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# Course Package “State and Corporate Auditing”

<b>Work Package</b>	WP3: Development of Course Materials for the Reformed MA Programmes, Deliverable 3.1
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## Document History

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## 1. General information about the course

Explanation: Please fill in the table below.

<b>Title of the course (as specified in the reformed curriculum)</b>	"State and Corporate Auditing"
<b>Name of the teacher</b>	Tatiana Cherga
<b>Novelty of the course (please select as appropriate)</b>	This course is a newly developed course (new in the curriculum)
<b>Year of the course in the curriculum</b>	1
<b>Semester of the course in the curriculum</b>	2
<b>Language of instruction of the course</b>	Russian, English
<b>Number of ECTS credits</b>	5

## 2. Learning outcomes of the course

**As a result of studying the discipline " State and Corporate Auditing " students should:**

Subject builds on the knowledge of accounting, corporate finance and tax system. On exercises, students solve case studies and review financial statements and tax declarations of the legal person in terms of auditing criteria.

By completion of the subject the student has to:

- Be able to assess the risk of the client and the risk of engagement,
- Know ways of understanding the client's business,
- Acquire the knowledge to properly plan the audit , assess the risk of audit and determine the necessary audit procedures,
- Acquire knowledge of methods of obtaining the relevant audit evidence ,
- Understand each cycle of business, define the main activity cycles, establish control objectives and control procedures within cycles,
- Be able to use the test control procedures and substantive tests of the cycles,
- Be able to correctly assess identified misstatements with respect to the materiality,
- Understand the interaction between accounting statements and tax declaration,
- Understand the formation of the auditor's report and the type of auditor's opinion,
- Assess the consistency of the annual report with the financial statements,
- Acquire knowledge how to provide fiscal consultancy,
- Understand the need to adhere to the Auditor's Code of Ethics.

Students will know the interactions between the cycles of business in the firm and understand the need of functioning of the internal control system in the firm. Students will gain the skills to elaborate and assess the correctness of the financial statements.

### 3. Syllabus of the course

#### Distribution of hours

Nr.	Units of content	Hours		
		Lecture	Seminars	Individual work
1.	<b>Section 1. Organization of state audit</b> <i>Topic 1. Theoretical foundations of state audit</i>	2	2	10
2.	<i>Topic 2. Formation of a state audit in the Republic of Moldova.</i>	2	2	12
3.	<i>Topic 3. Regulatory support of state audit.</i>	2	2	20
4.	<i>Topic 4. Methodical approaches to state audit</i>	2	2	14
5.	<b>Section 2. Corporate Audit</b> <i>Topic 5. Essence, development concept and organization of corporate audit</i>	2	2	10
6.	<i>Topic 6. The cycle and methods of corporate audit.</i>	2	2	12
7	<i>Topic 7. Application of the audit process to the sales and collection cycle</i>	2	2	10
8.	<i>Topic 8. Application of the audit process to other cycles</i>	4	4	10
9.	<i>Topic 9. Completing the audit</i>	2	2	12
	<b>Total</b>	<b>20</b>	<b>20</b>	<b>110</b>

#### **Form of control:**

- 1-reports and essays;
- 2-abstracts;
- 3- case study;
- 4-survey and testing;
- 5- Colloquium;

<b>Title of the course:</b> State and Corporate Auditing
<b>Semester:</b> 2
<b>Number of ECTS credits:</b> 5
<b>Language of instruction:</b> Russian
<b>Type of course:</b> Special discipline
<b>Brief summary of course contents:</b> In a market economy, it is important to study the methodology, General laws of state and corporate audit, ensuring macroeconomic and microeconomic balance and stability, and ultimately the combination of the economic interests of the state and all members of society. During the course the essence and functions of audit of all levels, its role in the process of extended reproduction, the state of auditing activity of Moldova in modern conditions are considered.

**Course topics:**

**Section 1. Organization of state audit.**

**Topic 1. Theoretical foundations of state audit**

LECTURE:

1. The concept of state audit and its place in the system of state control.
2. The essence, purpose and classification of financial control.
3. Entities, goals and objectives of the state audit. The basic principles of an effective public audit.
4. Content and types of state audit. Differentiation of financial audit, performance audit and strategic audit.
5. The main features of the generally accepted model of state audit. Unification of legislation.

SEMINAR:

Questions for discussion, reporting and testing

- The concept of state audit and its place in the system of state control. The essence, purpose and classification of financial control.
- Entities, goals and objectives of the state audit. The basic principles of effective public audit.
- Content and types of state audit. Differentiation of financial audit, performance audit and strategic audit.
- The main features of the generally accepted model of state audit.
- Unification of legislation. Requirements for state audit in accordance with the Lima Declaration.

*Forms of current control of knowledge: survey, testing, essay.*

**Topic 2. Formation of a state audit in the Republic of Moldova.**

LECTURE:

1. Features of the development of public audit in the Republic of Moldova. The role of public audit in the management of public finances.
2. Audit progress in the implementation of strategies and programs for the socio-economic development of the territory. Audit of the performance of subjects of budget planning.
3. Audit of the efficiency of execution of budget revenues and expenses.
4. INTOSAI Code of Ethics for Public Sector Auditors. The concept, origins and purpose of the ethical code.

SEMINAR:

Questions for discussion, reporting and testing

- Features of the development of public audit in the Republic of Moldova. The main prerequisites for its successful operation.
- The role of public audit in the management of public finances. Audit of the implementation of strategies and programs for socio-economic development of the territory.
- Audit of the performance of subjects of budget planning. Audit of the performance of budget revenues and expenses.
- INTOSAI ethical code for public sector auditors. The concept, origins and purpose of the ethical code.

*Forms of current control of knowledge: survey, testing, essay.*

**Topic 3. Regulatory support of state audit.**

LECTURE:

1. The system of normative regulation of auditing and public audit in the Republic of Moldova.

2. General principles of organization and activity of the Chamber of Accounts of the Republic of Moldova.
3. General principles of the organization and activities of control and accounting bodies of subjects and municipalities.
4. International Organization of Supreme Audit Institutions (INTOSAI, EUROSAI) and International Standards of Supreme Audit Institutions (ISSAI).
5. General rules for conducting expert-analytical measures of state audit.

**SEMINAR:**

**Questions for discussion, reporting and testing**

- The system of normative regulation of auditing and state audit in the Republic of Moldova.
- General principles of organization and activity of the Chamber of Accounts of RM.
- International Organization of Supreme Audit Institutions (INTOSAI, EUROSAI).
- International Standards of Supreme Audit Institutions (ISSAI).
- General rules for conducting the audit of a state audit.

*Forms of current control of knowledge: survey, testing, essay*

**Topic 4. Methodical approaches to state audit**

**LECTURE:**

1. Methods of financial audit
2. Methods of performance audit
3. Methodology of strategic audit.

**SEMINAR:**

**Questions for discussion, reporting and testing**

- Content and preparation of financial audit. Inspection of the object of control of financial audit. Registration of financial audit results.
- Content audit performance. Determination of the effectiveness of the use of public funds. Features of the organization of performance audit. Preparation and execution of the results of the performance audit.
- Content and preparation of strategic audit. Inspection of the object of control of strategic audit. Conducting a strategic audit. Registration of the results of a strategic audit.

*Forms of the current control of knowledge: survey, testing, case study.*

**Section 2. Corporate Audit**

**Topic 5. Essence, development concept and organization of corporate audit**

**LECTURE:**

1. The role of corporate audit in the corporate governance of a company.
2. The essence of corporate audit and the concept of its development.
3. Purpose, types, tasks of corporate audit.
4. Risk-based corporate audit. Its relationship with other forms of financial control
5. The essence and value of standards of corporate audit, the requirements for them
6. International professional standards

**SEMINAR:**

Questions for discussion, reporting and testing

- The role, purpose and objectives of corporate audit.
- Classification of audit and audit services.
- Features of the audit as a method of control.
- Economics of auditing.
- Mandatory and initiative audit.
- Regulatory regulation of auditing activities.
- The system of auditing standards.

*Forms of current control of knowledge: survey, testing, essay*

**Topic 6. The cycle and methods of corporate audit.**

LECTURE:

1. Technology corporate audit. Preparation and planning of corporate audit, their problematic aspects.
2. Assessment of the system of internal control and accounting. Risk assessment control
3. Adjustment of the program. Debatable questions of evaluation of the system of internal control and accounting.
4. Methods and procedures for obtaining evidence. Information database corporate audit and control.
5. Audit procedures on the merits.

SEMINAR:

Questions for discussion, reporting and testing

- Preparation and preparation of an overall plan and audit program.
- Types of working papers, the procedure for registration, storage and use.
- The main stages of preparation and preparation of an overall plan and audit program.
- The general concept of audit risk, the formula of audit risk and its components. Acquaintance with the object of verification, audit risk when choosing a client.
- Estimation of material errors.
- Types of audit evidence. Sources of audit evidence. Methods for obtaining audit evidence.
- Audit of the organization's internal control system.
- Audit of the organization's accounting system.

*Forms of the current control of knowledge: survey, testing, case study.*

**Topic 7. Application of the audit process to the sales and collection cycle**

LECTURE:

1. Audit of the sales and collection cycle: tests of controls and substantive tests of transactions.
2. Audit sampling for tests of controls and substantive tests of transactions.
3. Completing the tests in the sales and collection cycle: accounts receivable.
4. Audit sampling for tests of details of balances

SEMINAR:

Questions for discussion, reporting and testing

- Business functions for the sales and collection cycle



- Design format audit program.
- Lapping of accounts receivable.
- Completing the tests in the sales and collection cycle: accounts receivable.
- Performance format audit program
- Audit sampling for tests of details of balance
- Proof of cash receipts
- Audit sales and collection cycle.

*Forms of the current control of knowledge: survey, testing, case study, group work.*

**Topic 8. Application of the audit process to other cycles**

LECTURE:

1. Audit of the acquisition and payment cycle.
2. Audit of the payroll and personnel cycle.
3. Audit of the inventory and warehousing cycle.
4. Audit of the capital acquisition and repayment cycle.
5. Audit of cash balances.

SEMINAR:

Questions for discussion, reporting and testing

- Accounts payable master file, accounts payable trial balance, acquisition and payment cycle. Audit of the acquisition and payment cycle.
- Accrued payroll expenses, imprest payroll account, payroll and personnel cycle. Audit of the payroll and personnel cycle.
- Cost accounting controls, cost accounting records. Inventory and warehousing cycle, inventory compilation tests, inventory price tests. Perpetual inventory master file. Audit of the inventory and warehousing cycle.
- Capital acquisition and repayment cycle, capital stock certificate record. Closely held corporation, independent registrar. Note payable, shareholders' capital stock master file, stock transfer agent. Audit of the capital acquisition and repayment cycle.
- Bank reconciliation, branch bank accounts. Cash equivalents. Cutoff bank statement, general cash account. Imprest petty cash fund, kiting. Proof of cash. Audit of cash balances.

*Forms of the current control of knowledge: survey, testing, case study, group work.*

**Topic 9. Completing the audit**

LECTURE:

1. Additional Tests for Presentation and Disclosure
2. Review for Contingent Liabilities and Commitments
3. Review for Subsequent Events
4. Final Evidence Accumulation
5. Evaluation Results and Issue the Audit Report
6. Subsequent Discovery of Facts.

SEMINAR:

Questions for discussion, reporting and testing

- Auditor's conclusion: the order of preparation, structure.

- Types of audit reports and the procedure for their preparation.
- Completing the audit checklist, Dual-dated audit report, Financial statement disclosure checklist.
- Independent review, Inquiry of the client's attorneys.
- Written information of the auditor to the management of the audited entity on the results of the audit: appointments and preparation procedure.
- Evaluation Results and Issue the Audit Report
- Subsequent Discovery of Facts.

*Forms of the current control of knowledge: survey, testing, case study.*

**Form of assessment:** exam

**Teacher(s) of the course:** Tatiana Cherga, PhD, Associate Professor

## 4. Teaching methodology of the course

1. Lecture. This is the most effective way to transfer scientific information, the most economical way of learning, as the lecture operates with a large amount of material and is addressed to a large number of people who are able to simultaneously perceive and assimilate educational material. During the lecture, you can use the following methods:

- Discussion. The presentation of the material uses problematic issues, tasks, situations. Learning takes place through scientific search, dialogue, analysis, comparison of different points of view, etc.;
- Visual. Assume a visual presentation of the material by means of technical means, audio and video equipment, multimedia technologies, with a brief comment on the demonstrated materials;
- Dialogue. Provides for the presentation of material in the form of a dialogue between two teachers (e.g., teacher and employer, scientist and practitioner, representatives of two scientific fields, etc.);
- Conference. It is a scientific and practical session with listening to reports and speeches of students on a pre-set problem in the curriculum. The results are summed up by the teacher, he complements and clarifies the information, formulates the main conclusions;
- Consultations of practitioners. Employers are invited to attend. The material is presented in the form of questions, answers and discussions.

2. Seminar classes. During these classes, students present the material received at the lecture, in conjunction with the teacher in order to gain a thorough understanding of the information. Also, various tasks are solved together. During the seminar, you can use the following methods:

- Provocation. Classes with pre-planned errors. This is done in order to encourage students to constantly monitor the information offered to them and look for inaccuracies in it. At the end of the lesson, students' knowledge is diagnosed and mistakes are analyzed;
- Visual. Illustration, demonstration, presentations;
- Writing. Glossary, crosswords, charts, etc.
- Survey. Written and oral questioning, regular testing;
- Group work. Business and role-playing games, blitz survey, etc.

3. Laboratory research. During these classes, students solve problems, analyze financial statements data on their own, under the guidance of a teacher.

4. Research method. After analyzing the material, setting problems and tasks and brief oral or written instruction, the trainees independently study literature, sources, conduct observations and measurements and perform other actions of a search character.

5. Interactive teaching method. With the help of the Moodle platform, there is a connection between the student and the teacher.

## **5. Labour market relevance of the course**

Decision the problems of youth employment is an important task for many European countries, especially for the countries of Eastern Europe that are on the path to strengthening a market economy, including the Republic of Moldova. At that, in recent years there has been a low level of compliance of the training system with the requirements of the labor market, and one of the obstacles is the lack of statistical data, research and forecasts of the supply of labor in accordance with long-term needs.

At the same time, a study of tendencies and patterns of work in recent years in the real sector of the economy of the Republic of Moldova allows us to state the emergence of an economic situation in which there is a drop in key business performance indicators.

At that, the development of market relations in the Republic of Moldova, accompanied by its integration into the world community, necessitates a review of existing and the development of new methods of management and control. So, stability, competitive advantages of business entities in the market conditions largely depend on the degree of operational presentation and reliability of information, on the basis of which economic analysis is carried out, management decisions are formed and implemented.

During meeting with employers in Comrat State University on 12.12.2017, was presented main stages of the "REFINE" project.

In the centre of discussion was a problem of deficit of qualified finance professionals in all presented in the region industries.

Based on the results of the analysis in the summary of the main results of the seminar with employers it is recommended to strengthen knowledge, skills or competencies in the field of financial management and analysis.

Also during the workshop in the CDU, employers expressed the view that knowledge and competence in the field of financial management and analysis should be strengthened.

As well, ensuring the reliability of information resources and the risk of their distortion are the main problems that users are constantly faced with, who are interested in maximum objectivity of the information received (investors, banks, various government agencies, etc.). In order to solve this kind of problems, an independent audit institute was created in its time, which is currently an essential attribute of the infrastructure of a market economy.

## 6. Assessment and grading

Comrat State University has a 10-point grading system.

To pass the course, students must have a current assessment of the results of listening to the discipline, which consists of the average of the estimates at the seminar (current survey, tests, presentations, reports, abstracts, messages, essays, etc.) and the certification assessment (control work). After that the student is allowed to take the exam. The composition of the examination ticket - 2 theoretical questions and 1 task. The final grade for the course is determined by summing the exam score multiplied by 0.4 and the current average score multiplied by 0.6.

## 7. References

- Code of Ethics and Auditing Standards. Auditing Standards Committee (Swedish National Audit Office), INTOSAI General Secretariat – RECHNUNGSHOF (Austrian Court of Audit) - <http://www.intosai.org>
- European Implementing Guidelines for the INTOSAI Auditing Standards. Contact Committee of the Heads of the Supreme Audit Institutions (SAIs) of the European Union. - <http://www.intosai.org>
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- Law on public Finance and fiscal responsibility No181 of 25.07.2014. - <http://www.mf.gov.org>
- Law on the organization and functioning of the Court of Accounts of the Republic of Moldova № 260 of 07. 12.2017.- <http://www.mf.gov.org>
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- Audit. Theory and practice. Textbook/ed..Kazakova. - Moscow: Yurayt, 2014. - 400 p.
- Erofeeva V. A. Audit. A short course of lectures/V. A. Erofeev. - Moscow: Yurayt, 2014. - 208 p.
- Lemesh, V. M. Audit/V. M. Lemesh. - Moscow: Grevtsov Publishing House, 2013.-272p.

## **8. Course assignments**

### **8.1 Assignment 1**

#### **Essay.**

Essay writing is very useful, as it allows an author to learn to clearly and correctly formulate ideas, organize information, use the Basic concepts to allocate causal relations, to illustrate the experience of relevant examples to argue their conclusions.

The essay makes it clear to the lecturer how the student was able to present his thoughts, how he described his achievements and mistakes, whether his experience is sufficient, whether he will meet expectations in the future and whether he will be able to benefit.

The essay must be presented to the audience.

Signs that the essay should have:

- the presence of a specific narrow topic or question
- expression of individual experiences and views on a particular subject or issue
- the work should involve a new, subjective opinion
- the contents of the essay are evaluated first author's personality - his Outlook and thoughts

### **8.2 Assignment 2**

#### **Group work.**

Group forms of work allow to create wider contacts between students. The value lies in the joint experience of the situation, solving problems by the group, and in the formation of their own point of view, scientific beliefs. From the experience of group work it is noticed that students perform better tasks in the group than individually, which necessarily affects the improvement of the psychological microclimate in the classroom.

#### **(Example.)**

At the beginning of the lesson should be divided into three groups. The first group will act as appraisers. The second and third groups are divided into teams-enterprises.

Further, the teams may be given a problem. For example: "Suddenly, there was a tax and social and compulsory health insurance reform in the country, namely ... ..". In addition, enterprise teams will need to determine which employees should be involved in solving this problem (for example, financial manager, financial analyst, chief accountant, etc.). After discussion, each team will have to submit their own version of their company's reaction to these changes.

After the presentation of each team-enterprise of its version, the team of appraisers will have to give their comments.

At the end of the group work, the lecturer can evaluate all three groups.

### 8.3 Assignment 3

#### Case study

- In practice, working with the CS includes the following techniques:
  - 1) work with information;
  - 2) technology to identify problems. Useful for students know that you can choose different approaches;
  - 3) analysis of the sequence of facts illustrating development of the conflict, and through their comparison the way out the subject of the conflict and the content of the problem;
  - 4) analysis of the subjects of the situation, determining their place in the organization, interaction schemes, areas of interest, possible subject of the conflict with the subsequent comparison with the facts confirming or refuting the findings;
  - 5) a description of the situation as a complete system;
  - 6) methods of analysis - are selected depending on the content of the problem and the object of analysis: analysis of interaction schemes, analysis of management processes, analysis of system states, analysis of the system as a whole;
  - 7) problem solving procedures - always assumed alternative solutions, most often in the presence of conflicting criteria. As a result, participants propose a standard approach or solution behind framework of tradition or analogies in solving the problem.

Innovative solutions are ultimately targeted, reference point of the application of the method of the CS. This is the climax of the whole discussion: received by the listener the knowledge and experience of the decision of the CS can change its real behavior.

**(Example).**

### **Annex: Presentation slides**