

# HI6026 Audit, Assurance and Compliance

Trimester 2 2018

## Individual Assignment

Assessment Value: 20%



### General Instructions:

1. This assignment is to be submitted in accordance with the assessment policy stated in the Unit Outline and Student Handbook.
2. It is the responsibility of the student who is submitting the work, to ensure that the work is in fact her/his own work. Incorporating another's work or ideas into one's own work without appropriate acknowledgement is an academic offence. Students should submit all assignments for plagiarism checking on Blackboard before final submission in the subject. For further details, please refer to the Unit Outline and Student Handbook.
3. Maximum marks available: **20 marks**. Refer to marking rubric for marking criteria.
4. Assignment should be of **2,500 words**. Please use "word count" and include this in the report. Presented in Calibri font size 12.
5. Due date of submission: **Week 9, Friday at 12.59 p.m.**

**Topic:** *How is Enhanced Auditor Reporting being embraced in Australia?*

### Background and Context:

Since 2016, there has been a strong push to improve the quality of audit reporting. Listed entities now have to report on "key audit matters" and improve the way material information is communicated using "plain English". As mentioned in the CPA Australia podcast "*How is Enhanced Auditor Reporting being Embraced around the Globe?*" (available at CPA Australia website):

“The IAASB’s new auditor reporting requirements commenced in December 2016. Standard setters in many jurisdictions, including Australia and New Zealand, have issued the new requirements with the same effective date, whilst others have committed to issue the standards but have not yet done so. The UK have had similar requirements in place since 2013 and some firms in other countries have early adopted the IAASB’s requirements. Jim Sylph, Co-chairman of the IAASB’s Auditor Reporting Implementation Working Group, and Merran Kelsall, IAASB member and AUASB Chairman spoke to CPA Australia about the uptake and impact of enhanced auditor reporting around the globe.”

**<Note> Refer to the links below and listen to the podcast before you commence the assignment.**

<http://directory.libsyn.com/episode/index/id/4886297>

[www.cpaaustralia.com.au/professional-resources/audit-and-assurance/auditor-reporting](http://www.cpaaustralia.com.au/professional-resources/audit-and-assurance/auditor-reporting)

<http://www.auasb.gov.au/Publications/Auditor-Reporting-FAQs.aspx>

### **Research Assessment:**

Download an annual report of an ASX listed company that is in the S&P/ASX 300 list. Review all the sections within the selected company’s annual report, which relate to the Auditor’s role in providing assurance over the entity’s financial statements and control environment. Students will need to review and analyse the following key areas included in the company’s Annual Report:

- Auditor’s Independence Declaration
- Independent auditor’s report
- Non-Audit services performed by the Auditor
- Auditors’ remuneration
- Role, functions and composition of the Audit Committee
- Independent Auditors report to the members (shareholders)
- Review all **Key Audit Matters** noted and the associated audit procedures

## Required:

Based on your analysis of the auditors' sections and other areas pertaining to the auditor, as included within the Annual Report, submit a report which summarises and evaluates the auditor's assurance services performed for the client company.

As part of your review of the assurance services provided, consider the following:

- Has the auditor complied with Independence requirements?
- If there were non-audit services provided, what was the nature of such services?
- Provide an analysis of the Auditor's remuneration in a table with prior year comparisons. Include percentage changes and explanations of the remuneration.
- In relation to the **key audit matters**, which audit procedures were performed to provide assurance over each matter? Summarise and paraphrase each key audit matter. Correctly classify each audit procedure listed as: tests of controls, substantive tests of detail, substantive test of balances or analytical procedures.
- Is there an **Audit committee**? Are there any non-executive directors on the audit committee? Is there an Audit Committee Charter? If so, summarise the main points of the charter including: the structure, function and responsibilities of the Audit Committee.
- What type of **Audit Opinion** was expressed?
- How do the Directors' and Management's responsibilities differ from the Auditor's responsibilities in relation to the financial report?
- Were there any material subsequent events? If so, briefly outline them and paraphrase and summarise how they were treated.
- As an interested third party stakeholder, make an assessment of the effectiveness of the material information reported by the Auditor in your conclusion.
- Consider whether there is any material information which could be missing, under-reported and/or not fully explained or disclosed in an effective way for the intended users?

- What follow-up questions would you ask the Auditor at the company's Annual General Meeting?

## **Report Structure:**

### **1. Executive Summary**

- The Executive summary should be concise and not involve too much detail.
- It should make commentary on the main points **only** and follow the sequence of the report.
- Write the Executive Summary ***after the report is completed***, and once you have an overview of the whole text.
- The Executive Summary appears on the first page of the report.

**2. Contents Page** – This needs to show a logical listing of all the sub-headings of the report's contents.

**3. Introduction** – A short paragraph which includes background, scope and the main points raised in order of importance. There should be a brief conclusion statement at the end of the Introduction.

**4. Main Body Paragraphs** with numbered sub-headings – Detailed information which elaborates on the main points raised in the Introduction. Each paragraph should begin with a clear topic sentence, then supporting sentences with facts and evidence obtained from research and finish with a concluding sentence at the end.

**5. Conclusion** – A logical and coherent evaluation based on a thorough and an objective assessment of the facts. Key information has been appraised from an analysis of the company's annual report and supplementary research to support the final evaluation of the Auditor's findings in the Annual report.

**6. Appendices** – Include any additional explanatory information which is supplementary and/ or graphical to help communicate the main ideas made in the report. Refer to the appendices in the main body paragraphs, as and where appropriate.

## Additional Resources Reference Links:

[https:// www.charteredaccountantsanz.com/Auditor-Reporting-one-year-on](https://www.charteredaccountantsanz.com/Auditor-Reporting-one-year-on)

(Enhanced reporting requirements review one year after introduction)

<https://www.cpaaustralia.com.au/~media/corporate/allfiles/document/about/audit-risk-committee-charter.pdf> (Sample Audit Committee Charter)

<https://www.intheblack.com/~media/intheblack/allfiles/document/pdf-documents/enhanced-auditor-reporting-questions-and-answers.pdf> (Enhanced Auditor Reporting. Live Chat: Questions and Answers)

CPA Australia Podcast web-page for illustrative purposes is shown below:



**libsyn**

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### CPA Australia Podcast

How is Enhanced Auditor Reporting being Embraced Around the Globe?

Released on Dec 7, 2016 CPA Australia Podcast

The IAASB's new auditor reporting requirements commence in December 2016. Standard setters in many jurisdictions, including Australia and New Zealand, have issued the new requirements with the same effective date, whilst others have committed to issue the standards but have not yet done so. The UK have had similar requirements in place since 2013 and some firms in other countries have early adopted the IAASB's requirements. Jim Sylph, Co-chairman of the IAASB's Auditor Reporting Implementation Working Group, and Merran Kelsall, IAASB member and AUASB Chairman spoke to CPA Australia about the uptake and impact of enhanced auditor reporting around the globe.

**Assignment Marks Allocation:**

Executive Summary	(4 marks)
Main Body of the Report	(8 marks)
Conclusion	(4 marks)
Spelling and Grammar	(1 mark)
Presentation	(1 mark)
<u>Reference and Citation</u>	<u>(2 marks)</u>
<b>Total</b>	<b>20 marks</b>

<Note> Refer to the Individual Assignment Rubric below

## HI6026 - Individual Assignment Marking Rubric

Criteria	weight	Excellent	Good	Satisfactory	Sub-standard
<b>Executive Summary</b>	<b>4 marks</b>	<input type="checkbox"/> Very effectively written synopsis with clear communication of the main points. (4 marks)	<input type="checkbox"/> Competently composed synopsis with the main points communicated. (3 marks)	<input type="checkbox"/> Synopsis is clearly written, but it is brief or has some errors. (2 marks)	<input type="checkbox"/> Synopsis is deficient and poorly written. Too brief. (1 mark)
<b>Main Body Including Introduction</b>	<b>8 marks</b>	<input type="checkbox"/> Excellent. Well organised. Main points are logically ordered; sharp sense of structuring and arrangement of key information. Supporting details are specific to the main points and adequate facts and other evidence is provided and well-articulated. (7 – 8 marks)	<input type="checkbox"/> Organised; but some main points are disjointed, incomplete or not correctly prioritised. Some details do not support the subject. (5 – 6 marks)	<input type="checkbox"/> Some organization; main points are there but they are disjointed; Minor structuring issues. (3 – 4 marks)	<input type="checkbox"/> Poorly organized; no logical progression; beginning and ending are vague. No structure. Lacks substance. No research noted. (1 – 2 marks)
<b>Conclusion</b>	<b>4 marks</b>	<input type="checkbox"/> Very well composed conclusion with a clear and logical evaluation with conclusive and persuasive statements based on an intelligent assessment of the evidence acquired. (4 marks)	<input type="checkbox"/> Conclusion is logical and an evaluation is made, but there is some lack of evidence or depth of analysis, which would have improved the overall persuasiveness of the report. (3 marks)	<input type="checkbox"/> Conclusion is noted and an evaluation is presented, but it is lacking in sufficient detail or supporting evidence. Requires more analysis and some proof-reading. (2 marks)	<input type="checkbox"/> Conclusion is poorly written with no evaluation and no logical coherence. No evidence of analysis. Poor effort. (1 mark)
<b>Spelling and Grammar</b>	<b>1 mark</b>	<input type="checkbox"/> No errors. Well proof-read. Clearly edited and refined prior to submission. (1 mark)	<input type="checkbox"/> Only minor errors. Needs some editing. (0.75 mark)	<input type="checkbox"/> Numerous minor errors. Not proof-read or edited effectively. (0.5 mark)	<input type="checkbox"/> Numerous major and minor errors which distract from understanding and clarity. Not proof-read. Not edited. Academic English level is low. (0 mark)
<b>Presentation</b>	<b>1 mark</b>	<input type="checkbox"/> Very well formatted with sub-headings, page numbers, appendices, and effective use of tables/graphics (1 mark)	<input type="checkbox"/> Formatting is well set out and clear, but there are minor issues in sub-headings, page numbers, appendices and/or graphics. (0.75 mark)	<input type="checkbox"/> Formatting is coherent and clearly structured, but page numbers are missing or subheadings or contents page is brief (0.5 mark)	<input type="checkbox"/> No formatting or lack of structuring. (0 mark)
<b>Reference and Citation</b>	<b>2 marks</b>	<input type="checkbox"/> References are consistently correct using Harvard style or APA style. No missing citations. A strong reference list with relevant and credible sources. (2 marks)	<input type="checkbox"/> Generally correct referencing using Harvard style or APA style. Lacks references. (1.5 marks)	<input type="checkbox"/> Some References are used, but not used consistently. Not enough research. (1 mark)	<input type="checkbox"/> References are missing or do not comply with correct referencing style. (0.5 mark)