

# Unit 11: Financial Systems and Auditing

Unit code: J/601/0901

QCF level: 5

Credit value: 15 credits

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- Aim

The aim of this unit is to enable learners to develop understanding and skills in the management of business accounting systems and the conduct and reporting of audits.

- Unit abstract

In this unit learners will develop skills to evaluate the accounting systems of a business, using both computerised and manual records, and apply fundamental concepts. Learners will also analyse the management control systems of a business and evaluate their effectiveness, particularly in terms of controls and safeguards against error and fraud.

This unit will also enable learners to develop audit skills by contributing to the planning and performance of an audit and the preparation of an audit report.

- Learning outcomes

**On successful completion of this unit a learner will:**

- 1 Understand the importance of keeping effective accounting systems within a business
- 2 Be able to analyse the management control systems of a business
- 3 Be able to contribute to the planning and conduct of an audit assignment
- 4 Be able to prepare audit reports.

## Unit content

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### 1 Understand the importance of keeping effective accounting systems within a business

*Accounting records:* books of prime entry (daybooks); accounts and ledgers (sales, purchases, nominal/general); trial balance; final accounts

*Fundamental accounting concepts:* accruals; prudence; consistency; going concern; materiality; business entity

*Accounting systems:* manual and computerised; effect of business size and structure

### 2 Be able to analyse the management control systems of a business

*Business risk:* types e.g. operational, financial, compliance; identification of risk and responsibility for risk management; influences on corporate governance e.g. Cadbury Code

*Control:* control systems and procedures within the business e.g. segregation of duties, authorisation

*Fraud:* types; implications; detection

### 3 Be able to contribute to the planning and conduct of an audit assignment

*Regulatory environment:* legal duties and status of auditors; liability of auditors; auditing standards and guidelines

*Role of the auditor:* internal and external audit and the relationship between the two; responsibilities of management as opposed to auditors

*Audit planning:* scope; materiality; risk

*Audit testing:* systems based (compliance) and substantive testing; sampling methods e.g. random, stratified, systematic; confidence intervals

*Records:* audit files and working papers; checklists and programmes; flow charts and questionnaires

### 4 Be able to prepare audit reports

*Statutory reports:* purpose; content (opinion of auditor), qualified and unqualified, types of qualification

*Management letters:* purpose and content

## Learning outcomes and assessment criteria

<b>Learning outcomes</b> <b>On successful completion of this unit a learner will:</b>	<b>Assessment criteria for pass</b> <b>The learner can:</b>
LO1 Understand the importance of keeping effective accounting systems within a business	1.1 explain the purpose and use of the different accounting records 1.2 assess the importance and meaning of the fundamental accounting concepts 1.3 evaluate the factors which influence the nature and structure of accounting systems
LO2 Be able to analyse the management control systems of a business	2.1 identify the different components of business risk 2.2 analyse the control systems in place in a business 2.3 evaluate the risk of fraud within a business suggesting methods for detection
LO3 Be able to contribute to the planning and conduct of an audit assignment	3.1 plan an audit with reference to scope, materiality and risk 3.2 identify and use appropriate audit tests 3.3 record the audit process in an appropriate manner
LO4 Be able to prepare audit reports	4.1 prepare a draft audit report 4.2 draft suitable management letters in relation to a statutory audit.

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## Guidance

## Links

The unit links with the following units in the programme: *Unit 2: Managing Financial Resources and Decisions*, *Unit 6: Business Decision Making*, *Unit 9: Management Accounting: Costing and Budgeting*, *Unit 10: Financial Accounting and Reporting* and *Unit 12: Taxation*.

Learners should complete *Unit 10: Financial Accounting and Reporting* before starting this unit.

Additionally the unit covers some of the underpinning knowledge and understanding for the NVQ in Accounting as mapped in *Annexe B*.

The unit covers topics essential for learners aiming to make a career within finance and who would like to become members of professional accounting bodies.

## Essential requirements

There are no essential or unique resources required for the delivery of this unit.

## Employer engagement and vocational contexts

Centres should develop links with local businesses. Many businesses and chambers of commerce want to promote local business and are often willing to provide work placements, visit opportunities, information about businesses and the local business context and guest speakers.

[www.businessbritainuk.co.uk](http://www.businessbritainuk.co.uk) provides information about business in Britain and has extensive links to other business and business news sites.

[www.fsb.org.uk](http://www.fsb.org.uk) The Federation of Small Businesses provides information, support and guidance about small businesses in the UK.