

## **MODULE :        AUDITING**

**Theme :** Finance

**Assessment Weighting:** Coursework 20% Examination 80%

### **INTRODUCTION**

This module provides students with a detailed insight into 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 develop knowledge and understanding of the audit process and its application in the context of the external regulatory framework and for business control and development.

### **LEARNING OUTCOMES**

On successful completion of this module students will be able to:

- Recognise the nature, purpose and scope of auditing and internal review, including the role of external audit and its regulatory framework, and the role of internal audit in providing assurance on risk management and on the control framework of an organisation
- Identify risks, describe the procedures undertaken in the planning process, plan work to meet the objectives of the audit or review assignment and draft the content of plans
- Describe and evaluate accounting and internal control systems and identify and communicate control risks, potential consequences and recommendations
- Explain and evaluate sources of evidence, describe the nature, timing and extent of tests on transactions and account balances (including sampling and analytical procedures) and design programs for audit and review assignments
- Evaluate findings, investigate inconsistencies, modify the work program as necessary, review subsequent events, and justify and prepare appropriate reports for users within and external to the organisation, including recommendations to enhance business performance
- Discuss and apply the requirements of relevant Statements of Auditing Standards

### **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 and Internal Review

The role of internal audit and internal review 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

Statements of Auditing Standards:

Their development and role  
 Their relationship with International Standards on Auditing  
 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 and review assignments, the relevance of stakeholder dialogue.  
 Communicating the objectives of audit and review assignments.  
 Analytical procedures.  
 Risk assessment.  
 Materiality, tolerable error, and sample sizes.  
 Design and documentation of the plan and work program.  
 Co-ordination of the work of others.  
 Information technology in planning and risk assessment.  
 Internal Control  
 Objectives of internal control systems.  
 Inherent weaknesses in internal control systems.  
 The use of internal control systems by auditors.  
 Transaction cycles (revenue, purchases, payroll, inventory, capital expenditure).  
 The use of internal control systems by auditors including ICQs, ICEs and tests of control  
 Communication with management.  
 Other Audit and Internal Review Evidence  
 Financial statement assertions: assets, liabilities, income and expenditure, including accounting estimates.  
 Assertions reported on and opinions provided in review assignments.  
 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.  
 The overall review of evidence obtained.  
 Modifications to the plan and work program in the light of findings.  
 Reporting  
 Format and content of unqualified and qualified audit reports on financial statements.  
 Format and content of review reports and other reports on assignment objectives.  
 Recommendations for the enhancement of business performance.

## **TEACHING AND LEARNING METHODS**

This module will be delivered through lectures and tutorials. Lectures will be used to impart basic knowledge and understanding, and will also allow students to carry out problem exercises to give students the opportunity to practice techniques – in this way, students’ learning can be monitored in the classroom. The learning method will often require students to read assigned material prior to class, and to then participate in discussions and group work by expressing opinions and asking questions. Particular emphasis will be placed on the practical application of concepts and theories central to auditing. The subject also requires additional reading to supplement the lectures and tutorials and to ensure a greater depth of understanding.

## **ASSESSMENT METHODS**

20% of the marks will be allocated to course work. The remaining 60% is allocated to an end of semester examination will be held on module completion.

**PRIMARY READING LIST**

Cosserat, Graham W., (2000) *Modern Auditing*. Wiley.

Gray, Iain and Manson Stuart (2000), *The Audit Process* 2<sup>nd</sup> Edition. Thomson Learning.

Foulks Lynch, Paper 2.6 *Audit and Internal Review*, Foulks Lynch

**RECOMMENDED READING LIST**

O'Regan, David.(2003) *International Auditing: Practical Resource Guide*. Wiley

Reider, Rob. (2002). *Operational Review: Maximum Results at Efficient Costs*. 3<sup>rd</sup> Edition. Wiley.

Reider, Rob (2002) *Operational Review Workbook: Case Studies, Forms and Exercises*. Wiley.

Ricchiute, David. (2003). *Auditing and Assurance Services*, 7<sup>th</sup> Edition. South Western College Publishing.

Rittenberg, L.E., and Schwieger, B.J. *Auditing: Concepts for a changing Environment*. 4<sup>th</sup> Edition. South Western College Publishing.