

# **Auditing and Assurance**

Higher School of Economics, ICEF

**Course:** Auditing and assurance

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**Target audience:** 4th Year students. Major – Accounting and Finance

**Basic prerequisite for the students:** Principles of Accounting

## **Learning Objectives**

This course introduces students to the principles of external auditing and other assurance services. Both theoretical and practical aspects of the audit process will be considered including recent developments in the organisation of the profession, the regulatory framework governing practitioners and factors affecting the future evolution of the practice of auditing and other assurance services.

## **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
- 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 duties of auditors and other assurance providers, how these have changed over time
- 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].

### **Practice materials, materials for self-study**

- Practice and revision kits on Audit and Assurance and Advanced Audit and Assurance (available in the library), past years' exams, mock exams

### **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 and classes – delivered in English, lecture slides – provided in the information system after each lecture; questions from previous LSE exams will be elaborated in class.

### **Types of classwork, total hours**

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

### **Interim and final control**

- Home assignments will be given every week or two; can be in the form of a case study, an essay question, an article analysis, an investigation, a presentation etc.
- Interim test: at the end of the 1st Module (end of October) –1 case study and 1 essay question
- Interim exam: at the end of the 2nd Module (end of December) –2 case studies and 1 essay question
- Final exam is in the format similar to the 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 students will either answer two questions from each section, or three questions from Section A and one question from Section B.

### **Grade determination**

20 % of the course grade will be determined by home assignments, 15% - by classwork, 10% - by Interim test; 20% - by Interim exam; 35% - by Final Exam.

$$G = 0.2 * G_{ha} + 0.15G_{cw} + 0.1G_{IT} + 0.2G_{IE} + 0.35G_{FE}$$

Sample materials for knowledge assessment are available in ICEF Information system at <https://icef-info.hse.ru>.

All grades are given initially out of 100. The final grades are also transferred to 10- and 5-points grades in accordance with the ICEF Grading Regulations (par.3) available at [https://icef-info.hse.ru/goto\\_icef\\_file\\_29833\\_download.html](https://icef-info.hse.ru/goto_icef_file_29833_download.html)

Retakes are organized in accordance with the HSE Interim and Ongoing Assessment Regulations (incl. Annex 8 for ICEF). Grade determination after retakes is done in accordance with ICEF Grading Regulations (par. 5) available at [https://icef-info.hse.ru/goto\\_icef\\_file\\_29833\\_download.html](https://icef-info.hse.ru/goto_icef_file_29833_download.html)

## **Syllabus**

1. Reasons for auditing
2. Postulates and concepts of auditing
3. Audit reporting. Assurance engagements
4. Audit evidence
5. Audit planning
6. Risk and materiality
7. Internal controls
8. Compliance testing
9. Internal audit
10. Fraud and going concern
11. Substantive testing: income statement and financial position
12. Sampling
13. Computer assisted audit techniques
14. Completion and review
15. Corporate governance
16. Audit committees, corporate responsibility
17. Audit regulation and auditors' liability
18. Auditors' duties and responsibilities
19. Audit engagements: staffing, documentation, quality control
20. Criticism and developments in audit, audit society, future of audit

## Distribution of hours

<b>Topic</b>	<b>Lectures</b>	<b>Seminars</b>	<b>Total</b>
1 Reasons for auditing	2	2	4
2 Postulates and concepts of auditing	2	2	4
3 Audit reporting. Assurance engagements	2	2	4
4 Audit evidence	2	2	4
5 Audit planning	2	2	4
6 Risk and materiality	2	2	4
7 Internal controls	2	2	4
8 Compliance testing	4	4	8
9 Internal audit	2	2	4
10 Fraud and going concern	2	2	4
11 Substantive testing: income statement and financial position	6	6	12
12 Sampling	2	2	4
13 Computer assisted audit techniques	2	2	4
14 Completion and review	4	4	8
15 Corporate governance	2	2	4
16 Audit committees, corporate responsibility	2	2	4
17 Audit regulation and auditors' liability	2	2	4
18 Auditors' duties and responsibilities	2	2	4
19 Audit engagements: staffing, documentation, quality control	2	2	4
20 Criticism and developments in audit, audit society, future of audit	2	2	4
Revision	8	8	16
<b>Total</b>	<b>56</b>	<b>56</b>	<b>112</b>