

**THE OPEN UNIVERSITY OF TANZANIA
FACULTY OF BUSINESS MANAGEMENT**

DEPARTMENT OF ACCOUNTING AND FINANCE

**OAC 452: AUDITING AND ASSURANCE SERVICES
COURSE OUTLINE**

OVERVIEW

The auditing environment has been subject to changes in recent years. Growth in information available in all aspects of business has led to need for assurance as to the quality and reliability of information.

Traditionally the auditor has been involved in giving assurance on the assertions made by management in the financial statements. This has been an assurance service offer to the shareholders of a company.

The profession has therefore been at the forefront of the answer to the global need for assurance services and has taken and is continuing to take steps to use its business skills and acumen to provide a wider range of assurance services to meet the increasing requirement for such assurance.

A. Subject description and aims

- To enable candidates make valuable judgment and apply techniques in the analysis of matters relating to the provision of audit and assurance services
- To equip candidates with knowledge of the auditing practices and developments
- To consider the special features of the role of audit in the public sector and cooperatives

B. Subject Objectives

- Be able to apply and evaluate the requirement of the relevant Statements of Auditing standards
- Be able to evaluate findings and results of work performed and drafts suitable reports on assignments in accordance with the requirements of the auditing standards
- Be able to evaluate and recommend quality control policies and procedures
- Be able to analyse current issues and developments relating to auditing and assurance services.
- To be able to work within a professional and ethical frame work.
- Be able to deliver audit and assurance services in conformity with the professional and legal framework within which auditing is practiced

C. Subject learning outcomes

- At the end of the subject students should be able to
- Understand the nature, purpose and scope of audit and internal review, including the role of internal audit in providing assurance on risks management and on control framework of an organization
- Identify risks, describe procedures undertaken in the planning process, plan work to meet the objectives of the audit or review assignments and drafts the content of plans
- Describe and evaluate accounting and internal control systems and identify and communicate control risks, potential consequences and recommendations
- Explain, gather and evaluate sources of evidence, describe the nature, timing and extent of tests on transactions and accounting balances and design programmes for audit and review assignment
- Evaluate findings, investigate inconsistencies, modify the work program
- As necessary, review subsequent events and justify and prepare reports for users within and external to the organization including recommendations to enhance business performance
- Discuss and apply the requirements of relevant international standards on auditing

D. Subject teaching and learning strategies

Delivery of the course

- The Course will be delivered by **detailed course outlines (This One)**. Obtain copies from your Regional Centre Offices upon fulfilling all the registration requirements. You are advised to use this course outlines as a guide to your search for learning resources.
- Simulation
- Case studies
- Guest speakers
- Visitations

E. Subject Content

1.0 Professional and ethical Considerations

- Ethical principles
- Fundamental principles, Threats and safeguards
- Objectivity and Independence.
- Meaning and importance of professional ethics, ethical dilemmas
- NBAA and IFAC Codes of ethics
- Relevance of Professional ethics
- Compliance with the code of professional conduct
- Independence Rules of conduct and interpretations
- Disciplinary measures against non-compliance with the code of conduct

- Confidentiality

1.1 International Development in Auditing

- The role of IFAC
- International Standards on Auditing (ISA)
- The duty of care
- Auditors Liability and Auditing case law

1.2 Audit and Cooperate Governance Issues

- Audit and corporate governance issues
- Enhancing Auditors Independence
- Audit Committee (What is it and its Functions) in Regulatory environment.
- Rotation of Auditors
- Provision of non-audit services to clients
- Laws and codes in an audit of financial statements (e.g. Sarbanes and Oxleys, OECD code etc)
- Social and environmental audits
- International financial control effectiveness
- Code of best practice
- Responsibilities of

Directors

Internal Auditors

External Auditors

Communicating Audit matters

1.3 Auditing in a computer Environment

- Nature and types of computerized accounting systems
- Internal controls in ICT environment
- Controls in ICT environment
- Use of ICT in the audit
- Computer Assisted Audit techniques
- Bureaux and software houses
- Control problems in small computer systems
- E-commerce

1.4 Fraud, Irregularities Money laundering and forensic audit

- Money laundering
- Prevention and detection of frauds and irregularities
- Forensic audit
- The auditors relationship with police and senior management

- The psychology and the use of interrogation

1.5 Audit of specialized entities

- Audit of group of companies and joint audits
- Audit of Banks, Insurance entities and pension funds
- Audit of contracts
- Shipping companies
- Stock Markets

1.6 Audit of None not for Profit Organizations

- Audit of charities, societies, clubs and other non-governmental organization

1.7 Management Audit

- Origins of Management Audits
- Special Operational appraisal
- Man agent reports
- Differences with statutory financial audits
- Objectives and scope of management auditors
- Limitations of Management Audit

1.8 Public sector Audit

- Public Sector intuitions
- Legislations governing public sector audit
- The controller and auditor general
- Value for money audits in the public sector
- International Standards on Auditing and public sector auditing

1.9 Assurance Engagements and prospective Financial Information

- Considerations before acceptance of an engagement
- Planning Assurance Engagements
- Obtaining evidence
- Levels of assurance (Reasonable or Limited)
- Form and content of assurance Reports
- Quality Control and quality Review
- Risk based Approach
- Audit Risk
- Risk Assessment
- Definitions, Forecasts, projections
- Investigations and other engagements

1.10 Advanced Aspects of Auditing

- New Exposure Drafts and professional pronouncements
- Environmental Issues i.e. Environmental law and regulations, Environment policies.
- current issues in Auditing
- Audit reporting, audit liability and Expectations Gap
 - nature and structure of the expectations gap
 - Reducing expectations Gap
- The future of audit profession
- Auditors and the law
 - Concept of professionals due care
 - Auditor and civil liability
 - Audit liability under common Law
 - Contract third parties
 - Mitigate measures against liability by auditors
 - Fraud and error
 - Professional Liability (Including negligence)
 - Misconduct
 - Professional indemnity and insurance

1.12 Reporting

- The Audit Opinion
- Elements of Audit Report
- Unmodified and Unqualified Audit Report
- Qualified Report

1.13 Audit Planning

- Planning process
- Impact of the fraud
- Strategies and the audit plan
- Knowledge of the business
- Materiality
- Documentation

1.11 Other Assurance services

- Review and compilation services
- Review of Interim financial Information for public companies
- Attestation Engagements

F. Subject References.

- **Main readings**

IFAc 2006 Hand book of International auditing Assurance and ethics pronouncement: IFAC

United Republic of Tanzania, 2004, the public procurement Act: Government Printer

O'Regan, David, 2003, International Auditing-practical resource guide: WILEY.

Chaffey and Dave, 2004, E-Business and E-commerce management: Prentice Hall

Messier, W.2003, Auditing & Assurance dynamic Accounting Power Web, A at al, 2005,

Auditing and Assurance Services 11th Edition: an International Auditing and other Assurance Services 4th Edition; WILEY

- **Supplementary readings**

Beasley – Buckless Pravitt, 2003, Auditing Cases, 2nd Edition; prentice Hall.

United Republic of Tanzania, 2001, the public finance act No.6-revised in 2004: Government printer

Mhilu, F, 2002, Advanced auditing and Investigations; NBAA

ARENS Loebbecke, 2000, Auditing 8th Edition: Prentice Hall

Mapunda, Smwel E, 2004, Procurement and supplies Auditing manual.

G. Course Evaluation

The course will be evaluated by THREE main components.

- (a) Two timed test each 12.5%, Total 25% which will be administered during the university's Timed Test session (see Current Prospectus). Obtain a copy of test timetable from your Regional Centre Office.
- (b) Assignments One And Two each (7.5 %), Total 15% which will be provided as soon as preparations are completed Each assignment will provide specific guidelines and requirements.,
- (c) A final examination (60%), which will also be administered during the university's scheduled final examination session (*See Current Prospectus* for dates). Obtain a copy of examinations timetable from your Regional Centre Offices or from the website.

Note.

Course Work 40% + FE 60% = 100%