



# PESA Compliance Audit Papers

| Paper, Module and                                                          | Module and Unit Names                                                                                     | Objectives                                                                                    | Key Learning Points                                                                                                               |
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| <b>Paper 1: Introduction, Concepts, and Principles of Compliance Audit</b> |                                                                                                           |                                                                                               |                                                                                                                                   |
| CAP1-M1                                                                    | Introduction, Concepts and Principles of the Compliance Audit                                             |                                                                                               |                                                                                                                                   |
| CAP1-M2                                                                    | Introduction to Compliance Audit                                                                          | Describe compliance audit                                                                     | Describe the nature, purpose and objectives of compliance audit<br>Compare compliance audit with financial and performance audits |
| CAP1-M3                                                                    | Value and Benefits of Compliance Audit                                                                    | Describe the value and benefits of a compliance audit                                         | Describe the unique way in which compliance audit adds value                                                                      |
| CAP1-M4                                                                    | Elements of Compliance Audit                                                                              |                                                                                               |                                                                                                                                   |
| CAP1-M4.1                                                                  | Elements of Compliance Audit (Three parties, subject matter and subject matter information of compliance) | Describe the three parties, subject matter and subject matter information of compliance audit | Identify three parties in compliance audit<br>Describe subject matter and subject matter information                              |
| CAP1-M4.2                                                                  | Authorities and Criteria in Compliance Audit                                                              | Describe the authorities and criteria of a compliance audit                                   | Describe authorities and criteria                                                                                                 |

| Paper,<br>Module<br>and                                           | Module and Unit Names                                         | Objectives                                                                                                            | Key Learning Points                                                                                                                                   |
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|                                                                   |                                                               |                                                                                                                       | Identify authorities and criteria to be considered while examining the regularity and propriety aspects in compliance audit                           |
| CAP1.M4.3                                                         | Assurance in Compliance Audit                                 | Explain about assurance in compliance audit and two types of engagement – direct reporting and attestation engagement | <p>The nature of assurance in compliance audit – limited and reasonable assurance</p> <p>Attestation engagements and direct reporting engagements</p> |
| CAP1.M5                                                           | General Principles of Compliance Audit                        | Describe the auditor's responsibility of adhering to the general principles of compliance audit                       | Auditors' responsibility for considering the general principles of a compliance audit                                                                 |
| CAP1.M6                                                           | Principles Related to Compliance Audit Process                | Describe the principles related to compliance audit process                                                           | Describe the principles of compliance audit process                                                                                                   |
| CAP1.M7                                                           | Conclusion of Concepts and Principles of the Compliance Audit | Summarise the key learning points of the paper                                                                        | <p>Identify key learnings</p> <p>Reflect on what the concepts and principles of compliance audit mean for SAI</p>                                     |
| <b>Paper 2: Topic selection and pre-engagement considerations</b> |                                                               |                                                                                                                       |                                                                                                                                                       |
| CAP2.M1                                                           | Topic selection and preengagement considerations              | Explain the structure of the paper with the modules and their interrelations                                          | Objective and structure of the paper                                                                                                                  |
|                                                                   |                                                               |                                                                                                                       | Why this is important?                                                                                                                                |
|                                                                   |                                                               |                                                                                                                       | Interrelationship between the modules                                                                                                                 |

| Paper,<br>Module<br>and<br>and | Module and Unit Names                              | Objectives                                                                                    | Key Learning Points                                                                                       |
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| CAP2.M2                        | Compliance Framework in the Public Sector Entities | Describe the elements of the compliance framework within which public sector entities operate | Describe the compliance framework for public sector entities covering the rules, regulations, and mandate |
|                                |                                                    |                                                                                               | Describe how the framework determines the subject matter at the SAI level                                 |
| CAP2.M3                        | SAI Level Planning for Compliance Audit            | Explain how to formulate a SAI level annual work plan for compliance audits                   | Describe the purpose of the SAI level plan                                                                |
|                                |                                                    |                                                                                               | Identify considerations for selecting compliance audit topics for SAI's annual plan                       |
|                                |                                                    |                                                                                               | Explain how to formulate SAI's annual work plan covering compliance audit                                 |
| CAP2.M4                        | Documentation in Compliance Audit                  | Identify the documentation requirements in compliance audit                                   | Identify the documentation requirements throughout the audit process                                      |
|                                |                                                    |                                                                                               | Identify the responsibility of individual auditor to document each stage of the audit process             |
| CAP2.M5                        | Ensuring Quality in Compliance Audit               | Identify mechanisms to ensure quality in compliance audit                                     | Describe the SAI's and auditors' roles and responsibilities for ensuring audit quality                    |

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|                                                     |                                                                 |                                                                            | Identify the role of monitoring and remediation process at the engagement level to ensure audit quality          |
| CAP2.M6                                             | Communication in Compliance Audit                               | Describe communication in a compliance audit                               | Determine the appropriate person(s) within the entity's governance structure with whom to communicate            |
|                                                     |                                                                 |                                                                            | Identify the auditor's responsibilities in relation to communicating the significant matters of compliance audit |
| CAP2.M7                                             | Ethical Requirements in Compliance Audit                        | Identify ethical requirements in compliance audit                          | Describe the roles and responsibilities for complying with ethical requirements in compliance audit              |
|                                                     |                                                                 |                                                                            | Identify actions to be taken by individual team members to comply with ethical requirements in compliance audit  |
| CAP2.M8                                             | Conclusion of topic selection and pre-engagement considerations | Summarise the topic selection and pre-engagement considerations            | Create a checklist of requirements at the end of SAI level planning                                              |
|                                                     |                                                                 |                                                                            | Use this checklist to review the SAI level planning activities                                                   |
|                                                     |                                                                 |                                                                            |                                                                                                                  |
| Paper 3: Engagement level compliance audit planning |                                                                 |                                                                            |                                                                                                                  |
| CAP3.M1                                             | Introduction to engagement level planning process               | Explain the structure of Paper 3 with the modules and their interrelations | Objective and structure of Paper 3                                                                               |
|                                                     |                                                                 |                                                                            | Interrelationship between the modules                                                                            |
|                                                     |                                                                 |                                                                            | Why this is important?                                                                                           |

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| CAP3.M2   | Two steps of Compliance audit planning              | Outline the compliance audit planning process                      | Outline the engagement level planning process                                                                            |
|           |                                                     |                                                                    | Define the audit strategy and audit plan                                                                                 |
| CAP3.M3   | Determining the subject matter of an audit          | Determine the subject matter of a compliance audit                 | Recall the role of subject matter in an engagement                                                                       |
|           |                                                     |                                                                    | Outline the process for determining the subject matter for an engagement                                                 |
|           |                                                     |                                                                    | Identify issues to be considered in identifying the subject matter in the SAI context                                    |
| CAP3.M4   | Determining the scope of an audit                   | Determine the scope of a compliance audit                          | Describe the nature and purpose of the audit scope                                                                       |
|           |                                                     |                                                                    | Outline the process for determining the scope of an engagement                                                           |
|           |                                                     |                                                                    | Identify issues to be considered in identifying the scope of engagement in the SAI context                               |
|           |                                                     |                                                                    | Determine the scope of an engagement                                                                                     |
| CAP3.M5   | Authorities and criteria                            | Identify the authorities and criteria of a compliance audit        | Analyse relevant authorities and criteria to plan the audit                                                              |
|           |                                                     |                                                                    | Identify the appropriate authorities and criteria for the audit scope regarding the subject matter (entity or the theme) |
| CAP3.M6   | Understanding the subject matter and its operations | –                                                                  | –                                                                                                                        |
| CAP3.M6.1 | Understanding the subject matter                    | Describe the entity, its key business processes and its operations | Outline the process of understanding the subject matter and its operations                                               |
|           |                                                     |                                                                    | Describe organisational operations and business processes                                                                |
|           |                                                     |                                                                    | Establish and document a preliminary understanding of the organisation                                                   |

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| CAP3.M6.2  | Internal control system                              | Explain the process for understanding the internal control system within an entity | Describe the system of internal control for the entity's business processes covered within the audit scope. |
|            |                                                      |                                                                                    | Describe the purpose of obtaining an understanding of internal controls relevant to the audit.              |
| CAP3.M7    | Evaluate the internal control of the entity          | Evaluate the internal control system of the entity relating to the subject matter  | Evaluate the internal control system of the entity                                                          |
| CAP3.M8    | Identification & assessment of risks – Inherent risk | –                                                                                  | –                                                                                                           |
| CAP3.M8.1  | Inherent risk                                        | Understand the process of identifying inherent risks                               | Define inherent risk                                                                                        |
|            |                                                      |                                                                                    | Describe the importance of inherent risks                                                                   |
|            |                                                      |                                                                                    | Identify inherent risks of the subject matter                                                               |
|            |                                                      |                                                                                    | Identify the issues to be considered in identifying inherent risks in the SAI context                       |
| CAP3.M8.2  | Control risk                                         | Identify control risks                                                             | Define control risk                                                                                         |
|            |                                                      |                                                                                    | Describe the importance of control risk                                                                     |
|            |                                                      |                                                                                    | Identify control risks of the subject matter                                                                |
|            |                                                      |                                                                                    | Identify the issues relating to control risks in the SAI context                                            |
| CAP3.M8.3  | Fraud risk                                           | Identify fraud risks                                                               | Define fraud risk                                                                                           |
|            |                                                      |                                                                                    | Describe the importance of fraud risk                                                                       |
|            |                                                      |                                                                                    | Identify the issues to be considered in identifying fraud risks in the SAI context                          |
| CAP3.M8.4  | Assessing risks                                      | Assess the identified risks                                                        | Assess and document the identified risks                                                                    |
| CAP3.M9    | Determine materiality at planning                    | Understand how to determine materiality at the planning stage                      | Quantitative materiality and its importance                                                                 |
|            |                                                      |                                                                                    | Qualitative materiality and its importance                                                                  |
|            |                                                      |                                                                                    | Setting materiality at the planning stage                                                                   |
|            |                                                      |                                                                                    | Determining materiality in the SAI context                                                                  |
| CAP3.M10   | Design audit procedures to respond to assessed risks | –                                                                                  | –                                                                                                           |
| CAP3.M10.1 | Managing risks by the auditors                       | Describe how to manage audit risk                                                  | Elements of audit risk like detection risk                                                                  |

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|                                                         |                                                      |                                                                                                                                      | Formulate appropriate risk management strategy to respond to the risks                                                                                     |
| CAP3.M10.2                                              | Design audit procedures to respond to assessed risks | Develop an audit design matrix                                                                                                       | Describe the relationship between risks and audit procedures                                                                                               |
|                                                         |                                                      |                                                                                                                                      | Design tests of control in response to the assessed risks                                                                                                  |
|                                                         |                                                      |                                                                                                                                      | Design substantive audit procedures in response to the assessed risks                                                                                      |
|                                                         |                                                      |                                                                                                                                      | Create an audit design matrix                                                                                                                              |
| CAP3.M11                                                | Prepare an audit plan                                | Prepare an audit plan document for a compliance audit                                                                                | Elements of an audit plan                                                                                                                                  |
|                                                         |                                                      |                                                                                                                                      | Preparing an audit plan for a compliance audit engagement                                                                                                  |
| CAP3.M12                                                | Quality review at planning phase                     | Understand the importance of quality review at the planning phase and identify the processes involved in conducting a quality review | Quality review checklist for audit planning                                                                                                                |
|                                                         |                                                      |                                                                                                                                      | Review the documentation of risk assessment, working paper templates                                                                                       |
| CAP3.M13                                                | Planning a compliance audit – Conclusion             | Summarise the steps involved in planning a compliance audit and outputs from the planning activities.                                | Create a checklist of requirements at the end of engagement planning                                                                                       |
|                                                         |                                                      |                                                                                                                                      | Use this checklist to review the planning activities, what are the key learning points that you will implement in your SAI for planning a compliance audit |
| <b>Paper 4: Gathering and evaluating audit evidence</b> |                                                      |                                                                                                                                      |                                                                                                                                                            |
| CAP4.M1                                                 | Introduction to gathering and evaluating evidence    | Explain the structure of paper 4 with the modules and their interrelations                                                           | Objective and structure of paper 4                                                                                                                         |
|                                                         |                                                      |                                                                                                                                      | Interrelationship between the modules                                                                                                                      |

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|         |                                                                       |                                                                                                | Why this is important?                                                                                                                 |
| CAP4.M2 | How to use sampling in compliance audit?                              | Select the sample for a compliance audit                                                       | How and when to use sampling in a compliance audit                                                                                     |
|         |                                                                       |                                                                                                | Difference between statistical and non-statistical sampling techniques                                                                 |
|         |                                                                       |                                                                                                | What are the considerations in selecting a sample in the SAI context?                                                                  |
|         |                                                                       |                                                                                                | Process of selecting samples for a compliance audit                                                                                    |
| CAP4.M3 | Select appropriate sampling techniques for compliance audit           | Explain how to gather sufficient and appropriate audit evidence                                | Definition of audit evidence                                                                                                           |
|         |                                                                       |                                                                                                | Sufficiency and appropriateness of audit evidence                                                                                      |
|         |                                                                       |                                                                                                | Methods of gathering audit evidence                                                                                                    |
|         |                                                                       |                                                                                                | Process of documenting audit evidence                                                                                                  |
| CAP4.M4 | How to use observation and physical verification in compliance audit? | Document the results of observation and physical verification techniques in a compliance audit | The techniques of observation and inspection (specifically, physical verification) in obtaining audit evidence and when these are used |
|         |                                                                       |                                                                                                | Steps to follow in gathering evidence through observation and physical verification                                                    |
|         |                                                                       |                                                                                                | Tips when employing the techniques of observation and physical verification in a compliance audit                                      |
|         |                                                                       |                                                                                                | Documenting the results of an observation and physical verification                                                                    |
| CAP4.M5 | How to use interviews in compliance audit?                            | Develop a plan for interviews in compliance audit                                              | What is an interview, why is it important and when do we use it in compliance audit?                                                   |
|         |                                                                       |                                                                                                | What is the process of interviewing?                                                                                                   |

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|                                                             |                                                             |                                                                                                      | What are the key considerations and practical tips while using interviews in compliance audit?                                                           |
|                                                             |                                                             |                                                                                                      | What are the main decisions related to interviews in compliance audit?                                                                                   |
| CAP4.M6                                                     | Evaluating evidence and forming conclusion.                 | Evaluate audit evidence to arrive at a conclusion on the subject matter                              | The process of determining the sufficiency and appropriateness of audit evidence                                                                         |
|                                                             |                                                             |                                                                                                      | How to formulate audit findings based on evaluation of audit evidence and consideration of the materiality of the findings in the findings matrix        |
|                                                             |                                                             |                                                                                                      | How to form an overall conclusion on the subject matter                                                                                                  |
| CAP4.M7                                                     | Conclusion of gathering and evaluating evidence             | Summarise the key concepts involved in gathering and evaluating audit evidence in a compliance audit | Create a checklist of requirements at the end of gathering and evaluating evidence                                                                       |
|                                                             |                                                             |                                                                                                      | Use this checklist to review the conducting activities, what are the key learnings that you will implement in your SAI for conducting a compliance audit |
|                                                             |                                                             |                                                                                                      |                                                                                                                                                          |
| <b>Paper 5: Reporting and follow-up of compliance audit</b> |                                                             |                                                                                                      |                                                                                                                                                          |
| CAP5.M1                                                     | Introduction to reporting and follow-up of compliance audit | Explain the structure of Paper 5 with the modules and their interrelations                           | Objective and structure of Paper 5                                                                                                                       |
|                                                             |                                                             |                                                                                                      | Interrelationship between the modules                                                                                                                    |
|                                                             |                                                             |                                                                                                      | Why this is important?                                                                                                                                   |
| CAP5.M2                                                     | Requirements of a compliance audit report                   | Identify the requirements of a compliance audit report                                               | The principles of a compliance audit reporting                                                                                                           |
|                                                             |                                                             |                                                                                                      | What should be included in a compliance audit report                                                                                                     |

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| CAP5.M3 | Developing effective recommendations       | Develop recommendations in a compliance audit report                               | Identify features of effective recommendations                                                                                                                      |
|         |                                            |                                                                                    | Develop recommendations for a compliance audit report                                                                                                               |
| CAP5.M4 | Finalising the compliance audit report     | Identify the actions required to finalise the compliance audit report              | Describe the process of obtaining the feedback of audited entities                                                                                                  |
|         |                                            |                                                                                    | Identify the quality control process                                                                                                                                |
|         |                                            |                                                                                    | Develop a quality control checklist                                                                                                                                 |
|         |                                            |                                                                                    | Apply the quality control checklist to finalise the compliance audit report                                                                                         |
| CAP5.M5 | Communicate compliance audit results       | Identify the actions required to communicate compliance audit results              | The actions to be taken by the SAI auditor to communicate the results of the compliance audit effectively                                                           |
| CAP5.M6 | Follow-up and impact of a compliance audit | Strategise for compliance audit impact                                             | Describe requirements for follow-up of compliance audits                                                                                                            |
|         |                                            |                                                                                    | Identify actions at the SAI level for enhancing compliance audit impact                                                                                             |
|         |                                            |                                                                                    | Decide on engagement level actions to facilitate audit impact in a given local context                                                                              |
| CAP5.M7 | Reporting and follow-up – Conclusion       | Summarise the key issues involved in reporting and follow-up in a compliance audit | Create a checklist of requirements at the end of reporting and follow-up                                                                                            |
|         |                                            |                                                                                    | Use this checklist to review the activities, what are the key learning points that you will implement in your SAI for reporting and following up a compliance audit |
|         |                                            |                                                                                    |                                                                                                                                                                     |