

ACCT3708

Auditing & Assurance Services

Course Outline

Semester 2, 2017

Course-Specific Information

The Business School expects that you are familiar with the contents of this course outline. You must also be familiar with the Course Outlines Policies webpage which contains key information on:

- Program Learning Goals and Outcomes
- Academic Integrity and Plagiarism
- Student Responsibilities and Conduct
- Special Consideration
- Student Support and Resources

This webpage can be found on the Business School website:

<https://www.business.unsw.edu.au/degrees-courses/course-outlines/policies>

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COURSE-SPECIFIC INFORMATION

1 STAFF CONTACT DETAILS

	Room No.	Telephone	Email
Teaching Staff			
Lecturer-in-charge			
Dr. Stuart Taylor	Quad 3092	9385 5826	stuart.taylor@unsw.edu.au
Lecturer			
Robert Morley	Quad 3109	9385 5907*	r.morley@unsw.edu.au

* Only call this number during scheduled consultation times

2 COURSE DETAILS

2.1 Teaching Times and Locations

	L/T Class No	Day	Time	Location
Lectures (Start in Week 1)	LEC A	Tuesday	13:00 – 15:00	Ritchie Theatre
	Or LEC B	Tuesday	18:00 – 20:00	ChemSci M18.
Tutorials (Start in Week 2)	T10A	Tuesday	10:00 – 11:00	Quad G041
	T11A	Tuesday	11:00 – 12:00	Gold G07
	T12A	Tuesday	12:00 – 13:00	Quad G041
	T15A	Tuesday	15:00 – 16:00	Sqhouse 205
	T16A	Tuesday	16:00 – 17:00	Gold G05
	T17A	Tuesday	17:00 – 18:00	Gold G05
	T20A	Tuesday	20:00 – 21:00	Quad G041
	W10A	Wednesday	10:00 – 11:00	Sqhouse 207
	W10A	Wednesday	10:00 – 11:00	Sqhouse 215
	W11A	Wednesday	11:00 – 12:00	Sqhouse 207
	W11B	Wednesday	11:00 – 12:00	Sqhouse 215
	W12A	Wednesday	12:00 – 13:00	Sqhouse 218
	W12B	Wednesday	12:00 – 13:00	Sqhouse 205

2.2 Units of Credit

The course is worth 6 units of credit.

2.3 Summary of Course

This course examines the practice of auditing and the underlying concepts, auditors responsibilities and the audit environment. Although the focus of attention is on audits carried out under the provisions of the Corporations Law, reference is also made to other forms of audit. The course is intended to provide an overview of the audit process as it exists in Australia.

2.4 Course Aims and Relationship to Other Courses

This course differs from previous financial accounting courses. In those courses students are taught to prepare financial statements and interpret them. This course is about providing assurance that the information can be relied upon. This assurance is provided through the process of auditing. Both the process of auditing and the rationale for assurance will be studied, in their legal and ethical context. This course is of obvious importance to those students who will be employed as auditors but it is also important to any student who needs to rely on the information provided in audited financial statements.

This course is offered by the School of Accounting and may form part of an accounting major, double major or disciplinary minor within the Bachelor of Commerce or Bachelor of Economics degrees. In order to enrol in this course, students must have passed ACCT2542 Corporate Financial Reporting and Analysis. This course also constitutes part of the core curriculum of studies required by Chartered Accountants Australia and New Zealand (CAANZ).

2.5 Student Learning Outcomes

The Course Learning Outcomes are what you should be able to DO by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Learning Outcomes in this course also help you to achieve some of the overall Program Learning Goals and Outcomes for all undergraduate students in the Business School. Program Learning Goals are what we want you to BE or HAVE by the time you successfully complete your degree (e.g. 'be an effective team player'). You demonstrate this by achieving specific Program Learning Outcomes - what you are able to DO by the end of your degree (e.g. 'participate collaboratively and responsibly in teams').

For more information on Program Learning Goals and Outcomes, see the School's Course Outlines Policies webpage available at

<https://www.business.unsw.edu.au/degrees-courses/course-outlines/policies>

The following table shows how your Course Learning Outcomes relate to the overall Program Learning Goals and Outcomes, and indicates where these are assessed (they may also be developed in tutorials and other activities):

Program Learning Goals and Outcomes		Course Learning Outcomes	Course Assessment Item
<i>This course helps you to achieve the following learning goals for all Business School undergraduate students:</i>		<i>On successful completion of the course, you should be able to:</i>	<i>This learning outcome will be assessed in the following items:</i>
1	Knowledge	<ul style="list-style-type: none"> • Explain the economic and legal basis for auditing • Explain the risk based methodology for auditing, as specified in Australian Auditing Standards • Choose the appropriate audit report to issue based on the results of an audit. 	<ul style="list-style-type: none"> • Quizzes • Exam
2	Critical thinking and problem solving	<ul style="list-style-type: none"> • Analyse the business risks faced by a company and the extent to which these are mitigated by internal controls. • Design an audit strategy to address the risks of errors in the financial statements 	<ul style="list-style-type: none"> • Quizzes • Major Assignment • Exam
3a	Written communication	<ul style="list-style-type: none"> • Write a report on the audit risks, faced by a company, of a suitable standard for presentation to audit partners 	<ul style="list-style-type: none"> • Major Assignment
3b	Oral communication	<ul style="list-style-type: none"> • Not specifically addressed in this course. 	<ul style="list-style-type: none"> • Not specifically assessed.
4	Teamwork	<ul style="list-style-type: none"> • Work in a team to undertake a project to assess the risks faced in auditing a company and manage and evaluate the teamwork process through peer evaluation 	<ul style="list-style-type: none"> • Major Assignment
5a.	Ethical, environmental and sustainability responsibility	<ul style="list-style-type: none"> • Explain the ethical requirements for auditors, as contained in Australian Professional and Ethical Standards • Explain the reporting and auditing of greenhouse gas disclosures in Australia 	<ul style="list-style-type: none"> • Exam
5b.	Social and cultural awareness	<ul style="list-style-type: none"> • Not specifically addressed in this course. 	<ul style="list-style-type: none"> • Not specifically assessed.

3 LEARNING AND TEACHING ACTIVITIES

3.1 Approach to Learning and Teaching in the Course

At university, the focus is your self-directed search for knowledge. Lectures, tutorials, textbooks, exams and other resources are all provided to help you learn. You are therefore required to attend all lectures and tutorials and read all required readings in order to fully grasp and appreciate the concepts of Auditing and Assurance Services.

It is up to you to choose how much work you do in each part of the course: preparing for classes; completing assignments; studying for exams; and seeking assistance or extra work to extend and clarify your understanding. You must choose an approach that best suits your learning style and goals in this course. Lecture and tutorial questions as well as case studies with solutions are provided to guide your learning process.

3.2 Learning Activities and Teaching Strategies

The course consists of lectures and tutorials.

Lectures

Lectures (two hours per week) will be held each Wednesday in weeks 1 to 12. The purpose of lectures is to introduce and explain concepts that are critical to the core themes of the course. Further, lectures are aimed at providing students with the understanding of the audit process and provide guidance for each stage within the process.

In order to maximise the benefits of attending lectures, students are expected/encouraged to read the relevant study materials (i.e. specified chapters or pages in the textbook, auditing standards and practical case studies with solutions) thoroughly before attending lectures.

Tutorials

Each student is expected to register for a tutorial group via the myUNSW system. Tutorials (one hour per week) will be held each week from weeks 2 to 13. The tutorials constitute the core learning experience of this course. During tutorials, students will be encouraged to discuss various steps in the audit process in a team environment and may be asked to present their findings in front of the class, as well as applying their knowledge to specific audit issues and situations via homework questions and class exercises.

Tutorial questions are included in Part C of this Course Outline. It is essential that, prior to a tutorial, you read the relevant course materials and prepare written responses to any tutorial questions assigned.

To assist in the development of key research and analytical skills, some of these tutorial questions may require students to conduct additional research.

Self study

Self study is a key element of the learning design of this course. Self study materials include the auditing standards, the case studies and lecture questions included in the Course Outline. The aim of this material is to encourage students to assume responsibility in the learning process and to make the tutorials more effective. Thus onus is on students to review and complete these materials. Staff will be available in consultation hours to assist with difficulties experienced with the self study materials.

4 ASSESSMENT

4.1 Formal Requirements

To be eligible for a passing grade in this course, students must:

1. Achieve composite mark of at least 50% **AND**
2. Satisfactorily complete all assessment tasks (or submit appropriate documentation relating to your failure to complete a task to the Lecturer-in-charge) **AND**
3. Achieve a satisfactory level of performance in the final exam.

Please note that there will only be ONE supplementary exam. It is the student's responsibility to ensure that he or she is available on the date of the supplementary exam. The date of the supplementary exam is 11th July 2017.

A 'pass conceded' (PC) grade may only be granted in exceptional circumstances by the Faculty of Business Assessment Committee and not the Head of School or the Lecturer-in-charge of this course.

4.2 Assessment Details

Assessment Task	Weighting	Length	Due Date
Major Assignment	20%	10 Pages	Week 9 Tutorial
Three Class Quizzes	24%	15 Minutes each	Tutorials in weeks 5, 8 and 10
Final Examination	56%	2 Hours	TBA
Total	100%		

Major Assignment (20%)

The major assignment is available on page 56 of this course outline. The purpose of this assignment is to give you experience of working in a team to analyse the issues faced in the audit of a real company and write a professional report on your findings. The assignment will be completed in groups of four or five students. Groups will be allocated by your tutors.

Class quizzes (24%)

Three class quizzes will be held in your tutorials in weeks 5, 8 and 10. Each quiz will be worth 8% of the final assessment for this course. The purpose of the quizzes is to give you ongoing feedback on your progress in the course. Quiz questions will be a combination of multiple choice questions and short answer questions. Additional information will be provided in the weeks before the quizzes. The purpose of the quizzes is to provide you with timely feedback on your understanding of the course.

Final examination (56%)

Students are required to sit for a final examination paper in this course. The exam will be of two hours duration and will cover the entire course, although emphasis will be given to those areas not previously examined. The exam will consist of multiple choice questions and written case study questions. Details about the content and structure of the exam will be provided in Lecture 12.

4.3 Special Consideration, Late Submission and Penalties

For information on Special Consideration please refer to the Business School's [Course Outlines Policies webpage](#).

For special consideration for the quizzes or major assignment contact the lecturer in charge

4.4 Protocol for viewing final exam scripts

The UNSW Business School has set a protocol under which students may view their final exam script. Please check the protocol [here](#).

Quality Assurance

The Business School is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential.

5 COURSE RESOURCES

Prescribed Textbooks

Gay G, and R. Simnett *Auditing and Assurance Services in Australia*, McGraw-Hill, 6th edition, 2015. This textbook can also be bought as an eBook from McGraw-Hill.

Martinov-Bennie N., Soh D. and Frohbus K., *Auditing and Assurance: A Case Studies Approach*, Lexis Nexis, 7th Edition 2017.

Both textbooks are available from the UNSW Bookshop.

Note: The Australian Auditing Standards can be downloaded from the AUASB website (<http://www.auasb.gov.au>).

Additional References:

Students will find many other auditing textbooks which will provide additional supplementary information. Some of these are available on closed reserve in the main library.

The website for this course is on Moodle at:
<http://moodle.telt.unsw.edu.au>

6 COURSE EVALUATION AND DEVELOPMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's myExperience survey is one of the ways in which student evaluative feedback is gathered. In this course, we will seek your feedback through end of semester myExperience responses. Previous student feedback indicated a desire for tutorial solutions to be placed on Moodle. It has been decided that this will not be done, as students gain more from working through questions in tutorials than from having access to a sample answer. Students also requested that a short break be taken in the middle of the lectures. This has been implemented.

7 COURSE SCHEDULE

Note: tutorials on a particular lecture topic will be held in the week after the lecture on that topic.

Week	Lecture Date:		Lecture Topic
1	July	25	Introduction to the Audit Function, Assurance Framework, Regulation of Audits and Auditors' Legal Liability NO TUTORIALS THIS WEEK
2	August	1	Risk, Error and the Audit Process
3	August	8	Business Risk
4	August	15	Internal Controls I: Control Environment and Manual Controls
5	August	22	Internal Controls II: Internal Controls in an IT Environment Quiz 1 will be held in tutorials this week Assignment groups will be formed in tutorials
6	August	29	Internal Controls III: Tests of Controls and Communication with Management Team Assignment Contract to be submitted in tutorials
7	September	5	Substantive Tests I: Audit Evidence, Tests of Detail and Audit Sampling
8	September	12	Substantive Tests II: Tests of Detail in IT Systems, Substantive Analytical Procedures, Subsequent Events and Going Concern Quiz 2 will be held in tutorials this week
9	September	19	Using the Work of Others and Fraud Major assignment due
MID SEMESTER BREAK: 23rd September – 2nd October			
10	October	3	Audit Strategies Quiz 3 will be held in tutorials this week
11	October	10	Audit Reporting
12	October	17	Other Assurance Services and Ethics
13			NO LECTURES THIS WEEK

8 WEEKLY LECTURE AND TUTORIAL GUIDE

This section contains a weekly guide to the lecture topics, readings, lecture discussion questions, tutorial questions and other information.

THE UNIVERSITY OF NEW SOUTH WALES
SCHOOL OF ACCOUNTING
ACCT3708 AUDITING AND ASSURANCE SERVICES
Introduction to the Audit Function
Assurance Framework, Regulation of Audits
Auditors Legal Liability

WEEK 1 LECTURE: Tuesday 25th July 2017

THERE ARE NO TUTORIALS THIS WEEK

READING GUIDE

Please note:

It is recommended that students familiarise themselves with the key references prior to each week's lecture. It is essential that students are familiar with the key references before attending the tutorial.

Textbook Reference:

Gay and Simnett: Chapter 1 (Sections 1.1 – 1.5), Chapter 2 (Sections 2.6 – 2.8) and Chapter 3 (Section 3.6)

Standards:

ASA 101: Preamble to AUASB Standards
ASA 200: Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards

TUTORIAL QUESTIONS (Tutorials in Week 2)

1. What is assurance and why do we have it?
2. What are the three kinds of errors that can occur in financial statements?
3. Distinguish between management's and the auditor's responsibility for the financial report that is being audited.
4. Explain the meaning of "true and fair" in the audit report.
5. What is the proximity test with regard to an auditor's legal liability to third parties? Support your explanation with relevant legal cases.

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Risk Error and the Audit Process

WEEK 2 LECTURE: Tuesday 1st August 2017

Textbook Reference:

Gay and Simnett: Chapter 2 (Section 2.5), Chapter 4 (Section 4.2, 4.5, 4.6 and 4.9) and Chapter 5 (Section 5.1 and 5.2)

Standards:

ASA 210:	Agreeing the Terms of Audit Engagements
ASA 220:	Quality Control for an Audit of a Financial Report and Other Historical Financial Information
ASA 230:	Audit Documentation
ASA 315:	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
ASA 320:	Materiality in Planning and Performing an Audit
ASQC 1:	Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements

TUTORIAL QUESTIONS (Tutorials in Week 3)

1. What is the link between audit risk and engagement risk? How does the audit risk model allow the auditor to deal with these risks in the most cost effective manner?
2. Under what circumstances should an auditor decline an audit engagement?
3. What would you include in an engagement letter?
4. What is the primary account/disclosure and audit assertion that are affected by the following accounting issues?
 - Excessive bad debts
 - Undisclosed contingent liabilities
 - Inventory purchased in foreign currencies
 - Unusual lengthening of the useful lives of assets
 - Classification of finance leases as operating leases
 - Capitalisation of research and development expenditure on failed projects
 - Complex payroll calculations
 - Customers cancelling sales orders
 - Prepayment of insurance premiums

- Changes in the values of shares held for investment purposes
5. Martinov, Soh and Frohbus, Chapter 1, Case 1-3 (p. 9).
 6. XYZ Ltd is a publicly listed company which has suffered from major sales declines, due to increased foreign completion, and has made a succession of losses over the past three years. During the year, its CEO resigned and was replaced by Chief Operating Officer (COO). The trial balance reveals that sales were \$10,000,000 and the company made a loss of \$500,000. At what level would you set planning materiality? Justify your answer.

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Business Risk

WEEK 3 LECTURE: Tuesday 8th August 2017

Textbook Reference:

Gay and Simnett: Chapter 5 (Sections 5.3, 5.4 and 5.7)

Standards:

ASA 315: Identifying and Assessing the Risks of Material Misstatement through
Understanding the Entity and Its Environment
ASA 520: Analytical Procedures

Lecture Discussion Question:

1. Martinov, Soh and Frohbus, Chapter 1, Case 1-5, (p. 10). Part (a) and (b)
2. Martinov, Soh and Frohbus, Chapter 1, Case 1-4 (p. 10).

TUTORIAL QUESTIONS (Tutorials in Week 4)

1. Martinov, Soh and Frohbus, Chapter 9, Practice Examination 2, Question 1 (p. 314).
2. Martinov, Soh and Frohbus, Chapter 9, Practice Examination 2, Question 3 (p. 315).
Part (1) only
3. Martinov, Soh and Frohbus, Chapter 1, Case 1-5, (p. 10). Part (c) and (d)
4. Martinov, Soh and Frohbus, Chapter 1, Case 1-13, (p. 35).

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Internal Controls I
Control Environment and Manual Controls

WEEK 4 LECTURE: Tuesday 15th August 2017

Textbook Reference:

Gay and Simnett: Chapter 7 (all except Section 7.5)

Standards:

ASA 315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
ASA 610: Using the Work of Internal Auditors

Lecture Discussion Question:

For the following business risks outline an internal control that would address the risk.

- (i) Risk of non-collectability of debtors
- (ii) Repairs to plant and machinery incorrectly being capitalised
- (iii) Overpayment of overtime to individual employees
- (iv) Payments being made twice to the same supplier
- (v) Inventory being stolen.

TUTORIAL QUESTIONS (Tutorials in Week 5)

Quiz 1 will be held in tutorials this week (week 5)

Assignment groups will be formed during this tutorial

1. Martinov, Soh and Frohbus, Chapter 9, Practice Examination 3, Question 1, part 1 (p. 318).
2. Martinov, Soh and Frohbus, Chapter 9, Practice Examination 2, Question 2 (p. 314).
3. ABC Limited has an internal audit section that employs ten staff. The chief internal auditor has been in the role for fourteen years and had previously worked in the audit section of a Big-4 accounting firm for eight years. Three of the other staff are also chartered accountants with several years of Big-4 audit experience. The internal audit section reports to the chief accountant, who is responsible for setting their annual audit program and reviewing their reports. The internal

auditors mainly evaluate the internal control system of ABC, as well as searching for fraud. The internal audit section has developed an audit manual and has good supervision and training policies to manage junior staff.

Required

How much reliance would you be willing to place on the internal audit section of ABC? Justify your answer.

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Internal Controls II
Internal Controls in an IT Environment

WEEK 5 LECTURE: Tuesday 22nd August 2017

Textbook Reference:

Gay and Simnett: Chapter 7 (Section 7.5)

Standards:

ASA 315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment

Lecture Discussion Questions:

1. Martinov, Soh and Frohbus, Chapter 4, Case 4-2 (p 108).
2. Martinov, Soh and Frohbus, Case 4-5, Part 2 (p. 110).

TUTORIAL QUESTIONS (Tutorials in Week 6)

Assignment Team Contracts are due at the start of this tutorial

1. What is the difference between a general control and an application control in an IT accounting system?
2. What are the three types of general control?
3. What are the four types of computerised application control?
4. How should the auditor test general and application controls in an IT system?

5. ABC Ltd is an importer and wholesaler of electronic products, such as computer chips, circuit boards and electronic testing and measuring equipment. It imports products from over 100 suppliers, mainly based in China, Korea and the USA and sells its products through twelve warehouse stores in industrial areas of Australia's major cities, as well as through an online store.

ABC's computer system was implemented in 2005 and is based on a simple network of PCs running separate accounting and inventory management software packages, as well as a simple e-commerce site. The lack of integration means that paper documents are still used to transfer information from one department to another, or forms are printed out on one computer and then the data re-entered into another computer. Because of the high degree of inefficiency of this system, ABC's CEO, Jennifer Burns, decided to implement a brand new fully integrated system that will ensure that information can be seamlessly transferred between the sales website, store sales systems, accounts receivable, inventory and accounts payable systems. In September 2015, ABC employed Roger Walker, an experienced computer programmer and systems developer to carry out this redevelopment, with a deadline for completion of June 2016.

At first, the new system development seemed to be going smoothly but, by the end of the year, it was clear that some difficulties had arisen. Burns and Walker disagreed about the scope of the project, the timeline for completion and the cost. Walker argued that he could only meet the deadline if ABC would employ another programmer to help him. However, Burns refused and stated that Walker had agreed to do the work himself and that he was behind schedule because he had failed to fully understand the requirements of the system and had wasted time on developments that were not applicable to ABC's business model.

In response Walker claimed that ABC management had not presented him with a formal system requirement and that he had to work out what needed to be done by holding discussions with relevant staff, each of whom could tell him about their own area but who had no overall understanding of what was required. This led to frequent revisions to the work and the need to abandon sections of the system because they did not meet the requirement of all section of the business, causing loss of time and effort.

At the end of March 2016 Walker resigned. Burns appointed Jane Thompson, a partner at BDO and computer systems expert, to review the project. She found that the project was far behind schedule and in a highly disorganised state. Some modules appeared to have been completed but it was impossible to determine if they were satisfactory because there was no clear understanding of what the system was supposed to do. Furthermore, there was no documentation of how the modules worked and no plan for how and when the remainder of the modules were to be completed. Thompson reported that the project was an irretrievable failure and recommended that it be abandoned. Burns agreed and the project was terminated in April 2016.

Required

List three problems with the way that ABC attempted to develop their new computer systems. For each problem recommend a solution that could have prevented the problem.

6. XYZ Ltd has a computerised payroll system. The payroll file contains the following fields.

Field	Description
10	Employee Number
11	Department/Unit Number
12	Name
13	Street Address
14	State
15	Post Code
16	Telephone Area Code
17	Telephone Number
18	Mobile Number
19	Employment Start Date
20	Termination Date
21	Annual Gross Salary
22	Annual Leave Balance

- (a) For each of the following controls, which field would you use it for, which audit assertion would it help address
- Auto-numbering
 - Valid code test
 - Limit/reasonableness test
- (b) Which field is the primary key and which field is the foreign key? What is the purpose of each key field?
- (c) Why aren't the annual income tax and the annual net salary stored in the file?
- (d) If an employee works different hours and is paid differing amounts, each fortnight, how would this be stored?
- (e) If XYZ wants to allow the payroll clerk to be able to add new employees and change their details, but not delete them, how can this be controlled?

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Internal Control III
Tests of Controls
Communication with Management

WEEK 6 LECTURE: Tuesday 29th August 2017

Textbook Reference:

Gay and Simnett: Chapter 8

Standards:

- ASA 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
ASA 330: The Auditor's Responses to Assessed Risks

Lecture Discussion Questions:

- 1) Items (a) through (e) are examples of internal controls you have documented for the Property Plant and Equipment and Depreciation area. For each of the items below state the primary audit assertion being fulfilled if the control is in effect.

Property Plant and Equipment (PP&E)

- a) An annual PP&E stocktake is carried out and any damaged items (including the nature and extent of the damage) are noted in the stocktake report.
- b) All ledger entries, for items of PP&E, include the purchase invoice number.
- c) At the end of the financial year, the accountant compares the fixed asset register to the lease contracts that the firm has entered into, to see that no leased assets are included in the register.

Depreciation

- d) Before the depreciation is calculated, for an item of PP&E, the accountant checks that the useful life of the PP&E item is reasonable.
- e) After the depreciation expense has been calculated, the accountant reconciles the depreciation expense account to the fixed asset register, to check that all depreciable items have an entry in the depreciation expense account.

- 3) ABC Ltd is a construction company. It carries out major construction projects (bridges, office buildings and shopping centres etc) for both government and private companies throughout Australia. The company has several independent construction teams based in the major Australian cities and industrial areas, as well as a central head office in Sydney. Each team only works on one project at once. It stores a record of all its construction equipment in the following tables.

Construction Equipment Table		Construction Projects Table	
Field	Description	Field	Description
10	Asset Number ^a	20	Project Number
11	Asset Category ^b	21	Project Description
12	Asset Description	22	Project Location
13	Project Number ^c	23	Project Purchaser ^f
14	Team Number ^d	Construction Teams Table	
15	Purchase Date	Field	Description
16	Disposal Date ^e	30	Team Number
17	Purchase Cost	31	Team Name
18	Impairment Charges	32	Team Manager
19	Useful Life	33	Team Contact Details

^a A unique four digit number

^b The type of asset. The user selects from a list of categories, such as trucks, cranes, bulldozers etc

^c A four digit project number that links to the Projects Table

^d A two digit department number that links to the Departments Table

^e This field is left blank if ABC still owns the asset

^f The name of the company or government department that bought and is paying for the construction project

Required

- a) On *which* fields would you use the following types of input control? Justify your answer
- Auto-numbering
 - Valid Code Test
 - Limit/Reasonableness Test
- b) How would you test the three controls listed in part (a)?

TUTORIAL QUESTIONS (Tutorials in Week 7)

- 1 Items (i) through (iv) are examples of internal controls that you have documented for the interest bearing liabilities and interest expense segment of your client's system.
- i. Before interest expense is calculated, for an interest bearing liability, the accountant confirms the interest rate with the financial institution that lent the money, to ensure that the correct rate is used.
 - ii. After the interest expense has been calculated, the accountant reconciles the interest expense account to the interest bearing liabilities sub-ledger, to check that all interest bearing liabilities have an entry in the interest expense account.
 - iii. Before the preparation of the year end trial balance, the accountant checks that foreign currency loans are translated into Australian dollars at the correct exchange rate.
 - iv. All ledger entries, for interest bearing liabilities, include the name of the lender and the identity number from the loan contract.

Required:

For each item state:

- a) The assertion that the control addresses
 - b) A test of control that would provide evidence that the control is effective (note that inquiry of client personnel or investigation of policy and procedures manuals is not a sufficient answer.)
2. Items (i) through (v) are examples of internal controls that you have documented for the purchases and accounts payable segment of your client's system.
- i. Entries to the purchases journal are initiated by a purchase invoice supported by a goods received note.
 - ii. Goods received notes are recorded on pre-numbered documents, and the sequence of these documents is accounted for periodically.
 - iii. At close of business on the last day of the financial year the purchasing manager records the last goods received note number.
 - iv. The central purchasing department has one accounts clerk who is responsible for recording all suppliers' invoices.
 - v. All creditors' accounts are reconciled to supplier statements at the end of each month.

Required:

For each item state:

- a) The assertion that the control addresses.
- b) A test of control that would provide evidence that the control is effective (note that inquiry of client personnel or investigation of policy and procedures manuals is not a sufficient answer).

3. How does the nature of accounting errors differ between a manual and a computerised accounting system? How does this affect the audit strategy?
4. Martinov, Soh and Frohbus, Chapter 4, Case 4-4 (p.109).
5. Under what circumstances should an auditor communicate internal control deficiencies to management?

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Substantive Tests I
Audit Evidence, Tests of Detail and Audit Sampling

WEEK 7 LECTURE: Tuesday 5th September 2017

Textbook Reference:

Gay and Simnett: Chapter 4 (Sections 4.3, 4.4 and 4.7), Chapter 9 (Sections 9.1 – 9.9), Chapter 10 (all except for Section 10.7)

Standards:

ASA 315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
ASA 500: Audit Evidence
ASA 530: Audit Sampling

Lecture Discussion Questions:

1. Martinov, Soh and Frohbus, Chapter 3, Case 3-14 (p. 87).
2. XYZ Ltd is a furniture removals company. Its major asset is its removal trucks, some of which are owned and some of which are leased under operating leases from the finance division of a major truck manufacturer. Your analytical review shows a large increase in the balance of the property plant and equipment account despite the fact that revenue has remained constant.
 - a) What is the business risk?
 - b) What is the account affected?
 - c) What is the prime assertion at risk?
 - d) Which substantive test would you use to address this risk?

TUTORIAL QUESTIONS (Tutorials in Week 8)

Quiz 2 will be held in tutorials this week (week 8)

1. Martinov, Soh and Frohbus, Chapter 8, Practice Examination 2, Question 4 (p. 316).
2. Martinov, Soh and Frohbus, Chapter 3, Case 3-8 part A (p. 78).

3. Assume an auditor has performed a test of GHK Ltd's payroll transactions and found the following results.

– Total Wages Expense	\$15,000,000
– Number of fortnightly wage payments	5,200
– Sample size	40
– Dollar value of sample	\$110,000
– Tolerable misstatement	\$300,000
– Misstatement in sample	\$1,600

Is there a material misstatement of wages expense?

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Substantive Tests II
Tests of Detail in IT Systems, Substantive Analytical
Procedures, Subsequent Events and Going Concern

WEEK 8 LECTURE: Tuesday 12th September 2017

Textbook Reference:

Gay and Simnett: Chapter 9 (Sections 9.10), Chapter 11 (Sections 11.2 and 11.5)

Standards:

ASA 560: Subsequent Events

ASA 570: Going Concern

Lecture Discussion Questions:

1. You are the auditor of Loans Limited, and are in the process of planning the audit of their investment funds, which are strictly invested in residential mortgages.

The mortgage subsidiary ledger is maintained on a centralised database in the following format:

Field	Information
1	Loan number
2	Customer number
3	Property number (of mortgaged property)
4	Date of issue
5	Original mortgage/loan amount
6	Term of mortgage/loan
7	Fixed or floating rate
8	Interest rate (for fixed rate mortgages)
9	Current balance outstanding

You have satisfied yourself that general controls in the system are reliable.

Required:

- (a) Identify two key financial report assertions in relation to the current mortgage/loan balance outstanding (Field 9) and explain why they constitute key assertions.
- (b) For the assertions identified in (a) above describe two specific examples how GAS can be used in the substantive testing of mortgage/loans balance outstanding.

TUTORIAL QUESTIONS (Tutorials in Week 9)

NOTE: YOUR ASSIGNMENT IS DUE THIS WEEK. IT MUST BE SUBMITTED TO YOUR TUTOR AT THE BEGINNING OF YOUR TUTORIAL

1. ABC Ltd has the following fields in its accounting system. ABC Ltd requires payment of all debts within 30 days.

Customers Table

Field No	Field Name
1	Customer Number
2	Name
3	Street Address
4	City
5	State
6	Post Code
7	Phone Number
8	Credit Limit
9	Outstanding Balance
10	Last Payment Date

Orders Table

Field No	Field Name
11	Order Number
12	Customer Number
13	Date
14	Item Number
15	Quantity
16	Sale Price
17	Order Total

Inventory Table

Field No	Field Name
21	Item Number
22	Item Description
23	Quantity on Hand
24	Cost
25	Last Dispatch Date
26	Last Receiving Date

Required

- a) What is an exception report?
- b) Using the ABC Ltd files, listed above, give one example of an exception report that audit software could generate, to help you test each of the following assertions.
 - i) Accuracy, valuation and allocation of accounts receivable
 - ii) Occurrence of sales
 - iii) Completeness of inventory
 - iv) Accuracy, valuation and allocation of Inventory
- c) Using the ABC Ltd files, listed above, give one example of a report (not an exception report) that audit software could generate, to help you test each of the following assertions.
 - i) Accuracy of sales
 - ii) Accuracy, valuation and allocation of Inventory
 - iii) Existence of Accounts Receivable

2. Develop a substantive analytical procedure to substantiate each of the following balances.
 - School fee revenue for a private school
 - Advertising income for a national newspaper
 - Professional fee income for a medical practice
3. Martinov, Soh and Frohbus, Chapter 5, Case 5-2 (p. 148).
4. (i) Explain briefly what is meant by the 'going concern' concept and its significance to the audit.
- (ii) Based on the information provided what would be the value of buildings (a) under the going concern basis, and (b) if the company was not a going concern.

	\$
Buildings at cost	6,000
Accumulated depreciation	500
Current sales value (excl. land)	3,000
Cost of disposal	25

- (iii) Detail three (3) factors that would assist you in determining the 'going concern' basis for a home unit property developer. (Justify the relevance of each of the factors chosen.)

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Using the Work of Others and Fraud

WEEK 9 LECTURE: Tuesday 19th September 2017

Textbook Reference:

Gay and Simnett: Chapter 4 (Section 4.8) and Chapter 6 (Section 6.2)

Standards:

- ASA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report
ASA 600: Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)
ASA 620: Using the Work of an Auditor's Expert

Lecture Discussion Questions:

1. XYZ Ltd sells whitegoods (refrigerators, dishwashers etc.) and home electronics through 150 retail outlets throughout Australia. It has been rapidly expanding, with 20 new stores opened in each of the last three years, and has been pursuing a strategy of heavy discounting to secure increased market share. This has resulted in sales increasing by 30% in the last year but only very small profits.

All inventory is distributed to the stores from four large warehouses in Sydney, Melbourne, Brisbane and Perth. All inventory purchasing and distribution is managed by Belinda Watts from the company head office in Melbourne. A management restructure has been announced which will result in the centralised inventory management function being replaced with separate inventory management groups at each warehouse. Belinda has been told that her current role will cease at the end of the year and that she is invited to apply for the position of manager of the Melbourne inventory management group at a reduced salary. Belinda's recent performance reviews have been poor and she has a record of not following company procedures such as providing documents to senior management in a timely manner or attending meetings. However, she has not been disciplined for this as the CEO and board are heavily focussed on increasing sales and they are only really concerned with having enough inventory in the stores to meet sales; something that Belinda has managed to achieve.

Controls over inventory purchases and movements are poor. Documents are filled out late and are not processed in a timely manner and stocktakes are not performed. This makes it hard to determine how much inventory has been purchased, is in the warehouses or has been distributed to the stores. When asked about this, Belinda replied that she does not have enough staff to comply

with the required procedures and that she is able to control the inventory through her personal knowledge and informal record keeping. When you ask to see these informal records, she tells you that she throws them out after she has used them. You have conducted a stocktake which has given you an estimate of the actual inventory. Your results are exactly the same as that recorded in the inventory ledgers. However, analytical procedures indicate that the ratio of COGS to Sales has substantially increased over the year. You note that Belinda has replaced the Toyota Corolla she had last year with a BMW Z4 Roadster.

Required:

- a) What is the specific nature of the fraud that you suspect that Belinda Watts is conducting? Justify your answer.
- b) What is the key account and assertion that is most at risk of misstatement because of this fraud?
- c) What is Belinda Watts' incentive to commit the fraud?
- d) Which factors give Belinda Watts the opportunity to commit the fraud?
- e) Which factors allow Belinda Watts to rationalise the fraud?
- f) What additional procedures should the auditors perform to determine if Belinda Watts is actually committing a fraud?

TUTORIAL QUESTIONS (Tutorials in Week 10)
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Quiz 3 will be held in tutorials this week (week 10)

1. Why would an audit firm use a component auditor? What are the key rules that must be followed when doing so?
2. Provide example of situations in which an auditor may use an independent expert. What procedures must be undertaken in order to rely on the expert's work?
3. You are the auditor of Sydney Solar Ltd (SSL), a company that installs solar panels systems on the roofs of houses in the greater Sydney Area. The company buys rooftop solar panel systems in bulk from a Chinese supplier and stores them in a warehouse in Penrith. The company maintains a website where users can view the main types of solar systems and can request a consultant to visit their house, recommend a system and give a formal quote to buy and install the system. To encourage the installation of solar panel systems, the Federal Government offers a 25% rebate. SSL advertises that it will reduce the price of the solar panel system by 25% if the customer gives SSL the right to claim the rebate on their behalf. This procedure is allowed by the government and requires the customer to fill out and sign a delegation form.

Once the consultant has visited the customer's house, the client has accepted the quote and paid a 25% deposit and signed the delegation form – allowing SSL to claim the solar rebate on their behalf – the SSL consultant arranges for an independent subcontractor to install the panel. After the installation has been completed, SSL bills the client for the remaining 50% of the quoted price and then pays the subcontractor for the installation work. SSL's unaudited financial statements – for the year ended 31st May 2016 – show a 22% increase in profits, compared to a 9% increase for the industry. However sales have only increased

by 6%, compared to industry sales growth of 10%. CEO Joanne Nichols claims that this is due to the company only using new, easier to install modular systems that are cheaper but can only be installed on certain types of house roofs. This restricts sales but means that each sale is more profitable.

Your audit team members, inform you of the following evidence:

- Reviews of sales documents show that, during 2015 – 2016, SSL used QCX Construction to carry out 7% of their installation work. This company had not previously been used by SSL and there is no evidence that they have carried out solar panel installation for any customers, except those of SSL.
- Discussions with several of SSL's sales consultants indicate that none of them have used QCX for installation work.
- Searches of ASIC corporate registers show that QCX Construction only has two directors, Joanne Nichols and her sister Jasmine. Joanne and Jasmine are also directors of XMC Property Development, a company that has been involved in the development of an apartment complex in Parramatta, which is behind schedule and is experiencing cost overruns. SSL lent a large amount of money to XMC in December 2015, to help with severe cash flow problems.
- A review of controls over sales invoicing indicates that there has not been a full-time staff member employed in this area for over a year. Most of the work is done by temporary staff from an employment agency. Because of this, Joanne Nichols has taken a very "hands-on" approach to dealing with this area, including doing some of the work herself on weekends.
- A review of taxation records indicates that Joanne Nichols has been the subject of a tax audit and has been forced to pay \$350,000 to the ATO. She is currently appealing this decision in the Federal Court.

Required:

- a) What is the specific nature of the fraud that you suspect that Joanne Nichols is conducting? Justify your answer.
- b) What is the key account and assertion that is most at risk of misstatement because of this fraud?
- c) What is Joanne Nichols' incentive to commit the fraud?
- d) Which factors give Joanne Nichols the opportunity to commit the fraud?
- e) Which factors allow Joanne Nichols to rationalise the fraud?
- f) List two pieces of additional evidence the auditors should collect to determine if Joanne Nichols is actually committing a fraud?

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Audit Strategies

WEEK 10 LECTURE: Tuesday 3rd October 2017

Textbook Reference:

Gay and Simnett: Chapter 5 (Section 5.5)

Standards:

ASA 330: The Auditor's Responses to Assessed Risks

Lecture Discussion Questions:

1. XYZ Ltd is an infrastructure company. It owns several liquefied natural gas (LNG) pipelines, which it leases to gas distribution companies, at fixed rates per cubic metre of gas that is transported through the pipelines. Maintenance is contracted out to an engineering contractor for a fixed annual fee. The two major expenses are depreciation on the pipelines and interest on the debts that were incurred to raise the cash to buy the pipelines. Profits are high and showing a slow but constant growth rate. The industry is stable, with very little competition. However, there is a risk that the ACCC may intervene to reduce the rates that XYZ can charge its customers. Finally, the risk of interest rate movements has been eliminated by a comprehensive hedging program. Key financial information obtained from XYZ's trial balance is shown below:

	2016	2015
	\$m (unaudited)	\$m (audited)
Cash	10.3	8.7
Accounts Receivable	20.3	19.6
Property, Plant and Equipment	755.3	735.2
 Total Revenue	 314.1	 296.9
Depreciation Expense	80.2	75.5
Interest Expense	69.3	71.2
Net Profit After Tax	31.3	28.8

XYZ has a staff of twenty. The accounts department consists of one accountant and two accounts clerks. One clerk is responsible for cash receipts and payments, all of which are electronic, while the other records all transactions in the journals, including the calculation and recording of depreciation. The accountant reviews their work regularly and provides assistance with more

complex transactions, as well as preparing the financial statements and liaising with the auditors, the CEO and the board of directors. The valuation and useful life of the company's pipelines are reviewed annually by external consultants and these results are reported to the board and are used in the preparation of the financial statements.

Required:

- a) List five business risk factors, which would impact on the accuracy of depreciation? Overall, is the business risk for accuracy of depreciation high medium or low?
 - b) At level would you set planning materiality for XYZ?
 - c) List two mitigating controls that would reduce the risk of error in the accuracy of depreciation?
 - d) For each control, list one test of control that could be performed to determine the control operates effectively.
 - e) Once the mitigating controls are taken into account, what is the residual risk of error in the accuracy of depreciation (high medium or low)?
 - f) How much substantive analytical procedures and tests of detail should be performed to reduce the risk of errors, in the accuracy of depreciation, to an acceptable amount?
 - g) List two substantive procedures that should be performed to test the accuracy of depreciation for XYZ Ltd.
2. ABC Ltd owns a chain of computer retail stores. The company is suffering from strong competition from major department stores and online computer retailers. In addition, the mix of products that consumers buy is constantly changing, with more demand for smartphones and tablets, and less demand for personal computers. Because of this, the company's profits have fallen in recent years and cash flow is weak. While the company is still able to pay the interest on its debts, it is in danger of violating the debt covenant, which requires it to maintain a return on total assets of 7%. Furthermore, it is likely to struggle to make large loan principal repayments, which are due at the end of the year. To overcome this, the company has engaged an investment bank to try and find investors for a private equity capital raising. Key financial information obtained from ABC's trial balance is shown below:

	2016	2015
	\$m (unaudited)	\$m (audited)
Cash	2.1	3.8
Accounts Receivable	25.3	17.4
Inventory	45.2	38.7
Total Assets	112.5	90.4
Inventory Turnover Ratio	3.2	5.3
Current Ratio	2.7	1.8
 Total Revenue	 127.5	 144.3
Net Profit After Tax	8.1	9.5

As inventory is a major asset class, ABC has several controls in place for it. All inventory is stored in a central warehouse, which is guarded by a major security firm. The company's stores are all in shopping centres and are protected by the shopping centre security systems. Once a month, an inventory stocktake is conducted at the warehouse and at all stores, to check for missing or damaged inventory and adjusting entries are posted to the journal to deal with any problems? Furthermore, the purchasing manager reviews the sales of all inventory lines on a monthly basis and only orders new stock of the exiting stock is selling well and the quantity on hand is falling.

Required

- List five business risk factors, which would impact on the valuation of inventory? Overall, is the business risk, for valuation of inventory high medium or low?
- At level would you set planning materiality for ABC?
- List two mitigating controls that would reduce the risk of error in the valuation of inventory?
- For each control, list one test of control that could be performed to determine the control operates effectively.
- Once the mitigating controls are taken into account, what is the residual risk of error in the valuation of inventory (high medium or low)?
- How much substantive analytical procedures and tests of detail should be performed to reduce the risk of errors, in the valuation of inventory, to an acceptable amount?
- List three substantive procedures that should be performed to test the valuation of inventory assertion for ABC Ltd?

3. You are the auditor of “Buildsoft”, a company involved in the development and sale of specialist computer software and hardware for the building industry. You are in the process of auditing the year ended 30th April 2016 and plan to sign the audit opinion on 10th July 2016. You have received the following information from the client, and performed some analytical procedures:

Key financial data:

	2016 (unaudited)	2015
	\$	\$
Sales	3,213,877	4,576,302
Net profit	243,764	342,877
Provision for doubtful debts	56,766	54,235
Inventory *1	289,455	223,418
Capitalised development cost	895,467	720,909
Property, plant and equipment *2	342,766	355,988
Debtor's turnover (times)	4.3	7.2
Inventory turnover (times)	5.9	8.4

*1 Includes software available for sale, computers and computer screens.

*2 Includes computers used for software development.

Other material information that has been obtained includes:

- Buildsoft have a number of corporate customers, who purchase all their computers from Buildsoft. These customers make up 60% of total sales. Credit is offered to these customers for a period of 30 days. You note that two major customers have been slow in making payments.
- Recently a software package, capable of performing the majority of functions offered by the Buildsoft software, has been developed by an Indian competitor. Due to the differential in costs between Australia and India, this competitor product retails for 65% of the cost of the Buildsoft product.
- When you attended the year-end inventory stocktake you noted that a number of items had been segregated from other stock items in the warehouse and were not included in the stocktake. You were not able to obtain an explanation from warehouse staff as to the reason for the segregation of stock items. You noted, from your review of weekly sales reports, that there was an increase in sales in the last week of April 2016.
- The computers which Buildsoft use to develop software are depreciated over a 10 year period, based on Buildsoft's assessment of their useful life. You note that the software developed by Buildsoft uses a significant

amount of RAM and requires customers to purchase very up-to-date computers in order to use it.

- Costs incurred in the on-going development of software are capitalised as an asset on the basis that these costs will generate future sales.
- A recent stock purchase from Malaysia included a number of computer screens which were configured for the northern hemisphere. Use of these screens in the southern hemisphere, i.e. in Australia, requires adjustment prior to delivery to customers. A number of customers have complained that the picture quality on their computer screens is poor. Buildsoft has assessed the problem and concluded that a significant number of screens were not adjusted prior to customer delivery. It is not possible for customers to adjust the screens themselves – they must be returned to Buildsoft for adjustment.
- Peak customer demand in the two months prior to year-end resulted in Buildsoft hiring a number of casual sales and warehouse employees. Due to time constraints staff training was minimal. Buildsoft has received a high number of complaints, mostly after year-end, relating to delivery of inappropriate/wrong software in March and April 2016. A subsequent events note has been included in the financial statements relating to this significant matter.
- You are satisfied that Buildsoft is a going concern.

Required

- a) From the available information describe five (5) significant business risks. For each risk you should also indicate the key account and key assertion at risk, and provide a specific and practical test of detail you would use to gather audit evidence in respect of the risk.
- b) Outline the accounting and reporting consequences for the auditor in respect of any potential subsequent event that may be present in the information provided. Justify your response.
- c) Based on your assessment of controls, you have determined that the control environment for sales is not likely to be reliable for the purposes of your audit. Detail the audit strategy mix you will adopt in relation to the sales cycle, in terms of the extent of tests of control, substantive tests of detail and analytical procedures. Justify your response.

4. You are the auditor of Australian Goldminers Limited ("Goldminers"), a large Australian listed company. The principal operations of the company include exploration, mining and sale of gold. You are in the process of auditing the financial year ended 30th April 2016 and plan to sign the audit report on 30th June 2016. You have received the following information from the client:

Key financial data:

	2016 (unaudited)	2015
	\$m	\$m
Sales revenue	3,975	4,416
Gross profit	845	987
Net profit	382	462
Inventories *1	1,948	1,655
Exploration and development *2	7,556	7,795
Property, plant and equipment *3	1,544	1,564

Notes:

*1 Includes mined gold ores, semi-produced gold and finished gold bars.

*2 This asset includes costs incurred in the on-going development of mines and amounts paid to secure Mineral Exploration Rights.

*3 Includes trucks, earthmovers and extraction equipment.

Other material information about Goldminers, and the Gold mining industry includes:

- The company searches for (exploration activity) and mines gold ores (production activity) in a number of locations around the world. These include Western Australia, Papua New Guinea and Cote d'Ivoire (West Africa).
- The gold price is quoted in US Dollars and is set through trading on World metals exchanges. The price is subject to inter and intra-day trading, resulting in significant fluctuations. In the year to 30th April 2016 there was a 28% reduction in the gold price, the biggest drop since 1981. In addition, the Australian Dollar declined 15% relative to the US Dollar.
- Gold is considered by many people as a type of hedge against future uncertainty. Accordingly, its price is impacted by macro (world-wide) political and economic factors. During the year to 30th April 2016 there has been substantial political turmoil in West Africa, including rebellions against unpopular dictatorships. This has at times disrupted mining activities and threatened production. At the time of your audit, political activity is continuing and the directors of Goldminers have indicated publicly that production in the 2015-2016 financial year may be curtailed.

- Costs incurred in the on-going development of mines are capitalised as assets ("Exploration and development") on the basis that these costs will generate future sales of gold.
- The company has substantial stocks of mined gold ores, semi-produced gold and finished gold bars. These are stored in secure vaults. The company's stocks in Papua New Guinea have been subject to a number of theft attempts by masked bandits.
- Where the company wishes to explore and mine gold it must have purchased a Mineral Exploration Right. This licence is issued by the relevant government in the country/state where the company wishes to operate. Mineral Exploration Rights are subject to expiry where mining exploration activity or production activity has not commenced within the relevant period of time detailed in the licence.
- In exchange for a Mineral Exploration Right the company also agrees to pay 'royalties' to the issuing government. Mining royalties are based on a percentage of gold production based on a formula subject to a number of variable factors. It is often difficult for accounting staff to determine the royalty payable.
- You are satisfied that Goldminers is a going concern.

Required:

- a) From the available information describe five (5) significant business risks for Goldminers. For each risk you should also indicate the key account and key assertion at risk, and provide a specific and practical test of detail you would use to gather audit evidence in respect of the risk.
- b) Outline the reasons you might need to rely on the work of an expert to assist you with your audit of Goldminers. Justify your response.
- c) Outline the matters you will need to consider when appointing an expert to assist you with your audit.

5. Sydney Shredders Pty Ltd (SSPL) is a small company that provides secure document shredding services in the Sydney metropolitan area. The company owns two trucks which contain secure industrial size paper shredding machines, for shredding documents at the client's premises, and five regular trucks that pick up documents to be shredded at the company's headquarters in Mascot. If the client wants the documents transported to Mascot for shredding, SSPL will deliver standard sized boxes to the client a few days before.

SSPL charges differently depending upon whether the client wants to have their documents shredded on site or transferred to the Mascot factory for shredding. If they are to be shredded on site, the charge is a combination of the distance to the client's place of business and the number of hours it takes to do the work. If they are to be transported to Mascot, the charge is a combination of the distance to the client's place of business and the number of standard sized boxes (provided by SSPL) that the documents fill.

Chloe, the CEO, employs Brian to deal with customer bookings, Chelsea as an accounts clerk, seven drivers, who also do onsite shredding at the client's premises when required, and six other staff to service and operate the shredders at the Mascot factory.

SSPL stores its information on customers, sales and cash receipts in the following tables.

Customers Table:

Field	Data
10	Customer Number
11	Customer Name
12	Customer Address
13	Customer Phone Number
14	Credit Limit (\$)
15	Outstanding Balance (\$)

Sales Invoice Table:

Field	Data
20	Sales Invoice Number
21	Customer Number
22	Box Delivery Date
23	Box Pick Up Date
24	Number of Boxes
25	Hours
26	Booking Code*
27	Total Cost (\$)

* The booking code is 1 if the documents are to be shredded on site and 2 if they are to be picked up and shredded at Mascot.

Cash Receipts Table:

Field	Data
30	Receipt Number
31	Customer Number
32	Amount (\$)
33	Deposit Date

Customers ring up the SSPL customer service centre to arrange to have their documents shredded. If the customer has not previously used SSPL, Brian creates a new account for the customer (in the Customers Table). The system will then automatically assign a credit limit of \$500. Once this has been done, or if they are an existing customer - and they already have a record in the Customers Table - Brian creates a sales invoice in the Sales Invoice Table. If the documents are to be shredded at the client's premises, a booking code of 1 is entered in field 26, the number of hours is entered in field 25 and fields 22, 23 and 24 are left blank. If the documents are to be shredded in Mascot, a booking code of 2 is entered in field 26, the dates are entered in fields 22 and 23, the number of boxes is entered in field 24 and field 25 is left blank.

The total cost is calculated automatically based on the distance to the client's premises and either the number of hours or the number of boxes. Once the customer has agreed to pay for the shredding a driver is assigned to carry out the job. After the driver informs Brian that the job has been completed and tells him how many hours or how many boxes were actually required, an invoice can be prepared. If the number of boxes or hours differs from the amounts Brian has already entered, he adjusts the invoice table. Brian then sends the invoice to the customer. Payment is required within 30 days.

Payments can only be made by electronic funds transfer into SSPL's bank account. At the end of each day Chelsea accesses the bank account via the Internet and creates cash receipts (in the Cash Receipts Table) for all the payments that have been received that day. At the end of the month, Chelsea creates customer statements – listing all invoices that have been issued, all payments that have been received and the outstanding balances – and she sends them to the customers. If the customer complains that there is an error on the invoice, Chelsea investigates the matter and, if the error is the fault of SSPL, she asks Chloe to approve the issue of a new customer statement and adjusting journal entries.

If a customer wants a credit limit increase, they contact Brian by phone and apply for one. If Brian thinks the customer's request is reasonable, he will approve the increase and change the Customers Table (field 14) to reflect the new credit limit. At the end of each month, after she has sent out the customer statements, Chelsea provides a list of overdue balances to Brian. He reviews it and decides how to follow up the overdue balances and whether to write-off the balances that cannot be collected.

Required:

- a) List two manual control weaknesses in the way that SSPL deals with sales, cash receipts or accounts receivable and explain why they are weaknesses. For each of the control weaknesses you have identified, make a recommendation suitable for inclusion in the management letter.
- b) Which computerised input control can be used to prevent the following errors from occurring. State the control and the field to which it will be applied.
 - Brian entering a number of hours into field (25) when the boxes are to be picked up and the shredding is to be done in Mascot
 - Chelsea entering a cash receipt amount (field 32) that is greater than the customer's outstanding balance (field 15)
 - Brian creating a sales invoice for a customer that does not exist
- c) For each of the controls you have stated in the previous section, describe one specific test of control that would allow you to determine if the control is working.
- d) Which reports would you get GAS to generate to help you test each of the following assertions? List the exact fields that will be in the report and how you would use the report to help you test the assertion.
 - Completeness of Cash
 - Occurrence of Sales
 - Accuracy, valuation and allocation of Accounts Receivable

TUTORIAL QUESTIONS (Tutorials in Week 11)

1. Sydney Premium Furniture Ltd (SPF) is a medium sized manufacturer of luxury furniture. Rises in the Australian dollar have affected SPF's ability to compete with luxury furniture makers from Italy and the USA. Raw materials prices have also been increasing, as have the wages of the skilled workers that SPF employs. These factors have meant that SPF has made increasing losses over the last two year and the business is experiencing cashflow problems. Because of this, the directors are looking to sell the business and they have retained a merchant banking firm to advise them.

SPF buys its raw materials from a large number of local and international suppliers. Raw materials purchases account for about 75% of trade creditors, with the rest being sundry services such as electricity, advertising and insurance. Over the last two years, trade creditors have been increasing and it has been taking longer to pay them. In addition, SPF has received a number of formal complaints from creditors, for late payment, though the firm has been able to pay them eventually and there have been few instances of suppliers refusing to do further business with SPF.

Key financial information obtained from SPF's trial balance is shown below:

	2016	2015
	\$m (unaudited)	\$m (audited)
Cash	1.2	7.6
Accounts Receivable	16.5	11.7
Inventory	20.2	18.7
Accounts Payable	24.5	14.1
Average Days Payable	47.2	26.5
 Total Revenue	 64.3	 80.2
Net Profit After Tax	- 4.1	- 1.5

When raw materials shipments arrive at SPF's warehouse, they are immediately counted and checked for damage and stored. The warehouse manager signs the delivery dockets and keeps them till the end of the week when the accounts payable clerk collects them and enters them into the purchases journal. Due to the tight labour market, SPF has had three clerks working in the accounts payable area over the course of the year and sometimes has had to use staff from other accounting areas to fill in when there has been no accounts payable clerk. Once a week, the chief accountant checks the clerk's work and authorises payments to individual creditors. Once this has been done, the clerk sends cheques and electronic remittances to creditors and enters the cash payments transactions into the cash payments journal. At the end of each month, the clerk posts all the entries, from both the purchases journal and the cash payments journal, into the accounts payable sub-ledger. Once this is done, the accounts payable sub ledger is reconciled to supplier statements and bank statements by a different clerk, who prepares a list of errors and posts adjusting entries to the ledger.

Required:

- a) List five business risk factors, which would impact on the completeness of accounts payable? Overall, is the business risk, for completeness of accounts payable high medium or low?
- b) At level would you set planning materiality for ABC?
- c) List two mitigating controls that SPF uses to reduce the risk of error in the completeness of accounts payable?
- d) For each control, list one test of control that could be performed to determine the control operates effectively.
- e) List three control weaknesses that affect the risk of error in the completeness of accounts payable?
- f) Once the mitigating controls are taken into account, what is the residual risk of error in the completeness of accounts payable (high medium or low)?
- g) How much substantive analytical procedures and tests of detail should be performed to reduce the risk of errors, in the completeness of accounts payable, to an acceptable amount?
- h) List three substantive procedures that should be performed to test the completeness of accounts payable assertion for SPF Ltd?

2. You are the auditor of Australian Business Publishing Ltd (ABP), the publisher of BusinessWorld Monthly; the reputable and definitive magazine focusing on Australian and international business stories. The company sells its in-house printed magazines to customers via news agencies and directly via annual subscription. The company is listed on the Australian Securities Exchange (ASX) and has operated profitably for many years, although revenue has declined in the recent past, in common with much of the magazine industry.

You are in the process of planning your audit for the year ending 30th April 2016 and plan to sign the audit opinion on 30th June 2016.

You have extracted the following information from the 2015 financial statements and the 2016 unaudited trial balance.

	\$m 2016 (Unaudited)	\$m 2015 (Audited)
Sales – via news agencies	4.5	6.2
Sales – via subscriptions	2.1	3.6
Sales – digital subscriptions	4.0	2.3
Net profit	2.1	3.2
Current Assets	3.0	4.5
Property, plant and equipment	6.0	7.2
Intangible Assets	4.8	4.2

Your review of the client's business has also revealed the following information:

- In July 2015, ABP completed the implementation of a new on-line based magazine annual subscription system named "Oscar". A number of agents have complained that this online system breaches clauses contained within their News Agency Agreements.
- In addition to the new Oscar system, subscribers may purchase a fully digital subscription, allowing access to the magazine via a tablet app called 'BizzWorld'. This is proving to be very popular, however a number of IT technical issues have resulted in the "BizzWorld" magazine app not working for customers for several days at a time during each of the months since it was implemented. This fault is linked to a software error that prevents the system from accurately identifying the period for which a customer has paid for their individual subscription. A number of customers' credit cards were also charged twice for the annual subscription.
- All contributing journalists to the magazine are paid on a standard contract at the rate of 50 cents per word written. Due to a number of key staff changes (and resulting staff shortage) in the editorial department, a number of articles contributed by journalists were not subject to a word count by ABP and the journalists' self-reported word counts were accepted.

- To protect itself from variability in the price of paper and ink used in the in-house printing of its magazines, ABP uses derivatives as hedging instruments. The accounting basis used for these instruments involves pre-determining whether the hedging instrument has effectively hedged against the risk of variation in paper and ink prices. Audit team members noted that these accounting procedures are complex.
- The remaining useful life of the printing equipment included within the company's property, plant and equipment exceeds 7 years.
- You consider the company to be a going concern.

Required:

- a) From the available information describe five (5) significant risks to the auditor. For each risk you should also indicate the key account and key assertion at risk, and provide a specific and practical test of detail that you would use to gather audit evidence in respect of the risk.
- b) Because of the technical issues described with the BizzWorld magazine app, outline the audit strategy the auditor will use to gather audit evidence in respect of online subscriptions revenue. Justify your response.

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ACCT3708 AUDITING AND ASSURANCE SERVICES

Audit Reporting

WEEK 11 LECTURE: Tuesday 10th October 2017

Textbook Reference:

Gay and Simnett: Chapter 12 (Sections 12.1 – 2 and 12.4 – 6)

Note, there have been significant changes in this area since the book was published and students should pay particular attention to pages 546 - 552

Standards:

ASA 450:	Evaluation of Misstatements Identified during the Audit
ASA 700:	Forming an Opinion and Reporting on a Financial Report
ASA 701:	Communicating Key Audit Matters in the Independent Auditor's Report
ASA 705:	Modifications to the Opinion in the Independent Auditor's Report
ASA 706:	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
ASA 710:	Comparative Information - Corresponding Figures and Comparative Financial Reports
ASA 720:	The Auditor's Responsibilities Relating to Other Information

Lecture Discussion Questions:

1. Outline and justify the audit report that the auditor should issue in each of the following independent situations.

With the exception of the issues outlined, assume that the auditor is satisfied in all other material respects.

- (i) After XYZ had issued its financial statements, it was discovered that the chief accountant had stolen a material amount of money from the company and had covered this up by creating false payroll records. XYZ reissues the financial statements with revised figures, to reflect the effect of the fraud. You believe that the revised financial statements present a true and fair view.
- (ii) A number of ratios shown in the 5 year statistical summary within your clients' annual report have been prepared on a basis which is inconsistent with other information in the financial statements. You are happy with the financial statements and Annual Report disclosures in all other respects.

- (iii) ABC Ltd has inventories listed in its balance sheet at a cost of \$3,100,000. After conducting an analysis of the market prices for the inventory items, you believe that the inventories are only worth \$2,600,000. Management has refused to write down the inventory. Planning materiality for the client is \$300,000.
- (iv) A company loses all its sales, expenses and cash receipts/disbursement records due to the failure of a computer hard drive and lack of backups.
- (v) You discover that your client has made an error in the calculation of depreciation expense for a major item of plant, due to failure to adjust for changes in the expected disposal value of the asset. The error is immaterial.
- (vi) Your client has chosen to use the equity accounting method, rather than consolidation, for a material subsidiary, as it intends to sell the subsidiary during the next financial year.

TUTORIAL QUESTIONS (Tutorials in Week 12)
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1. Explain the structure of an audit report. In which order do the sections appear and what are the contents of each section
2. What are the three types of modified audit opinions? Under what circumstances should they be issued?
3. What are “key audit matters” and why are they disclosed?
4. What are emphasis of matter and other matter paragraphs? When are they used and how are they structured?
5. What are the auditor’s responsibilities in relation to other information in the annual report?
6. Martinov, Soh and Frohbus, Chapter 5, Case 5-6 parts D, E, F, G, H, I, J (p. 154).

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Other Assurance Services and Ethics

WEEK 12 LECTURE: Tuesday 17th October 2017

Textbook Reference:

Gay and Simnett: Chapter 3 (Sections 3.1 – 3.4) and Chapter 13 (Section 13.3, 13.4 and 13.8)

Standards:

ASAE 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information
ASRS 4400: Agreed Upon Procedures Engagements to Report Factual Findings
ASAE 3410: Assurance Engagements on Greenhouse Gas Statements
ASAE 3500: Performance Audits
APES 110: Code of Ethics for Professional Accountants (s100 and s200)

Lecture Discussion Questions:

None

TUTORIAL QUESTIONS (Tutorials in Week 13)

1. In which ways do review engagements differ from audit engagements with respect to:
 - The level of assurance provided,
 - The procedures that are carried out,
 - The format of the report?
2. In which ways do agreed upon procedures engagements differ from audit and review engagements with respect to:
 - The level of assurance provided,
 - The procedures that are carried out,
 - The format of the report?
3. Explain how the objectives of public sector accounting differ from that of the private sector. How does this affect the differences in public and private sector audits?
4. If you were carrying out a performance audit of UNSW, how would you assess its:

- Economy,
 - Efficiency,
 - Effectiveness?
5. Which factors drive demand for greenhouse gas emissions (GHG) reporting and assurance by Australian companies?
 6. What are the three categories of GHG emissions and what are the two allowable ways to measure them?
 7. Martinov, Soh and Frohbus, Chapter 7, Case 7-10 (p. 226).
 8. Audit independence has been described as the cornerstone of the auditing profession.
 - a) Why is independence important for auditors?
 - b) Define independence of mind and independence in appearance Why does an auditor need both kinds of independence?
 - c) What are the five threats to auditor independence discussed in APES 110 s200.3 – 8?
 - d) Do you believe audit partner rotation every 5 years is an effective means to achieve auditor independence?
- .

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Week 13

There are no lectures in week 13
Tutorials will be held on week 12 lecture material

9 MAJOR ASSIGNMENT

This section contains the major assignment; including formatting and submission guidelines, the Team Assignment Contract and the Peer Assessment of Teamwork Performance form.

9.1 MAJOR ASSIGNMENT DETAILS

The assignment is to be based on Incitec Pivot Ltd (ASX code IPL) and is to be submitted at the commencement of your tutorial in Week 9, as per the Course Outline.

This assignment is to be completed in teams of four to five students. All students in a team will be from the same tutorial. Students will be randomly assigned to teams during the tutorial in week 5. Each assignment team must prepare and submit a Team Assignment Contract (see page 61) at the beginning of their tutorial in week 6. Failure to do so will incur a 5 mark penalty. Students must submit individual peer assessment forms (see page 63) with their assignments. Failure to do so will incur a one mark penalty.

The aim of the group assignment is to test students' ability to integrate skills learnt in Auditing and Assurance Services to analyse a real company from the auditor's perspective and within the framework of auditing standards. The successful completion of this assignment requires extensive research on Incitec Pivot's internal and external environments, operations, strategies and an analysis of the annual report including financial information.

Students are expected to demonstrate their ability to critically evaluate various pieces of information and apply analytical skills to critically evaluate potential audit risks.

An important aspect of the assignment will be to demonstrate your ability to present a written report in a professional manner.

Required

You are a part of the team responsible for planning the Incitec Pivot Ltd (IPL) audit engagement for 2017. You have been assigned to gather relevant background information and prepare a report for a meeting with your audit partner and audit managers. Your report must address the following issues.

1. To demonstrate your understanding of Incitec Pivot, provide a detailed description of how it conducts its operations. This must include a description of its revenue streams, products and services, business processes, competitive environment, strategies, management and governance. The appendix to ASA 315 will help guide your response. The information presented should be reflective of your in-depth understanding of how the company operates, not merely a summary of information from the annual report.

[5 marks]

2. A commonly used tool to assist in conducting strategic analysis decomposes the client's business environment into the following four spheres of influence -

Strengths
Weaknesses
Opportunities
Threats

Prepare a SWOT analysis detailing the kinds of factors that may have a material impact on the business of Incitec Pivot. Two factors are expected for each of the four areas. Be sure to identify how each of the factors impacts IPL.

[4 marks]

3. List **and explain** five key business risks which would impact on the audit of Incitec Pivot. Include the account and assertion most affected by the risks identified. Be sure to link audit risks to their applicable business risks (from your research in sections 1 and 2 and/or other applicable research). **Do not** include risks associated with the Waggaman, Louisiana ammonia plant in this section.

[5 marks]

4. In 2013, IPL announced the construction of a \$US 850 million ammonia plant in Waggaman Louisiana. Construction was completed in September 2016 and Incitec Pivot assumed management of the plant on 19th October 2016. How will this affect your audit plan for IPL?

[3 marks]

5. Your assignment should be presented in a format as if it were to be presented to a meeting of senior auditors at your accounting firm and designed to impart your key messages. It should be succinct, and use of tables is encouraged. The report should also be coherent and so consistency is expected throughout (e.g., formatting, language style, and linkages between the questions). Note that groups who split up the tasks and work independently are likely to have more difficulty accomplishing this objective compared to groups who work on each of the parts collaboratively. Note, merely complying with the presentation guidelines will receive low marks for presentation. To gain full marks, student will need to present their assignment in a highly professional manner.

[3 marks]

Length and Format

Note that as this is a *research* report, appropriate reference citations throughout the report are expected. You may select the style of referencing but be consistent.

The assignment shall be presented in the following format:

- An assignment cover sheet. This can be downloaded from the Assignment tab on Moodle.
- A title page, which must contain the title of the assignment and the names and student numbers of the group members
- A table of contents
- An executive summary (make sure it is a summary, not an introduction)
- The body of the assignment - This is not to exceed 10 pages and is to use Times New Roman size 12 font, 1½ line spacing and margins on all sides at 2.5 cm minimum. Use of headings, graphs, tables and bulleted lists is encouraged. However, the assignment should still be largely based on text in paragraphs.
- Bibliography (this is **required**)
- Appendices - Appendices are not to be used to circumvent the restrictions on the length of the assignment.

Submission Details

1. A **hardcopy** of the assignment is to be submitted to your tutor at the beginning of the tutorial in week 9. Any assignments received after this time will be considered late and subject to the penalty described in the course outline. Last minute printing difficulties, computer failure or transportation problems will not constitute an adequate excuse for lateness.
2. Please keep a **copy** of your work.
3. Each assignment must use an assignment cover sheet and all students must sign the declaration on the front of the cover sheet. A copy of this cover sheet is available on Moodle. **No marks will be awarded to any student who does not sign the cover sheet.**
4. Each assignment must have a title page, in addition to the cover sheet. The title page should clearly indicate the names of your team members and their student numbers, your tutor's name and the time and location of your tutorial. **Failure to do so will incur a 5 mark penalty.**
5. All assignments must be typed. Footnotes should be reserved for points of clarification. Marks may be deducted for inappropriate use of footnotes and appendices.
6. Please note, elaborate binding and plastic covers are **not necessary and will not result in extra marks**. Assignments that are not stapled or otherwise bound together may not be accepted.
7. **Late submissions will incur a 3 mark penalty** for every day of late submission (including weekends) unless permission is obtained from the lecturer-in-charge.

Teamwork Responsibilities

Participating on an audit team involves planning (allocating responsibilities, budgeting time, and brainstorming new ideas), collaborating and reviewing each other's work during and at the end of the engagement. The following are requirements to facilitate team work for this assignment:

- a) Submit a Team Assignment Contract defining member roles/responsibilities, team procedures, etc. *Refer to team contract form.* This will be collected in Tutorial 5 (week 6) by your tutor. Each member should retain a copy of the contract. There are no marks for doing this but failure to submit or below standard submissions will incur a penalty of 5 marks for the assignment.
- b) Submit a Peer Assessment of Teamwork Performance. You will be asked to reflect on your own teamwork in addition to each team member's contribution to both the team process and task using a self and peer assessment rubric. This will have a direct effect on each team member's final assignment mark. Please submit this to your tutor at the beginning of Tutorial 8 (week 9). This may be in a sealed envelope for confidentiality if you prefer. *Refer to peer assessment form.*

Team Assignment Work Plan

Tutorial	Activity	Deliverable
Tutorial 4 (week 5)	Students formed into groups of 4 or 5 by random assignment within this tutorial.	
Tutorial 5 (week 6)	Completion of team contract. Each team member should retain a copy of the contract.	Hand in completed 'Team Assignment Contract' form to your tutor
Tutorial 8 (week 9)	Completion of all Assignment requirements including Peer Evaluation Form.	Hand in assignment at the beginning of Tutorial 8 Hand in peer evaluation forms (in sealed envelope for confidentiality if you prefer) to tutor at the beginning of Tutorial 8

9.2 TEAM ASSIGNMENT CONTRACT

The purpose of this contract is to focus you and your team members on both aspects of the team: the process and the outcome. The terms of this contract are linked to the peer evaluations completed at the end of the assignment to which you will be held accountable by your team.

Tutorial Day/Time: _____ Tutor: _____

Team Name: _____

We as a team agree to the terms of this contract and understand that we will each be held individually accountable to these terms throughout the length of this project.

Student Names: Student ID: Student Signature:

1	_____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____

HOW DO WE PLAN TO DO EACH OF THE FOLLOWING:	
Criterion #1: Participate effectively in the collaborative team process	
1. Contribute positively to team processes? (<i>plan, set goals, coordinate, monitor</i>)	
2. Contribute positively to team morale? (<i>motivate, maintain a positive attitude; support/ help other team members; boost team morale</i>)	
3. Demonstrate effective interpersonal/ communication skills? (<i>listen actively, communicate respectfully; give/receive feedback constructively</i>)	
4. Handle conflict positively? (<i>prevent or work through conflict effectively</i>)	
5. Show leadership? (<i>facilitate team processes, boost team morale, help others, deal constructively with conflict</i>)	

TEAM ASSIGNMENT CONTRACT (continued)

HOW DO WE PLAN TO DO EACH OF THE FOLLOWING:	
<i>Criterion #2: Contribute effectively to achieving team outcomes (task work)</i>	
6. Contribute a high quality and amount of work, with accuracy and attention to detail?	
7. Demonstrate a high level of relevant knowledge/skills?	
8. Meet deadlines and plan own work well?	
9. Attend, and be punctual, well-prepared for team meetings/communications?	
10. Contribute constructively to task meetings/communications; share and generate useful ideas	

General: Preferred method of communication (email, mobile, chat function, face-to-face):

Student Names:

Contact details (phone, email, etc.)

1

2

3

4

5

9.3 PEER ASSESSMENT OF TEAMWORK PERFORMANCE

Submit to your tutor in Tutorial 8 – in week 9
(You can submit it in a sealed envelope if you prefer but this is not required)

The purpose of this form is to allow you to assess the amount of effort each member of your group has put into the completion of the assignment. This will have the effect of directly impacting your individual assignment mark. You should take care to complete this form honestly. Individual responses will be kept confidential.

Part 1: Rate each of your team's members, including yourself, on each of the items listed on the next page and as objectively as possible, based on their contribution to the team. First, write the names of your team members. For each question, write the number that is most applicable to each of the members, as per the scale indicated immediately below. Then total points the points for each person.

1-----2-----3-----4-----5
Very little or Average Very much or
Very infrequently amount All of the time

Marking mechanisms: In using the following evaluation form, students assessed with average effort would earn **30 points** (10 questions * 3 points each of average effort). Students with an *average* of 30 points or more (as assessed across all team member evaluations) will receive full marks awarded on the assignment. Assume the assignment was awarded a mark of 15/20 and you were awarded a peer evaluation *average* score of 30 points (or better). This would result in you receiving the full 15 marks out of 20. Note there are no bonus marks for exceeding an average of 30. If however, you are assessed as less than 30 average points, then deductions will apply to your individual score on the team assignment. Assume again the assignment was awarded a mark of 15/20 and you were awarded a peer evaluation *average* score of 21 points. This would result in you only receiving 70 percent (21/30) of the total marks received on the assignment, resulting in a final mark of 10.5/20. Note that the marks are NOT allocated proportionally across team members. In other words if all the team members received a peer evaluation average of 30 points or more, then using the above example everyone will receive 15 out of 20 marks on their assignment.

Note: Students CANNOT achieve more than the team mark for the project, even if their peer evaluation score exceeds 30 points in total.

Example 1		Example 1	
Jo	35	Jo (Self)	35
Stan	30	Stan	15
Grace	25	Grace	15
Brian (Self)	<u>30</u>	Brian	<u>19</u>
Brian's Average	30	Jo's Average	21
Team Mark	15/20	Team Mark	15/20
Brian's Total Score	15/20	Jo's Total Score	10.5/20

PEER ASSESSMENT OF TEAMWORK PERFORMANCE

(Submit to your tutor in Tutorial 8 – week 9)

Day/Time: _____ Tutor: _____

Team Name: _____

Student Name: _____ Student ID: _____

	1	2	3	4	Self
TEAM MEMBER NAMES					
Criterion #1: <i>Participates effectively in the collaborative team process</i>					
1. Contribute positively to team processes? <i>(planning, goal setting, co-ordination, or monitoring)</i>					
2. Contribute positively to team morale? <i>(motivated, positive attitude; supports/helps other team members; boosts team morale)</i>					
3. Demonstrate effective interpersonal/communication skills? <i>(listens actively, communicates respectfully; gives/receives feedback constructively)</i>					
4. Handle conflict positively? <i>(prevents or works through conflict effectively)</i>					
5. Show leadership? <i>(in facilitating team processes, boosting team morale, helping others, dealing constructively with conflict)</i>					
Criterion #2: <i>Contributes effectively to achieving team outcomes (task work)</i>					
6. Contribute a high quality and amount of work, with accuracy and attention to detail?					
7. Demonstrate a high level of relevant knowledge/skills?					
8. Meet deadlines and plan own work well?					
9. Attend, and be punctual, well-prepared for team meetings/communications?					
10. Contribute constructively to task meetings/communications; share and generate useful ideas?					
Total Points					

PEER ASSESSMENT OF TEAMWORK PERFORMANCE (continued)

Part 2: For any evaluations where a student was scored below average in total (i.e., less than 30 total points), please describe *why* in detail below. Substantiate your claims with evidence where possible. In particular identify *how* the student violated the terms of the team contract. **Note: No description is required where a student was scored at average or above average (i.e., 30 points or more).**

Comments: Team member _____

Comments: Team member _____

Comments: Team member _____

Comments: Team member _____

