HAILEY COLLEGE OF COMMERCE
UNIVERSITY OF THE PUNJAB, LAHORE

Course Title: Audit and Assurance-I
Course Code: BSC-213 Credit Hours: 03
Program: BS Commerce Semester: 04

1.0 Introduction of the Course:

This course provides an introduction to the role of assurance in modern governance and accountability frameworks, with a more specific focus on the roles of and the techniques used by auditors. This is a crucial element of the stewardship role that finance professionals perform in modern organizations and is also relevant to the roles of enabler and innovator and business partner.

2.0 Pre-Requisites Course or Other Requirements/Skills:

Financial Accounting

3.0 Course Learning Outcomes:

1. This course provides practical understanding of international audit standards and their application in modern corporate world.
2. After studying this course, students would be able to understand objectives and application of audit standards and its requirements as applicable in Pakistan.

4.0 Course Contents:

Unit-I: Introduction

1.1 International Federation of Accountants (IFA) and International
1.2 Reading History, Mission and vision of IFA
1.3 Auditing and Assurance Standard Setting Body (IAASB)
1.4 Objectives and general principles governing an audit (ISA 2000) -
1.5 Understanding objectives and functions of IAASB
1.6 Understanding objectives of audit; accountability, stewardship, agency, independence, fair presentation
1.7 Understanding overall objectives of an independent auditor
1.8 Understanding assurance and its levels: absolute, reasonable, and limited assurance including elements of an assurance engagement, assurances provided by audit and review engagement

1.9 Explaining requirements of an external audit, eligibility, and ineligibility of auditor

1.10 Explaining rights and duties of auditors, nature and scope of an audit designed to enable the independent auditor to meet those objectives

1.11 Outlining requirements establishing general responsibilities of an independent auditor applicable in all audits including consideration of inherent limitations of an audit

1.12 Discussing concepts like professional skepticism, interim and final audit,

1.13 Listing audit procedures that can be performed by the external auditor at the interim and final stage of an audit

1.14 Understanding audit of not-for-profit organizations

Unit-II: Responsibility for the Financial Statements

2.1 Auditor's responsibility to consider fraud (ISA 240)

2.2 Understanding responsibility of management and those charged with governance for financial reporting and related internal control on financial reporting

2.3 Understanding difference between error, fraud, and misstatement, and responsibilities of management and auditors for fraud

2.4 Describing matters to be considered and procedures to be carried out to assist the auditors in identifying, assigning, and detecting the risk of material misstatement due to fraud

2.5 Identifying the fraud risk factors in simple scenario as given in appendix 1 of ISA 240

2.6 Identifying circumstances that indicate the possibility of fraud in the simple scenario as given in the appendix 3 of ISA 240

Unit-III: Appointment and Removal of Auditors

3.1 Legal considerations relating to appointment and removal of auditors (Section 246 to 253 of Companies Act 2017)

3.2 Terms of Audit engagements (ISA 210)

3.3 Explaining procedure of appointment and removal of first and subsequent auditor

3.4 Understanding qualification and disqualification of an auditor

3.5 Describing powers and duties of an auditor

3.6 Describing concept of audit of cost accounts

3.7 Discussing additional matters to be included in auditor's report

3.8 Understanding precondition for an audit and upon which it is necessary for the auditor and the entity's management to agree

3.9 Responding if preconditions are not present or limit is imposed on scope of audit in well explained simple situations

3.10 Stating content of an audit engagement letter

3.11 Understanding requirement of issuance of engagement letter and factors that necessitate the issuance of engagement letter in case of recurring audit

3.12 Discussing circumstances of acceptances of changes in terms of engagement by the auditor

Unit-IV: Planning an Audit

4.1 Planning an audit (ISA 300)

4.2 Assessment of audit risks (ISA 315 and 330)

4.3 Understanding need for planning an audit including contents of an audit plan and its relation with risk assessment

4.4 Understanding contents of overall audit strategy and audit plan

4.5 Stating who should be involved in planning and preliminary engagement activities necessary to conduct audit

4.6 Outlining additional considerations, while planning initial audit

4.7 Discussing risk based approach to auditing including audit risk model

4.8 Identify inherent risk, control risk, and detection risk in simple scenario

4.9 Explaining relationship between audit risk, and its components i.e. inherent risk, control risk, and detection risk

4.10 Discussing identification and assessment of the risk of material misstatement at both the financial statement level and assertion level, including understanding of entity, its environment, accounting and internal control systems

4.11 Explaining elements of internal control, evaluation of controls, control environment and communication of deficiencies to management

4.12 Explaining categories of control activities (internal controls) by using simple examples including Application and General IT Controls

4.13 Explaining control weaknesses in a given scenario ad suggesting to remove these

4.14 Understanding limitations of internal control system

4.15 Discussing risks associated with specialized IT systems

4.16 Explaining different methods of recording internal control systems

Unit- V: Audit Materiality

5.1 Audit Materiality (ISA 320)

5.2 Audit evidence (ISA 500)

5.3 Understanding concept of materiality and performance materiality using simple examples

5.4 Explaining materiality level or levels for particular classes of transactions, account balances, or disclosures

5.5 Explaining relationship between audit risk and level of materiality

5.6 Explaining sufficient audit evidence and general principles assisting auditor in assessing the relevance and reliability of audit evidence

5.7 Discussing audit procedures to obtain audit evidence including types of audit procedures

5.8 Discussing course of action available to auditor in case sufficient appropriate audit evidence is not obtained

5.9 Explaining financial statement assertions including assertions about class of transactions, account balances, or disclosures

5.10 Explaining audit work related to inventory

Unit-VI: Audit Sampling

6.1 Audit sampling (ISA 530)

6.2 Substantive procedures (ISA 330)

6.3 Explaining audit sampling, statistical sampling, and sampling and non-sampling risks, relationship between sampling and audit risk model

6.4 Explaining matters to consider for sampling design, size and selection of items for testing using simple examples including sample selection method

6.5 Discussing concept of mistreatment and rate of deviation including expected and tolerated

6.6 Stating audit procedures to be performed on selected sample

6.7 Discussing concept of projecting mistreatment and evaluating results of audit sampling

6.8 Understanding financial statement assertions

6.9 Describing advantages and disadvantages of both test data and audit software

6.10 Learning to use computer software in substantive testing, auditing around the computer and directional testing

6.11 Discussing methods of obtaining audit evidence for substantive testing

6.12 Explaining nature, extent, and timing of substantive procedures for different items of financial statements

Unit-VII

7.1 Tests of controls (ISA 330) Analytical procedure (ISA 520)

7.2 Exemplifying nature, timing and extent of test of controls

7.3 Explaining concept of Computer Assisted Audit Techniques

7.4 Exemplifying how auditors evaluate the operating effectiveness of controls

7.5 Explaining controls over major transaction cycles including related risks, weaknesses control objectives, and designing appropriate tests of controls

7.6 Exemplifying nature and purpose of substantive analytical procedure

7.7 Stating purpose of analytical procedures performed near end of audit

7.8 Using analytical procedures through calculation of different ratios for different items of financial statements

7.9 Understanding factors to be considered when using analytical procedures as substantive procedures

7.10 Explaining course of actions when results of analytical procedures identify fluctuations and inconsistencies

5.0 Teaching-Learning Strategies:

Lectures, discussions, presentations, quiz & assignments

6.0 Assignments:

Students would submit assignments on regular basis throughout semester.

7.0 Assessment and Examinations: As per University Rules

8.0 Textbooks:

CAF – 09 Audit & Assurance – Study Text by ICAP