



Course information 2026-27

AC3093 Auditing and Assurance

General information

MODULE LEVEL: 6

CREDIT: 30

NOTIONAL STUDY TIME: 300 hours

MODE: Locally Taught, Independent Learner Route and Online Taught

Summary

This course introduces students to the principles of external auditing and other assurance services. Both theoretical and practical aspects of the audit process will be considered including recent developments in the organisation of the profession, the regulatory framework governing practitioners and factors affecting the future evolution of the practice of auditing and other assurance services.

Conditions

Please refer to the relevant programme structure in the EMFSS Programme Regulations to check:

- where this course can be placed on your degree structure; and
- details of prerequisites and corequisites for this course.

You should also refer to the Exclusions list in the EMFSS Programme Regulations to check if any exclusions apply for this course.

Aims and objectives

The aims of this course are:

- to introduce students who have passed Principles of accounting to the principles of external auditing and other assurance services,
- to provide students with an understanding of the nature of the function of auditing and other assurance services and the principles of the related processes.

Learning outcomes

At the end of this course, and having completed the Essential Reading and activities, students should be able to:

- Explain why external audits and other types of assurance services are conducted.
- Discuss the duties of auditors and other assurance providers and how these have changed over time.
- Explain the meaning of concepts that are fundamental to auditing and assurance services, such as 'independence', 'evidence', 'risk', 'materiality'.
- Describe, in general terms, the processes involved in auditing and other assurance services.
- Distinguish between compliance and substantive testing and describe various audit tests.
- Discuss the form, content and importance of the reports provided at the end of the audit or assurance service.
- Discuss the issue of legal liability arising from audits and other assurance services.
- Discuss current developments in auditing and assurance services.
- Explain the key changes introduced by ISA 570 (Revised 2024) regarding going concern and ISA 240 (Revised) regarding fraud.
- Describe the role of technology in modern audit practice, including data analytics, automated procedures, and artificial intelligence.
- Compare different national approaches to audit oversight (UK vs US) and evaluate their implications for audit quality.
- Discuss the implications of recent audit failures such as Wirecard and Steinhoff for the expectations gap debate.
- Distinguish between statutory audit and forensic audit, and explain the techniques used in forensic investigations.
- Explain the auditor's duties regarding money laundering.
- Outline the regulatory framework for sustainability assurance.

Employability skills

Below are the three most relevant employability skills that students acquire by undertaking this course which can be conveyed to future prospective employers:

1. Complex problem-solving
2. Persuasion and negotiation
3. Decision-making

Essential reading

For full details please refer to the reading list.

Gray, I., S. Manson and I. Crawford, *The Audit Process*. (London: Cengage, 2019) 7th edition

Porter, B., J. Simon and D. Hatherly, *Principles of external auditing*. (Chichester: John Wiley & Sons, 2014) fourth edition [ISBN 9780470974452].

Assessment

This course is assessed by a three-hour and fifteen-minute closed-book written examination.

Syllabus

Reasons for auditing. The concept of accountability. Economic demand for auditing. Auditing as a monitoring device. The historical development of auditing practices.

Principles and postulates of auditing. Conditions for auditing to be possible. The concept of independence.

The legal and professional environment. Approaches to the regulation of auditing practice, in particular legal rules and professional guidelines. International regulation of auditing. Cross-border regulatory challenges, including access to audit working papers in different jurisdictions. (Note: candidates will be expected to be aware of the range of different approaches to auditor regulation and the general content of such regulations but will not be expected to know the detailed requirements of any specific country's audit regulations.)

The duties of auditors. The changing responsibilities of auditors for fraud detection and financial statement attestation. The extent of auditors' duties to primary clients and third parties. The 'expectations gap' between what users of financial statements believe the audit provides and what the audit is capable of offering. Auditor liability and the case for and against limiting liability. Recent case law on auditor liability, including *Manchester Building Society v Grant Thornton* (2021). Different levels of assurance that may be expressed in different assurance engagements. The auditor's responsibilities under ISA 570 (Revised 2024) regarding going concern, including the extended assessment period and new reporting requirements. The requirements of ISA 240 (Revised) regarding fraud, including enhanced professional scepticism

Audit planning. Initial assessment of the client. The engagement letter. Risk-based approaches. Identification of key areas of audits and assurance services. Analytical procedures. The enhancements introduced by ISA 315 (Revised 2019), including separate assessment of inherent and control risk and the spectrum of inherent risk

Conduct of audits and assurance services. The concept of evidence. Compliance and substantive testing. The concept of internal control. Identifying key controls and testing them. Statistical and other sampling approaches to testing. Specific audit techniques, such as observation, directional testing, cut-off tests, third-party confirmations. The application of techniques in the context of the main revenue and cost activities of the enterprise. Auditing the statement of financial position and income statement. The significance of management representations. Assessment of errors and weaknesses. Documenting the audit or assurance service, preparation, and review of working papers.

Technology in modern audit practice. Auditing in computerised environments. Internal control in IT systems. Computer-assisted audit techniques (CAATs). Data analytics and its application to audit testing, including complete population analysis. Automated audit procedures and their impact on audit evidence. The role of artificial intelligence and machine learning in risk assessment, anomaly detection, and continuous auditing. The IAASB's focus on technology, including the Audit Evidence and Risk Response project. Internal controls in technology environments. **The report of the auditors or assurance service providers.** The form and content of the auditors' report. The qualified auditors' report. The hidden meanings behind an auditors' report. The report as an educational document.

Current developments in auditing and assurance services. Audit committees. Internal audit. Management audit. The economic value of auditing to society. The spread of auditing and other assurance services into non-financial contexts: the 'Audit Society'. The role of auditors in the banking crisis and other scandals. Possible changes to enhance auditor independence and competence. The abandonment of UK audit reform legislation in January 2026 and the FRC's continuing role. The UK Corporate Governance Code 2024 and its implications for internal controls reporting. Sustainability assurance and ISSA 5000. Sustainability reporting frameworks including IFRS S1 and S2 issued by the International Sustainability Standards Board (ISSB).

International and comparative perspectives. Comparison of UK and US approaches to audit regulation and oversight, including the role of the PCAOB and the FRC. Sarbanes-Oxley requirements and their contrast with UK principles-based regulation. Cross-border regulatory challenges, including access to audit working papers in different jurisdictions and the US-China PCAOB dispute. International perspectives on auditor liability limitation. The implications of regulatory divergence for multinational audits and cross-border listings. Transatlantic divergence in sustainability reporting and assurance, including the EU Corporate Sustainability Reporting Directive (CSRD) and December 2025 Omnibus reforms, the US retreat from federal climate disclosure requirements, and the implications for assurance providers operating across jurisdictions.

Forensic audit. The distinction between statutory audit and forensic audit. The psychology and types of fraud. The forensic audit process. Modern tools and techniques including data analytics and Benford's Law analysis. The auditor's duties regarding money laundering. Digital forensics and chain of custody requirements.