

Auditing: Principles and Methods (code 30161)

I SEMESTER

Instructors

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2. Course aims

The independent external auditor's first aim is to increase the reliability of financial statements presented by the management of a firm to its most important users, such as investors (actual and/or potential), creditors and regulators. The auditor's instrument to reach its goal is the drafting of a report in which he indicates his opinion about the credibility of these financial statements.

Another different type of audit analyse the efficiency and effectiveness of managerial decisions and actions.

The main objective of this course is to develop participants' skills in basic audit methodology and to provide students with the basic tools to analyse and interpret audit work and report.

The course examines the role and function of corporate audit and its foreseeable evolution, the auditor professional ethic code and auditing techniques and methodologies used to verify the reliability of annual financial statement of commercial and industrial enterprises.

At the end of the course students will be able to:

- understand the factors that affect demand for auditing and assurance service.
- understand and apply the principles underlying the audit and assurance services
- understand the fundamental importance of independence and objectivity to all assurance services
- apply strategic management knowledge to gain an understanding of a client's business risks
- identify and understand the role of management controls overall and in an audit
- apply risk knowledge to auditing a business processes and its management controls
- understand the nature of internal controls over financial reporting including testing decisions
- effectively employ analysis and enquiry as tools to collect audit evidence.

3. Contents Summary

The course begins with an examination of the factors affecting the demand for assurance, including the concepts of independence and objectivity which are fundamental to all audits. We then introduce the various types of the audit reports highlighting the nature of misstatements which the auditor can include in his report with emphasis upon the scientific interpretation of the concept of materiality. We then introduce the business risk audit which is the focus of new auditing standards and had been adopted (in various guises) by the so-called “Final Four” international accounting firms over the past few years. This model lends itself to in depth examination of such key issues as knowledge of client’s business, analyzing business processes and management controls and application of analytical procedures. We then introduce the audit risk model and consider the quality of different types of audit evidence. We develop a plan for evidence collection using the concept of the audit risk model in various audit areas (the revenue cycle, etc.) as an application of the general principles learned early in the course.

Particular relevance is given to analysis and discussion of typical audit problems and case studies, in order to develop students' skills in identifying critical financial areas and projecting risk-based audit procedures.

4. Teaching material:

For each session, the teaching material will be handed-out by the instructor through the web-learning. Such material includes slides, case-studies and exercises.

The reference book is:

ARENS A.-ELDER R.-BEASLEY M., *Auditing and Assurance Services, an integrated approach*, 14th Edition, Pearson Education, Edinburgh Gate, 2012.

For the selected chapters, see below.

5. Detailed outline

<i>Ss. No</i>	<i>Date</i>	<i>Time</i>	<i>Prof.</i>	<i>Contents</i>	<i>References (*)</i>
The profession of Auditing					
1	12/09 /11	08.45 - 10.15	P	Introduction to the Assurance Service Market and the Audit Standards’ Setting Process.	Hand-outs A&AS, Chap. 1 A&AS, Chap. 2
2	15/09 /11	16.15 - 17.45	P	Audit Reports.	Hand-outs A&AS, Chap. 3 (79-86 suggested, not mandatory)
3	19/09 /11	08.45 - 10.15	P	Ethics in the Audit Profession and Legal Liability considerations.	Hand-outs A&AS, Chap 4 pp. 100-

					105+114-115 Chap 5 pp. 125-126+129- 138 (up to "related financial interest issues") +150
The process of Auditing					
4	22/09 /11	16.15 - 17.45	P	Auditors' and managements' responsibilities, audit objectives and general concepts of evidence accumulation.	Hand-outs A&AS, Chap. 6 pp. 162- 165+168-183 Chap. 7 pp. 194-209
5	26/09 /11	08.45 - 10.15	P	Audit Planning; Materiality and the audit risk model	Hand-outs A&AS, Chap. 8 A&AS, Chap. 9
6	29/09 /11	16.15 - 17.45	P	Considering the internal control, Considering the risk of fraud	Hand-outs A&AS, Chap. 10 pp. 310- 314+322-335 A&AS, Chap. 11
7	03/10 /11	08.45 - 10.15	P	Developing the overall audit plan and audit program	Hand-outs A&AS, Chap. 13 (no pp. 432-434)
8	06/10 /11	16.15 - 17.45	P + GS	<i>Topic to be assigned</i>	Hand-outs
Application of the audit process to the sales and collection cycle					
9	10/10 /11	08.45 - 10.15	M	Audit of the sale and collection cycle (1)	Hand-outs A&AS, Chap. 14 A&AS, Chap. 15
10	13/10 /11	16.15 - 17.45	M	Audit of the sale and collection cycle (2)	Hand-outs A&AS, Chap. 16
11	17/10 /11	08.45 - 10.15	M	Audit of the sale and collection cycle (3)	Hand-outs A&AS, Chap. 17
Application of the audit process to other cycles					
12	20/10 /11	16.15 - 17.45	M	Audit of the acquisitions and payment cycle (1)	Hand-outs A&AS, Chap. 18

13	To be defined		M	Audit of the acquisitions and payment cycle (2)	Hand-outs A&AS, Chap. 19
14	07/11 /11	08.45 - 10.15	P	General review and exercises.	Hand-outs
15	10/11 /11	16.15 - 17.45	P	Audit of the inventory and warehousing cycle	Hand-outs A&AS, Chap. 20
16	14/11 /11	08.45 - 10.15	P	Audit of the payroll and personnel cycle	Hand-outs A&AS, Chap. 21
17	17/11 /11	16.15 - 17.45	M	Audit of the capital acquisition and repayment cycle	Hand-outs A&AS, Chap. 22
18	21/11 /11	08.45 - 10.15	P	Audit of cash balances	Hand-outs A&AS, Chap. 23
19	24/11 /11	16.15 - 17.45	M	General review and exercises.	Hand-outs
20	28/11 /11	08.45 - 10.15	P + GS	<i>Topic to be assigned</i>	Hand-outs
Completing the Audit					
21	01/12 /11	16.15 - 17.45	M	Audit completion	Hand-outs A&AS, Chap. 24
22	05/12 /11	08.45 - 10.15	P + GS	<i>Topic to be assigned</i>	Hand-outs
23	12/12 /11	08.45 - 10.15	M	General review and exercises.	Hand-outs
24	15/12 /11	16.15 - 17.45	P	General review and exercises.	Hand-outs

*A&AS= ARENS A.-ELDER R.-BEASLEY M., *Auditing and Assurance Services, an integrated approach*, 14th Edition, Pearson Education, Edinburgh Gate, 2012.

In the Prof. Section, P refers to Prof. Pettinicchio, M refers to Prof. Marra and GS refers to guest speaker.

8. Final written exam

Students can choose between:

- sitting for two partial exams during the course, only if they are awarded a sufficient grade;
- sitting for a general exam on the whole program of the course.

The second intermediate exam can be taken by those students who passed the first one only (grade 18/30). Those who failed the first intermediate exam must take the general exam and the same process applies to the students passing the first intermediate exam but failing the second one.

The students who passed the first intermediate exam can choose to take the general exam nonetheless and

in this case their first intermediate exam result is no longer taken into consideration.

The student passing both the first and the second intermediate exam with a mark of at least 18/30 is assigned with a final mark calculated as the average of the intermediate exams results. In this case the exam cannot be taken again.

The students withdrawing during the exam session will be considered as non attending the exam session at

all. The student passing the general exam with a mark of at least 18/30 can not take the exam again.

The office hours for the exams review will be promptly made available.

The enrolling for the intermediate and general exams is compulsory. The final mark registration will be made automatically. A final mark of “30 cum laude” will be assigned to students who reach a final grade equal to 31.

NOTE: For any specific question about the contents handled in class or concerning the rules and the organization of the course, please contact: Prof. Antonio Marra or Prof. Angela Pettinicchio