



Level 5 Diploma in Accounting & Finance (519)
167 Credits



Unit: Auditing & Assurance	Guided Learning Hours: 200
Exam Paper No.: 3	Number of Credits: 20
Prerequisites: Knowledge of accounting concepts covered in Level 4 Accounting Principles (Cert in BA) and Level 5 Accounting (Dip in BA).	Corequisites: A pass or higher in Diploma in BA & Computer Systems or equivalence.
<p>Aim: The aim of the unit is to review the fundamental role of auditing in the Accounting & Finance field, enabling learners to develop an understanding of selected current issues facing the profession, focusing on the Generally Accepted Auditing Standards (GAAS), the ethical and legal responsibilities of auditing, and the auditing procedures and sampling techniques, including working papers and audit reports, and internal control evaluation. The role and responsibilities of external auditors, auditing process, auditing reports and procedures, auditing standards, internal control, risk control as well as audit decision making and evidence accumulation. The unit will enable learners understand how an internal auditor can furnish top management with analysis, appraisals, recommendations, counsel, and information concerning the activities audited. In addition, the scope will encompass the internal auditing process, internal auditing skills, management control and information technology, and the audit environment.</p>	
Required Materials: Recommended Learning Resources.	Supplementary Materials: Lecture notes and tutor extra reading recommendations.
Special Requirements: The unit requires a combination of lectures, demonstrations and discussions.	
<p>Intended Learning Outcomes:</p> <p>1 The elements of an independent auditor report, the expression of an opinion on financial statements.</p> <p>2 Understand statutory audit; why statutory audit is required and an organisation's various statutory records.</p>	<p>Assessment Criteria:</p> <p>1.1 Explain the nature, development and social role of audit and review.</p> <p>1.2 Explain the concept of accountability, stewardship and agency.</p> <p>1.3 Describe Reporting as a means of communication to different stakeholders and the importance of stakeholder dialogue.</p> <p>1.4 Explain the High level of assurance provided by audit assignments and risk-based approaches.</p> <p>1.5 Describe the moderate level of assurance provided by review assignments and procedural approaches.</p> <p>1.6 Demonstrate assignments in which no assurance is provided.</p> <p>1.7 Define Value- for- Money Auditing</p> <p>1.8 Identify and analyse the nature, purpose and scope of audit and review process</p> <p>2.1 Describe the UK regulatory framework in which statutory audits take place.</p> <p>2.2 Describe the development and status of the Audit Practices Board Statements of Auditing Standards and their relationship with International Standards on Auditing.</p> <p>2.3 Describe reasons for, and mechanisms for, the regulation of auditors by governments and other regulatory agencies including other UK Standard-setters.</p> <p>2.4 Describe the types of opinions provided in statutory audit assignments.</p> <p>2.5 Define limitations of Statutory Audits.</p>

<p>3 The process of internal audit and review, how the audit process works; the tools and techniques for each of the distinct phases of the audit process.</p>	<p>3.1 Explain the development and role of internal audit in achieving corporate objectives and as part of good corporate governance practice.</p> <p>3.2 Describe the function of internal audit in the context of Corporate Risk Management and Organisational control.</p> <p>3.3 Outline the relative merits of outsourcing internal audit and internal review services to external auditors and others, and the associated problems.</p> <p>3.4 Differentiate between the role of external audit and internal audit.</p> <p>3.5 Describe the scope of internal audit work and the limitations of the internal audit function.</p> <p>3.6 Explain the Nature and purpose of internal review assignments including Value for money, Best value, IT and Financial.</p> <p>3.7 Explain the Nature and purpose of operational internal audit and review assignments.</p> <p>3.8 Describe types of reports provided in Internal Audit and Internal Review assignments.</p>
<p>4 Professional ethical code of conduct and the requirements of professional ethics in relation to the acceptance of audit and review assignments.</p>	<p>4.1 Describe the sources of, and enforcement mechanism associated with ethics and professional codes of conduct.</p> <p>4.2 Define the fundamental concepts of ethics.</p> <p>4.3 Define the detailed requirements of, and illustrate and analyse the application of, professional ethics in the context of independence, objectivity and integrity.</p> <p>4.4 Distinguish between the elements of professional ethics applicable to internal auditors and those applicable to external auditors.</p> <p>4.5 Describe the responsibilities of internal and external auditors for the prevention and detection of fraud and error.</p> <p>4.6 Define the detailed requirements of, and illustrate and analyse the application of Professional ethics in the context of confidentiality and conflicts of interest.</p> <p>4.7 Describe the importance of engagement letters and describe their content.</p>
<p>5 Analytical procedures, audit-planning decisions and examining auditors' decisions to revise preliminary audit plans after analytical procedures performed during interim testing reveal significant, unexpected fluctuations.</p>	<p>5.1 Describe the sources and nature of information gathered in planning audit and review assignments.</p> <p>5.2 Describe the purpose of analytical procedures in planning and illustrate the application of such procedures.</p> <p>5.3 Describe the components of risk and the use of information technology in risk analysis.</p> <p>5.4 Illustrate the application of risk analysis.</p> <p>5.5 Define and illustrate the concept of materiality and tolerable error.</p> <p>5.6 Explain the importance of documentation and the nature of documentation required for different types of assignments.</p> <p>5.7 Distinguish between risk based, procedural and other approaches to audit and review work.</p>

	<p>5.8 Describe the work plan, the work program and documentation.</p> <p>5.9 Describe the contents of work plans and work programs.</p> <p>5.10 Illustrate the use of Information Technology in preparing work programmes and work plans.</p>
<p>6 Explain how the auditor should assess the competence and objectivity of the persons whose work the auditor plans to use to determine the extent to which the auditor may use their work</p>	<p>6.1 Describe the objectives of internal control systems</p> <p>6.2 Describe the responsibility for internal control systems in the context of organisational objectives.</p> <p>6.3 Describe the importance of Internal Control auditors.</p> <p>6.4 Describe the limitations of internal control system in the context of fraud and error.</p> <p>6.5 Explain the need to modify the audit plan in the light of the results of tests of control.</p> <p>6.6 Explain how internal control systems over sales and purchase transaction cycles operate in both large and small entities</p>
<p>7 The programmes for an organisation's internal control and audit, how to apply these elements within for management analysis and decision making of senior and management.</p>	<p>7.1 Describe the use by auditors of internal control checklist for Sales and Purchase transaction cycles.</p> <p>7.2 Describe test of controls of sales and purchases for inclusion in a work program.</p> <p>7.3 Explain how structural and operational weaknesses in Sales and Purchases systems should be reported to management.</p> <p>7.4 Analyse and identify internal controls for Sales and Purchases</p> <p>7.5 Explain how internal control systems over revenue and capital expenditure transaction cycles operate in large and small entities</p> <p>7.6 Explain how internal control systems over the Inventories of transaction cycle operate in both large and small entities</p> <p>7.7 Describe how internal control systems over the payroll transaction cycle operate in both large and small entities</p>
<p>8 Audit and review evidence collection techniques, analysing the audit and reviewing evidence, including auditing and reviewing evidence on receivables, inventories and prepayments.</p>	<p>8.1 Illustrate the application of the basic principles of statistical sampling and other selective testing procedures.</p> <p>8.2 Illustrate the use of computer assisted techniques used in obtaining evidence.</p> <p>8.3 Describe the sources and relative merits of the different types of evidence available.</p> <p>8.4 Describe the financial statement assertions commonly reported on and principle and objectives of balance and transaction testing.</p> <p>8.5 Distinguish between the interim and the final audit.</p> <p>8.6 Describe how analytical procedures are used as substantive procedures.</p> <p>8.7 Explain the problems associated with the audit and review of accounting estimates.</p> <p>8.8 Describe the types of evidence available in smaller entities.</p>

<p>9 The substantive procedures used in obtaining evidence in relation to current liabilities and accruals, the related income statement entries, tangible fixed assets and long-term liabilities; the relevant requirements and guidance with regard to the auditor's consideration of the appropriateness of management's use of the going concern assumption and auditor reporting.</p>	<p>8.9 Describe the substantive procedures used in obtaining evidence in relation to receivables and prepayments, and related income statement entries.</p> <p>8.10 Explain the purpose of substantive procedures in relation to financial statement assertions concerning debtors and payments.</p> <p>8.11 Describe and tabulate the substantive procedures used in obtaining evidence in relation to Inventories.</p> <p>8.12 Explain the purpose of substantive procedures in relation to financial statement assertions concerning Inventories.</p> <p>9.1 Examine and analyse auditing and reviewing evidence on current liabilities, bank and cash.</p> <p>9.2 Explain the purpose of substantive procedures in relation to financial statement assertions concerning current liabilities and accruals.</p> <p>9.3 Describe the substantive procedures used in obtaining evidence in relation to bank and cash, and the related income statements entries.</p> <p>9.4 Explain the purpose of substantive procedures in relation to financial statement assertions concerning bank and cash.</p> <p>9.5 Analyse auditing and reviewing evidence on tangible fixed assets and long-term liabilities.</p> <p>9.6 Explain the purpose of substantive procedures in relation to financial statement assertions concerning tangible assets and long-term liabilities.</p> <p>9.7 Explain the importance of going concern reviews.</p> <p>9.8 Describe the procedures to be applied in performing going concern reviews.</p> <p>9.9 Describe the disclosure requirements relating to going concern issues.</p> <p>9.10 Describe and the reporting implications of the findings of going concern reviews.</p>
<p>10 The guidelines for the design, style, content and the process of producing the audit report; including</p>	<p>10.1 Illustrate the format and content of unmodified modified statutory audit reports.</p> <p>10.2 Define and describe the format and content of external review report.</p> <p>10.3 Illustrate the format and content of unmodified and modified review reports and reports dealing with recommendations for the enhancement of business performance.</p> <p>10.4 Explain the different audit requirements for charities, the latest SORP (recommended accounting practice) for charities and cost-effective accounts preparations.</p> <p>10.5 Apply audit and review techniques to small not-for-profit organisations</p> <p>10.6 Explain how the audit and review of small not-for-profit organisations (including the Public Sector) differs from the audit and review of commercial entities.</p> <p>10.7 Describe the nature of computerised auditing and its advantages and disadvantages</p>

	10.8 Describe the procedures for computerised auditing
Methods of Evaluation: A 2½-hour written examination paper with five essay questions, each carrying 20 marks. Candidates are required to answer all questions. Candidates also undertake project/coursework in Auditing & Assurance with a weighting of 100%.	

Recommended Learning Resources: Auditing & Assurance

Text Books	<ul style="list-style-type: none"> • Auditing (Paperback) by Alan Millichamp. ISBN-10: 1844809404 • Implementing Auditing Procedures (Paperback) by John Taylor. ISBN-10: 187296298X • The Audit Process: Principles, Practice and Cases (Paperback) by Iain Gray; Stuart Manson. ISBN-10: 1844806782
Study Manuals 	BCE produced study packs
CD ROM 	Power-point slides
Software 	None

Business & Computing Examinations (BCE)