

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

UNIT GUIDE

ACCG856 AUDITING & ASSURANCE SERVICES

Semester 2, 2011

Department of Accounting and Corporate Governance

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT GUIDE ACCG856**

Year and Semester:	2011 Semester 2
Unit convenor:	Dr Medhat Endrawes
Prerequisites:	ACCG853, ACCG862
Credit points:	3

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

ABOUT THIS UNIT

This unit is structured within the framework of the audit risk model and thus begins with a discussion of the main components of that model - inherent risk, control risk and detection risk. After analysis and discussion of auditing standards and responsibilities, the unit seeks to examine the manner in which auditors gather evidence in the evaluation of inherent risk and control risk, and in other audit procedures necessary within the framework of the audit risk model. Included in this explanation is material on some of the techniques used by auditors in carrying out evaluations and other audit procedures. The unit concludes with the completion stage of the audit, being that part of the audit concerned with evaluation of audit evidence collected during the audit and the subsequent issue of the audit report.

This unit is primarily concerned with the external audit of corporate financial statements. The seminars presented are structured to correspond with audit methodology used in practice and integrate Australian Auditing Standards.

TEACHING STAFF

NAME	CONTACT INFORMATION		CONSULTATION TIMES (During Teaching Weeks)
Medhat Endrawes Unit Convenor (UC)	<i>Office</i> <i>E-mail</i>	E4A 231 medhat.endrawes@mq.edu.au	Thursday 12-2pm
Victoria Lakis	<i>E-mail</i>	E4A level 2 vlakis@bigpond.net.au	Wednesdays 5-7pm
Garry Morris	<i>E-mail</i>	E4A level 2 garry.morris@mq.edu.au	Thursdays 1- 3pm

E-mail is the primary form of communication.

CLASSES

The timetable for classes in Semester 2, 2011 are as follows
(<http://www.timetables.mq.edu.au/>):-

Time	Tuesday	Thursday	Friday
9am-12pm	Class 1 C5A304	Class 6 C5A301	Class 10 E7B200
3pm-6pm	Class 3 C5A304		
6pm-9pm	Class 4 C5A301		

You MUST attend the scheduled class into which you are enrolled.

Mode of Delivery and Teaching Schedule: 3 hours seminar x 12 Weeks

Please see teaching Schedule. **Attend and participate in a minimum of 11 Seminars.**

Where a student is absent from a seminar, no allowance can be given for this absence (unless supported by appropriate documentary evidence).

PRIZES

Prizes for this unit are detailed on the following website:

http://www.businessandeconomics.mq.edu.au/undergraduate_degrees/prizes_scholarships

REQUIRED AND RECOMMENDED TEXT AND/OR MATERIALS

All students should purchase from the Co-op Bookshop the following:

Leung, P., Coram P., Cooper, B.J., Cosserrat, G. and Gill, G.S., *Modern Auditing and Assurance Services*, **Fifth** edition, John Wiley & Sons Australia, Ltd, 2011 (**4 edition is not acceptable as there are many changes to the auditing standards**)

The following texts are useful as additional references.:

Auditing Handbook: "Auditing Handbook 2011", being volume 2 of the Accounting and Auditing Handbook 2011, published by Prentice Hall.

Gay, G. and Simnett, R., *Auditing and Assurance Services in Australia*, Fourth edition, McGraw-Hill Book Company Australia Pty Limited, 2010.

Arens, A., P. Best, G. Shailer, B. Fielder, R. Elder & M. Beasley, *Essentials of Auditing Assurance Services & Ethics in Australia*, Eight Edition, Pearson, Sydney, 2010.

TECHNOLOGY USED

Unit Web Site

Students are expected to download their seminar slides from the Unit Web Site, and prepare such material on a weekly basis, before they attend their seminar.

To access the unit's online website on the Unit Web Site, students need to navigate to the following website <http://learn.mq.edu.au> Technical advice and assistance is available to students on the following website: <http://online.mq.edu.au/docs/tecinf.html>

As the Unit Web Site will be used in this subject, students need to ensure that you access this website on a regular basis by using your university username/password details. Students will need to contact the IT helpdesk if they face any difficulties (9850 4357 or 1800 063 191). Seminar notes should be downloaded from the website mentioned above and should be brought to the seminars. There is also a copy of this unit outline on this web page. **Always check the website for important information as this is our main way of communicating with you.**

UNIT WEB PAGE

Students can access the Web site for ACCG856 from either their home/office (via modem) or at University computers.

The url is: <http://learn.mq.edu.au>

LEARNING OUTCOMES

The learning outcomes of this unit are:

1. Understand the need for an independent audit;
2. Appreciate the various auditing standards and procedures and the application of these to the conduct of an audit;
3. Appreciate the audit process, beginning with the planning phase, through the documentation stages, to the testing, evaluation and reporting stages;
4. Appreciate the concepts of internal controls and audit testing procedures;
5. Demonstrate understanding of the principles and application of audit sampling techniques;
6. Demonstrate understanding of internal controls associated with the audit of Computer Assisted Audit Techniques (CAAT's);
7. Critically analyse the appropriateness of different types of audit reports and prepare such audit reports;
8. To develop group skills, problem solving, independent research and presentation skills.

GRADUATE CAPABILITIES

This unit contributes to this by developing the following graduate capabilities:

- 1 Discipline Specific Knowledge and Skills

- a) The examination of auditing and assurance services
- b) Understand the differences between internal and external auditing
- c) Understand the scope of the auditor's responsibilities and related ethical behaviour
- d) Describe the audit process and perform basic procedures in the audit process, and
- e) Read and interpret an auditor report.
- f) The role of assurance service professionals and demonstrate an understanding of their legal, ethical and professional responsibilities

2 Critical, Analytical and Integrative Thinking

3 Problem Solving and Research Capability

4 Creative and Innovative

5 Effective Communications

6 Engaged and Ethical Local and Global citizens

7 Capable of Professional and Personal Judgement and Initiative

TEACHING AND LEARNING STRATEGY

This unit involves one three-hour seminar per week. Each seminar is divided into two parts. The first part of each seminar involves working through the assignment questions. When working through these questions it is expected that seminar participants will contribute to the discussion and raise particular issues or problems that they have had with the assignment questions.

The second part of each seminar will comprise a mini-seminar that covers the key concepts of a topic area. The purpose is to prepare seminar participants so that they may attempt the relevant assignment questions and problems that have been set for the topic area.

On average the unit will require students to complete between 6 to 8 hours of private study per week.

There will be practical explanations and examples given in seminars which supplement the text material and seminar questions. If you choose not to attend seminars, it would be wise to be aware of any announcements made in seminars that could affect your study.

During 2007 the Master of Accounting program engaged in a significant research project that was designed to investigate and find ways to enhance student participation in the classroom.

Students who were interviewed during the research project stated that participating in classroom discussions, answering lecturer's questions and engaging in meaningful discussion with colleagues when directed by the lecturer:

- assists them in retaining information and maintaining interest and concentration
- allows them to clarify or check their understanding
- provides opportunities to enhance and reinforce knowledge and learn from other students
- improves their English proficiency
- supports their development of communication skills
- develops skills needed in professional practice

Lecturers expect students to participate in class as it:

- provides opportunities for students to review or clarify seminar content and benefit from the experience of other students
- assists students to think about concepts and test whether their understanding is correct
- develops confidence in speaking
- provides opportunities to think in a different way

The research concluded that the benefits of participation include:

- enhancing the learning process
- meeting lecturers' expectations of students
- helping to increase communication skills.

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES			
	Quizzes 20%	Seminar assignments/ presentation 20%	Final examination 60%
Description	<p>There will be two quizzes during the semester. Quiz one will be worth 10%, and quiz two will be worth 10% (total 20 percent of your overall assessment).</p> <p>If you are unable to attend a number of seminars and/or any quiz due to a persistent illness or some other reason, you must formally apply for special consideration in respect of your within-semester assessment. There will be no supplementary quiz. The weighting will be added to the final exam.</p>	<p><u>5% weekly seminar questions</u></p> <p>Students will be selected each week and allocated a seminar question to present in class the following week. In-class presentations will commence in Week 2.</p> <p>The objective of seminar questions is to apply audit theory to practical situations. These MUST be attempted on a weekly basis. Students are expected to have pre-prepared these questions before each seminar. In addition, there are research papers which students are required to read each week. The readings will be posted on the Unit Web Site.</p> <p>As seminar solutions will NOT be posted on the ACCG856 website, all discussions of seminar questions will occur in class following each presentation.</p>	<p>The final exam will be 2 1/2 hours. Note that marks are deducted for poor grammar, spelling and expression.</p> <p>Material that is examinable is</p> <ul style="list-style-type: none"> ➤ all material presented at seminars, ➤ all material included in the prescribed text and additional readings (including all questions at the end of each chapter), ➤ all seminar assignment questions, ➤ and material in the Auditing Handbook that is referred to in the seminar notes or that relates to seminar assignment questions. <p>The university examination period for Semester 2 2011 is from 15 November to 3 December. You are expected to present yourself for examination at the time and place designated in the Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.</p> <p>http://www.timetables.mq.edu.au/exam</p> <p>The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration.</p>

		<p><u>7% in-class Group (4 -5 students)</u> <u>Presentation</u> Students will be selected each week and allocated a research article to present in class the following week. In-class presentations will commence in Week 2. Your mark will be given to you in the week following your presentation by your lecturer together with feedback. All presentations are to be limited in duration to no longer than 10 minutes each.</p> <p><u>8% - participation in the discussion</u> All students are required to participate in the discussion not just the students who are presenting. (8%)</p>	<p>Information about unavoidable disruption and the special consideration process is available at http://www.reg.mq.edu.au/Forms/APSCon.pdf</p> <p>If a Supplementary Examination is granted as a result of Special Consideration process the examination will be scheduled after the conclusion of the official examination period.</p> <p>You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester that is the final day of the official examination period.</p> <p>The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at: http://www.mq.edu.au/policy/docs/examination/policy.htm</p>
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<u>Grading method</u>	Suggested solutions provided will represent marking standards	Marks will be based on technical content <u>and</u> presentation skills.	Marking guide will be provided to qualified examiners as standard marking criteria
<u>Estimated student workload</u>		6 hours per week	
<u>Feedback</u>	Feedback will be provided as appropriate in the week following the quiz	Feedback will be provided as appropriate in the week following the presentation	N/A
<u>Learning outcomes</u>			
1	X	X	X
2	X	X	X
3	X	X	X
4	X	X	X
5	X	X	X
6	X	X	
7		X	X
8		X	X
<u>Graduate capabilities</u>			
1a	X	X	X
1b	X	X	X
1c	X	X	X
1d	X	X	X
1e		X	X
1f		X	X
2	X		
3	X		
4			

5	X	X	
6			
7			

GRADING POLICY

Macquarie University uses the following grades in coursework units of study:

HD –High Distinction
D – Distinction
CR – Credit
P – Pass
F – Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:

<http://www.mq.edu.au/policy/docs/grading/policy.html>

All final grades in the Department of Accounting and Corporate Governance are determined by a grading committee and are not the sole responsibility of the Unit Coordinator.

Students will be awarded one of these grades plus a Standardised Numerical Grade (SNG). The SNG is not necessarily a summation of the individual assessment components.

The final grade and SNG that are awarded reflect the corresponding grade descriptor in the Grading Policy.

In addition, there is a requirement *to pass the final examination* to be awarded a final grade of a Pass or a higher grade.

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at

http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their

ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:

http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu.au>.

SEMINAR PROGRAM—SEMESTER 2 2011

Week	Seminar Week commencing:	Topic	Text Topic Number
1	1 August	Introduction and Course Overview Introduction to audit and assurance services and the auditing profession and Governance	Chapters 1 & 2
2	8 August	Overview of the audit of financial statement	Chapter 6
3	15 August	Client evaluation and audit Planning	Chapter 8
4	22 August	Audit Risk	Chapter 9
5	29 August	Materiality & audit evidence *Quiz one at the beginning of the seminar	Chapter 10
6	5 September	Test of Control	Chapter 11
7	12 September	Conception Day – No seminar	
<i>MID SEMESTER BREAK (20 September - 1 October)</i>			
8	3 October	Substantive Testing & Auditing sales and receivables	Chapter 12 & 14
9	10 October	Audit Sampling	Chapter 13
10	17 October	Audit Report and Subsequent Events **Quiz two at the beginning of the seminar	Chapters 7 & 18
11	24 October	Professional Ethics	Chapter 3
12	31 October	Auditor's legal liability	Chapter 5
13	7 November	Revision	

*Quiz one covers chapters 1, 2, 6 & 8

**Quiz two covers chapters 10, 11, 12 & 14

SEMINAR QUESTIONS

All seminar questions are from the set text (Leung et al. *5 edition*).

Seminar questions must be completed before class. The solution for these questions are not available on the Unit Web Site. Any student encountering difficulties in understanding concepts should see a staff member in their consultation hours as soon as possible.

Seminar Week commencing:	Questions
Week 2 8 August	Seminar questions: 1.22, 1.24, 1.26, 2.21, 2.24
Week 3 15 August	Seminar questions: 6.20, 6.21, 6.24, 6.25, 6.26
Week 4 22 August	Seminar questions: 8.22, 8.23, 8.25, 8.27
Week 5 29 August	Seminar questions: 9.22, 9.23, 9.27 *Quiz one at the beginning of the seminar
Week 6 5 September	Seminar questions: 10.21, 10.22, 10.26, 10.28
Week 7 12 September	Conception Day – No seminar
<i>MID SEMESTER BREAK (19 September – 30 September)</i>	
Week 8 3 October	Seminar questions: 11.21, 11.22, 11.25, 11.27
Week 9 10 October	Seminar questions: 12.22, 11.24, 11.28, 14.21, 14.22
Week 10 17 October	Seminar questions: 13.19, 13.21, 13.22, 13.23 **Quiz two at the beginning of the seminar
Week 11 24 October	Seminar questions: 7.22, 7.24, 18.23, 18.25, 18.26
Week 12 31 October	Seminar questions: 3.21, 3.23, 3.24, 3.27,
Week 13 7 November	Seminar questions: 5.22, 5.23, 5.25, 5.27

*Quiz one covers chapters 1, 2, 6 & 8

**Quiz two covers chapters 9, 10, 11, 12 & 14

Readings: You are NOT required to read method sections such as data collection, statistics analysis. You need to know the purpose of the research and the findings (introduction, prior research and findings, limitations and conclusion).

Seminar Week commencing:	Readings
Week 2 8 August	Corporate fraud and the audit expectations gap: A study among business managers, <i>Journal of International Accounting, Auditing and Taxation</i> Volume 18, Issue 2, 2009, Pages 85-100
Week 3 15 August	Audit Committees, Boards of Directors, and Remediation of Material Weaknesses in Internal Control. <i>Contemporary Accounting Research</i> , Summer2009, Vol. 26 Issue 2, p549-579
Week 4 22 August	Audit 101: A Guide to Employee Benefit Plan Audits Audit Planning, <i>Journal of Pension Benefits: Issues in Administration</i> , Summer2011, Vol. 18 Issue 4, p83-8
Week 5 29 August	*Quiz one at the beginning of the seminar Evidence on the Audit Risk Model: Do Auditors Increase Audit Fees in the Presence of Internal Control Deficiencies? <i>Contemporary Accounting Research</i> , Spring2008, Vol. 25 Issue 1, p219-242
Week 6 5 September	Discussion of "Internal Control Weaknesses and Client Risk Management". <i>Journal of Accounting, Auditing & Finance</i> , Fall2009, Vol. 24 Issue 4, p581-587
Week 7 12 September	Conception Day – No seminar
	MID SEMESTER BREAK (19 September – 30 September)
Week 8 3 October	Audit Fees after Remediation of Internal Control Weaknesses. <i>Accounting Horizons</i> , Mar2011, Vol. 25 Issue 1, p87-105
Week 9 10 October	Auditing Related Party Transactions: A Literature Overview and Research Synthesis. <i>Accounting Horizons</i> , Mar2007, Vol. 21 Issue 1, p81-102
Week 10 17 October	**Quiz two at the beginning of the seminar Differential Evaluation of Audit Evidence from Fixed versus Sequential Sampling. <i>Behavioral Research in Accounting</i> , 2011, Vol. 23 Issue 1, p65-85
Week 11 24 October	Going-Concern Audit Opinions and the Provision of Nonaudit Services: Implications for Auditor Independence of Bankrupt Firms. Callaghan, Joseph; <i>Auditing</i> , May2009, Vol. 28 Issue 1, p153-169
Week 12 31 October	Study of Nonaudit Services, Low Balling, Audit Tenure, and Auditor Type: New Zealand and Australian Evidence, <i>Journal of Asia-Pacific Business</i> , 2010, Vol. 11 Issue 2, p121-134.
Week 13 7 November	No Article

*Quiz one covers chapters 1, 2, 6 & 8

**Quiz two covers chapters 9, 10, 11, 12 & 14