

## ACCT 244-INTERNAL CONTROL AND AUDITING 3 CREDITS

### SYLLABUS

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#### CATALOG DESCRIPTION

An introductory course in internal control and auditing standards and processes used by internal auditors, managers, independent public accountants and the assurance profession. Students will gain an understanding of how auditors work to keep the capital markets safe and secure for the investing public by learning the professional standards that regulate the auditing process.

Prerequisites: ACCT 221

Semester Offered: Spring

#### **Common Student Learning Outcomes**

*Upon successful completion of San Juan College programs and degrees, the student will demonstrate competency in...*

##### **BROAD AND SPECIALIZED LEARNING**

Students will actively and independently acquire, apply, and adapt skills and knowledge with an awareness of global contexts.

##### **CRITICAL THINKING**

Students will think analytically and creatively to explore ideas, make connections, draw conclusions and solve problems.

##### **CULTURAL AND CIVIC ENGAGEMENT**

Students will act purposefully, reflectively, and ethically in diverse and complex environments.

##### **EFFECTIVE COMMUNICATION**

Students will exchange ideas and information with clarity in multiple contexts.

##### **INFORMATION LITERACY**

Students will be able to recognize when information is needed and have the ability to locate, evaluate, and use it effectively.

##### **INTEGRATING TECHNOLOGIES**

Students will demonstrate fluency in the application and use of technologies in multiple contexts.

*Student work from this class may be randomly selected and used anonymously for assessment of course, program, and/or institutional learning outcomes. For more information, please refer to the Dean of the appropriate School.*

#### **Course Learning Outcomes**

Upon successful completion of the course, the student will be able to...

1. Describe the attest function.
2. Describe the Generally Accepted Auditing Standards (GAAS), the professional and ethical responsibilities of the independent public accountant.

3. Understand risk assessment and its importance in the audit function.
4. Demonstrate the ability to plan and document the planning of the audit including the initial risk assessment, calculation of materiality and preparation of audit programs.
5. Understand the concepts, processes and assessment of internal control
6. Demonstrate knowledge of the substantiation of balances and collection of audit evidence and preparation of audit work papers.
7. Understand and demonstrate the ability to report the results of the audit.
8. Demonstrate knowledge of other attestation and assurance services performed by CPAs as well as other types of services, which independent auditors may or may not perform.
9. Demonstrate the ability to research auditing and accounting issues and respond to current developments and changes in the accounting and auditing profession due to legislation, new pronouncements by regulatory and standard-setting bodies and forces of current events in the business world.
10. Develop an understanding of the ethical decisions that decisions than an auditor must make in the conduct of the audit from the client acceptance phase throughout the audit to the reporting process.

## SPECIFIC LEARNING OUTCOMES

Upon successful completion of the course, the student will be able to ...

1. Define *information risk* and explain how the financial statement auditing process helps to recue this risk, thereby reducing the cost of capital for a company.
2. Define and contrast *financial statement auditing*, *attestation*, and *assurance services*.
3. Describe and define the assertions that management makes about the recognition, measurement, presentation, and disclosure of the financial statements and explain why auditors use them as the focal point of the audit.
4. Define *professional skepticism* and explain its key characteristics.
5. Describe the organization of public accounting firms and identify the various services that they offer.
6. Describe the audits and auditors in governmental, internal, and operational auditing.
7. List and explain the requirements for becoming a certified public accountant (CPA) and other certifications available to an accounting professional.
8. Understand the development and source of generally accepted auditing standards.
9. Describe the fundamental principle of *responsibilities* and how this principle relates to the characteristics and qualifications of auditors.
10. Describe the fundamental principle of *performance* and identify the major activities performed in an audit.
11. Understand the fundamental principle of *reporting* and identify the basic contents of the auditors' report.
12. Understand the role of a system of quality control and monitoring efforts in enabling public accounting firms to meet appropriate levels of professional quality.
13. List and describe the required pre-engagement activities that auditors undertake before beginning an audit engagement.
14. Understand the importance of planning the audit engagement so that it is conducted in accordance with professional standards.
15. Define *materiality* and explain its importance in the audit planning process.
16. List and describe the eight general types of audit procedures for gathering evidence.
17. List and discuss matters of planning that auditors should consider related to the client's computer environment and describe how CCATs can be used to improve the efficiency of the audit process.
18. Devine what is meant by the proper form and content of audit documentation.
19. Define *audit risk* and describe how it can be broken down into the three separate components of the audit risk model to help assess and respond to such risks during the audit planning process.
20. Explain auditors' responsibility for fraud risk assessment and define and explain the differences among several types of fraud and errors that might occur in an organization.
21. Explain an auditor's responsibility to assess inherent risk, including a description of the type of risk assessment procedures that should be performed when assessing inherent risk on an audit engagement.
22. Describe the content and purpose of an audit strategy memorandum.
23. Define and describe what is meant by *internal control*.
24. Distinguish between the responsibilities of management and auditors regarding an entity's internal control.
25. Define and describe the five basic components of internal control and specify some of their characteristics.

26. Explain the process the audit team uses to assess control risk; understand its impact on the risk of material misstatement; and, ultimately, know how it affects the nature, timing and extent of further audit procedures to be performed on the audit.
27. Describe additional responsibilities for management and auditors of public companies required by Sarbanes-Oxley and PCAOB Auditing Standard No. 2201.
28. Explain the communication of internal control deficiencies to those charged with governance, such as the audit committee and other key management personnel.
29. List the major components of the auditors' report on internal control over financial reporting.
30. Describe situations in which the auditors' report on internal control over financial reporting would be modified.
31. Define and explain the differences among several kinds of employee frauds that might occur at an audit client.
32. Identify and explain the three conditions (i.e., the fraud triangle) that often exist when a fraud occurs.
33. Describe techniques that can be used to prevent employee fraud.
34. Identify the relevant assertions and risks of material misstatement that are typically related to the cash balance.
35. Identify important internal control activities present in a properly designed system to mitigate the risk of material misstatements for each relevant assertion related to cash and to help prevent or detect employee fraud.
36. Give examples of substantive procedures used to test cash and relate them to the relevant assertions.
37. Describe some extended procedures for detecting employee fraud schemes involving cash.
38. Describe the revenue and collection cycle, including typical source documents.
39. Identify significant accounts and relevant assertions related to the revenue and collection cycle.
40. Discuss the risk of material misstatement in the revenue and collection cycle, with a specific focus on improper revenue recognition.
41. Identify important internal control activities present in a properly designed system to mitigate the risk of material misstatements for each relevant assertion in the revenue and collection cycle.
42. Give examples of test of controls to test the operating effectiveness of internal controls in the revenue and collection cycle.
43. Give examples of substantive procedures in the revenue and collection cycle and relate them to assertions about significant account balances at the end of the period.
44. Apply your knowledge to perform audit procedures in the revenue and collection cycle and evaluate the findings of your tests.
45. Describe the acquisition and expenditure cycle, including typical source documents.
46. Identify significant accounts and relevant assertions related to the acquisition and expenditure cycle.
47. Discuss the risk of material misstatement in the acquisition and expenditure cycle.
48. Identify important internal control activities present in a properly designed system to mitigate the risk of material misstatements for each relevant assertion in the acquisition and expenditure cycle.
49. Give examples of substantive procedures in the acquisition and expenditure cycle and relate them to assertions about significant account balances at the end of the period.
50. Apply your knowledge to perform audit procedures in the acquisition and expenditure cycle and evaluate the findings of your test.
51. Describe the payroll cycle including risks, source documents, and controls.
52. Describe the production cycle, including typical source documents.
53. Identify significant accounts and relevant assertions related to the production cycle.
54. Discuss the risk of material misstatement in the production cycle.
55. Identify important internal control activities present in a properly designed system to mitigate the risk of material misstatements for each relevant assertion in the production cycle.
56. Give examples of test of controls to test the operating effectiveness of internal controls in the production cycle.
57. Give examples of substantive procedures in the production cycle and relate them to assertions about significant balances at the end of the period.
58. Apply your knowledge to perform audit procedures in the production cycle and evaluate the findings of your tests.
59. Describe the finance and investment cycle, including typical source documents.
60. Identify significant accounts and relevant assertions related to the finance and investment cycle.
61. Discuss the risk of material misstatement in the finance and investment cycle, with a specific focus on improper valuation and disclosure.
62. Identify important internal control activities present in a properly designed system to mitigate the risk of material misstatements for each relevant assertion in the finance and investment cycle.
63. Give examples of test of controls to test the operating effectiveness of internal controls in the finance and investment cycle.

64. Give examples of substantive procedures in the finance and investment cycle and relate them to assertions about significant account balances at the end of the period.
65. Apply your knowledge to perform audit procedures in the finance and investment cycle and evaluate the findings of your tests.
66. Identify major activities performed by auditors in completing the substantive procedures following the date of the financial statements.
67. Understand the role of attorney letters in evaluating litigation, claims, and assessments.
68. Explain why auditors obtain written representations and identify the key components of written representations.
69. Identify the final steps in the completion of an audit.
70. Understand auditors' responsibility for subsequent events and subsequently discovered facts.
71. Identify important activities and communications following the completion of the audit and audit report date.
72. Understand the types of reports that accompany an entity's financial statements and the content of the auditors' standard (unmodified) report.
73. Identify situations in which language in the standard (unmodified) reports is modified and the type of opinion issued in those situations.
74. Identify situations in which auditors add explanatory language to an unmodified opinion.
75. Identify other circumstances affecting auditors' reporting responsibilities and explain how they affect auditors' reports on an entity's financial statements.