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Innovations and Achievements

- ❖ **Data Analytics => Learning by doing**
 - ✓ Practice analysing data using visualisation and logical thinking
 - ✓ General Feedback Report provided on Moodle
 - ✓ Ample guidance provided via Moodle and additional consults
 - ✓ Honing of Excel/Tableau skills
- ❖ **Guest Lecture => Access to industry expert and knowledge**
 - ✓ Learn more about external auditing
 - ✓ Valuable information about career development
- ❖ **Student Led Role-play => Important skills**
 - ✓ Applying audit concepts to a hypothetical scenario
 - ✓ Learning from peers in week 11 tutorials
 - ✓ Personalised Feedback on Storyboard provided on Moodle
 - ✓ In-semester feedback provided the opportunity to enhance students' learning and subsequent assignment submission
 - ✓ Acquisition of working in team and video skills

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Learning Outcomes achieved

- ✓ Explain and debate the **role, limitations and demand for audits** in modern corporate society, and give examples of the **professional, ethical and legal obligations**, and the standards and principles applicable to the audit profession
- ✓ Distinguish between the **different types and levels of assurance services** provided by professional practitioners, including auditors, and describe the assurance framework
- ✓ Examine the auditor's role in corporate governance with particular emphasis on **assessment of internal controls and the detection and reporting of fraud and error**

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Learning Outcomes achieved

- ✓ Identify, distinguish between and apply the **key evidence gathering procedures** used by auditors when planning, testing, completing the audit and **forming an audit opinion**
- ✓ Demonstrate an **ability to work independently and to lead and participate in teams** from diverse cultural and social backgrounds in independent and group assessable tasks
- ✓ Apply critical thinking, problem solving and **presentation skills to individual and group activities** dealing with auditing and assurance and demonstrate in an individual summative assessment task the acquisition of a comprehensive understanding of the topics covered by ACC/ACF3600

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Educational objectives achieved

Bloom's Taxonomy

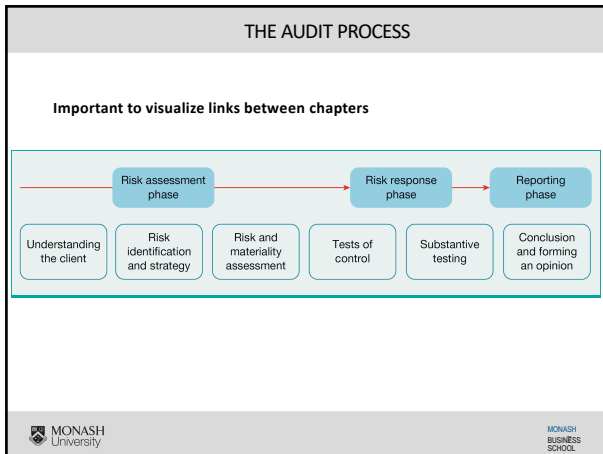
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Concept map - RECAP

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DIFFERENT ASSURANCE SERVICES

The most common assurance services are:

- **Financial report audit**
an engagement designed to express an opinion about whether the report is prepared in all material respects in accordance with a financial reporting framework (ISA 200, para. 11; ISA 200, para 11)
- **Compliance audit**
Involves gathering evidence to ascertain whether **rules, policies, procedures, laws** and **regulations** have been followed.
- **Performance audit**
Refers to the **economy, efficiency** and **effectiveness** of an organisation's activities.
- **Comprehensive audit**
Combines elements of financial report audit, compliance audit and performance audit.

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Fundamental principles of professional ethics

- All members of the professional accounting bodies are to comply with the fundamental ethical principles (APES 110, S. 100.4):
 1. integrity
 2. objectivity
 3. professional competence and due care
 4. confidentiality
 5. professional behaviour.

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Auditor Independence

- **Threats to compliance with fundamental ethical principles (APES 110)**
 1. self-interest
 2. self-review
 3. advocacy
 4. familiarity
 5. Intimidation
- **Safeguards to independence:**
 - by profession, legislation or regulation
 - by clients
 - by accounting firms




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MATERIALITY

MATERIALITY

- Materiality guides audit planning, testing, and assessment of information in financial report
- Information is material if it **impacts on the decision-making process** of users of the financial report

Quantitative materiality factors

- **Magnitude** of the item
 - ☐ Express as percentage of relevant base figure
 - ☐ Use professional judgment
 - ☐ Guidelines: > **10% of profit, 1% of assets**, material

Auditors uses **professional judgement** when setting planning **materiality**.

Adapted from Moroney, Robyn, et al. (2017). Auditing: A practical approach (3rd ed.), Wiley




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Fraud risk

Financial reporting frauds

- Improper asset valuations
- Unrecorded liabilities
- Timing differences — bringing forward the recognition of revenues and delaying the recognition of expenses
- Recording fictitious sales
- Understating expenses
- Inappropriate application of accounting principles

Misappropriation of assets frauds

- Using a company credit card for personal use
- Employees remaining on the payroll after ceasing employment
- Unauthorised discounts or refunds to customers
- Theft of stock by employees or customers
- Using a company car for unauthorised personal use




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AUDIT RISK

Audit risk model

$AR = f(IR, CR, DR)$

AR = audit risk

IR = inherent risk

CR = control risk

DR = detection risk

Risk of material misstatement (RMM) existing in client's financial report and at assertion level comprises both IR and CR (RMM = IR + CR)

Adapted from Moroney, Robyn, et al. (2017). Auditing: A practical approach (3rd ed.), Wiley

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AUDIT ASSERTIONS

Assertions about transactions and events	Assertions about account balances at year-end	Assertions about presentations and disclosure
Typically income statement accounts	Typically balance sheet accounts	Disclosures made in the financial report
Occurrence	Existence	Occurrence
	Rights and obligations	Rights and obligations
Completeness	Completeness	Completeness
Cut off		
Accuracy	Valuation and allocation	Accuracy and valuation
Classification		Classification and understandability

Adapted from Moroney, Robyn, et al. (2016). Auditing: A practical approach (3rd ed.), Wiley

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Evidence gathering procedures

```
graph TD; Observation --> AE[Audit Evidence]; PE[Physical Examination] --> AE; Confirmation --> AE; Reperformance --> AE; AP[Analytical procedures] --> AE; Recalculation --> AE; Enquiry --> AE;
```

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Designing substantive audit procedures – BASIC RULES

- **How do I design an effective audit program?**
 - All assertions need to be covered
 - Design one or more procedures to test that assertion
 - When writing your answer follow these simple rules:
 1. Use the appropriate **technical name** for the procedure (e.g. vouching, tracing, inspect)
 2. Use the **client-specific terms** for the document, policies, procedures and roles/jobs
 3. Be as detailed as possible (*to allow replication and understanding*)
 4. Make sure your procedure is testing the correct assertion (or key control for controls testing)

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Example – Accounts Payable

• Valuation and allocation

- *1. select a sample of Accounts Payables and recalculate the amount owed by vouching to outstanding invoices
- *2. Request a written confirmation owed to 5 largest suppliers

• Existence

- *1. Vouch outstanding invoices to physical inventory
- *2. Request confirmation of amount owing from suppliers

• Completeness

- *1. Trace a sample of purchase orders through to receipt of goods, invoices from suppliers and Accounts payable journals
- *2. Conduct a subsequent cash payment test

• Rights and Obligations

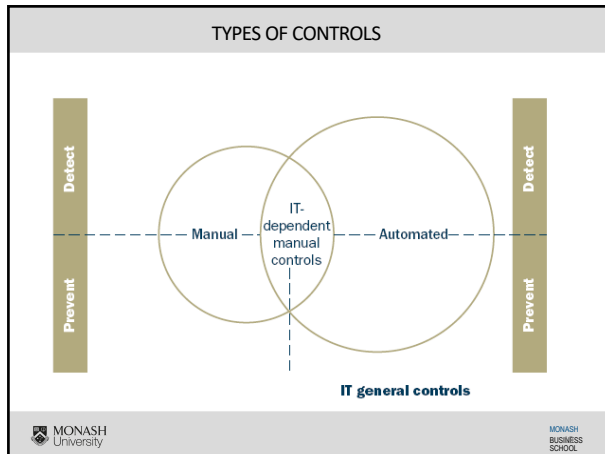
- *1. Trace a sample of purchase orders from last month of year and for those goods where goods are not received by 30 June – Check Accounts payable has not been recorded
- *2. Select a sample of goods received in last 2 weeks of financial year – Check Accounts payable has been recorded

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Sampling – Chapter 7

- Sufficient to read the lecture slides, with follow-up reading in the textbook for areas you do not understand
- Sampling risk versus non-sampling risk
- Factors affecting sample size
- Evaluating sample test results

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Example – how to phrase a control test

- A control test has two things ☹ What are they?
 - Control
 - Test
- Scenario: All purchase order notes are authorised
- Design of control test:
- I will ensure that all purchase order notes are authorised by selecting a sample of purchase order notes and inspecting the signature
- I will ensure that all purchase order notes are authorised by selecting a sample of purchase order notes and inspecting the signature

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GOING CONCERN

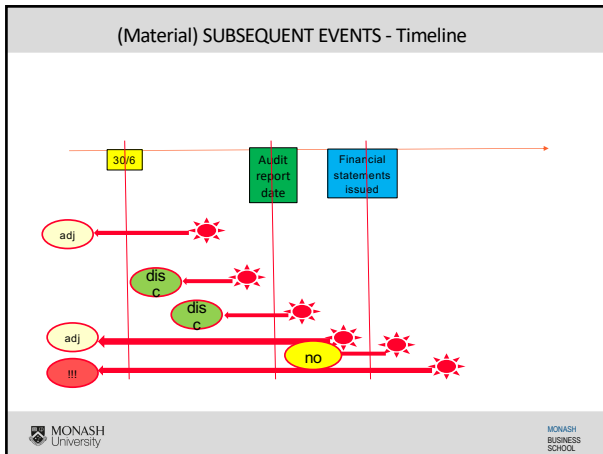
Auditor considers **reasonableness of management's assessment of going concern** and whether **disclosures** are required in financial report (ASA 570; ISA 570)

- Consider reasonableness of management's procedures to **identify going concern issues** and **mitigating circumstances**
- If going concern assumption is not appropriate, management should prepare financial report on **liquidation basis**

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DIFFERENT AUDIT OPINIONS

- **Unmodified:**
 - Also known as an **UNQUALIFIED OPINION** or **clean opinion** – as in a ‘clean bill of health’.
- **Modified:**
 - Modifications that **do not affect** the auditor’s opinion:
 - ❑ **Emphasis of matter**
 - Modifications that **affect** the auditor’s opinion:
 - ❑ **Qualified Opinion**
 - ❑ **Adverse opinion**
 - ❑ **Disclaimer of Opinion**

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Modifications that affect the auditor’s opinion

Nature of matter giving rise to the qualification	Auditor’s judgement about the pervasiveness of the effects or possible effects on the financial report	
	Material but not pervasive	Material and pervasive*
Financial report is materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

- Key concepts (ASA 705):
 - **Pervasive effects:**
 - (i) Are not confined to specific elements, accounts or items of the financial report;
 - (ii) If so confined, represent or could represent a substantial proportion of the financial report; or
 - (iii) In relation to disclosures, are fundamental to users’ understanding of the financial report.
 - **Inability to obtain sufficient appropriate audit evidence**
 - Could result from auditor’s **inability** to perform procedures or an **imposition** by the entity

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Past Year Exam Question on Audit Opinions

Consider the following independent material scenarios:

For each of the above independent situations, identify the type of audit opinion to be issued.

Provide reasons for your decision.

[Total = 5 + 5 + 5 = 15 marks]

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- (i) You are the auditor of the A Ltd Group. Although you are not the auditor of B Pty Ltd, C Pty Ltd or D Trading Trust (all entities controlled by A Ltd), you are able to obtain copies of their signed unqualified audit reports. However, despite receiving a copy of the audited (and unqualified) financial report for B Pty Ltd, you do not believe the financial report is suitable for consolidation with the other entities in the group. You have been able to quantify the financial effect of the required adjustments on the A Ltd Group's financial report. However, management has refused to make the adjustments and has consolidated the existing versions of the four entities' financial reports.

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- (ii) Leather Pty Ltd is a small business that has exclusive importation rights to AB brand handbags and accessories. Post balance date changes in legislation mean that, in one month, Leather will no longer have these rights. Instead, any business will have the right to import the products. Leather has no other source of income and is unlikely to survive a price war with cheaper importers. This situation is adequately disclosed in the notes to the financial report.

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(iii) Gold Mines Pty Ltd operates a small goldmine, which is run as a family business. The Board consists of Mr Gold and his sister, Ms Gold, who are also the principal shareholders. As part of the final audit meeting, Ms Gold tells you:

'In my opinion, the vein of gold that we are currently mining will last eight months at most, and four months at least. After the gold is extracted, we will let the licence expire and retire to the coast.'

Ms Gold then shows you a surveyor's report backing up her assertion regarding the amount of gold remaining in the vein.

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FINAL EXAM: STRUCTURE AND TIPS

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What you should know about your Final Exam

- Closed Book <as required by Professional Accreditation Bodies and consistent with prior year/semesters>
- No Calculator <you will not be asked to calculate anything>
- No Specifically Permitted Items
- Duration: 2 hours 10 mins (or 130 minutes)
- **Require a minimum of 40% on final exam to pass this unit (Hurdle)**
- Format: Short-answer (39 marks), Applied questions (61 marks)
- **Write your answers in the spaces provided (NOT in your notes section as that won't be marked)**
- All Topics during the 12 weeks are covered
- If requirement asks for 1 answer, only the first answer will be evaluated
- **Realise the concepts rather than Memorise them**
- Make sure you understand the **Key Concepts each week.**
 - Refer to the chapter learning objectives
- **Deferred Exam (early 2021): Similar Format**

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Final Exam Structure			
Question	Allocated Marks	Estimated Time (130 min = 100 pts)	Further Information/detail
1	8	10	Choose your answer from options provided
2	7.5	10	State your short-answer (1-2 words only per statement provided)
3	5.5	8	Choose your answer from options provided
4	4	6	Choose your answer from options provided
5	8	10	Choose your answer from options provided
6	6	8	Choose your answer from options provided
7	12	16	Think and write, given the mini-case scenario(s)
8	12	16	Think and write, given the mini-case scenario(s)
9	12	16	Think and write, given the mini-case scenario(s)
10	15	20	Think and write, given the case scenario(s)
11	10	10	Specify next audit steps or action given the facts specified.

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Final Exam	
➤ Review textbook again ➤ Review the questions at the end of lecture slides ➤ Do the tutorial-assigned questions from the textbook ➤ Read the questions and the requirements carefully ➤ Write clearly to avoid loss of marks due to misunderstanding ➤ Make sure you attempt ALL the questions ➤ Suggestion: Start with questions you feel comfortable and finish with questions you find more challenging ➤ The orange ones in the previous slide require no writing! Simply select your answer from the options provided in the exam question. <about 1/3 of your exam, 31.5 marks> ➤ The purple one in the previous slide requires little writing! Simply state your answer(s) here for each of the statements provided. <7.5 marks> ➤ The green one in the previous slide requires succinct writing. Please specify and justify your answer(s) – relatedly, more discussion/explanations are needed for higher mark sub-questions. <61 marks>	 MONASH University 32  MONASH BUSINESS SCHOOL

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EXAM CONSULTATION HOURS (TBA, see Moodle)	
▪ If you have questions, please come to zoom consultations ▪ Only clarifications of questions, no hints for the exam will be provided during the consults. ▪ Exam-related questions need to be posted in the Discussion Forum for equity reasons – occasionally check the forum or subscribe yourself, to be informed.	 MONASH University 33  MONASH BUSINESS SCHOOL

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Education is what remains after one has forgotten what one has learned in school. (Albert Einstein)

Thank you – I hope you enjoyed Auditing and Assurance.
Best wishes for your future endeavours.

Dr Ashna Prasad

Connect with me to stay in touch:
<https://www.linkedin.com/in/ashna-prasad-360813169/>



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YOUR FEEDBACK - SETU EVALUATION

- **How to access SETU**

The easiest way for students to access their evaluations is through the new **Moodle** block which will list the personalised unit evaluations applicable to each student. Students will also receive a link to their surveys within weekly email reminders.

- Please provide us with constructive feedback.
- Thank you.





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