

## ABSA408 - Auditing Theory and Practice I

Course Title	Auditing Theory and Practice I			
Course Code	ABSA 408			
Course Type	Elective			
Level	BA (Level 1)			
Year / Semester	5 <sup>th</sup>			
Teacher's Name	Dr Christos Minas / Dr Andreas Georgiou / Dr Michalis Makrominas			
ECTS	6	Lectures / week	3	Laboratories/week
Course Purpose	<p>The module introduces students to the area of auditing. An aim of the module is to introduce students to the nature, purpose and scope of the external audit. In addition, the module appraises the statutory and professional duties of an external audit. It also examines the area of professional ethics. At the end of the module students will be able to recognise the various stages of the audit. In addition, the module will examine the role of the internal audit.</p>			
Learning Outcomes	<p>By the end of the lesson, the student will be able to:</p> <ol style="list-style-type: none"> <li>1. Identify and discuss the nature, purpose and scope of an audit and assurance engagement.</li> <li>2. Compare and contrast the characteristics of an internal and external audit</li> <li>3. Appraise the statutory and professional duties of an audit.</li> <li>4. Examine the true and fair view and its significance to the audit.</li> <li>5. Identify the main areas of the audit.</li> <li>6. Design an audit plan when given a mini-case scenario.</li> <li>7. Explain the audit procedures to acquire audit evidence.</li> <li>8. Explain the role of the internal audit to the audit.</li> <li>9. Discuss the procedures for auditor appointment, removal or resignation.</li> <li>10. Discuss principles of good corporate governance and relate the practice of external and internal audit in forging corporate governance systems.</li> <li>11. Explain the importance of internal controls to the audit.</li> <li>12. Explain and understand the role of the review of the financial statements to the audit process.</li> <li>13. Analyse the contents of an audit report.</li> <li>14. Demonstrate university-level communication skills for presentations and written reports.</li> </ol>			

Prerequisites	ABSA 204.	Corequisites	None.
Course Content	<ul style="list-style-type: none"> <li>• <b>The nature and purpose of an audit and assurance engagements:</b> Distinguish between an audit and an assurance, engagement. Explain the objectives of an external audit and assurance engagements. Analyse the role of external auditors. Discuss the changing role of an audit and the expectation gap. Compare and contrast the internal audit versus the external audit. Describe alternative assurance projects and reports.</li> <li>• <b>Professional and legal regulation:</b> Explain the statutory requirements of an audit and evaluate the role of the law in the conduct of an audit. Identify the auditor’s duties and responsibilities concerning the statutory (external) audit. Recognise the Law and regulations governing accounting and the audit. Explain the law concerning the removal, appointment and resignation of auditors. Compare the management’s responsibilities against those of the auditor concerning fraud and fraudulent behaviour and explain how it can be prevented. Analyse the position concerning fraud and the audit with emphasis on relevant laws, regulations and professional ethics. Identify and apply the fundamental principles of professional ethics and the code of the ethics. Identify and apply the rules of professional ethics including the areas of client acceptance, independence, integrity, objectivity, confidentiality, due care and professionalism. Solve mini-case studies on issues of ethics that involved amongst others issues connected with auditor independence and ethical conflicts of interest and dilemmas.</li> <li>• <b>Fundamental principles and the framework of an audit:</b> Discuss the concept of ‘true and fair’ and its effect on the audit. Identify the definition of materiality, calculate materiality limits based on case study scenarios and discuss its importance to the audit. Evaluate the public’s expectations of an audit and assurance arrangement and how this differs to that of the auditor’s expectations.</li> <li>• <b>An overview of the auditing process:</b> Identify and explain the main areas in the auditing process such as: audit planning and risk assessment; the collection and analysis of audit evidence; evaluation of accounting and internal controls; testing; review of the financial statements and the audit report.</li> </ul>		

- **Audit planning and risk assessment:** Identify the planning process in auditing and discuss its importance to the audit. Explain how auditors obtain an initial understanding of the entity and its environment. Recognise the role of materiality in the planning process. Apply analytical review and explain its role in the planning of the audit. Recognise the content of an audit plan and Apply its format to case study scenarios including the application of analytical review techniques and sampling techniques. Recognise the definition of audit risk and analyse its components. Apply the assessment of risks based on case study scenarios and evaluate its effect on the audit process. Explain the need to audit documentation. Recognise the forms and contents of working papers.
- **Introduction to audit evidence:** Recognise the various sources of audit evidence. Explain the financial statement assertions about audit evidence. Explain the audit procedures to acquire audit evidence. Evaluate the following factors concerning audit evidence: quality; quantity; relevance and reliability. Define audit sampling and discuss its role in the audit.
- **The internal audit:** Explain the term internal audit. Discuss the role of the internal audit to the audit. Analyse the scope of the internal audit function. Evaluate the factors that would be considered by the external auditor when considering how much reliance should be placed on the internal audit. Evaluate the differences between the external and internal audit. Examine the role of the internal auditor in the formation of corporate objectives. Discuss the strengths and weaknesses of outsourcing the internal audit.
- **Corporate Governance:** Explain the concepts of accountability and stewardship. Explain the principle-agency problem. Explain principles of good corporate governance and relate the practice of external and internal audit in forging corporate governance systems.
- **Introduction to Internal controls:** Define the term internal controls and internal check. Analyse the components of internal control. Explain the role of the internal control systems to the audit. Recognise the management's responsibilities concerning internal controls. Explain the methods of how auditors record and evaluate internal control systems.

	<ul style="list-style-type: none"> <li>• <b>Review of financial statements and audit reports:</b> Discuss the role of the review of the financial statements to the audit process. Identify the tasks to be carried out in the review. Apply the compliance of financial statements with accounting requirements. Analyse the contents of an audit report.</li> </ul>
Teaching Methodology	<p>The taught part of course is delivered to the students by means of lectures, conducted with the help of computer presentations. Lecture notes and presentations are available through the web for students to use in combination with the textbooks.</p> <p>Lectures are supplemented with class exercises carried out in class and via homework. Class exercises for homework are submitted on the e-learning platform for students to attempt and the solutions are posting on the platform at a later date (around one week).</p>
Bibliography	<p><u>Textbooks:</u></p> <p>BPP, ACCA AA Audit and Assurance, Study Textbook 2019 Edition, BPP Learning Materials, 2019.</p> <p><u>References:</u></p> <p>Kaplan Publishing, Audit and Assurance (AA) Study Text, Kaplan Publishing, 2018 edition.</p> <p>Alan Millichamp and John Taylor, Auditing, Cengage Learning, 10th Edition, 2012.</p> <p>Iain Gray and Stuart Manson, The Audit Process: Principles, Practice and Cases, Sixth Edition, Thomson Learning, 2015.</p> <p>Graham Cosserrat and Neil Rodda, Modern Auditing, 4th Edition, John Wiley, 2016.</p> <p>Andreas Georgiou (2018), Auditors' Perceptions on Impact Of Mandatory Audit Firm Rotation on Auditor Independence - Evidence from Cyprus, Science and Business: Development Ways, No. 3 (81), pp 150-157.</p> <p>Andreas Georgiou (2010). Corporate governance and its effect on the performance on family and non-family companies listed on the Cyprus stock exchange (Doctoral dissertation, Middlesex University).</p>
Assessment	<p><u>(a) Methods:</u> Students will be assessed with coursework that involves an assignment (with a written report and presentation), a midterm test and a final exam. The course involves both explaining theoretical concepts and also solving practical problems in auditing.</p> <p><u>(b) Criteria:</u> The assessment criteria can be generalised as follows concerning the area assessed:</p> <ul style="list-style-type: none"> <li>• 86% or more – Excellent application of problem solving skills.</li> </ul>

	<ul style="list-style-type: none"> <li>• 76%-85% - Very good application of problem solving skills.</li> <li>• 66%-75% - Good application of problem solving skills.</li> <li>• 56%-65% - Satisfactory with some success in applying problem solving skills</li> <li>• 50%-55% -Satisfactory with limited success in applying problem solving skills</li> <li>• Below 50% -Little or no application of problem solving skills.</li> </ul> <p><u>(c) Weights:</u></p> <ul style="list-style-type: none"> <li>• Assignment                      20%</li> <li>• Mid-term test                    20%</li> <li>• Final exam                        60%</li> </ul>
Language	English.