

MAKERERE UNIVERSITY BUSINESS SCHOOL
COURSE OUTLINE FOR ADVANCED AUDITING AND OTHER ASSURANCE SERVICES (COM 3242) FOR BACHELOR OF COMMERCE, YEAR 3, SEMESTER 2, 2025/2026

A COURSE OBJECTIVES

On successful completion of the course, a student should be able to:

- i) Explain how an auditor obtains an understanding of the entity and its environment, assesses the risk of material misstatement and plans an audit of financial statements.
- ii) Evaluate the systems of internal control, identify and communicate deficiencies and appropriate recommendations to address the deficiencies in internal control and describe audit procedures for testing effectiveness of internal controls.
- iii) Identify and describe audit procedures used to collect audit evidence on material misstatements in financial statements in-order to achieve the audit objective and comply with the International Standards on Auditing.
- iv) Explain how audit evidence, subsequent events, going concern assumption and written representations are reviewed at the completion of an audit to form an appropriate audit opinion in the audit report.

B COURSE CONTENT

1 Audit planning and risk assessment

(8 hours, 10th Feb – 20th Feb by FK)

- 1.1 Phases of an external audit – engagement, planning, performance, review & reporting
- 1.2 Audit risk and its components – inherent risk, control risk and detection risk, risk-based audit.
- 1.3 Materiality in auditing – importance, calculation, performance materiality, revision, documentation.
- 1.4 Understanding of the entity and its environment – objective, nature of the entity, industry regulation and other external factors, objectives and strategies relating to business risks, selection and application of accounting policies, financial performance and internal control, analytical procedures, benefits.
- 1.5 Assessing the risks of material misstatements – significant risks, responses to assessed risks.
- 1.6 Fraud, laws and regulations – types of fraud, responsibility for the prevention and detection of fraud, risk assessment, factors for fraud, response to detected fraud, responsibility for compliance with laws and regulations.
- 1.7 Audit strategy and audit plan – importance of planning, contents of the audit strategy and audit plan, interim and final audits (purpose & procedures performed).
- 1.8 Audit documentation – importance, content of working papers, permanent and current audit files, safe custody & retention.
- 1.9 Audit evidence – factors in determining sufficient and reliable audit evidence, financial statement assertions for classes of transactions and account balances, procedures for obtaining audit evidence (analytical procedures, enquiry, confirmation, inspection, observation, recalculation & re-performance), types of audit procedures (tests of controls & substantive procedures), directional testing to discover errors or omissions.

2 Internal control and tests of controls

(12 hours, 23rd Feb – 13th Mar by MS)

- 2.1 Systems of internal control – components (control environment, risk assessment process, monitoring, information system & communication, control activities), internal controls in smaller entities, limitations,
- 2.2 Recording accounting and internal control systems using narrative notes, flowcharts, internal control questionnaires and evaluation questionnaires, advantages and disadvantages of each method.
- 2.3 Internal controls in a computerized environment – general controls and information processing application controls.
- 2.4 Communication of deficiencies in internal control in a management letter, significant deficiency factors.
- 2.5 Sales system – risks, control objectives, key controls, tests of controls in placing an order, despatch of goods, invoicing and recording goods and receiving payment.
- 2.6 Purchases system – risks, control objectives, key controls, tests of controls in placing orders, receiving goods, invoicing and recording goods, and making payment.
- 2.7 Payroll system – risks, control objectives, key controls, tests of controls in recording work done, recognition of the payroll liability and making payment.
- 2.8 Inventory system – risks, control objectives, key controls, tests of controls in purchasing, receiving,

recording, valuation and storing securely inventory.

- 2.9 Bank and cash system – risks, control objectives, key controls, tests of controls in recording and banking money, and authorizing payments.
- 2.10 Non-current assets system – risks, control objectives, key controls, tests of controls in classifying and recording capital items.

COURSEWORK TEST ONE

3 Audit of financial statements

(16 hours, 16th Mar – 10th Apr by TK)

- 3.1 Audit sampling – selecting items for testing in ISA 500, type of sampling, sampling risk, other factors influencing sample size, evaluation of sample results, tests of details, tests of controls.
- 3.2 Tangible and intangible assets non-current assets and investments – key assertions, opening balances, non-current asset register, accounting estimates, audit procedures for completeness, existence, valuation, depreciation, rights & obligations, additions and classification, goodwill, research & development expenditure, other intangibles and investments.
- 3.3 Inventory – audit approach, the physical inventory count (planning the count, procedures during and after the count, purchases & sales cut-off, continuous inventory counting, inventory valuation (overhead allocation, determining cost, lower of cost and net realizable value), inventory held by third parties, audit procedures for completeness, existence, rights & obligations, accuracy, valuation & allocation, cut-off, classification, presentation.
- 3.4 Receivables – aged receivables listing, external confirmation procedures, exceptions and non-responses to external confirmations, cut-off testing, other audit procedures for completeness, rights & obligations, accuracy, valuation & allocation, existence; revenue recognition in IFRS 15, analytical procedures testing the completeness of revenue, procedures for revenue, completeness, accuracy, cut-off and occurrence, testing completeness, accuracy, valuation & allocation and existence of prepayments.
- 3.5 Bank and cash – bank confirmation letter procedures, cut-off testing, audit procedures for bank to very completeness & existence, valuation, rights & obligations, classification, audit procedures for cash balances, the cash count.
- 3.6 Payables, purchases, payroll, non-current liabilities, provisions and equity – supplier statement reconciliation, cut-off testing, audit procedures for payables & accruals, purchases & other expenses, payroll, non-current liabilities, provisions and contingencies, equity and directors' emoluments.
- 3.7 Not-for-profit entities – objectives, planning the audit, audit evidence and audit reporting.
- 3.8 Automated tools and techniques – use of test data for tests of controls and audit software for substantive procedures.

4 Audit review and reporting

(8 hours, 13th Apr – 24th Apr by FK)

- 4.1 Subsequent events review – adjusting and non-adjusting events, auditor's responsibility, audit procedures for subsequent events before signing the audit report, before issuing financial statements and after issuing financial statements.
- 4.2 Going concern review – objective of the auditor, going concern indicators, management's assessment, audit procedures for going concern uncertainty.
- 4.3 Written representations review – purpose, contents, form, obtaining written representations, written Representations not provided, audit procedures and reliability of evidence.
- 4.4 Overall review of financial statements – compliance with IFRSs and laws, review for consistency and reasonableness, accounting treatment issues & uncorrected misstatements.
- 4.5 Auditor's report on financial statements – forming an opinion, elements of an audit report, unmodified opinion, key audit matters, modifications to the opinion (qualified opinion, adverse opinion, & disclaimer of opinion), emphasis of matter paragraph and other matter paragraph, auditor's responsibility relating to other information, going concern impact on the audit report (responsibilities of directors and auditors), report to management.

COURSEWORK TEST TWO

5 Introduction to group audits

(4 hours, 27th Apr – 01st May by TK)

- 5.1 Specific matters to be considered before accepting appointment as group auditor to a group in a given situation.
- 5.2 Matters specific to planning an audit of group financial statements including assessment of group and component materiality, the impact of non-coterminous year ends within a group, changes in group structure or a complex group structure.
- 5.3 Communications and content to be provided by the group auditor to the component auditor in a given situation.
- 5.4 Audit problems and audit procedures specific to: a business combination, including the classification of investments, the determination of goodwill and its impairment, group accounting policies, intra-group trading, equity accounting for associates and joint ventures, changes in group structure, including acquisitions and disposals, and accounting for a foreign subsidiary.
- 5.5 Responsibilities of the component auditor before accepting appointment and the procedures to be performed in a group situation.

6 Auditing in the public sector in Uganda and current issues and developments in auditing

(4 hours, 04th – 08th May by MS)

- 6.1 Public sector audit – objective and scope of public sector audits, functions of the auditor general, public sector internal audit, public sector audit committees, the accountability cycle, types of public sector audit, regularity audit and propriety audit, financial reporting guide, International standards of supreme audit institutions, audit reports by the auditor general.
- 6.2 Current developments in auditing standards including the need for new and revised standards and evaluate their impact on the conduct of audits.
- 6.3 Current developments in emerging technologies, including big data and the use of data analytics and the potential impact on the conduct of an audit and audit quality.

C REFERENCES

- a) Audit and Assurance (International), ACCA Paper 8 **Coursebook**, 2025, BPP Learning Media Ltd.
- b) Audit and Assurance (International), ACCA Paper 8 **Revision Kit**, 2025, BPP Learning Media Ltd.
- c) Auditing and Assurance Services, An Integrated Approach, Arens A. Alvin, Elder J. Randal & Beasley S. Mark, 15th Edition, Global Edition, Pearson Educational.
- d) CPA Uganda Paper 9 (AUDITING, ETHICS & ASSURANCE) Book

D METHODS OF INSTRUCTION

- a) Lectures
- b) Group discussion and presentation

E COURSE ASSESSMENT

The two coursework tests contribute 30% (each test is for 15 marks) and the final examination 70%.

F COURSE FACILITATORS:

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- c) Frank Kabuye – FK (0785 530 322, 0706 771 832)