

## ACC 645 Final Project Guidelines and Rubric

### Overview

In the field of auditing, the role of the external auditor is paramount to ensuring a quality audit that meets the standards and expectations of the auditing industry. In addition to their knowledge of auditing standards and legal requirements, external auditors also follow a specific series of steps that build on each other logically. These steps begin even before the client is accepted, because the external audit firm needs to ensure its staff has sufficient familiarity with the industry being audited. After client acceptance, the external auditing firm becomes familiar with the client's organization and internal controls. They develop an audit strategy and audit plan. They test the internal controls, gather audit evidence, document the evidence, audit the financial statements, and examine contingent liabilities. Combining these factors, the external auditor formulates an opinion letter and communicates the results to the client. If proper procedures are not followed, or if auditors act unethically and do not follow independence standards, audit failure can be the result. This can lead to litigation against the auditing firm and client. Audit failure can also mislead investors and creditors, potentially impacting the stock price of the client. To appreciate the global impact of audit failure, consider this: In the early twenty-first century, there were eight large auditing firms in the world known as the Big Eight. ([Crane, 2011](#)). That number has since been reduced to four, as these firms were caught in major audit failures, and they now no longer exist.

For the final project, you will work through components of a case study in which you will assume the role of a lead auditor at [Willis & Adams](#). Your firm has been approached by [EarthWear Clothiers](#) to perform an audit. In your role as lead auditor, you will evaluate internal and external factors to determine client engagement, develop an audit plan, determine recommendations for improving internal controls, and communicate the audit opinion. You will not be required to perform the audit tasks themselves.

The project is divided into **three milestones**, which will be submitted at various points throughout the course to scaffold learning and ensure quality final submissions. These milestones will be submitted in **Modules Three, Five, and Seven**. The final product will be submitted in **Module Nine**.

In this assignment, you will demonstrate your mastery of the following course outcomes:

- ACC-645-01: Evaluate internal and external factors for determining client engagement aimed toward reducing audit failure
- ACC-645-02: Develop an audit plan in order to reduce audit failure by utilizing auditing standards
- ACC-645-03: Determine appropriate recommendations for improving internal controls based on the audit of financial statements
- ACC-645-04: Communicate financial audit opinions on financial reporting based on audit evidence, documentation, and evaluation

### Prompt

For the final project, you will assume the role of lead auditor at an external auditing firm, Willis & Adams. The firm is reevaluating its client list and audit procedures. You will be responsible for supporting the continued engagement of a current client, EarthWear Clothiers, and planning the audit of this organization's financial statements. You will evaluate and recommend improvements to internal controls, and communicate the audit opinions to the senior management of the organization.

Specifically, the following **critical elements** must be addressed:

- I. **Client Engagement:** The external auditing team has been approached by a client to do their yearly audit. You are responsible for evaluating the factors associated with the organization and the external auditing team to determine why it would be appropriate to move forward with the client request.
  - A. Evaluate the **corporate structure** and annual report of the organization, and summarize your findings. [ACC-645-01]
  - B. Evaluate the following information related to the external **auditing firm**, and summarize your findings: [ACC-645-01]
    1. Independence
    2. Knowledge of client industry
    3. Staffing capabilities
  - C. Assume your firm has decided to move forward. Referring to your evaluation of **internal and external factors**, explain why it would be appropriate for the external auditing team to accept the client audit request, using examples to support your response. [ACC-645-01]
  
- II. **Planning the Audit:** Select one of the organization's business objectives and create an audit plan of the organization's financial statements. Use the information from your preliminary review and auditing standards to support your plan.
  - A. Using your selected business objective, create an audit plan of the organization's financial statements that addresses the following, and support each with the appropriate auditing standards:
    1. **Business risks** [ACC-645-02]
    2. **Management assertions** [ACC-645-02]
    3. **Audit risk** [ACC-645-02]
    4. **Internal controls** [ACC-645-02]
    5. Effect on **audit procedures** [ACC-645-02]
  - B. Determine **materiality** by conducting a preliminary risk assessment, and explain which factors were used in making this determination. [ACC-645-02]
  
- III. **Internal Control:** Evaluate the following components within an organization for gaps in internal controls, and explain how each can be improved:
  - A. **Control environment** [ACC-645-03]
  - B. **Risk assessment** [ACC-645-03]
  - C. **Information system** [ACC-645-03]
  - D. **Control activities** [ACC-645-03]
  - E. **Monitoring activities** [ACC-645-03]
  
- IV. **Communication:** Create a letter to management that identifies any gaps in internal control and provides resolution. In addition, in a separate section of your submission, include audit opinions of both the internal controls and the financial statements of the organization.

- A. Prepare a **letter to management** that clearly communicates internal control deficiencies or material weaknesses, and provide recommendations to remediate concerns. [ACC-645-04]
- B. Prepare an audit **opinion of internal controls**, and explain the impact it has on the audit of financial statements. [ACC-645-04]
- C. Prepare an audit **opinion of financial statements**, and explain why the opinion is appropriate based on findings in the audit. [ACC-645-04]

## Milestones

### Milestone One: Report on Client Engagement

In **Module Three**, you will evaluate the corporate structure of EarthWear Clothiers and their annual report and then summarize your findings. You will evaluate the following for your auditing firm, Willis & Adams: independence, knowledge of client industry, and staffing capabilities. Then, assuming that your firm has decided to move forward as a result of your evaluation of internal and external factors, you will explain why it would be appropriate for your firm to accept EarthWear Clothiers audit request, using examples to support your response. The deliverable for this milestone is a report on client engagement. This milestone will be graded with the **Milestone One Rubric**.

### Milestone Two: Audit Plan

In **Module Five**, you will complete an audit plan. Your organization has decided to move forward with the audit of EarthWear Clothiers. As lead auditor, you will select one of EarthWear Clothiers' business objectives and create an audit plan of their financial statements. You will use the information from your preliminary review and auditing standards to support your plan. Using your selected business objective, you will create an audit plan of the organization's financial statements that addresses the following: business risks, management assertions, audit risk, internal controls, and the effect on audit procedures. You will support your plan with the appropriate auditing standards. You will also determine materiality by conducting a preliminary risk assessment, and you will explain which factors were used in making this determination. The deliverable for this milestone is an audit plan. This milestone will be graded with the **Milestone Two Rubric**.

### Milestone Three: Report on Internal Control

In **Module Seven**, you will evaluate various components of EarthWear Clothiers to determine any gaps in internal controls, and you will discuss strategies to improve them. Evaluate the following components within EarthWear Clothiers for gaps in internal controls and explain how each can be improved: control environment, risk assessment, information system, control activities, monitoring activities. See the Milestone Three guidelines and Rubric document for more detailed information.

The deliverable for this milestone is an Auditor’s Report on Internal Controls over Financial Reporting. This milestone will be graded with the **Milestone Three Rubric**.

Final Submission

In **Module Nine**, you will submit your final project. It should be a complete, polished artifact containing **all** of the critical elements of the final product. It should reflect the incorporation of feedback gained throughout the course and include a letter to management that identifies any gaps in internal control and provides resolution. In addition, your submission must include audit opinions of both the internal controls and the financial statements of the organization. You must assume that all audit adjustments mentioned in relation to internal control and the audit findings presented in Milestone Three were accepted by management and booked prior to the financial statements being finalized and presented in the annual report. **This submission will be graded with the Final Project Rubric.**

### Deliverables

Milestone	Deliverable	Module Due	Grading
One	Report on Client Engagement	Three	Graded separately; Milestone One Rubric
Two	Audit Plan	Five	Graded separately; Milestone Two Rubric
Three	Report on Internal Control	Seven	Graded separately; Milestone Three Rubric
	Final Submission	Nine	Graded separately; Final Project Rubric

## Final Project Rubric

**Guidelines for Submission:** Your product must be 15-25 pages in length (plus a cover page and references), with double spacing, 12-point Times New Roman font, and one-inch margins. You should use current APA style guidelines for your citations and reference list.

Critical Elements	Exemplary (100%)	Proficient (90%)	Needs Improvement (70%)	Not Evident (0%)	Value
<b>Client Engagement: Corporate Structure</b> [ACC-645-01]	Meets “Proficient” criteria, and approach demonstrates a complex grasp of summarizing the corporate structure and annual report of the organization	Evaluates the corporate structure and annual report of the organization and summarizes findings	Evaluates the corporate structure and annual report of the organization and summarizes findings, but summary is cursory or contains inaccuracies	Does not evaluate the corporate structure and annual report of the organization	8
<b>Client Engagement: Auditing Firm</b> [ACC-645-01]	Meets “Proficient” criteria, and approach demonstrates a complex grasp of summarizing independence, knowledge of client industry, and staffing capabilities of the external auditing firm	Evaluates the independence, knowledge of client industry, and staffing capabilities of the external auditing firm, and summarizes findings	Evaluates the independence, knowledge of client industry, and staffing capabilities of the external auditing firm, and summarizes findings, but summary is cursory, contains inaccuracies, or is missing information related to the external auditing firm	Does not evaluate the independence, knowledge of client industry, and staffing capabilities of the external auditing firm	8
<b>Client Engagement: Internal and External Factors</b> [ACC-645-01]	Meets “Proficient” criteria, and approach demonstrates a complex grasp of why it would be appropriate for the external auditing team to accept the client audit request based on the evaluation of internal and external factors	Explains why it would be appropriate, based on the evaluation of internal and external factors, for the external auditing team to accept the client audit request, using examples to support this response	Explains why it would be appropriate, based on the evaluation of internal and external factors, for the external auditing team to accept the client audit request, using examples to support this response, but explanation is cursory or contains inaccuracies, or examples are inappropriate	Does not explain why it would be appropriate for the external auditing team to accept the client audit request	8
<b>Planning the Audit: Business Risks</b> [ACC-645-02]	Meets “Proficient” criteria, and approach demonstrates a complex grasp of appropriate auditing standards that relate to business risks for an audit plan	Creates an audit plan of the organization’s financial statements that addresses business risks, and supports it with the appropriate auditing standards	Creates an audit plan of the organization’s financial statements that addresses business risks and supports it with auditing standards, but the auditing standards are inappropriate or irrelevant	Does not create an audit plan of the organization’s financial statements that addresses business risks	4

<p><b>Planning the Audit: Management Assertions</b> [ACC-645-02]</p>	<p>Meets “Proficient” criteria, and approach demonstrates a complex grasp of appropriate auditing standards that relate to management assertions for an audit plan</p>	<p>Creates an audit plan of the organization’s financial statements that addresses management assertions, and supports it with the appropriate auditing standards</p>	<p>Creates an audit plan of the organization’s financial statements that addresses management assertions and supports it with auditing standards, but the auditing standards are inappropriate or irrelevant</p>	<p>Does not create an audit plan of the organization’s financial statements that addresses management assertions</p>	<p>4</p>
<p><b>Planning the Audit: Audit Risk</b> [ACC-645-02]</p>	<p>Meets “Proficient” criteria, and approach demonstrates a complex grasp of appropriate auditing standards that relate to audit risk for an audit plan</p>	<p>Creates an audit plan of the organization’s financial statements that addresses audit risk, and supports it with the appropriate auditing standards</p>	<p>Creates an audit plan of the organization’s financial statements that addresses audit risk and supports it with auditing standards, but the auditing standards are inappropriate or irrelevant</p>	<p>Does not create an audit plan of the organization’s financial statements that addresses audit risk</p>	<p>4</p>
<p><b>Planning the Audit: Internal Controls</b> [ACC-645-02]</p>	<p>Meets “Proficient” criteria, and approach demonstrates a complex grasp of appropriate auditing standards that relate to internal controls for an audit plan</p>	<p>Creates an audit plan of the organization’s financial statements that addresses internal controls, and supports it with the appropriate auditing standards</p>	<p>Creates an audit plan of the organization’s financial statements that addresses internal controls and supports it with auditing standards, but the auditing standards are inappropriate or irrelevant</p>	<p>Does not create an audit plan of the organization’s financial statements that addresses internal controls</p>	<p>4</p>
<p><b>Planning the Audit: Audit Procedures</b> [ACC-645-02]</p>	<p>Meets “Proficient” criteria, and approach demonstrates a complex grasp of appropriate auditing standards affect audit procedures for an audit plan</p>	<p>Creates an audit plan of the organization’s financial statements that addresses the effect on audit procedures, and supports it with the appropriate auditing standards</p>	<p>Creates an audit plan of the organization’s financial statements that addresses the effect on audit procedures and supports it with auditing standards, but the auditing standards are inappropriate or irrelevant</p>	<p>Does not create an audit plan of the organization’s financial statements that addresses the effect on audit procedures</p>	<p>4</p>
<p><b>Planning the Audit: Materiality</b> [ACC-645-02]</p>	<p>Meets “Proficient” criteria, and explanation demonstrates a complex grasp of which factors were used in determining materiality</p>	<p>Determines materiality by conducting a preliminary risk assessment and explains which factors were used in making this determination</p>	<p>Determines materiality by conducting a preliminary risk assessment and explains which factors were used in making this determination, but explanation is cursory or contains inaccuracies</p>	<p>Does not determine materiality by conducting a preliminary risk assessment</p>	<p>4</p>

<b>Internal Control: Control Environment</b> [ACC-645-03]	Meets “Proficient” criteria, and explanation demonstrates a complex grasp of how control environment can be improved	Evaluates the control environment within an organization for gaps in internal controls and explains how they can be improved	Evaluates the control environment within an organization for gaps in internal controls and explains how they can be improved, but explanation is cursory or contains inaccuracies	Does not evaluate the control environment within an organization for gaps in internal controls	4.8
<b>Internal Control: Risk Assessment</b> [ACC-645-03]	Meets “Proficient” criteria, and explanation demonstrates a complex grasp of how risk assessment can be improved	Evaluates the risk assessment within an organization for gaps in internal controls and explains how they can be improved	Evaluates the risk assessment within an organization for gaps in internal controls and explains how they can be improved, but explanation is cursory or contains inaccuracies	Does not evaluate the risk assessment within an organization for gaps in internal controls	4.8
<b>Internal Control: Information System</b> [ACC-645-03]	Meets “Proficient” criteria, and explanation demonstrates a complex grasp of how the information system can be improved	Evaluates the information system within an organization for gaps in internal controls and explains how they can be improved	Evaluates the information system within an organization for gaps in internal controls and explains how they can be improved, but explanation is cursory or contains inaccuracies	Does not evaluate the information system within an organization for gaps in internal controls	4.8
<b>Internal Control: Control Activities</b> [ACC-645-03]	Meets “Proficient” criteria, and explanation demonstrates a complex grasp of how control activities can be improved	Evaluates the control activities within an organization for gaps in internal controls and explains how they can be improved	Evaluates the control activities within an organization for gaps in internal controls and explains how they can be improved, but explanation is cursory or contains inaccuracies	Does not evaluate the control activities within an organization for gaps in internal controls	4.8
<b>Internal Control: Monitoring Activities</b> [ACC-645-03]	Meets “Proficient” criteria, and explanation demonstrates a complex grasp of how monitoring activities can be improved	Evaluates the monitoring activities within an organization for gaps in internal controls and explains how they can be improved	Evaluates the monitoring activities within an organization for gaps in internal controls and explains how they can be improved, but explanation is cursory or contains inaccuracies	Does not evaluate the monitoring activities within an organization for gaps in internal controls	4.8

<p><b>Communication: Letter to Management</b> [ACC-645-04]</p>	<p>Meets “Proficient” criteria, and approach demonstrates a complex grasp of how internal control deficiencies or material weaknesses could be remediated</p>	<p>Prepares a letter to management that clearly communicates internal control deficiencies or material weaknesses, and provides recommendations to remediate concerns</p>	<p>Prepares a letter to management that clearly communicates internal control deficiencies or material weaknesses, and provides recommendations to remediate concerns, but recommendations are cursory or inappropriate or contain inaccuracies</p>	<p>Does not prepare a letter to management that clearly communicates internal control deficiencies or material weaknesses</p>	<p>8</p>
<p><b>Communication: Opinion of Internal Controls</b> [ACC-645-04]</p>	<p>Meets “Proficient” criteria, and explanation demonstrates a complex grasp of the impacts the audit opinion on internal controls has on the audit of financial statements</p>	<p>Prepares an audit opinion of internal controls, and explains the impact it has on the audit of financial statements</p>	<p>Prepares an audit opinion of internal controls, and explains the impact it has on the audit of financial statements, but recommendations are inappropriate, or explanation is cursory or contains inaccuracies</p>	<p>Does not prepare an audit opinion of internal controls</p>	<p>8</p>
<p><b>Communication: Opinion of Financial Statements</b> [ACC-645-04]</p>	<p>Meets “Proficient” criteria, and explanation demonstrates a complex grasp of why the audit opinion on financial statements is appropriate based on the findings in the audit</p>	<p>Prepares an audit opinion of financial statements, and explains why the opinion is appropriate based on findings in the audit</p>	<p>Prepares an audit opinion of financial statements, and explains why the opinion is appropriate based on findings in the audit, but recommendations are inappropriate, or explanation is cursory or contains inaccuracies</p>	<p>Does not prepare an audit opinion of financial statements</p>	<p>8</p>
<p><b>Articulation of Response</b></p>	<p>Submission is free of errors related to citations, grammar, spelling, syntax, and organization and is presented in a professional and easy-to-read format</p>	<p>Submission has no major errors related to citations, grammar, spelling, syntax, or organization</p>	<p>Submission has major errors related to citations, grammar, spelling, syntax, or organization that negatively impact readability and articulation of main ideas</p>	<p>Submission has critical errors related to citations, grammar, spelling, syntax, or organization that prevent understanding of ideas</p>	<p>4</p>
<b>Total</b>					<b>100%</b>