragraph, 'expert' is used as defined in the Singapore Standards on Auditing.

Planning, Materiality and Assessing the Risk of Misstatement

2 **DEFINE** materiality and performance materiality and **DEMONSTRATE** how it should be applied in accordance with professional auditing standards.

IDENTIFY and **EXPLAIN** the importance of understanding the entity and its environment, including internal controls in risk assessment.

3 **IDENTIFY** and **EXPLAIN** material and significant audit risks (broken into risks of material misstatement and detection risks) for a given assignment.

3 **DISCUSS** and **APPLY** the use of analytical procedures in the planning of an assignment.

EXPLAIN how the result of planning procedures determines the relevant audit strategy.

EXPLAIN the planning procedures specific to an initial audit engagement.

2 **APPLY** the further considerations and audit procedures relevant to initial engagements.

Evaluation and Review

3 **APPLY** and **EVALUATE** audit procedures for all transactions in the extant syllabus for the Financial Reporting module.

3 **EXPLAIN** the use of analytical procedures in evaluation and review.

EXPLAIN how the auditor's responsibilities for corresponding figures, comparative financial statements, and 'other information' are discharged.

Group Audits

2 **DISCUSS** the courses of action available to an auditor when documents containing audited financial statements and the auditor's report include other information that is inconsistent with or undermines the credibility of those financial statements and the auditor's report.

SPECIFY audit procedures designed to identify subsequent events that may require adjustment to, or disclosure in, the financial statements of a given entity or steps to be taken for subsequent discovery of facts.

2 **IDENTIFY** accounting estimates and recommend audit procedures and evaluate evidence supporting the assumptions and reasonableness of the estimates, including the related disclosures.

2 **IDENTIFY** and **EXPLAIN** indicators that the going concern basis may be in doubt and evaluate mitigating factors.

2 **RECOMMEND** audit procedures to evaluate the evidence that might be expected to be available and assess the appropriateness of the going concern basis in given situations.

ASSESS the adequacy of disclosures in financial statements relating to going concern and explain the implications of the auditor's report with regard to the going concern basis.

RECOGNISE the specific matters to be considered before accepting appointment as auditor of group financial statements.

2 **IDENTIFY** and **EXPLAIN** the matters specific to planning an audit of group financial statements including assessment of the group, its components, and their environments, the impact of non-coterminous year ends within a group and changes in group structure.

2 **JUSTIFY** the situations where a joint audit would be appropriate.

RECOGNISE the audit issues and describe audit procedures specific to a business combination.

IDENTIFY and **EXPLAIN** the audit risks and necessary audit procedures relevant to the consolidation process and group-wide controls.

IDENTIFY and **DESCRIBE** the matters to be considered and the procedures to be performed at the planning stage, when a group engagement team considers the use of the work of component auditors.

EXPLAIN effective communication between the group engagement team and component auditors and the determination and communication of materiality for a group audit, including materiality at the component level.

EXPLAIN the responsibilities of component auditors in the context of a group audit.

CONSIDER how the group engagement team should evaluate the audit work performed by a component auditor.

2 **EXPLAIN** the implications for the auditor's report on the financial statements of an entity where the opinion on a component is qualified or otherwise modified in a given situation.

OTHER ASSIGNMENTS

Review Engagements and Audit-Related Services



DESCRIBE the nature of a review engagement and audit-related services, the circumstances in which they might be required and the comparative levels of assurance provided by public accounting entities and distinguish between:

- A review engagement, audit-related services and an audit of historical financial statements; and
- An attestation, review or compilation engagement including compiling proforma financial information for a prospectus.

2 **PLAN** review engagements, for example:

- A review of interim financial information; and
- A review of historical financial information.

3 **EXPLAIN** the nature and extent of enquiry and analytical procedures in review engagements and apply these procedures.



Internal Audit

2 *EVALUATE* the potential impact of an internal audit function on the planning and performance of the statutory audit.

EXPLAIN how external and internal auditors may work together to provide stakeholders with combined assurance, including the need to plan all assignments.

2

Assurance Services Other Than Statutory Audit

3

DESCRIBE the main categories of assurance services that public accounting entities can provide and assess the benefits of providing these services to management and external users.

JUSTIFY a level of assurance (reasonable, high, moderate, limited or negative) for an engagement depending on the subject matter evaluated, the criteria used, the procedures applied and the quality and quantity of evidence obtained.

RECOGNISE the ways in which different types of risks (e.g. strategic, operating, information) may be identified and analysed and how it is communicated to management.

EXPLAIN the usefulness to management and other stakeholders of combined assurance, especially in the context of risk management.

Prospective Financial Information (PFI)

3 *EXPLAIN* the principles of useful PFI.

IDENTIFY and describe the matters to be considered before accepting a specified engagement to report on PFI.

2

3 *DESCRIBE* examination procedures for forecasts and projections.

APPLY extant standards for examination and reporting of PFI engagements.

3

COMPARE the content of a report on an examination of PFI with reports made in providing audit-related services and apply the regulatory prescriptions.

3

Outsourcing



DISCUSS and *CONCLUDE* the advantages and disadvantages of outsourcing finance and accounting functions.

3

RECOGNISE and *EVALUATE* the impact of outsourced functions on the conduct of an audit and the use of assurance reports on controls at a third party service organisation.

3

REPORTING

Reports to Those Charged With Governance and Management

3

CRITICALLY ASSESS the quality of reports by others and by management to those charged with governance and management.

ADVISE on the content of reports to those charged with governance and management in a given situation.

Auditor's Reports

CRITICALLY APPRAISE the form and content of an auditor's report in a given situation.

RECOGNISE and *EVALUATE* the factors to be taken into account when forming an opinion in a given situation and justify opinions that are consistent with the results of audit or assurance procedures.

ASSESS whether a proposed audit opinion is appropriate.

ADVISE on the actions that may be taken by the auditor in the event that a modified audit report is issued including actions that must be taken under the existing regulatory framework.

EXPLAIN when the use of an 'emphasis of matter' paragraph and 'other matter' paragraph would be appropriate.

3

Other Reports



ANALYSE the form and content of the Professional Accountant's report for an assurance engagement as compared with an auditor's report and the restricted use of reports.

DISCUSS the content of a report on examination of prospective financial information.

DISCUSS the effectiveness of the 'negative assurance' form of reporting and evaluate situations in which it may be appropriate to express a reservation or deny a conclusion.

Cognitive Level
3

CURRENT ISSUES AND DEVELOPMENTS



Information Technology (IT)

DESCRIBE recent trends in IT and their current and potential impact on auditors (e.g. the audit implications of 'cyber incidents' and other risks).

EXPLAIN how IT may be used to assist auditors and discuss the issues that may be encountered in automating the audit process.

EXPLAIN the circumstances in which enhancements to data capture and information processing systems may add value to a client's activities.

DISCUSS how business reporting on the Internet and growing use of XBRL impacts on the duties of the auditor and how assurance may best be given to stakeholders using such information.

Cognitive Level
2



Professionalism and Ethics

DISCUSS the relative advantages of an ethical framework and a rulebook.

IDENTIFY and assess relevant emerging ethical issues and evaluate the safeguards available.

DISCUSS ethical issues in the context of current developments in Asia and internationally.

Cognitive Level
2



Social and Environmental Auditing

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).

DESCRIBE substantive procedures to detect potential misstatements in respect of socio-environmental matters.

Cognitive Level
2

Cognitive Level
2



Other Current Issues

Cognitive Level
1

EXPLAIN current developments in Singapore and international auditing standards including the need for new and revised standards and evaluate their impact on the conduct of audits.

DISCUSS other current legal, ethical, professional and practical matters that affect accountants, auditors, their employers and the profession

DISCUSS the limitations of the standards on auditing and the possible modifications that they may require in the audits of smaller entities.

EXPLAIN the circumstances in which listed entity audit failures have mostly taken place in Singapore and overseas in the preceding 20 years, paying particular attention to the apparent ethics of management (including family-owned companies), internal and statutory auditors and others involved in the financial reporting chain.

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