**HOLMES INSTITUTE** 

**FACULTY OF HIGHER EDUCATION** 



INSPIRE ACHIEVE ENGAGE



Assessment Details and Submission Guidelines				
Trimester	T2 2019			
Unit Code	HA3032			
Unit Title	Auditing			
Assessment Type	Group Assignment + Group Presentation (In – Class) including power-point slides			
Assessment Title	"Developing an Audit Program for a selected publically listed Company"			
Purpose of the assessment (with ULO	Students are required to:			
Mapping)	1.1- Identify and distinguish between tests of controls, substantive tests of transactions and substantive tests of balances.			
	1.2- Identify and understand when the auditor will undertake substantive audit procedures in response to specific assessed risks of material misstatement.			
	1.3- Understand how assertions relate to account balances			
	1.4- Understand how to select the most efficient and effective combination of audit procedures that allows them to achieve the audit objective			
	1.5– Active participation in an "audit team context" with professional group discussions			
	1.6- Co-operation with fellow students to produce a joint assignment in a report format on time and to a high standard along with power-point slides.			
Weight	30% of the total assessment			
Total Marks	Group Assignment (20 marks) + In Class Presentation (10 marks) = 30 marks			
Word limit	Maximum 3,000 words			
Due Date	Week 9			
Submission Guidelines	<ul> <li>All work must be submitted on Blackboard by the due date along with a completed Holmes Institute Assignment Cover Page.</li> <li>The assignment must be in MS Word format, single spacing, 12-pt Arial font and 2 cm margins on all four sides of your page with appropriate section headings and page numbers.</li> <li>Reference sources must be cited in the text of the report, and listed appropriately at the end in a reference list using Harvard or APA referencing style.</li> </ul>			

## **HA3032 Auditing – Group Assignment Specifications**

## **Purpose:**

The aim of this group assignment is to provide you with an opportunity to design a "risk-based" audit program for a real world company and focus on the "Substantive tests of balances", which involves substantiating the ending balance of an account(s), which is comprised of multiple transactions, as at a certain year-end date.

## **Assignment Requirements and Structure**

- 1. Students are required to form groups of 4 5 students and inform their session lecturer of their group members by completing the "HA3032 Group Form details".
- 2. If you have difficulties forming such groups, please contact your lecturer ASAP.
- 3. Each group of students will select, or have selected for them, a **unique** ASX listed company to use for progressive analysis in this group assignment.
- 4. Final approval of the company/client i.e. any company listed on the ASX and which has not already been selected by another group is required by your lecturer.
- 5. Prepare a detailed audit program Report [3,000 words] for the client/company in a group of **4 5 students**. Students must use a Report Format with an Executive Summary and Table of Contents.
- 6. Use publicly available online resources for research purposes.
- 7. Prepare a **10mins oral presentation in class** using power-point slides and graphics (10 marks).

## Detail Assignment Tasks: Developing an Audit Program for a selected listed Company

- 1. Select a listed company from the current ASX List or this will be allocated to your group.
- 2. Gain an understanding of the nature of the entity and its industry and then identify key business risks. After this is completed, assess where the risks of material mis-statements could be in the financial report. Consider the factors affecting both Inherent Risk and Control Risk. Finally, apply the Audit Risk Model [AR = f (IR, CR, DR)] to the selected company. Which risk rating would you apply (Low, Medium or High) to the company's inherent risk assessment and control risk assessment? How does this affect your assessment of Detection Risk and Audit Risk?
- 3. Perform analytical procedures of the Statement of Financial Position and of Financial Performance over the last three years using appropriate ratios and/or metrics. Select **four key ratios** and provide a brief explanation in the report. This should be presented in a table format.
- 4. Discuss with your group members which account balances are considered "material". Explain how you calculated materiality for planning purposes and provide appropriate justification for your decision-making.

#### (Note - Use a table format to structure your answers to questions 5, 6, 7 & 8)

- 5. Select up to ten different material account balances, at least five assets and five liabilities.
- 6. For each material account balance selected, list the relevant financial report assertions and explain why the selected assertions are applicable to each account.
- 7. Design a comprehensive set of audit work steps for each material account balance, which addresses the selected assertions and which will result in sufficient and appropriate audit evidence being collected for your selected client company. (Assume that a predominantly substantive approach is being adopted)
- 8. Include a sampling plan, which details how you will use sampling for each material account balance to be tested. How many items will be tested for each test?

9. Refer to some or all of the following websites for further information and research processes: <a href="http://www.auasb.gov.au/Home">http://www.auasb.gov.au/Home</a>, <a href="http://www.auasb.gov.au/Home">http://www.

Group Assignment Report - Marking criteria	Weighting	%
Key Business Risk Identification	2	10%
Audit Risk Model – Assessment of Inherent Risk, Control Risk, Detection Risk	2	10%
Analytical Review of the selected company, including ratio analysis in a table	2	10%
Material Account Balance Identification (Minimum 5 x Assets and 5 x Liabilities)	5	25%
Assertions identified – Correct Assertions are stated and explanations are noted	2	10%
Audit Program – Audit work steps / procedures are clearly stated and listed.	5	25%
Sampling Plan for each material account balance with samples sizes.	2	10%
Weight	20 marks	100%
Group Presentation (In-Class) - Marking Criteria	Weighting	
Effective verbal communication of the key content in a professional manner.	4	40%
Effective use of power-point slides with clearly legible text in concise statements	4	40%
and effective coverage of the content in a professionally produced presentation,		
which is engaging and logically structured. Effective use of both text and graphics		
Total length of the presentation is within the 10mins limit and effective	2	20%
participation of all group members is noted. Each speaker speaks an equal time.		
4 speakers x 2.5mins each = 10mins		
5 speakers x 2mins each = 10mins		
Weight	10 marks	100%
Total Weight	30 marks	

# **HA3032 Auditing - Marking Rubric**

Part	Excellent	Good	Satisfactory	Unsatisfactory
Key Business	Relevant Business Risks	Business Risks are	Business Risks are	Business Risks have
Risk	have been clearly stated	well stated and	noted and stated,	not been adequately
Identification	and are appropriate	appropriate to the	but they are only	addressed. There is
	after considered	company selected.	generic in nature.	insufficient or
(2 marks)	analysis.	(1.5 marks)	(1 mark)	irrelevant information
	(2 marks)			noted.
				(0.5 mark)
Audit Risk	The Audit Risk Model	The Audit Risk	The Audit Risk	The Audit Risk Model
Model	has been very well	Model has been	Model has been	has not been
	understood and	correctly	satisfactorily	understood,
(2 marks)	applied. All risk	understood and all	applied, but	considered or
	components are	the risk	either some	analysed in the report.
	correctly stated and the	components are	minor mistakes	There is minimal or no
	Audit Risk Model has	noted. The analysis	are noted or	real grasp of the
	been applied correctly	is sound, but detail	there is a lack of	concept or it is missing
	to the company	is lacking.	detail in some	from the report.
	selected. (2 marks)	(1.5 marks)	areas. (1 mark)	(0.5 mark)
Analytical	The Analytical review	The Analytical	The Analytical	The Analytical review
Review	has been very well	review has been	review has been	is sub-standard. There
	performed and includes	well performed and	satisfactorily	are ratios missing.
	three years of ratios. All	includes four key	performed. Ratios	There is no
,_ ,	four key ratios are	ratios. They are	are noted and	commentary or it is
(2 marks)	appropriate and	relevant and	there is some	poorly written. The
	presented in a table	presented in a table	commentary, but	requirements have not
	with sound	with some good	there are some	been understood. The
	commentary.	commentary. (1.5	minor errors.	analytical review is
	(2 marks)	marks)	(1 mark)	missing from the
Material	Materiality has been	Matariality has	Matariality bas	report. (0.5 mark)  Materiality has not
Account	correctly calculated	Materiality has been correctly	Materiality has been stated with	been calculated and it
Balance	using an appropriate	calculated with	some	is missing. Account
Identification	base with explanation.	some explanation.	explanation.	balances are either
lacitaneation	Five Asset accounts and	Five Asset accounts	Asset accounts	only partially stated or
	five Liability accounts	and five Liability	and liability	missing. Accounts
(5 marks)	have been selected and	accounts have	accounts have	selected are not asset
(3)	they are appropriate to	been selected. This	been provided,	or liability accounts or
	the company. This	section is	but some are not	they are not material
	section is presented in a	presented in a	material. Some	account balances.
	table.	table.	Formatting is	There is a lack of
	(5 marks)	(3.5 – 4.5 marks)	noted.	understanding.
			(2.5 – 3.5 marks)	(0.5 – 2 marks)
Assertions	Each of the material	Each of the	The accounts	No financial report
Identification	accounts selected has	material accounts	selected have	assertions have been
	the correct financial	selected has	financial report	provided or they are
	report assertions	financial report	assertions	clearly incorrect.
(2 marks)	associated with it. A	assertions	associated with	There is a lack of
	clearly written and	associated with it.	them. A minimal	understanding of the
	correct explanation has	A correct	explanation has	requirements.
	been provided. It is well	explanation has	been provided.	(0.5 mark)
	presented in the table.	been provided.	(1 mark)	
	(2 marks)	(1.5 marks)		

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Audit Program	A comprehensive set of	A set of	Audit procedures	Audit procedures have
	appropriate audit	appropriate audit	have been	not been provided or
	procedures have been	procedures have	provided and	they are mis-stated or
(5 marks)	provided and they are	been provided and	they are stated	incorrect for the
	very well stated for	they are effectively	for each of the	account balances.
	each of the material	stated for each of	material account	There is no association
	account balances. There	the material	balances. There is	with the financial
	is a logical linkage with	account balances.	an association	report assertions or
	the financial report	There is a linkage	with the financial	the assertions are
	assertions. This section	with the financial	report assertions.	missing. This section
	is clearly and well	report assertions.	This section is	has not been
	formatted in a table.	This section is well	appropriately	presented in a table
		formatted in a	presented in a	structure. It is not
	(5 marks)	table structure.	table structure.	presented well. There
		(3.5 – 4.5 marks)	(2.5 – 3.5 marks)	is a lack of
				understanding.
				(0.5 – 2 marks)
Sampling Plan	For the material	For the material	For the material	A sampling plan has
	account balances, a well	account balances, a	account balances,	either not been
(2 marks)	-constructed sampling	good sampling plan	a satisfactory	included or is only
	plan has been included	has been included	sampling plan has	partially provided.
	which states the	which states the	been included	There is a lack of
	sampling method	sampling method	which includes	understanding of basic
	selected, the	selected and the	the sample sizes	sampling concepts and
	appropriate sample	sample sizes of	for each account.	there is some incorrect
			/4 1)	
	sizes of items to be	items to be tested.	(1 mark)	included. (0.5 mark)
i e	sizes of items to be tested, as well as other	items to be tested. (1.5 marks)	(1 mark)	included. (0.5 mark)
			(1 mark)	included. (0.5 mark)
	tested, as well as other		(1 mark)	included. (0.5 mark)
	tested, as well as other important sampling		(1 mark)	included. (0.5 mark)
	tested, as well as other important sampling information for evaluating the results of the sample. This is		(1 mark)	included. (0.5 mark)
	tested, as well as other important sampling information for evaluating the results of		(1 mark)	included. (0.5 mark)