



Co-funded by the
Erasmus+ Programme
of the European Union



Reforming Master Programmes in Finance in Armenia and Moldova/REFINE

An Erasmus+ Capacity Building Project (2017-2020)

Topic: Course Package “State and Corporate Auditing”

Speaker: Tatiana Cerga, PhD, Associate Professor



General information about the course



Title of the course	“State and Corporate Auditing”
Name of the teacher	Tatiana Cherga
Novelty of the course (please select as appropriate)	This course is a newly developed course (new in the curriculum)
Year of the course in the curriculum	1 st year
Semester of the course in the curriculum	2 nd semester
Language of instruction of the course	Russian, English
Number of ECTS credits	5
Total number of hours	150
Number of class hours	40
Number of lectures hours	20
Number of seminars hours	20



Learning outcomes of the course



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.

Syllabus of the course



WEEK	TOPIC
1	<p style="text-align: center;"><u>Section 1. Organization of state audit</u></p> <p><i>Topic 1. Theoretical foundations of state audit</i></p> <p><i>Topic 2. Formation of a state audit in the Republic of Moldova.</i></p>
2	<p><i>Topic 3. Regulatory support of state audit.</i></p> <p><i>Topic 4. Methodical approaches to state audit</i></p>
3	<p style="text-align: center;"><u>Section 2. Corporate Audit</u></p> <p><i>Topic 5. Essence, development concept and organization of corporate audit</i></p> <p><i>Topic 6. The cycle and methods of corporate audit.</i></p>
4	<p><i>Topic 7. Application of the audit process to the sales and collection cycle</i></p> <p><i>Topic 8. Application of the audit process to other cycles</i></p>
5	<p><i>Topic 8. Application of the audit process to other cycles</i></p> <p><i>Topic 9. Completing the audit</i></p>

Units of content and the indicative allocation of the hours



Nr.	Units of content	Hours		
		Lecture	Seminars	Individual work
	<u>Section 1. Organization of state audit</u>			
1.	<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
	<u>Section 2. Corporate Audit</u>			
5.	<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
	Total	20	20	110

Course topics:



Section 1. Organization of state audit

Topic 1. Theoretical foundations of state audit

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

Topic 3. Regulatory support of state audit.

Topic 4. Methodical approaches to state audit

Course topics:



Section 2. Corporate Audit

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

Topic 6. The cycle and methods of corporate audit.

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

Topic 8. Application of the audit process to other cycles

Topic 9. Completing the audit



WEEK 1. 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.

WEEK 1. *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.

WEEK 2. 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.

WEEK 2. 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.

WEEK 3. 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

WEEK 3. *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.

WEEK 4. 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.

WEEK 4 and WEEK 5. *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.

WEEK 5. *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.

Teaching methodology of the course



➤ **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.

Teaching methodology of the course



➤ **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.

Teaching methodology of the course



- **Laboratory research.** During these classes, students have a case study independently, under the supervision of the lecturers.
- **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.
- **Interactive teaching method.** With the help of the Moodle platform, there is a connection between the student and the lecturer.

Labour market relevance of the course



Development of market relations in the Republic of Moldova, accompanied by 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.

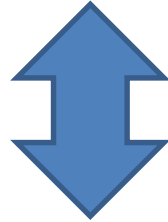
During meeting with employers in Comrat State University on 12.12.2017, was presented main stages of the “REFINE” project.

- **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 the knowledge, skills or competences in the field of financial management and analysis.**
- **Also during the workshop in the State University of Comrat, employers expressed the view that knowledge and competence in the field in finance, tax administration 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.

The labour market analyses

Main additional competencies and skills that organizations expect from a new employee in the financial sector:



- Risk management;
- Risk assessment;
- Bankruptcy Diagnosis;
- Tax management and analysis;
- Knowledge of a second language (English).

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.

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>
- Law on auditing activities No. 61- XVI of 16.03. 2007. <http://www.mf.gov.org>
- 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>
- Arens, Alvin A. Auditing and assurance services: an integrated approach. Includes coverage of international standards and global auditing issues, in addition to coverage of PCAOB Auditing Standards, the risk assessment SASs, the Sarbanes–Oxley Act, and Section 404 audits.\ Alvin A. Arens, Randal J. Elder, Mark S. Beasley.—14th ed. ISBN-13: 978-0-13-257595-9, ISBN-10: 0-13-257595-7. - 889 p.
- 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. - 272 p.

Course assignments



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.

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.

Course assignments

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;

Course assignments.

Case study (continuation)



- 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.

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 content of the essay is evaluated based on the author's personal outlook and thoughts**

Case study (Example).



By topic 8: Application of the audit process to other cycles

Problem: You are assigned to the December 31, 2018, audit of company Alfa -Star, Inc. The company designs and manufactures aircraft superstructures and airframe components. You observed the physical inventory at December 31 and are satisfied that it was properly taken. The inventory at December 31, 2018, has been priced, extended, and totaled by the client and is made up of about 5,000 inventory items with a total valuation of \$8,275,000. In performing inventory price tests, you have decided to stratify your tests and conclude that you should have two strata: items with a value over \$5,000 and those with a value of less than \$5,000. The book values are as follows:

	No. of Items	Total Value
More than \$5,000	500	\$4,150,000
Less than \$5,000	4,500	4,125,000
	5,000	\$8,275,000

In performing pricing and extension tests, you have decided to test about 50 inventory items in detail. You selected 40 of the over \$5,000 items and 10 of those under \$5,000 at random from the population. You find all items to be correct except for items A through G below, which you believe may be misstated. You have tested the following items, to this point, exclusive of A through G:

	No. of Items	Total Value
More than \$5,000	36	\$360,000
Less than \$5,000	7	2,600

Company Alfa -Star, Inc. uses a periodic inventory system and values its inventory at the lower of FIFO cost or market. You were able to locate all invoices needed for your examination. The seven inventory items in the sample you believe may be misstated, along with the relevant data for determining the proper valuation, are shown next.

Case study. (example continued)



INVENTORY ITEMS POSSIBLY MISSTATED

Description	Quantity	Price	Total ¹
A. L37 spars	3,000 meters	\$ 8.00/meter	\$24,000
B. B68 metal formers	10,000 inches	1.20/foot	12,000
C. R01 metal ribs	1,500 yards	10.00/yard	15,000
D. St26 struts	1,000 feet	8.00/foot	8,000
E. Industrial hand drills	45 units	20.00 each	900
F. L803 steel leaf springs	40 pairs	69.00 each spring	276
G. V16 fasteners	5.50 dozen	10.00/dozen	55

¹Amounts are as stated on client's inventory.

INFORMATION FOR PRICING FROM INVOICES (COMPANY ALFA -STAR, INC.)

Voucher Number	Voucher Date	Date Paid	Terms	Report Date	Invoice Description
7-69	8-01-06	8-21-06	Net FOB destination	8-01-06	77 V16 fasteners at \$10 per dozen
11-81	10-16-11	11-15-11	Net FOB destination	10-18-11	1,100 yards R01 metal ribs at \$9.50 per yard, 2,000 feet St26 struts at \$8.20 per foot
12-06	12-08-11	12-30-11	2/10, n/30 FOB S.P.	12-10-11	180 L603 steel leaf springs at \$69 each
12-09	12-10-11	12-18-11	Net FOB destination	12-11-11	45 industrial hand drills at \$20 each; guaranteed for 4 years
12-18	12-27-11	12-27-11	2/10, n/30 FOB S.P.	12-21-11	4,200 meters L37 spars at \$8 per meter
12-25	12-24-11	1-03-12	2/10, n/30 FOB dest.	12-26-11	12,800 inches B68 metal formers at \$1.20 per foot
12-61	12-29-11	1-08-12	Net FOB destination	12-29-11	1,000 yards R01 metal ribs at \$10 per yard; 800 feet St26 struts at \$8 per foot
12-81	12-31-11	1-20-12	Net FOB destination	1-06-12	2,000 meters L37 spars at \$7.50 per meter; 2,000 yards R01 metal ribs at \$10 per yard

Source: Alvin A. Arens, Randal J. Elder, Mark S. Beasley. Auditing and assurance services: an integrated approach...-14th ed. p. 709

In addition, you noted a freight bill for voucher 12-23 in the amount of \$200. This bill was entered in the freight-in account. Virtually all freight was for the metal formers. This is the first time company Alfa -Star, Inc. has been audited by your firm.

- Review all information and determine the inventory misstatements of the seven items in question. State any assumptions you consider necessary to determine the amount of the misstatements.
- Prepare an audit schedule to summarize your findings. Use the computer to prepare the schedule (instructor's option).

Group work. (Example.)



At the beginning of the lesson students 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: “Unexpectedly, 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.

Thank you for your attention!

tatiana.cherga@gmail.com

