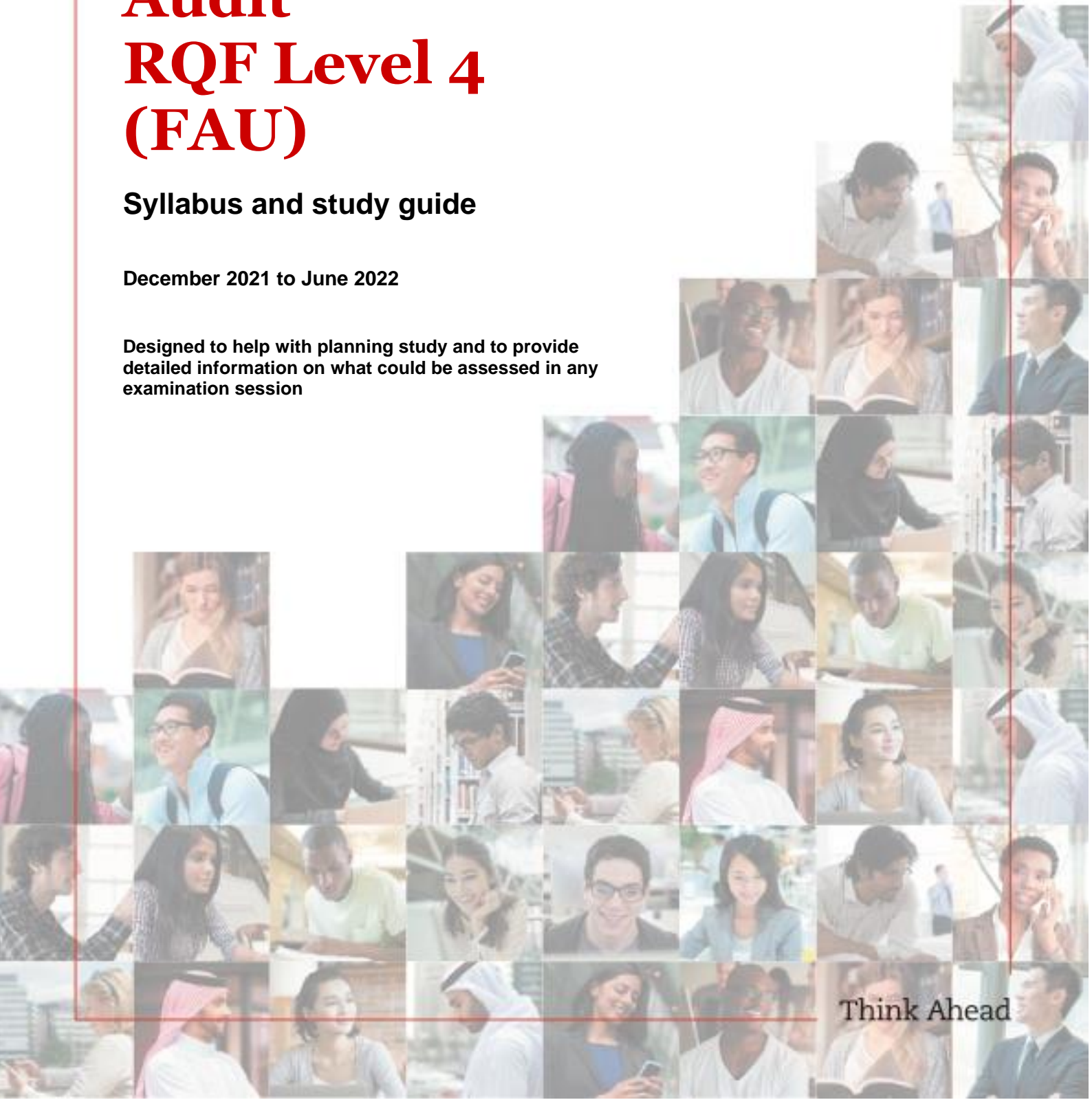


# ACCA Certificate in Audit – Foundations in Audit RQF Level 4 (FAU)

Syllabus and study guide

December 2021 to June 2022

Designed to help with planning study and to provide detailed information on what could be assessed in any examination session



Think Ahead

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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 on their way through each qualification.

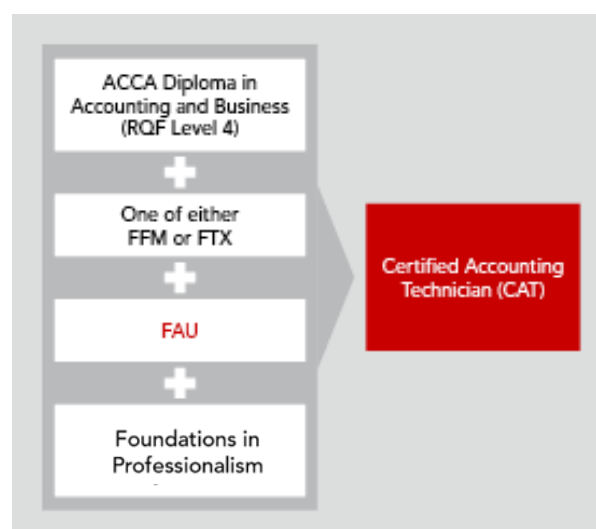
Throughout, the study guides assess both knowledge and skills. Therefore, a clear distinction is drawn, within each subject area, between assessing knowledge and skills and in assessing their application within an accounting or business context. The assessment of knowledge is denoted by a superscript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

## 2. Learning hours and education 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 recognised and valued by governments and regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognised on the educational frameworks in several countries. Please refer to your national education framework regulator for further information about recognition.

## 3. 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.



## **4. Guide to ACCA examination structure and delivery mode**

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%.

## **5. 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.

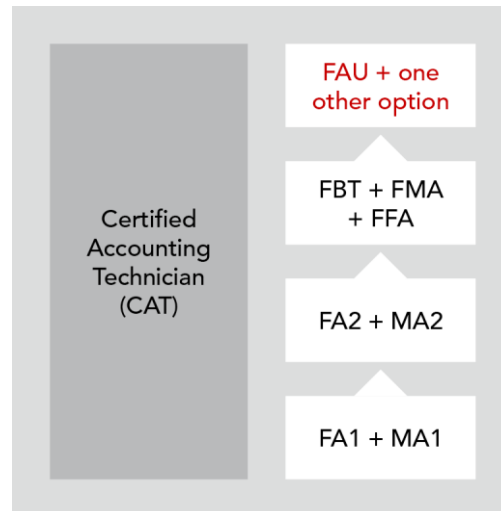
Regulation issued or legislation passed in accordance with the above dates may be examinable even if the effective date is in the future. The term issued or passed relates to when regulation or legislation has been formally approved.

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.

## 6. Relational diagram linking Foundations in Audit (FAU) 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. 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.

## 8. 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.

## 9. Introduction to the syllabus

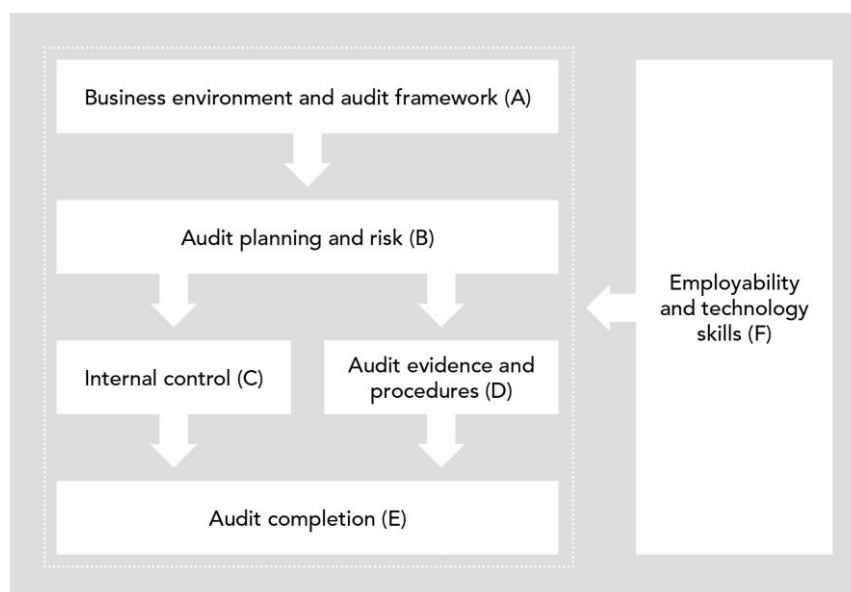
The syllabus for FAU starts with an introduction to the nature and purpose of an audit, including the duties and liability of auditors, and the regulation that auditors must adhere to. The syllabus then covers the areas relating to the process of an audit of financial statements starting at audit planning and risk assessment, recording and evaluating internal control, as well as tests of controls, audit evidence and the use of substantive procedures. The syllabus also deals with audit completion including the auditor's report. Finally, the syllabus contains outcomes relating to the demonstration of appropriate digital and employability skills in preparing for and taking the FAU examination. This includes being able to interact with different question item types, manage information presented in digital format and being able to use the relevant functionality and technology to prepare and present response options in a professional manner. These skills are specifically developed by practicing and preparing for the FAU exam, using the learning support content for computer-based exams available via the ACCA website and will need to be demonstrated during the live exam.

## 10. 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.
- F Demonstrate employability and technology skills

### Relational diagram of main capabilities:



## 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, its environment and the applicable financial reporting framework
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. Automated tools and techniques

### E Audit completion

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

### F Employability and technology skills

1. Use computer technology to efficiently access and manipulate relevant information
2. Work on relevant response options, using available functions and technology as would be required in the workplace
3. Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools
4. Present data and information effectively, using the appropriate tools



## 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.<sup>[K]</sup>
- b) Explain the purpose of an audit, including the advantages and disadvantages of an audit.<sup>[K]</sup>
- c) Explain the nature of accounting records, including proper records.<sup>[K]</sup>
- d) Explain the concept of true and fair presentation, and reasonable assurance.<sup>[K]</sup>
- e) Define professional scepticism and explain how it should be exercised during an audit.<sup>[K]</sup>
- f) Define professional judgement and identify when it should be applied during an audit.<sup>[K]</sup>
- g) Identify the form and content of the auditors' report.<sup>[S]</sup>

#### 2. The legal duties of auditors

- a) Describe the duties of auditors.<sup>[K]</sup>
- b) Describe the rights of auditors.<sup>[K]</sup>

#### 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.<sup>[S]</sup>
- b) Describe the detailed requirements, and application of professional ethics, in the context of integrity, objectivity and independence.<sup>[S]</sup>

- c) Describe the auditor's responsibility with regard to confidentiality.<sup>[S]</sup>

#### 4. Auditor engagement and liability

- a) Explain the factors that auditors should consider before accepting an audit engagement.<sup>[S]</sup>
- b) Explain the purpose and nature of an engagement letter.<sup>[K]</sup>
- c) Explain the liability of auditors under contract and negligence to clients.<sup>[K]</sup>
- d) Explain the liability of auditors to third parties.<sup>[K]</sup>

#### 5. Audit regulation

- a) Explain the purpose and scope of ISAs.<sup>[K]</sup>

#### 6. Internal audit

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

### B Audit planning and risk assessment

#### 1. Audit risk

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

#### 2. Understanding the entity, its environment and the applicable financial reporting framework



- a) Explain how auditors obtain an initial understanding of the entity, its environment and the applicable financial reporting framework.<sup>[K]</sup>

### 3. Audit strategy and audit plan

- a) Identify and explain the need for planning an audit.<sup>[K]</sup>
- b) Identify and describe the contents of the overall audit strategy and the audit plan.<sup>[S]</sup>
- c) Explain the use of analytical procedures in planning.<sup>[K]</sup>
- d) Describe general planning issues including the availability and management of audit resources, the effect of information technology (IT) on audit procedures, the audit of complex areas and the need to use experts.<sup>[S]</sup>
- e) Explain the role of audit programmes and the advantages and disadvantages of using standard audit programmes.<sup>[K]</sup>

### 4. Audit documentation

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

## C Internal control

### 1. General principles of internal control

- a) Describe the five components of a system of internal control.<sup>[K]</sup>

- b) Describe the objectives of a system of internal control.<sup>[K]</sup>

- c) Describe the inherent limitations of internal control.<sup>[K]</sup>

- d) Explain the importance of internal control to auditors.<sup>[K]</sup>

### 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.<sup>[K]</sup>

- b) Describe the techniques used by auditors to evaluate accounting systems including internal control questionnaires (ICQs), internal control evaluation questionnaires (ICEQs) and checklists.<sup>[K]</sup>

- c) Provide examples of, and explain the format and contents of ICQs and ICEQs.<sup>[S]</sup>

- d) Evaluate the system of internal control.<sup>[S]</sup>

### 3. Test of controls

- a) Describe and provide examples of control procedures to meet specified objectives for each of the following areas:<sup>[S]</sup>

- purchases and trade payables
- sales and trade receivables
- wages and salaries (payroll)
- tangible non-current assets
- inventory
- bank and cash

- b) Explain the purpose of tests of controls.<sup>[K]</sup>

- c) Identify and explain the testing of controls over the following areas:<sup>[K]</sup>
- purchases and trade payables
  - sales and trade receivables
  - wages and salaries (payroll)
  - tangible non-current assets

- inventory
- bank and cash

- d) Distinguish between tests of controls and substantive procedures.<sup>[K]</sup>
- e) Distinguish between information processing controls and general IT controls and identify the objectives of each control type.<sup>[S]</sup>
- f) Provide examples of specific information processing controls and general IT controls.<sup>[S]</sup>

#### 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.<sup>[S]</sup>

## D Audit evidence and procedures

### 1. Audit evidence

- a) Explain the importance of audit evidence, including sufficient appropriate audit evidence.<sup>[K]</sup>
- b) Identify the factors that influence the relevance and reliability of audit evidence.<sup>[K]</sup>

### 2. Audit procedures and assertions

- a) Explain the importance of the use of the assertions by the auditor.<sup>[K]</sup>
- b) Explain the assertions in relation to classes of transactions and related disclosures and, account balances and related disclosures.<sup>[K]</sup>
- 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.<sup>[K]</sup>

### 3. Substantive procedures

- a) Explain the rationale for designing audit programmes by reference to audit objectives.<sup>[K]</sup>
- b) Identify and explain the substantive procedures to meet the specific objectives for the audit of each of the following:<sup>[K]</sup>
- tangible non-current assets
  - 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.<sup>[K]</sup>
- d) Describe the audit procedures that should be undertaken before, during and after attending an inventory count.<sup>[K]</sup>
- e) Explain the extent to which an auditor may rely on a system of perpetual inventory.<sup>[K]</sup>

- f) Identify and explain the substantive procedures to meet the specific objectives for the audit of inventory.<sup>[K]</sup>

### 4. Audit sampling

- a) Define audit sampling and the relevance of sampling to the auditor.<sup>[K]</sup>
- b) Identify sampling selection methods, including random selection, systematic selection and haphazard selection.<sup>[K]</sup>
- c) State the main factors affecting sample sizes.<sup>[K]</sup>

### 5. Automated tools and techniques

- a) Explain the use of automated tools and techniques in an audit including the use of audit software, test data and other data analytics tools.<sup>[K]</sup>
- b) Explain the advantages and disadvantages of the use of automated tools and techniques to the auditor.<sup>[K]</sup>
- c) Identify the type of opinion which it is appropriate for the auditor to express, based on the given circumstances.<sup>[S]</sup>

## **E Audit completion**

### **1. Going concern**

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

### **2. Subsequent events**

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

### **3. Written representations**

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

### **4. Independent Auditor's reports**

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

## **F Employability and technology skills**

- 1. Use computer technology to efficiently access and manipulate relevant information**
- 2. Work on relevant response options, using available functions and technology as would be required in the workplace**
- 3. Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools**
- 4. Present data and information effectively, using the appropriate tools**

## 13. Summary of changes to Foundations in Audit (FAU)

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.

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

### Changes to FAU

Section and subject area	Syllabus content
<b>B2</b> B2 and Learning outcome B2(a) has been updated to reflect ISA 315 (Revised 2019).	<b>B2 Understanding the entity, its environment and the applicable financial reporting framework</b> a) Explain how auditors obtain an initial understanding of the entity, its environment and the applicable financial reporting framework. <sup>[K]</sup>
<b>C1</b> Minor rewording of learning outcomes C1a), C1b), and C1c) to reflect ISA 315 (Revised 2019).	<b>C1 General principles of internal control</b> a) Describe the five components of a system of internal control. <sup>[K]</sup> b) Describe the objectives of a system of internal control. <sup>[K]</sup> c) Describe the inherent limitations of internal control. <sup>[K]</sup>
<b>C2</b> Minor rewording of learning outcome C2d) to reflect ISA 315 (Revised 2019).	<b>C2 Techniques to understand, record and evaluate accounting systems</b> Evaluate the system of internal control. <sup>[S]</sup>
<b>C3</b> Bank and cash has been added to the list of areas covered in learning outcomes C3a) and C3c) to allow greater flexibility to test topics which are appropriate at this level.	<b>C3 Tests of controls</b> a) Describe and provide examples of control procedures to meet specified objectives for each of the following areas: <sup>[S]</sup> <ul style="list-style-type: none"> <li>• purchases and trade payables</li> <li>• sales and trade receivables</li> <li>• wages and salaries (payroll)</li> <li>• tangible non-current assets</li> <li>• inventory</li> <li>• bank and cash</li> </ul> c) Identify and explain the testing of controls over the following areas: <sup>[K]</sup> <ul style="list-style-type: none"> <li>• purchases and trade payables</li> <li>• sales and trade receivables</li> </ul>

	<ul style="list-style-type: none"> <li>• wages and salaries (payroll)</li> <li>• tangible non-current assets</li> <li>• inventory</li> <li>• bank and cash</li> </ul>
<p><b>C3</b> Terminology in learning outcomes C3e) and C3f) has been updated to reflect ISA 315 (Revised 2019).</p>	<p><b>C3 Tests of controls</b></p> <p>e) Distinguish between information processing controls and general IT controls and identify the objectives of each control type.<sup>[S]</sup></p> <p>f) Provide examples of specific information processing controls and general IT controls.<sup>[S]</sup></p>
<p><b>D3</b> Minor rewording of learning outcome D3b) and D3f) for the purposes of consistency. Substantive procedures in respect of investments has been removed from learning outcome D3b) to reduce the extent of coverage and allow candidates to focus on key elements of the financial statements.</p>	<p><b>D3 Substantive procedures</b></p> <p>b) Identify and explain the substantive procedures to meet the specific objectives for the audit of each of the following:<sup>[K]</sup></p> <ul style="list-style-type: none"> <li>• tangible non-current assets</li> <li>• trade receivables, prepayments and other receivables</li> <li>• trade payables, accruals and other payables</li> <li>• bank and cash</li> <li>• non-current liabilities</li> <li>• provisions.</li> </ul> <p>f) Identify and explain the substantive procedures to meet the specific objectives for the audit of inventory.<sup>[K]</sup></p>
<p><b>E4</b> Learning outcomes E4a) and E4b) have been reworded and learning outcome E4c) has been added. These changes aim to provide additional clarification.</p>	<p><b>E4 Audit completion</b></p> <p>a) Describe the form and content of the independent auditor's report including an unmodified opinion.<sup>[S]</sup></p> <p>b) Describe the circumstances, including those where there are identified uncorrected misstatements, in which an auditor should express a modified audit opinion in the auditor's report.<sup>[S]</sup></p> <p>c) Identify the type of opinion which it is appropriate for the auditor to express, based on the given circumstances.<sup>[S]</sup></p>

<p>Employability and technology skills F1-F4 Section added to reflect the outcomes and demonstrable skills required for the examination, using the available technology.</p>	<p><b>F Employability and technology skills</b></p> <ol style="list-style-type: none"><li>1. Use computer technology to efficiently access and manipulate relevant information</li><li>2. Work on relevant response options, using available functions and technology as would be required in the workplace</li><li>3. Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools</li><li>4. Present data and information effectively, using the appropriate tools</li></ol>
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