

Module 28

6.28.1. Internal Organisation and Financial Control

Module title		Internal Organisation and Financial Control								
Module NFQ level (only if an NFQ level can be demonstrated)		8								
Module number/reference		BS28								
Parent programme(s)		Bachelor of Arts (Honours) in Business Studies								
Stage of parent programme		Stage 4								
Semester (semester1/semester2 if applicable)		Semester 2								
Module credit units		ECTS								
Module credit number of units		10								
Duration of the module		One Academic Semester, 12 Weeks Teaching.								
Average (over the duration of the module) of the contact hours per week		6								
Analysis of required learning effort										
Effort while in contact with staff										
Classroom and demonstrations		Mentoring and small-group tutoring		Other (specify)		Directed e-learning (hours)	Independent learning (hours)	Peer-directed learning.	Work-based learning hours of learning effort	Total effort (hours)
Hours	Minimum ratio teacher/learner	Hours	Minimum ratio teacher/learner	Hours	Minimum ratio teacher/learner					
48	1:40	24	1:20				178			250
Allocation of marks (within the module)										
				Continuous assessment	Supervised project	Proctored practical examination	Proctored written examination	Total		
Percentage contribution				30 %			70%	100%		

Minimum intended module learning outcomes

On the successful completion of this module, students should be able to:

- MIMLO 28.1** Explain the audit process and assurance engagement and their respective applications in the context of the external regulatory environment (including corporate governance requirements) for business control, risk-management and development.

- MIMLO 28.2** Explain and evaluate the internal audit process, highlighting its strengths and weaknesses, the influence of corporate government guidelines, and its role in improved business efficiency, risk management, internal control, and performance management.

- MIMLO 28.3** Explain and discuss the nature, purpose & scope of the role of external audit in providing assurance on risk management, internal control and describe the changing nature of the audit process in response to changes in risk.

- MIMLO 28.4** Describe and discuss internal controls and the significance of both the control environment and the policies and procedures required to facilitate the successful implementation of a robust system of internal controls and risk management.

- MIMLO 28.5** Identify and explain the audit tasks and quality of evidence required to ensure the objectives of the audit are achieved to a high-quality standard and that International Standards of Auditing (ISAs) are adhered to.

- MIMLO 28.6** Critically appraise the professional ethics and codes of conduct governing external audit and internal audit and to consider responsibility of auditors in respect of fraud and/or error.

Module content, organisation and structure

Indicative Syllabus:

Nature, purpose and scope of audit

- Explain and discuss the objectives and general principles of an audit or assurance assignment and the importance of independence to these roles
- Explain and discuss the concept of agency, stewardship and fiduciary duty of care and the relevance of audit to these concepts
- Explain and discuss the 'true and fair' concept and assess the level of assurance provided by an audit and the changing nature of audit
- Identify and explain the key elements of an assurance engagement

The audit regulatory environment (ISAs, Corporate Governance & professional ethics):

- Explain and discuss the development and relevance of International Standards of Auditing (ISAs) applicable in Ireland
- Explain the nature and scope of the Auditing Practices Board (APB), the relationship between ISAs and the role of APB and the structure of the auditing profession in Ireland
- Explain and discuss the meaning of corporate governance (including the Combined Code on Corporate Governance) , its key objectives and its relevance to auditing
- Identify, explain and evaluate the key provisions of the Combined Code on Corporate Governance and its relevance to auditing (Audit committee, external audit and internal audit), including its impact on the reporting responsibilities of auditors
- Clarify the responsibilities of Directors, as set out in the Combined Code on Corporate Governance, in respect of internal controls and risk management
- Explain, discuss and evaluate to recommended composition and role of the Audit Committee as set out in the Combined Code on Corporate Governance
- Explain and discuss the regulatory environment within which statutory audits are conducted and explain the reasons for the regulation of the external audit process
- Identify, explain, discuss and apply the fundamental principles of professional ethics (Technical competence, objectivity/independence, professional conduct and due care, integrity/honesty and confidentiality)
- Identify, explain and discuss threats to independence such as advocacy, self-review, intimidation, familiarity and self-interest and the means by which these can be negated

The internal audit:

- Explain and discuss the role, status and responsibilities of internal audit in addition to assessment of the limitations of internal audit
- Identify and discuss the key factors to be taken into account in assessing the need for an internal audit function and its contribution to increased organisational economy, efficiency and effectiveness
- Identify, discuss and make recommendations on the structure, operations and reporting responsibilities of internal audit as recommended in the Combined Code of Corporate Governance
- Identify and explain the advantages and disadvantages of outsourcing the internal audit function
- Identify and discuss the contribution internal audit can make to the external audit process and the importance of communication between internal and external audit functions
- Identify and discuss the key differences between the internal and external audit functions
- Apply the internal audit techniques to not-for-profit organisations and explain how it might differ from an audit of a for-profit organisation

The external audit:

- Explain and discuss the nature and scope of external audit and the regulatory context in which a statutory audit is required
- Explain the statutory regulations governing the appointment of external auditors and the professional conducted expected of existing and replacement auditors
- Understand, explain and discuss to key objectives of statutory audits and the importance of understanding the business environment in which the potential entity to be audited operates and the impact this may have on acceptance of the assignment
- Understand and discuss the importance of assessing the key risk involved in a particular audit assignment and its implications for acceptance, planning and allocating resources to the audit
- Explain and discuss the weaknesses in the external audit process in various circumstances, making reference to the requirements of the Combined Code of Corporate Governance
- Explain and discuss good corporate governance requirements of directors in the areas of risk management and internal controls
- Clarify the reporting responsibilities of directors and external auditors in order to achieve compliance with the Combined Code on Corporate Governance
- Explain, discuss and evaluate the structure, membership and roles of an Audit Committee as recommended by the Combined Code on Corporate Governance
- Explain the process and the regulatory requirements in the removal and/or resignation of the external auditor

The audit process:

- Identify and explain the overall objectives of an audit and assurance assignment#
- Explain and discuss the importance of planning the audit in advance so that resource requirements are put in place and the overall risk of the assignment has been assessed to ensure a professional approach and compliance with ISAs
- Explain and discuss the importance of audit planning and describe the typical contents of an audit plan
- Identify and assess the main categories of audit risk and explain the process by which an auditor obtains an understanding of the business environment in which the audit is to be completed
- Identify and explain recommended procedures to help identify and assess the risks of fraud and/or error in financial statements
- Explain and discuss the concept of materiality, including assessment of materiality levels in financial information
- Explain and discuss the respective responsibilities of internal and external auditors in the prevention, detection and reaction to fraud and/or error
- Identify and explain the nature and purpose of analytical review (financial and non-financial) and calculate, interpret and discuss key ratios which may assist in the analytical review process
- Explain the importance of and the procedures involved in the collection and filing of reliable audit evidence to support conclusions and other findings
- Explain and discuss the assertions contained in financial statements, including the importance of reliable audit evidence to support these assertions
- Discuss how the reliability and independence of audit evidence influences the auditors judgement and subsequent requirements in terms of the type and frequency of sampling
- Explain the significance of an effective and efficient system of internal control and the reasons why SMEs may have different internal controls to MNCs
- Identify, explain and apply compliance and substantive testing procedures to comprehensively test internal controls and complete the audit of:

- Trade and other receivables and prepayments, including balance confirmation/reconciliation, transactions, year-end cut-off procedures and associated posting entries
- Trade and other payables, accruals and contingencies, including balance confirmation/reconciliation, transactions, year-end cut-off procedures and associated posting entries
- Inventory and related transactions, including verification of existence (including physical counts), ownership, valuation, year-end cut-off procedures and third party holdings
- Bank and cash balances and related transactions, confirmation of existence, ownership and valuation with reliable third party documentary audit evidence to facilitate reconciliation
- Payroll and related employment costs and associated transaction entries, verification, valuation, year-end cut-off and disclosure
- Tangible non-current assets and related transactions (including capital expenditure), existence, location, ownership, and related depreciation and/or impairment tests
- Tangible non-current liabilities and related transactions, existence, valuation and supporting audit evidence
- Tangible current liabilities (e.g. current tax liability) and related transactions, existence, valuation supported by reliable audit evidence
- Share capital, reserves and loan capital, related transactions, accuracy of records with supporting audit evidence, including assessment of company secretarial compliance
- Explain, discuss and evaluate the main types of audit sampling and explain the objectives and relative merits of sampling
- Explain and discuss the use of basic statistical sampling, non-statistical sampling and other forms of sampling
- Explain and discuss the audit implications of a sample finding and its potential implications for further testing
- Explain the need for the auditor to use the work of others (in particular external experts, internal auditors, company directors and employees) in completing the audit assignment and how the level of reliance of such evidence is determined
- Explain the fundamental significance of the control environment and the policies/procedures in place necessary for the foundation of internal control
- Determine, document and evaluate systems of internal control, including internal control checklists & tests of control.
- Explain the purpose and meaning of Internal Control Questionnaires (ICQs) and Internal Control Evaluation Questionnaires (ICEQs)
- Development of the analytical competence to evaluate internal controls and identify weaknesses and suggest improvements to an internal control system
- Comprehensive understanding of the establishment and recording of audit evidence (in particular Trade receivables, Trade payables, Inventory, Bank/Cash, Non-current assets, Medium and long term liabilities as well as accruals and prepayments) in addition to the evaluation of the adequacy of such evidence.
- Explain and discuss the main components of an effective internal control system as proposed by in the Turnbull Guidance (control environment, risk assessment, risk response, control activities, communication and monitoring of controls) and is incorporated into the recommendations of the Combined Code on Corporate Governance
- Identify and discuss the limitations/weaknesses of internal controls systems and explain the process for communication of identified weaknesses

Auditing in a computer environment:

- Explain the specific planning implications when preparing for an audit assignment (internal and/or external). in a computer environment
- Explain and discuss the uses, benefits and limitations of Computer Assisted Auditing Technique (CAATs)
- Explain and apply input controls, process controls and output controls in the context of an ecommerce organisation and recommend appropriate audit tests
- Understand and elaborate on the use of computers and software applications in the pursuit of a more effective and efficient audit process

Reporting Framework:

- Explain the objective of a review of post balance sheet events by external audit
- Identify and discuss the procedure involved in a review of subsequent events by an internal or external auditor
- Explain and discuss the significance of the 'going concern' concept, the reporting requirements/responsibilities and the associated role of the external auditor in reviewing going concern
- Explain and discuss the disclosure/reporting requirements of the findings of a review of going concern making reference to an organisation you may have researched
- Explain and discuss the circumstances where written assurances are required and the procedure for obtaining and verifying the reliability of such an assurance
- Explain and discuss the importance of a review of the audit findings and evidence by the audit partner/manager prior to communication with the client
- Explain and discuss the format and content of an unqualified audit report and display the ability to apply recommended format and content in circumstances where the audit report requires modification
- Explain and discuss the importance of communicating the audit findings to the appropriate person(s) in writing and arranging an audit conclusion/finalisation meeting
- Explain the process, structure and content of an internal audit report and identify to whom the report should be addressed
- Explain the importance of communicating and arranging follow up meetings with the relevant personnel following publication of the internal audit report
- Explain and discuss the format and content of Management letters

Current issues in auditing:

- Discuss the arguments for and against topical issues such as the limitation of auditors liability, the use by organisations of the same audit provider of both internal and external audit services
- Discuss the arguments for and against the small company's exemption from a full statutory external audit
- Understand and discuss the current developments to corporate governance which have an impact on the audit process (internal and/or external).
- Explain and discuss current and emerging issues in International Standards of Auditing.

Reading lists and other information resources

Title	Author	Publisher	Year
Essential:			
Auditing Today, 8 th Edition	Woolf, E.M.	Prentice Hall Global	2004
Auditing and Assurance Services	Arens, Elder and Beasley	Pearson Education	2012
BPP – ACCA study text	BPP Professional Education	BPP Professional Education	2013
Sarbanes Oxley in Leading Economies	Anenti and Tarantino	Pearson Education	2012
Auditing	Millichamp, A.H.	Continuum International Publishing Group	2002
A Manual on Audit	Chitty, D.	Gill & MacMillan	2006
Recommended:			
Advanced Corporate Reporting	BPP Professional Education	BPP Publications	2008

REFERENCE

Websites:

www.accaglobal.com

www.charteredaccountants.ie

www.ifrs.com

www.icaew.com

www.ifac.org