

# Global Learning Semesters

## Course Syllabus

Course: ACER-201 The Audit Framework

Department: Accounting and Banking

Host Institution: Intercollege, Nicosia, Cyprus



Course Summary		
Course Code	Course Title	Recommended Credit Hours
ACER-201	The Audit Framework	6
Semester Offered	Contact Hours	Prerequisites
Please contact us	42-45	ACER-101
Department	Level of Course	Language of Instruction
Accounting and Banking	Lower Division	English

### Course Description

To provide students with a basic understanding of the nature and objectives of an audit and general auditing practice. The nature, purpose and scope of an audit and the purpose of the regulatory framework within which the auditor works, including the ethical and statutory considerations. Audit procedures in the planning stage of an audit.

### Prerequisites

ACER-101

### Topic Areas

1. The nature, purpose and scope of an audit
  - a. Development of auditing.
  - b. The ethical base of auditing.
  - c. Notion of accountability, stewardship and agency.
  - d. The social concept of an audit and its changing role.
2. The regulatory framework of auditing
  - a. International Standards on auditing, their nature, purpose, scope and development.
  - b. The framework of International Standards on auditing.
  - c. The auditors' responsibility to consider laws and regulations in an audit of financial statements.
  - d. The role of government in relation to auditing.
  - e. Supervision and monitoring of auditors.
  - f. The relationship between International Standards and National Standards on auditing, including the role of IFAC.
  - g. The roles of parties in relation to auditing including the regulatory and enforcement authority, management, internal audit and audit committees.
3. Fundamental principles and concepts
  - a. Independence, objectivity and integrity.
  - b. Confidentiality.
  - c. Audit evidence and documentation.

- d. Due care, skill and competence.
- e. Audit risk.
- f. Materiality and judgment.
- g. Expression of an audit opinion.
- h. Audit reporting as a communication medium.
- i. Audit planning and supervision.

#### 4. The framework of auditing

- a. The application of fundamental auditing principles and concepts.
- b. The application of International Standards on Auditing (including International Audit Practice Statements).
- c. The ethical codes for professional auditors.
- d. The international perspective of the legal liability of auditors and their professional obligations.
- e. The auditors' and management's responsibility for the detection and reporting of fraud, error and illegal acts.
- f. The ethical considerations relating to the engagement and continuance of audit clients.
- g. Withdrawal from professional engagements and factors affecting such decisions.
- h. Preparing, issuing and revising engagement letters.

#### 5. Audit evaluation and planning

- a. Establishing the objectives, scope and critical aspects of an audit.
- b. Developing the audit plan to meet those objectives.
- c. The identification of sources of audit evidence and the relationship of audit evidence to critical audit objectives.
- d. Establishing materiality levels, statistical sampling and sampling size.
- e. Determining the areas of audit risk and the consideration of inherent risk, control risk and detection risk.
- f. Analysing the consistency of financial and related information by substantive analysis (including analytical procedures).
- g. Designing, documenting and re-evaluation of the audit plan.
- h. Evaluating the management information systems.

#### 6. Evidence collection and analysis

- a. Collecting evidence using a variety of sources and methods.
- b. Selecting audit procedures appropriate to the business.
- c. Identifying and applying sampling techniques.
- d. Evaluating the evidence collected.
- e. Recognising mutual co-operation, similarities and differences in the work of the internal and external auditors.
- f. Recognising the needs and limitations of the use of experts.

#### 7. Performance of an audit

- a. Determining the internal control systems and documenting the system.
- b. Designing the audit programme.
- c. Evaluating internal controls.
- d. Performing tests of control on the system.
- e. Evaluating the results of tests and the re-evaluation of inherent and control risk.
- f. Applying substantive analysis, substantive sampling and the evaluation of test results.
- g. Determining and analysing the inter-relationship of tests.
- h. Altering/modifying tests in the light of test results.
- i. Comparing test results with evidence from other tests, critical audit objectives, risk evaluation and materiality levels.
- j. Responding to potential weaknesses in the system and areas of concern evidenced by substantive tests.
- k. Utilizing Computer Assisted Audit Techniques (CAATs) and testing Computer Information System (CIS) controls.

- l. Performing substantive procedures in relation to balance sheet items and evaluating the sufficiency, relevance and reliability of evidence and the amendment of the audit plan.
- m. Evaluating the quality of the audit.

#### 8. Reporting Framework

- a. Evaluating the sufficiency, relevance and reliability of audit evidence.
- b. Reviewing subsequent events, going concern status, management representations and the truth and fairness or fair presentation (or alternative reporting requirement) of financial statements.
- c. Identifying and recommending appropriate action on weaknesses found during the audit.
- d. Formulating an audit opinion.
- e. Reporting to management.
- f. Preparing formal audit reports, with or without modified opinions.
- g. Determining the potential effects of audit report modifications.
- h. Evaluating and determining the circumstances in which it is necessary to modify audit reports.

### Readings and Resources

#### Required Textbook

- Audit Framework, A.T. Foulks Lynch.

#### Recommended Reading

- Gray, S. Manson The Audit Process: Van Nostrand Reinhold A.H. Millichamp Auditing : DP Publications.
- M.J. Pratt Auditing : Pitman.