

Auditing and assurance

Higher School of Economics , ICEF

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Target audience

4th Year students. Major – Accounting and Finance

Basic prerequisite for the students

Principles of Accounting

Learning Objectives

The goal of this course to provide students with an overview on assurance of financial reporting taking into accounting current practice issues. The discipline introduces assurance as a service, its regulation standards and the process and chronology of audit to the students. The aim of Assurance course is to ensure students understand the assurance process and fundamental principles of professional ethics and are able to contribute to the assessment of internal controls and gathering of evidence on an assurance engagement.

Aims of the course:

- To introduce students to the general definition of assurance services, various types of assurance projects and its regulation issues;
- To provide comprehension by the students on ethical principles of audit profession;
- To provide the understanding by the students of general chronology of audit, audit strategy, audit program and audit procedures;
- To provide the definition of the internal control system, control activity, to provide on how the financial reporting assertions are related to internal controls, and how the effectiveness of internal controls is assessed;
- To provide the view on audit risk assessment, its calculation and importance for audit strategy;

- To present to the students examples of analytical procedures and other types of substantive procedures performed on audit;

To introduce the types of audit reports.

Learning Outcomes

By the end of the course and having completed the Essential reading and activities, students should be able to:

- explain why external audits and other types of assurance services are conducted
- discuss the duties of auditors and other assurance providers and how these have changed over time
- explain the meaning of concepts that are fundamental to auditing and assurance services, such as ‘independence’, ‘audit evidence’, ‘audit risk’, ‘materiality’
- describe, in general terms, the processes involved in auditing and other assurance services
- distinguish between compliance and substantive testing and describe various audit tests
- discuss the form, content and importance of auditors’ reports provided at the end of the audit or assurance service
- discuss the issue of legal liability arising from audits and other assurance services
- discuss current developments in auditing and other assurance services.

Main Reading

- Gray, I. and S. Manson The audit process. Cengage Learning EMEA; 5th Revised edition (2011) [ISBN 9781408030493].
- Porter, B. Principles of external auditing. (Chichester: John Wiley & Sons, 2008) fourth edition [ISBN 9780470974452].

Supplementary Reading

Sherer, M. and S. Turley (eds) Current issues in auditing. (London: Paul Chapman Publishing, 1997) third edition [ISBN 9781853963650].

Methods of Instruction

Lectures – taught in English, slides – provided in the information system after each lecture.

Classes are taught in English, class discussions are to be based on questions supplied in main reading books and the Study Guide. Questions from previous LSE exams will be elaborated in classes.

Types of classwork, total hours

Lectures – 56 hours and seminars – 56 hours, homework – 230 hours.

Interim and final control

- There will be 10 home assignments (approximately every other week), Interim test, Interim exam and Final exam:
- At the end of the 1st Module (i.e. end of October) students will have to answer 15 MCQs, 1 essay question and 1 case study.
- At the end of the 2nd Module (end of December) – 10 MCQs and 2 case studies, and 1 essay question.
- Final exam: Format similar to LSE exam: Section A – 4 case studies, Section B – 4 essay questions. Students must attempt at least one question from Section B but cannot do more than two. This means that student will either answer two questions from each section, or three questions from Section A and one question from Section B.

Each home assignment – will be either a case study or essay question

Grade determination

- 20 % of course grade will be determined based on home assignments, 10% - by classwork, 20% of the course grade will be determined by Interim test; 20% - by Interim exam; 30% - by Final Exam.
- The 1st Semester grade will be determined as follows: 30% - home assignments, 10% - by classwork, 30% - for Interim Test, 30% - by Interim exam.

The 2nd Semester grade will be determined: 30% - by home assignments, 10% - by classwork and 60% - by Final Exam.

Syllabus

1. The concept , process and need for audit and assurance
2. Regulatory environment and corporate governance
3. Professional ethics

4. Internal controls
5. Risk assessment
6. Audit planning and documentation
7. Gathering evidence on an assurance engagement
8. Audit procedures and sampling
9. Audit of Receivables
10. Audit of Inventory
11. Audit of liabilities and capital
12. Audit of cash and bank
13. Audit of non-current assets (intangibles, investments, tangibles)
14. Audit of Sales, Purchases
15. Audit of wages
16. Audit of questionable payments
17. Audit reports

The distribution of hours is provided with the reference to the Chapters of the Study Guide

Topic	Lectures	Seminars	Total
Chapter 2: Reasons for auditing	4	4	8
2.1 Introduction			
2.2 Financial audits			
2.3 Development of the company audit			
2.4 Expectations versus auditing reality			
2.5 The auditors' role in the financial crisis			

<p>Chapter 3: The theory of auditing</p> <p>3.1 Introduction</p> <p>3.2 The role of theory</p> <p>3.3 Assumptions of auditing</p> <p>3.4 Auditing concepts</p> <p>3.5 Recognition of theoretical issues in practice</p>	4	4	8
<p>Chapter 4: Independence</p> <p>4.1 Introduction</p> <p>4.2 Companies Act 2006, Part 42</p> <p>4.3 Companies Act 2006, Part 16</p> <p>4.4 Auditing Practices Board ethical standards</p> <p>4.5 Other ethical concerns – professional clearance</p> <p>4.6 Audit committees</p> <p>4.7 The Sarbanes–Oxley Act</p>	4	4	8
<p>Chapter 5: Audit reporting</p> <p>5.1 Introduction</p> <p>5.2 Underlying sub-concepts</p> <p>5.3 Forming an audit opinion</p> <p>5.4 ISA 700 (in the UK SAS 600) – contents of auditors’ reports</p> <p>5.5 Examples of auditors’ reports</p> <p>5.6 Types of auditors’ opinions</p> <p>5.7 ISA 260 Communication of audit matters to those charged with governance</p>	4	4	8

Chapter 6: Evidence	8	8	16
6.1 Introduction			
6.2 Theoretical issues			
6.3 The audit evidence process			
6.4 Types of audit evidence and techniques for collection			
6.5 Which type(s) to use			
6.6 Sufficiency of evidence			
Chapter 7: The audit process	8	8	16
7.1 Introduction			
7.2 Audit risk and materiality			
7.3 Before accepting the audit engagement			
7.4 Engagement letters			
7.5 Planning the audit			
7.6 Analytical procedures			
7.7 Uses of analytics in planning			
7.8 Controls and assessing risk			
7.9 ISA 315			
7.10 Substantive tests			
7.11 Tests of detail			
7.12 Computer-based systems			
7.13 Completion			

Chapter 8: Responsibility and legal liability	4	4	8
8.1 Introduction			
8.2 Duties under statute			
8.3 Liability under case law (common law)			
8.4 What is reasonable skill and care?			
8.5 Responsibility to whom?			
8.6 A reminder of your learning outcomes			
Chapter 9: Audit regulation and special forms of audit engagement	4	4	8
9.1 Introduction			
9.2 The roles of regulation			
9.3 The background to regulation in the UK			
9.4 Who sets the rules?			
9.5 The international scene			
9.6 Criticisms of the regulation of the profession			
9.7 The future			
9.8 Internal audits			
9.9.Environmental audits			
9.10 Corporate responsibility assurance			
Revision	16	16	32
Total	56	56	112

