

AUDIT & ASSURANCE

Theme:	Finance
Assessment Weighting:	20% Coursework 80% Examination

INTRODUCTION

This module provides students with a detailed insight to the scope of the auditing and internal review process. It is specifically presented at an advanced level to ensure students are aware of the application of this process within the external regulatory framework.

AIMS

The aims of this module are to:

- Provide students with a deep understanding of the key principles and procedures of auditing
- Enable students to identify and formulate the work required to meet the objectives of audit assignments
- Ensure that students have an appreciation of the legal and regulatory environment and its impact on audit practice.

LEARNING OUTCOMES

On successful completion of this module, students should be able to:

- Appreciate the nature, purpose and scope of an audit and discuss and defend the role of the auditor and the legal, regulatory and ethical framework within which the auditor operates
- Differentiate between the roles and respective responsibilities of directors and the internal and external auditors
- Examine and distinguish clearly between the various stages of the audit process
- Outline the nature of internal controls and the procedures required to evaluate control risk relating to specific accounting systems, in order to identify internal controls and weaknesses within the systems
- Devise an overall audit strategy and develop an audit plan and design and apply the appropriate audit tests to include in the audit programme
- Appreciate the significance, purpose and content of Management Letters and Management Representations
- Demonstrate detailed knowledge of the key basic component elements of the Auditor's Report, including identification and analysis of matters that impact on the wording of Modified Reports, differentiating between matters that do and do not affect the auditor's opinion.

SYLLABUS

Audit Framework

- The development and changing nature of audit
- Statutory audits, accountability, stewardship and agency
- Professional ethics and codes of conduct, their application to external audit and internal audit
- Responsibility for fraud and error

Internal Audit

- The role of internal audit and their relationship with:
 - Corporate governance
 - Risk management
 - Organisational control
 - Corporate objectives
- Combined code on Corporate Governance
- Scope and functions of internal audit, the nature and extent of internal audit assignments
- Outsourced internal audit functions
- The nature and extent of internal review assignments including operational, systems, value for money, best value and financial reviews
- Differences between the role of internal audit and external audit

Regulation

- International Standards in Auditing
- Their development and role

Auditors

- Regulation and supervision
- Their relationship with Government
- The role of the Auditing Practice Board and other UK standard setting bodies

Planning and Risk

- Objectives of audit, the relevance of stakeholder dialogue
- Communicating the objectives of audit
- Analytical procedures
- Risk assessment
- Materiality, tolerable error, and sample sizes
- Design and documentation of the plan and work programme
- Co-ordination of the work of others
- Information technology in planning and risk assessment

Internal Control

- Objectives of internal control systems
- Components of internal control systems
- Inherent weaknesses in internal control systems
- Internal control assessment
- The use of internal control systems by auditors
- Transaction cycles (revenue, purchases, payroll, inventory, capital expenditure)
- Communication with management

Other audit evidence

- Financial statement assertions: assets, liabilities, income and expenditure, including accounting estimates
- Analytical procedures as substantive evidence
- Balance and transaction testing
- Computer-assisted audit techniques, their uses and limitations
- Management Representations
- Audit sampling and other selective testing procedures
- Subsequent events reviews
- Going concern reviews
- Other documents contained in the published financial statements
- The overall review of evidence obtained
- Modifications to the plan and work programme in the light of findings

Reporting

- Format and content of unqualified and qualified audit reports on financial statements
- Recommendations for the enhancement of business performance