

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ACCG 811

ADVANCED AUDITING & ASSURANCE SERVICES

UNIT GUIDE

SEMESTER 2, 2011

DEPARTMENT OF ACCOUNTING & CORPORATE GOVERNANCE

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

Year and Semester: Semester 2, 2011

Unit convenor: Fiona Foster

Prerequisites: Any 600-level ACCG unit or admission to MCom or MIB or MEd or MActPrac prior to 2011

Credit points: Four (4)

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 the unit convenor.

ABOUT THIS UNIT

This is an advanced unit in auditing and assurance services which examines the process of auditing and the concepts which underlay the practice. Although the focus of attention is on audits of financial reports undertaken in compliance with the Corporations Act 2001, reference is also made to other forms of audit and assurance. The course is intended to provide an overview of the audit process as it exists in Australia, and is consistent with International Auditing Standards. The course is both practical and theoretical, with students required to apply their knowledge to discussing cases developed from practice.

The unit extends students further by requiring the application of unit material, in a realistic and practical audit context, to complete a significant case study on a selected Australian company. This also aims to extend generic skills further by enhancing students' understanding of how to apply professional judgement in practice and in developing practical problem solving and communication skills in a group setting.

ACCG 811 is a 4 credit point unit, which means the workload is demanding. On average students should devote between 4 to 6 hours of study time per week to the unit, outside of the weekly seminars. It is assumed from their undergraduate studies that students are proficient in accounting.

TEACHING STAFF

The unit convenor and teaching staff member responsible for the delivery and administration of this unit is Fiona Foster. Fiona can be contacted via email: fiona.foster@mq.edu.au or c/- Liz Lee, Building E4A Level 2 on Ph: 9850 9964

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CONSULTATION TIMES

Consultation time for the unit will be held directly after class in the allocated room.

You are encouraged to seek help at this time or in special circumstances, an appointment may be made outside this time. Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

CLASSES

ACCG 811 requires that students attend a weekly seminar of three hours duration. A short break of 10-15 minutes will usually be taken during the seminar.

Students must attend the following seminar each week:

| <u>Day</u> | <u>Time</u> | <u>Room</u> |
|------------|-------------|-------------|
| Friday | 9am – 12pm | W6B 325 |

The timetable for classes can be found on the University website at <http://www.timetables.mq.edu.au/>

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

In order to complete the seminar work and prepare for the examinations in this unit, you will need to possess a copy of the following textbooks:

1. Peter Roebuck and Dr Nonna Martinov-Bennie “**Case Studies in Auditing and Assurance**” Lexis Nexis, 5th Edition, 2010.
2. Gay G, and R. Simnett “**Auditing and Assurance Services in Australia**”, McGraw-Hill, 4th edition, 2010.

Recommended References:

Australian Society of CPA’s or the Institute of Chartered Accountants, Auditing Handbook Vol. 2 of the Accounting and Auditing Handbook, Prentice-Hall, 2011.

Note: The standards can be downloaded from the following site <http://www.auasb.gov.au>

The required texts can be purchased from the CO-OP Bookshop on campus. These texts are also available in the Macquarie Library.

TECHNOLOGY USED AND REQUIRED

In order to prepare your weekly assignments, research assignment and oral presentation for the class, you are strongly encouraged to use Microsoft Word and/or Microsoft Powerpoint.

You will also be required to access the Internet in order to conduct research and Macquarie University's online teaching facility (refer to the detail contained below in Unit Web Page).

UNIT WEB PAGE

A web site for ACCG 811 has been created on Macquarie's on-line teaching facility (Online Learning @ MQ). This site provides students with a facility to download certain course materials. The unit outline, weekly seminar questions and applicable lecture slides for each seminar are available for download, as well as other course documents. The lecture slides will be referred to during the lectures in ACCG 811 and they should form the basis of chapter summaries that students can use for exam revision. Students should bring their copy of the slides to seminars and add notes to them during the lectures as appropriate.

The web site is <http://learn.mq.edu.au> and students should use their Macquarie Login ID and password to access the site. If students have problems with their username and password, they need to contact the IT helpdesk, <http://www.library.mq.edu.au/help/>

LEARNING OUTCOMES

The key content based learning objectives for this unit are set out below. The required readings of each week will provide an additional level of detail on how to achieve the unit learning objectives.

The specific objectives of the course are to:

- 1) develop students' understanding of the audit function and the reasons for an audit,
- 2) familiarise students with the professional, legal, ethical and regulatory framework within which audits and other audit related and assurance engagements are carried out,
- 3) examine the audit process and the techniques used by auditors including business risk analysis, internal controls assessment, evidence collection and evaluation, use of computer assisted audit techniques and audit reporting, and
- 4) familiarise students with current developments in audit practice.

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world. The unit contributes to this by developing the following graduate capabilities:

- 1) Discipline Specific Knowledge and Skills
 - a. Identifies and is able to discuss key audit issues
 - b. Tolerates ambiguity in making various audit judgments
 - c. Learns independently and assume responsibility for the learning process, and
 - d. Cooperates with team members, assume leadership and manage differences.

- 2) Critical, Analytical and Integrative Thinking
 - a. Identifies, integrates and analyses quantitative and qualitative data and
 - b. Determines relevant information and uses it in decision making.

- 3) Problem Solving and Research Capability
 - a. Uses theoretical and practical based knowledge to diagnose and solve problems and evaluate ideas and information and
 - b. Demonstrates understanding of theoretical concepts and applies it to resolve real world problems.

- 4) Effective Communication
 - a. Effectively communicates both orally using visual communication and in writing and
 - b. Demonstrates effective communication in a group situation.

- 5) Engaged Ethical Local and Global citizens
 - a. Demonstrates an awareness of the regulatory framework and
 - b. Demonstrates respect and be open minded to the ideas of peers from different cultural backgrounds.

- 6) Capable of Professional and Personal Judgement and Initiative
 - a. Applies and adapts audit and financial knowledge to solve real life business problems and
 - b. Responds flexibly to changing and uncertain situations.

TEACHING AND LEARNING STRATEGY

This unit involves one three-hour seminar per week. It should be emphasised that attendance at the seminar is a necessary but not sufficient condition for adequate examination preparation. Each week all students should **study the relevant materials prescribed and attempt the assigned seminar questions *prior*** to attending the class, and **participate in class discussions**. The seminar is divided into two parts.

The *first part* of each seminar will comprise a lecture which aims to cover the key concepts of the unit material set for that week. These lectures will be critical to the coverage and understanding of the unit content. Although the auditing and assurance course is broken down into a number of segments, students should recognise that each segment / lecture forms part of the audit process. The *second part* of the seminar is designed to complement the lecture program by working through the practical seminar questions set for that week. When working through these questions it is expected that seminar participants will contribute discussion and raise particular issues or problems that they have had with the seminar questions. Remember that answers to these questions are not easily bracketed as “right” or “wrong” but are the product of a logical and well structured analysis.

On average the unit will require students to complete between 4 to 6 hours of private study per week.

Please note that **solutions to the weekly seminar questions will not be made available to students**. Therefore it is imperative that students attend the weekly seminar in order to correct their work. If further assistance with assigned seminar questions is required then you are encouraged to see the lecturer during consultation.

WEEKLY SUMMARY

Week 1 covers administration of the unit including discussion of unit materials and introduces students to the audit function, assurance framework, professional standards and structure of the profession.

Week 2 introduces the audit process with audit planning and understanding the entity and assessing risk.

Week 3 considers internal control evaluation and the role of mitigating controls.

Week 4 examines the concept of audit evidence including controls and substantive based testing and the use of assertions. A class quiz will be held during this seminar.

Week 5 continues and completes the understanding of the audit evidence process.

Week 6 covers the area of analytical procedures and its impact on the audit process, from planning and risk assessment, through to evidence collection and completion of the audit.

Week 7 will be dedicated to the mid semester examination process.

Week 8 deals with the auditors' response to risk including setting an appropriate audit strategy, as well as the concept of materiality on the audit.

Week 9 covers three mini topic areas - using the work of experts, using the work of internal auditors and public sector auditing.

Week 10 will be dedicated to the group case study oral presentations. Your written group case study submission must also be handed in during this seminar.

Week 11 considers auditing in an IT environment including internal controls and the use of Computer Assisted Audit Technique's (CAAT's).

Week 12 completes the audit process by examining subsequent events, going concern issues and audit reporting considerations.

Week 13 covers the legal liability and ethical issues surrounding auditors. The final exam format will also be discussed during this seminar.

RESEARCH AND PRACTICE

- This unit gives you practice in applying research findings in your assignments.
- This unit gives you opportunities to conduct your own research.

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RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

In ACCG 811 you must demonstrate that you have satisfied the learning objectives of the unit.

In order to receive a Pass grade or better in this unit, it is necessary to pass (obtain at least 50%) in the final exam as well as pass the overall assessment.

The final assessment in ACCG 811 is based on the following:

| | Seminar Assignments | Class Quiz | Mid Semester Examination | Group Case Study & Presentation | Final Examination |
|---|---------------------------------|--|--|--|---|
| Weighting | 5% | 5% | 20% | 20% | 50% |
| Learning Outcomes Assessed | 1,2,3,4 | 1,3 | 1,2,3 | 1,2,3,4 | 1,2,3,4 |
| Graduate Capabilities Assessed | 1a,1b,1c,2,6a | 1a,2a,3,6a | 1a,2a,3,6a | 1d,2a,4,5,6 | 1a,2a,3,6a |
| Length | Completion of all set questions | 15 minutes | 1 hour | 5 pages | 2 hours |
| Estimated student workload (hours) | 2-4 hours per week | 0.5 hour per week | 1 hour per week | 1 hour per week | 1-2 hours per week |
| Due Date | Reviewed in 5 seminars | Week 4 Seminar | Week 7 Seminar | Week 10 Seminar | TBA |
| Feedback | Provided in those 5 seminars | Feedback provided within the following 2 weeks | Feedback provided within the following 2 weeks | Feedback provided within the following 2 weeks | Feedback may be given after the release of results on request |

The seminar assignments, class quiz, mid semester examination and group case study & presentation provide the means of continuous assessment and continuous learning throughout the semester. Further detail on these assessment tasks is provided on the pages following.

The primary objective of the continuous assessment tasks in ACCG 811 is to make you ready, willing and able to demonstrate your understanding of the learning objectives on the day of the final exam.

Seminar assignments (5%)

Independent work on seminar assignment questions is fundamental to satisfying the learning objectives of this unit. You are not expected to always have the right answers from your independent work but you are expected to make a significant attempt to seminar questions before each seminar. It is expected that, in addition to attendance at the weekly seminars, you will need to spend at least four to six hours per week on readings and seminar questions in preparation for the next class.

Seminar participants will be expected to answer all seminar questions each week. Five (5) of those seminar submissions will be collected by the lecturer randomly during the semester for marking. The submission is worth 0, ½ or 1 mark, to a maximum total of 5 marks depending on the effort / attempt made to complete the work. Note that only those weekly submissions where there has been satisfactory completion of all set questions will be allocated 1 mark. While weekly assignment work is only worth 5% of the overall assessment, **there is a significant correlation between quality weekly assignment work and a passing grade in the unit!**

You are encouraged to complete assignment work using word-processing whenever possible.

It is expected that the written work you submit for the weekly assignments will largely be completed before the seminar rather than during the seminar. **If it is noticed that an assignment is being prepared during the seminar then 0 marks will be awarded to the assignment.**

On the front page of each weekly assignment that you submit please include the following:

- your student name
- your student id

Any students found submitting identical assignments or submitting solutions copied from past ACCG 811 students, invite a full investigation by the Faculty of Business and Economics and disciplinary action. Students must also ensure that they do not inadvertently plagiarise material from textbooks or other readings. Anyone found blatantly copying from the textbook without due acknowledgment can expect to be awarded nil marks for the relevant submitted work. Academic honesty is discussed in more detail below.

Class Quiz (5%)

There will be a low diagnostic quiz of 15 minutes duration held at the beginning of class in week 4, which covers material up to and including Week 3. The aim of this quiz is to provide you with on-going feedback relating to your understanding and learning progress within the course. The quiz is worth 5% of the overall assessment. Students who do not attend the Week 4 quiz can apply for special consideration only if they have valid grounds to do so. Students who fail the quiz will need to report to the lecturer to discuss remedial study plans. More information regarding the quiz will be provided closer to the quiz date.

Mid Semester Examination (20%)

A mid-semester exam of 1 hour duration and worth 20% of your overall assessment will be held during seminar 7, on **Friday 16th September** in normal class time. The exam covers material up to and including seminar 6.

The aim of the mid semester exam is to provide you with ongoing feedback relating to your understanding and learning progress within the course. It is designed to test your knowledge of the topics covered in the course to date. The focus of the examination is to test your ability to critically analyse and evaluate information provided and to perform the auditing processes and techniques taught within a specific audit client issue context. **NO materials, dictionaries or calculators will be permitted in the exam.** Further information on the format, style of questions and content focus of the examination will be provided in the seminar in Week 6.

Note that there will be **no supplementary exam** held for the mid semester examination. Students who do not attend the exam can apply for special consideration only if they have valid grounds to do so.

Group Case Study & Presentation (20%)

The case study is based on Westfield Holdings Limited and its controlled entities (Westfield Group) and will be undertaken in groups. The group environment provides the opportunity for students to interact and communicate with each other as is done in practice.

The aim of the group case study is to test students' ability to integrate skills learnt in Auditing and Assurance Services to analyse a real company from the auditor's perspective and within the framework of auditing standards. The successful completion of this case study requires extensive research on Westfield Holdings Limited's internal and external environments, operations, strategies and an analysis of the 2010 annual report including financial information.

The **group case study written and oral presentation assessment criteria will be provided in class in Week 2.** The group case study written submission is due on Friday 21st October (Week 10), and oral presentations by groups will also occur during the seminar on that date. Group case studies not received at this time will result in a penalty of 20% of the total awarded marks per day late.

This assignment should be prepared using Microsoft word and is worth 20% of the overall assessment.

Final Exam (50%)

A final examination is included as an assessment task for this unit to provide assurance that:

- i) the product belongs to the student and
- ii) the student has attained the knowledge and skills tested in the exam.

A 2 hour final examination for this unit will be held during the University Examination period. The exam will cover all material from weeks 1 to 13, although emphasis will be given to those areas not previously examined. You will be given further information regarding the final exam during the final seminar of the semester.

The University Examination period in Second Half Year 2011 is from 14th November – 2nd December.

You are expected to present yourself for examination at the time and place designated in the University 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.

<http://www.timetables.mq.edu.au/exam>

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. The University's policy on special consideration process is available at http://www.mq.edu.au/policy/docs/special_consideration/policy.html

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period.

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>

The final exam of ACCG 811 is designed to test you against the learning objectives of the unit. Dictionaries and calculators are not permitted in the final exam. Students are also prohibited from bringing any pre-prepared notes or other examples of their writing into the final exam.

❖ Further details regarding the final exam will be provided to you during the final seminar.

ACADEMIC HONESTY

The nature of the 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 policy can be found in the Macquarie University Academic Honesty Policy at:

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

GRADES

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.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals.

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

Note that for a Special Consideration application to be valid, the student must have been performing satisfactorily in the unit up to the date of the unavoidable disruption. If a student's work in the unit has previously been unsatisfactory, subsequent unavoidable disruption will not overcome the fact that the earlier work was unsatisfactory.

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>.

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. At all times, student ID cards must be displayed in the locations provided.

Students are expected to act responsibly at all times when utilising University IT facilities. The following regulations apply to the use of computer labs and online services:

- Accessing inappropriate web sites, or downloading inappropriate material, are not permitted, material that is not related to coursework in units authorised to use these facilities is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may possibly result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice. Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.

SEMINAR SUMMARY

| <u>Week</u> | <u>Date</u> | <u>Seminar Topic</u> |
|-------------|---------------------|---|
| 1 | August 5 | Course Overview / Introduction to the Audit Function, Assurance Framework, Professional Standards and Structure of the Profession |
| 2 | August 12 | Introduction to the Audit Process – Understanding the Entity and Assessing Risk |
| 3 | August 19 | Internal Control Evaluation and the role of Mitigating Controls |
| 4 | August 26 | Audit Evidence and use of Assertions (Part 1). Class Quiz |
| 5 | September 2 | Audit Evidence and use of Assertions (Part 2) |
| 6 | September 9 | Analytical Procedures and Risk Assessment |
| 7 | September 16 | MID SEMESTER EXAMINATION |
| | September 23 | Recess - private study |
| | September 30 | Recess - private study |
| 8 | October 7 | Auditors' Response to Risks and Assessment of Materiality |
| 9 | October 14 | Using the Work of Others/Internal Auditing/Public Sector Auditing |
| 10 | October 21 | GROUP CASE STUDY PRESENTATION & SUBMISSION |
| 11 | October 28 | Auditing in an IT environment – Internal Control & Substantive Testing |
| 12 | November 4 | Completing the Audit Process & Audit Reporting |
| 13 | November 11 | Legal Liability & Ethics / Final Exam discussion |