Level 3 Award in
Principles of Auditing

LCCI

International
Qualifications from EDI

Syllabus

Effective from: 1 January 2012

INTRODUCTION

Education Development international (EDI) is a leading international awarding body that was formed through the merger of the London Chamber of Commerce and Industry Examinations Board (LCCI) and a leading online assessment provider GOAL. EDI now delivers LCCI International qualifications (LCCI IQ) through a network of over 5000 registered centres in more than 120 countries worldwide. Our range of business-related qualifications is trusted and valued by employers worldwide and recognised by universities and professional bodies.

Level 3 Award in Principles of Auditing

Aims

The aims of the qualification are to:

- develop candidates' knowledge and understanding of the principles of internal control and the professional and ethical standards which govern the role of the auditor
- introduce candidates to the systems, controls and documentation used in auditing
- enable candidates to recognise the different approaches to auditing
- develop candidates' understanding of 'risk' in relation to auditing
- enable candidates to make recommendations to senior management on improved systems and processes.

Target Audience and Candidate Progression

This qualification is suitable for candidates working or intending to work within an accounting or finance-related role and who wish to develop their own knowledge and understanding of auditing to broaden their career opportunities and progression, or seek recognition within another role. Candidates taking this qualification will need an understanding of accounting statements and principles.

This qualification can be taken as a standalone qualification or as a part of the Level 3 Specialised Diploma in Accounting and Finance.

English requirements

There are no formal entry requirements for this qualification. However, candidates should have a minimum level of English equivalent to the LCCI Level 2 English for Business or JETSET 4 - (Council of Europe B1/Threshold) to meet the communication requirements for this qualification.

Structure of the qualification

The Level 3 Award in Principles of Auditing is a single unit qualification that covers the following key areas:

1. The role and responsibilities of the auditor

2. Accounting systems and controls

3. Professional standards and ethics

4. Planning an audit

5. Auditing techniques

6. Audit documentation

7. External and internal audit reports.

Guided Learning Hours

EDI recommends that 45 – 55 Guided Learning Hours (GLHs) provide suitable course duration for an 'average' candidate at this level. This figure includes direct contact hours as well as other time when candidates' work is being supervised by teachers. Ultimately, however, it is the responsibility of training centres to determine the appropriate course duration based on their candidates' ability and level of existing knowledge. EDI experience indicates that the number of GLHs can vary significantly from one training centre to another.

ASSESSMENT

Assessment Objectives

The examination will assess the candidate's ability to:

- demonstrate an understanding of the auditor's role in planning an audit and the confines of organisations accounting systems and controls

- demonstrate knowledge of the professional standards and ethics of the auditor

- demonstrate an understanding of how to plan an audit and the data collection techniques within the audit process

- recognise a range of documents used within an audit and to whom this information is presented.

Assessment Format

The qualification is assessed by a paper-based multiple-choice test, which consists of 30 questions covering all areas of the syllabus. The time allowed for the test is 75 minutes. This exam is available on-demand.

All multiple-choice tests must be carried out in accordance with the *Examination Guide for LCCI Centres* and the *Examination Regulations*, which will be sent to centres with the exam papers.

Coverage of key syllabus areas in the Examination

The multiple-choice test will cover the syllabus areas as follows:

Syllabus areas		Approximate weighting of question allocation
1	Understand the key role and responsibilities of the auditor	10%
2	Understand the organisation's accounting systems and controls in relation to the audit function	20%
3	Understand the professional standards required for an auditor and the need for professional ethics in auditing	20%
4	Understand how to plan an audit	10%
5	Understand a range of basic auditing techniques	20%
6	Recognise a range of audit documentation	5%
7	Understand the purpose of external and internal audit reports	15%

Answer Format

For each of the 30 multiple-choice questions candidates must mark A, B, C or D on the Candidate Answer Sheet, using a HB pencil. Only one answer must be marked for each question and the answer circle must be completely shaded.

Mark Allocation

The multiple-choice test is marked objectively, with the paper consisting of 30 questions, with one mark awarded for each correct answer. The paper is marked out of a total of 30 marks.

Certification

Successful candidates will be awarded the Level 3 Award in Principles of Auditing, based on the achievement of the marks and grades below:

Pass 18 – 23 marks
Merit 24 - 27 marks
Distinction 28 > marks

Centres will receive certificates within a maximum of 6 weeks of the receipt of the OMR answer sheets at EDI.

Recommended Reading List and Support Materials

Reading List

Title	Authors(s)	Publisher	ISBN Code
A Students Guide to Auditing	Alan Lewin	Kaplan	9780 85732 2036
Auditing	Alan Millichamp	Thomson	13 9780 82645 5000
Principles of External Auditing (recommended for teachers)	Porter, Simon & Hatherly	Wiley	0470 84297 0

Support Material

A Sample Paper and answers are available on the qualification page of the website, www.lcci.org.uk.

How to offer this qualification

To offer this qualification you must be an LCCI IQ registered examination centre. To gain Centre approval please contact Customer Support on 08700 818008 between the hours of 08.30 to 17.00 (GMT) Monday to Friday, or by email on centresupport@ediplc.com.

Alternatively you may contact your Regional LCCI Office or coordinating authority.

Level 3   **Principles of Auditing**

Learning outcome	Assessment criteria	Indicative content:
The learner will:	*The learner can:*	
1 Understand the key role and responsibilities of the auditor	1.1 Distinguish between the internal and external audit function.	*E.g. reporting requirements of internal and external auditors.*
	1.2 Explain the principal function of an auditor.	▪ *Need for accurate information* ▪ *Interdependency of internal audited data used by external auditors* ▪ *Limitations of using management reports.*
2 Understand the organisation's accounting systems and controls in relation to the audit function	2.1 Describe the components and key features of accounting systems.	▪ *Basic double entry principles* ▪ *Principal financial statements* ▪ *Need for maintaining records and documents of all monetary transactions*
	2.2 Assess the basic control systems used within an audit.	*E.g.* ▪ *Separation of functions* ▪ *Level of authorisation* ▪ *Vouching* ▪ *Safety of documents* ▪ *Physical examination.*
3 Understand the professional standards required for an auditor and the need for professional ethics in auditing	3.1 Explain the professional duties of auditors.	*Adhere to professional accounting and auditing standards:* ▪ *ISA* ▪ *IAS* ▪ *GAAP*
	3.2 Determine the need for compliance with the five fundamental principles from the International Federation of Accountants Code of Ethics.	▪ *Integrity* ▪ *Objectivity* ▪ *Professional competence & due care* ▪ *Confidentiality* ▪ *Professional behaviour*

4	Understand how to plan an audit	4.1	Determine the accounting and control systems in use and assess potential risk.	▪ *Knowledge of accounting systems as the first stage when planning an audit* ▪ *Identify existing control systems* ▪ *Consider the audit risk where an accounting or control system is not in use or is incorrectly used.*
		4.2	Describe the principles of 'materiality' and 'significant balance' and their application within auditing.	▪ *Size of the organisation determines the level of materiality and significant balance* ▪ *Items can be material by nature*
		4.3	Define 'audit risk' and its application in planning an audit.	*Audit risks can be:* ▪ *Inherent* ▪ *Control* ▪ *Detection*
		4.4	Describe the components of an 'audit strategy' when planning and maintaining the quality of an audit.	*Features include:* ▪ *Quality control* ▪ *Scope* ▪ *Timing* ▪ *Direction towards critical areas to be audited*
5	Understand a range of basic auditing techniques	5.1	Distinguish between different auditing techniques.	*Techniques including:* ▪ *third party checking* ▪ *documentary evidence* ▪ *physical examination of asset* ▪ *confirmation of ownership of asset* ▪ *vouching* ▪ *re-performance* ▪ *test data* ▪ *substantive procedures (testing the completeness of valuations)* ▪ *analytical review (data extrapolation)*

		5.2 Examine and assess the different sampling techniques used in auditing.	*Impact of sampling techniques upon levels of significance and confidence:* ▪ *Random* ▪ *Stratified* ▪ *Interval* ▪ *Cluster* ▪ *Value weighted*
		5.3 Compare 'normal' data against the 'unusual'.	▪ *Review 'normal data'* ▪ *Explanation of the 'unusual'*
		5.4 Describe possible auditing problems, which can arise due to the use of different IT systems.	*The hidden problems e.g.* ▪ *Instead of a single theft of £1000 there can be 100,000 thefts of 1p.* ▪ *Computer only shows audit trail with completed figures not workings*
6	Recognise a range of audit documentation	6.1 Explain the need for documents, which record and evaluate the audit systems used.	▪ *Internal Control Questionnaires (ICQ's) and checklists and why auditors' use them* ▪ *The need for record keeping by the firm and the audit team* ▪ *The systems used*
		6.2 Explain working papers and audit files.	*'Current' working papers are used to document audit tests and to compare to previous years.* *Can also provide evidence of the work undertaken by the auditor.*
7	Understand the purpose of external and internal audit reports.	7.1 Explain the need for confidential reporting.	*e.g.* ▪ *'Confidentiality' - Code of ethics* ▪ *Damage to audit from disclosure of information*
		7.2 Describe levels of error and to whom they are reported.	*e.g.* *Internal - manager* *External - regulatory body (money laundering)*

7.3 Explain the main qualifications in a report.	*Investigate or highlight when adherence to standards has not been maintained or unusual data that has not been explained*
7.4 Explain the use of modified reports.	*Where there is inconsistency between financial statement information and other information.* *E.g. Chairman's Report draws attention to significant developments in the Annual Report*

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