BUSN3002
Auditing
Semester 2 2014

Course Description

This unit is primarily focused on the external audit of corporate financial statements while also covering other assurance services, professional ethics, and legal liabilities. The lectures presented are structured to correspond with auditing process in theory and practice, and inevitably integrate Australian and International Auditing Standards.

The majority of the lectures deal with the various activities undertaken by external auditors. The main stages of the audit process are addressed including risk analysis in auditing, audit planning and documentation, fraud auditing, gathering and evaluating audit evidence (including performance of tests of controls and substantive audit procedures) and the formation of the audit opinion. Other topics, including auditors' legal responsibilities, audit quality and ethics, and other assurance services, are also dealt with as special topics.

The lectures mainly deal with the concepts underlying the methodology, while the tutorial assignments are used to demonstrate how the methodology is applied in practical situations.
COURSE OVERVIEW

Course Learning Outcomes
Upon successful completion of the requirements for this course, students will be able to:

1. discuss the need for an independent or external audit and describe briefly the development of the role of the assurance provider in modern business society;

2. explain the regulatory environment in which the external auditor operates (including relevant sections of the Corporations Act 2001 and the auditing standards issued by the Australian Auditing and Assurance Standards Board (AUASB) as well as the standards issued by the Australia Professional Ethical Standards Board) and apply those rules, standards and pronouncements to the conduct of a financial report audit and other assurance engagements;

3. describe the quality control procedures necessary to ensure that a competent assurance engagement is performed, and apply professional ethics including Code of Conduct to specific scenarios;

4. understand the financial report audit process, beginning with accepting clients, followed by understanding the client, evaluating business risk and assessing inherent risk, performing tests of controls to assess control risk and substantive tests to reduce detection risk, considering subsequent events and evaluating evidence gathered, ending in the formation of an audit opinion and communication of the results to the client;

5. describe the various levels of persuasiveness of different types of audit evidence and explain the broad principles of audit sampling techniques;

6. for major transaction types and account balances, identify appropriate assertions at risk and apply appropriate audit procedures to test the assertions identified;

7. understand auditors’ legal liabilities, and be able to apply case law in making a judgement whether auditors might be liable to certain parties;

8. describe other assurance and non-assurance services provided by the auditing and assurance profession, and, for assurance services, understand the level of assurance provided.

In addition, the course aims to develop students’ cognitive skills (especially analytical, appreciative, and communication skills).

Research-Led Teaching
Current issues in accounting and auditing will be incorporated into teaching, wherever applicable, throughout the semester. Students are also encouraged to read articles or will be given certain parts of relevant research papers on certain debatable topics such as fraud and audit reporting. Research-led teaching and learning will assist students with better understanding relatively abstract auditing concepts.
Technology, Software, Equipment

Proficiency in Word and capability in searching on library databases and/or the internet for information will be required, especially for completing the assignment.

Requisites

This course is designed to be taken in the final year of an accounting major. You are expected to have retained familiarity with the knowledge acquired in previous accounting, introductory commercial law (or equivalent), accounting information systems and introductory statistics courses.

Student Feedback

All CBE courses are evaluated using Student Experience of Learning and Teaching (SELT) surveys, administered by Planning and Statistical Services at the ANU. These surveys are offered online, and students will be notified via email to their ANU address when surveys are available in each course. Feedback is used for course development so please take the time to respond thoughtfully. Course feedback is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching and to improve courses across the university. For more information on student surveys at ANU and reports on feedback provided on ANU courses, visit http://unistats.anu.edu.au/surveys/selt/students/ and http://unistats.anu.edu.au/surveys/selt/results/learning/

COURSE SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Summary of Activities</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lecture: Overview of audit and assurance services (<a href="#">Textbook Chapter 1</a>) Internet search for audit firms and services provided</td>
<td>No assessment</td>
</tr>
<tr>
<td>2</td>
<td>Lecture: Audit quality and ethics (<a href="#">Textbook Chapter 3</a>)</td>
<td>Tutorial questions to be posted on Wattle</td>
</tr>
<tr>
<td>3</td>
<td>Lecture: Plan and design an audit approach (1): client acceptance and preliminary understanding of client (<a href="#">Textbook Chapter 6</a>)</td>
<td>Tutorial questions to be posted on Wattle</td>
</tr>
<tr>
<td>4</td>
<td>Lecture: Plan and design an audit approach (2): set preliminary materiality, assess preliminary inherent risk, control risk (<a href="#">Textbook Chapter 7</a>)</td>
<td>Tutorial questions to be posted on Wattle</td>
</tr>
<tr>
<td>5</td>
<td>Lecture: Plan and design an audit approach (3): gather information to assess fraud risks, overall audit plan and audit program (<a href="#">Textbook Chapter 9 &amp; 11</a>)</td>
<td>Tutorial questions to be posted on Wattle</td>
</tr>
<tr>
<td>6</td>
<td>Lecture: Perform tests of controls and substantive tests (1): sales and collection cycle (<a href="#">Textbook Chapter 12</a>)</td>
<td>Tutorial questions to be posted on Wattle</td>
</tr>
<tr>
<td>7</td>
<td>Lecture: Perform tests of controls and substantive tests (1 cont.): sales and collection cycle (<a href="#">Textbook Chapter 13</a>)</td>
<td>Tutorial questions to be posted on Wattle</td>
</tr>
<tr>
<td>8</td>
<td>Lecture: Audit sampling (<a href="#">Textbook Chapter 14</a>)</td>
<td>Tutorial questions to be posted on Wattle</td>
</tr>
<tr>
<td>9</td>
<td>Lecture: Perform tests of controls and substantive tests (2): analytical procedures and tests of details of balances (<a href="#">Textbook Chapters 15 &amp; 16</a>)</td>
<td>Tutorial questions to be posted on Wattle</td>
</tr>
<tr>
<td>10</td>
<td>Lecture: Completing the audit and audit reports (<a href="#">Textbook Chapters 17 &amp; 18</a>) Read (an) audit report(s)</td>
<td>Tutorial questions to be posted on Wattle</td>
</tr>
<tr>
<td>11</td>
<td>Lecture: Auditors’ legal environment (<a href="#">Textbook Chapter 2</a>) Internet search for legal cases against auditors</td>
<td>Tutorial questions to be posted on Wattle</td>
</tr>
<tr>
<td>12</td>
<td>Lecture: Other assurance engagements and environment</td>
<td>Tutorial questions to be posted on Wattle</td>
</tr>
</tbody>
</table>
### Assessment Summary

<table>
<thead>
<tr>
<th>Item</th>
<th>Title</th>
<th>Value</th>
<th>Due Date</th>
<th>Linked Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tutorial assignment</td>
<td>10%</td>
<td>Weekly tutorials</td>
<td>1-8</td>
</tr>
<tr>
<td>2</td>
<td>Mid-semester test</td>
<td>15%</td>
<td>Week 7</td>
<td>1-4</td>
</tr>
<tr>
<td>3</td>
<td>Group assignment</td>
<td>20%</td>
<td>4pm Wednesday 15th October</td>
<td>2,4,6</td>
</tr>
<tr>
<td>4</td>
<td>Examination</td>
<td>55%</td>
<td>Refer to the exam timetable</td>
<td>2-8</td>
</tr>
</tbody>
</table>

#### Assessment Task 1: Tutorial assignment

**Details of task:**
Tutorials will comprise of guided individual and group activity directed at discussing possible solutions to pre-assigned questions. Printed solutions will not be available from tutors – the only feedback on problems will be provided within the classroom. Due to time constraints, tutorial problems may not all be fully discussed in tutorials. Students are encouraged to come to the consultations to discuss any questions further if it is not clear.

It is expected that students will attend ALL lectures and tutorials scheduled for the subject. As part of your assessment, on **FIVE (5) occasions during the semester the tutorial assignments will be collected and marked by your tutors. These weeks will be selected at random.**

Tutorials commence in **Week 2.**

#### Assessment Task 2: Mid-semester test

**Details of task:**
Mid-semester test will be a 45 minute multiple choice test. The test will cover lectures & tutorial materials from lectures 1 to 5 inclusively. More instructions on how to prepare for the test will be given during the earlier lectures.

#### Assessment Task 3: Group assignment

**Details of task:**
- **Suggested length:** 2,000 words (+/- usual 10% allowance); sufficient and succinct.
- **Instructions:** Submit as a group with no more than 4 group members. Please note that the same assessment criteria will be applied regardless of the number of members in the group.
## Purpose

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Demonstrate knowledge of the financial reporting and auditing process;</td>
<td></td>
</tr>
<tr>
<td>2. Enhance understanding of the role of Accounting and Auditing Standards in the financial reporting and auditing practice;</td>
<td></td>
</tr>
<tr>
<td>3. Appreciate the link between theory and practice;</td>
<td></td>
</tr>
<tr>
<td>4. Explore ANU's electronic databases and other information resources.</td>
<td></td>
</tr>
</tbody>
</table>

Details of the assignment will be posted separately on Wattle.

## Assignment Submission

Submission is through the Assignment Box located at the Research School of Business Information Systems office. The assignment is due by 4pm, Wednesday 15\textsuperscript{th} October 2014. All assignments received after 4pm will incur penalties (see below for details).

## Extensions and Penalties

No extension will be given for the group assignment. The assignment is due by 4pm Wednesday 15\textsuperscript{th} October 2014. Late assignments will incur a 2\% penalty per working day.

This assignment can be completed in a group of no more than four (4) students. Your tutor will allocate groups in weeks 2-3.

## Returning Assignments

Upon the release of the results to the course WATTLE site, your assignment will be returned through the Assignment Box located at the School of Business Information Systems office. You will need to bring your student ID to collect your assignment.

## Examinations

Apart from the Mid-semester test as mentioned above in the assessment task 2, there will be a final examination as indicated in the assessment task 4. The final examination will be a three hour exam consisting of essay and short answer type questions. Further details will be provided during final lectures. All course learning outcomes are examinable in the final examination. **Please note: you will need to pass both the final exam and overall to pass the course.**

## Scaling

Your final mark for the course will be based on the raw marks allocated for each assignment or examination. However, your final mark may not be the same number as produced by that formula, as marks may be scaled. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed or equal the scaled mark of that student), and may be either up or down.

## Referencing Requirements

It is the responsibility of each individual student to ensure that:

- you are familiar with ANU policy for academic integrity
b. work submitted for assessment is original

c. appropriate acknowledgement and citation is given to the work of others

d. you declare your understanding of, and compliance with, the principle of academic integrity by completing the appropriate cover sheet when submitting assessment items

For information on academic honesty and integrity please refer to http://academichonesty.anu.edu.au/

READING LISTS

Prescribed Text


Recommended Reading


TUTORIAL AND/OR SEMINAR REGISTRATION

Tutorial and/or Seminar signup for this course will be done via the Wattle website. Detailed information about signup times will be provided on Wattle or during your first lecture. When tutorials are available for enrolment, follow these steps:

1. Log on to Wattle, and go to the course site.

2. Click on the link “Tutorial signup here”

3. On the right of the screen, click on the tab “Become Member of ……” for the tutorial class you wish to enter.

4. Confirm your choice

If you need to change your enrolment, you will be able to do so by clicking on the tab “Leave group…” and then re-enrol in another group. You will not be able to enrol in groups that have reached their maximum number. Please note that enrolment in ISIS must be finalised for you to have access to Wattle.
COMMUNICATION

Email
If necessary, the lecturers and tutors for this course will contact students on their official
ANU student email address. Information about your enrolment and fees from the Registrar
and Student Services’ office will also be sent to this email address.

Announcements
Students are expected to check the Wattle site for announcements about this course, e.g.
changes to timetables or notifications of cancellations. Notifications of emergency
cancellations of lectures or tutorials will be posted on the door of the relevant room.

Course URLs
More information about this course may be found on:

• Programs and Courses (http://programsandcourses.anu.edu.au/2014/Catalogue)
• the College of Business and Economics website (http://cbe.anu.edu/courses) and
• Wattle (https://wattle.anu.edu.au), the University’s online learning environment. Log on to
Wattle using your student number and your ISIS password.

POLICIES

The University offers a number of support services for students. Information on these is
available online from http://students.anu.edu.au/studentlife/

ANU has educational policies, procedures and guidelines, which are designed to ensure that
staff and students are aware of the University’s academic standards, and implement them.
You can find the University’s education policies and an explanatory glossary
at: http://policies.anu.edu.au/

Students are expected to have read the Student Academic Integrity Policy before the
commencement of their course.

Other key policies include:

• Student Assessment (Coursework)
• Student Surveys and Evaluations
• Extension and Later Submission of Assessment