



Lisbon School
of Economics
& Management
Universidade de Lisboa

Master in Accounting

Advanced Auditing

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(CPA & STATUTORY AUDITOR)

2026/2027





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- Enjoys travelling and explore new places and cultures

➤ Management Consulting and M&A Deal Support Across Key Locations:
Lisbon | London | Madrid | San Francisco | São Paulo | Warsaw

COURSE SYLLABUS

N.º	Subject
1	Introduction
1.1	Course Objectives
2	Financial Auditing
3	Audit reports
4	Professional regulation
5	Audit pillars: materiality, risk and evidence
6	Audit path
7	Client acceptance and acceptance of the commitment
8	Audit planning
8.1	Business knowledge and assessment of the risks of material misstatements
8.2	Internal control system
9	Additional audit procedures and misstatement evidence
10	Assessment and Audit Report
11	Auditing the sales cycle, receivables and receipts
12	Auditing the purchasing cycle, payables and payments
13	Assessing the going concern assumption
14	Completing the Audit
15	Introduction to emerging areas and their implications for auditing practice

COURSE SYLLABUS

N.º	Subject
15.1	Cybersecurity and auditing
15.2	Artificial Intelligence and auditing
15.3	ESG, sustainability, and auditing

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- ✓ Arens, A. A., Elder, R. J., Beasley, M. S. & Hogan, C. E. (2023), Auditing and Assurance Services: An Integrated Approach, 18th ed., Pearson.
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- ✓ Zehms, K. M., Gramling, A. A. & Rittenberg, L. E. (2024), Auditing: A Risk-Based Approach, 12th Edition, Cengage.
- ✓ Almeida, Bruno José Machado (2022), Manual de Auditoria Financeira - Uma Análise Integrada Baseada no Risco, **4.ª edição**, Escolar Editora.
- ✓ Costa, Carlos Baptista da (2023), Auditoria Financeira – Teoria e Prática, 13.ª edição atualizada e aumentada, Rei dos Livros.

BIBLIOGRAPHY

Key Textbook for
the Course →

ISBN-13: 9781292448985

Auditing and Assurance
Services, Global Edition

Published June 12, 2023

Pearson Education Limited

The screenshot shows the Pearson website for the textbook 'Auditing and Assurance Services, Global Edition, 18th edition'. The page features a dark header with the Pearson logo and navigation links. A search bar is present in the top right. Below the header, there are tabs for 'I'm a student' and 'I'm an educator'. The main content area displays the book cover, which features an image of an iceberg and the title 'AUDITING AND ASSURANCE SERVICES: An Integrated Approach'. The authors listed are Alvin A. Arens, Randal J. Elder, Mark S. Beasley, and Chris E. Hogan. To the right of the book cover, the title is repeated, followed by the publication date (June 12, 2023) and copyright information. Below this, the authors' names and affiliations are listed. A table shows the pricing for different formats: eTextbook (£35.99), Print (£62.99), and MyLab (from £29.99). Each format has a 'View options' button. At the bottom of the page, there is a footer with the Pearson logo, 'HE Products' section, 'Insights' section, 'Help & Support' section, 'Major businesses' section, and 'About us' section.

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Auditing and Assurance Services, Global Edition, 18th edition

Published by Pearson (June 12, 2023) © 2023

Alvin A. Arens Michigan State University | Randal J. Elder The University of North Carolina Greensboro
Mark S. Beasley North Carolina State University | Chris E. Hogan Michigan State University

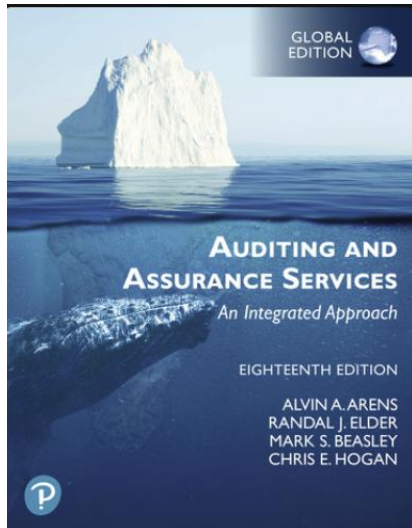
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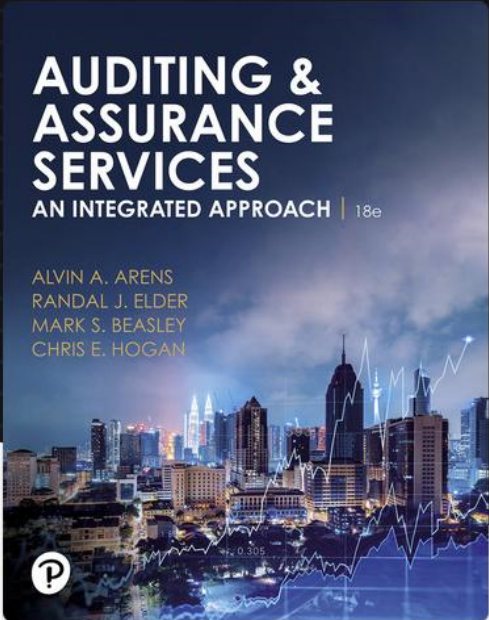


<https://www.pearson.com/en-gb/subject-catalog/p/auditing-and-assurance-services-global-edition/P200000009899/9781292449104>

BIBLIOGRAPHY

I'm a student

☒ I'm an educator



Auditing and Assurance Services, 18th edition

Published by Pearson (January 30, 2023) © 2024

Alvin A. Arens Michigan State University | Randal J. Elder The University of North Carolina Greensboro
Mark S. Beasley North Carolina State University | Chris E. Hogan Michigan State University

eTextbook	Print	MyLab
\$10.99 / mo	\$74.99	from \$109.99
4-month term, pay monthly or pay \$43.96		
View options	View options	View options

<https://www.pearson.com/en-us/subject-catalog/p/auditing-and-assurance-services/P200000010148/9780138103064>

EVALUATION

The maximum final grade is 20 which is calculated as follows:

❖ 1st Sitting (**Continuous evaluation**)

- ✓ Class Participation and Case Study Analysis – 15%
- ✓ Group work (3 to 5 students) – 25%
- ✓ Written Individual Exam (1st Sitting) – 60%



Note 1: The exam is closed-book. No consultation of elements allowed.

Note 2: To obtain final approval in the course, students must achieve a minimum grade of 7.5 out of 20 in the 1st Sitting exam.

❖ 2nd Sitting

Written Individual Exam (**2nd Sitting**) - 100%

EVALUATION

Group work

Assignment: Analysis of a scientific paper that focus on issues that are related to course topics. Assignment should answer the following questions:

- What is the research problem / question being analyzed in the paper?
- What is the econometric model adopted on the paper?
- What are the dependent variable(s) and explanatory variables?
- What are the main conclusions of the study?
- Why is this paper important to auditors and what are the main implications of this study for the profession?
- Clues for future research.



**15 minutes
presentation in
class**

IMPORTANT DATES



- ✓ Delivery and discussion of group work assignment: October **27th**, 2026
- ✓ Written exam of the regular assessment period: **December 3th**, 2026, at 09:00
- ✓ Written exam of retake assessment period: **January 9th**, 2027, at 10:00

1. Introduction

Late 20th century and early 21st century is being marked by events that brought Auditor profession to the spotlight: financial scandals, **Arthur Andersen** bankruptcy, pressure for **separation between of consulting and auditing activities**, auditor rotation, **Sarbanes-Oxley Act** of 2002, Directive 2006/43/CE, Regulation (EU) n.º 537/2014 and Directive 2014 /56/EU of European Parliament and Council, new statutes of the **Portuguese Institute of Statutory Auditors (OROC)** – Ordem dos Revisores Oficiais de Contas (Law 140/2015, of 7/9), legal framework of audit supervision and its code of ethics, etc.

On the other hand, auditing is a discipline that intersects with several fields of management, including **taxation, company law, ethics, accounting, statistics, and finance**, and more recently, **artificial intelligence and cybersecurity**. These connections have contributed to a growing academic interest in the study and investigation of audit-related topics.



FINANCIAL AUDITING IN 2026: A PROFESSION IN TRANSFORMATION

- ✓ **Artificial Intelligence & Data Analytics:** increasing use in risk assessment, audit planning, document analysis and audit evidence.
- ✓ **Fraud – ISA 240 (Revised):** stronger focus on professional skepticism, fraud risk assessment and auditor responses.
- ✓ **Going Concern – ISA 570 (Revised 2024):** enhanced auditor responsibilities in assessing management's going concern evaluation.
- ✓ **Sustainability Assurance:** increasing importance of assurance over sustainability information.
- ✓ **Cybersecurity & Technology Risk:** growing relevance for financial reporting, internal controls and audit procedures.

KEY MESSAGE: Technology is transforming how audits are performed, but professional judgement, professional skepticism and sufficient appropriate audit evidence remain fundamental.

Sources: IAASB, *Technology Position (2024)*; ISA 570 (Revised 2024); ISA 240 (Revised) (2025); PCAOB (2024). The IAASB's *Technology Position* explicitly seeks to facilitate appropriate use of technology while maintaining audit quality ([IAASB](#)).

1. Introduction

Case Study a.

Based on public information provide 3 recent examples of financial scandals.

Prepare a presentation to share with colleagues.



1. Introduction

❖ Examples of committed fraud

Enron

1. Used *special-purpose entities* (SPE) to decrease their responsibilities and to count **artificial income** for either SPE either Enron.
2. Contracts lasting for several years were accounted for in the first year, reducing costs and oversizing income.

WorldCom

1. **Current expenditures** were accounted as **investments** (with this they transformed the losses they indeed had into profits).
2. **Very large amount of loans** to top executives were not paid by them.

Tyco

1. **Manipulated the accounts** to show high profits.
2. **Non-approved loans** to top executives (these executives used company's money to buy personal property and other assets).

1. Introduction

❖ Studies regarding fraud

Other fraud examples were studied by **Agrawal, Jaffe, and Karpoff (1999)**.

They identified **103 companies** accused of **fraud** present at Wall Street Journal Index between 1981 and 1992. They have also established 103 control companies whose code of economic activity and net sales were similar to that of companies with fraud.

- The companies that were part of fraud's companies sample had significantly more fraud than the ones of the control group in the 2 years before and 2 years after regarding the year of the key event for the study.
- The differences in operating performance around the event of fraud were not statistically different between two groups.

Regarding management rotation they **“didn't find evidence that fraud revelation leads to a subsequent alteration in the leadership structure”** – in the cases which CEO and Chairman are the same person.

They also evaluated the rotation for the tree top positions and the alterations remain non-significant between companies in fraud situation and the ones in the control group.

1. Introduction

❖ Studies regarding fraud

During the year of the fraud event, and in the 3 following years, the companies in fraud situation reduce slightly their executive board, reducing simultaneously their internal and external members; on the other hand, the companies in the control group increased slightly their executive board (but not significantly).

- **The authors conclude that the reduced impact from reported frauds in the study may reflect the favorable economic and financial characteristics for the period 1981-1992.**

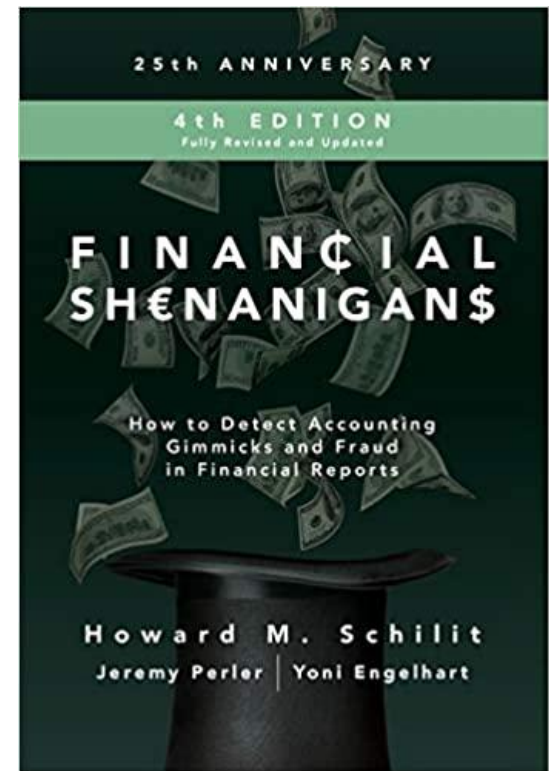
1. Introduction

❖ Some books about corporate fraud

Howard Schilit published the first edition of *Financial Shenanigans* in 1993.

Created an analysis and research center (CFRA) to detect early warning signs in relation to operational problems or accounting “anomalies”. In the 2002 edition of his book, he mentions **30 techniques of financial “cheating”** defined as practices that intentionally distort the financial situation or performance reported by a company.

In 2002, a similar book with many other examples was published by Mulford and Comiskey.

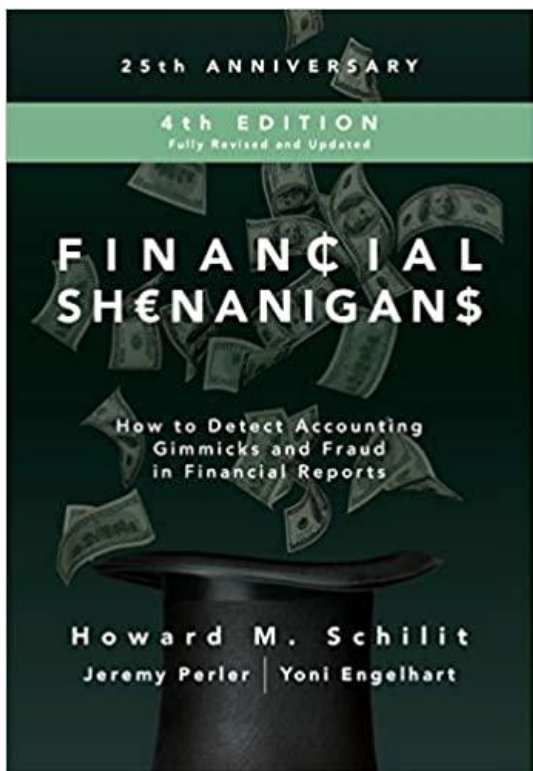


2018 edition
ISBN-13: 978-1260117264
ISBN-10: 126011726Xpj v

These disclosures have **caused outrage** and resulted in **Sarbanes-Oxley Act** (SOA) in July 30th, 2002.

1. Introduction

❖ Some books about corporate fraud



2018 edition

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FRAUD AUDITING: WHAT IS CHANGING? – ISA 240 (REVISED)

Key developments

- ✓ **Reinforced professional skepticism** throughout all stages of the audit.
- ✓ **A stronger “fraud lens”** in identifying and assessing risks of material misstatement.
- ✓ **Clearer auditor responses** to identified or suspected fraud.
- ✓ **Greater attention** to management bias and contradictory audit evidence.
- ✓ **Enhanced communication** with management and those charged with governance.
- ✓ **Increased transparency** in the auditor’s report.

Effective date

Audits of financial statements
for periods beginning on or
after
15 December 2026

KEY MESSAGE: Fraud risk is increasingly integrated throughout the audit process rather than treated as an isolated consideration.

Source: IAASB, ISA 240 (Revised) – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements, 2025.

These are the principal areas highlighted by the [IAASB](#) when it issued the revised standard.

1. Introduction

❖ Sarbanes-Oxley Act



The **Sarbanes-Oxley Act** covers 11 main areas:

1. PCAOB – Public Company Accounting Oversight Board

PCAOB is a private nonprofit entity subjected to the regulation and supervision of the SEC.

This organization is responsible for the **supervision of the audit** listed companies and the establishment of standards for audit reports.

Public accounting firms that issue audit reports for U.S. public companies or broker-dealers, or play a substantial role in those audits, **must be registered** with the **PCAOB**.

All companies must report to its audit committee is composed of at least one member who is financial expert under the SEC definition.

1. Introduction

❖ Sarbanes-Oxley Act (cont.)



2. Auditor independence:

- Audit firms are **prohibited** from providing certain **non-audit services** to their audit clients, in order to safeguard auditor independence.
- The Audit Partner should rotate at least **each 5 years**.
- **Audit reports** should be directed to the **audit committee** rather than to the management body.
- The auditing firm should not have employed an accounting or financial responsible of the audited company during the period of one year before the audit.

1. Introduction

❖ Sarbanes-Oxley Act (cont.)



3. Certification: The CEO and CFO must be sure that the report is according the SEC requirements and properly presents the financial position of the company (making false statements gives rise to a **prison sentence between 10 and 20 years**);

4. Disclosures: Each annual and quarterly report prepared in accordance with those norms SEC has to disclose all material **off-balance-sheet transactions**.

5. Insider trading: *Insider trading* with the stocks of the company in which they work is considered an event subject to disclosure that must be reported in a *Form 4* *within a period of 2 days* (previously was until the 10th day of the month following the realization of the transaction).

6. Conflict of interests: Personal loans are prohibited by companies to administrators and directors;

1. Introduction

❖ Sarbanes-Oxley Act (cont.)



7. Professional responsibility: New regulations establish minimum standards of professional conduct regarding **lawyers** who practice their activity in entities supervised by SEC.

8. Studies and Reports: Must be conducted several studies.

9. Fraud accountability: The elimination, alteration or falsification of registrations is a **crime**.

10. Sanctions: All audit or work papers must be kept for **5 years**. False certifications or reports forgery must result in fines until **5 million dollar** and/or **prison until 20 years**.

11. Authority of SEC: Everyone who had violated the antifraud norms may be prohibited of exercise administrative or management positions.

1. Introduction

Case Study b.

b.1) Search for **Audit proposals** from Audit firms as for example from the **Big 4 firms**.

(to be presented in next class)

Try to find proposals related to European countries or the United States.



b2) From the client's perspective, beyond the standard execution of the **audit assignment**, what **additional aspects** can contribute to creating value for the client's organization?

1. Introduction

Case Study c.

Conduct a preliminary literature search to identify **two to three recent**, peer-reviewed academic articles on **corporate financial fraud, audit technology** or **AI in auditing** (preferably published within the last five years).

For each article, prepare a 3 to 4 slide PowerPoint summary covering:

- (i) research question and context,
 - (ii) data and methodology,
 - (iii) key findings and contributions,
 - (iv) limitations and implications for practice
- (to be presented in **next class**)

1. Introduction

The exercise of functions related to the area of Accounting / Finance requires an understanding of the **audit process**, namely a knowledge of the **methodology** and the ethical implications of the decisions made by the auditor.

The objective of the course is to provide its participants with fundamental skills for a correct application of the **audit methodology**, focusing on the **standards, principles** and **practical aspects** of daily life of auditors.



1. Introduction

The topics covered are basic topics for a student who wants to start a career as an auditor. But also, for any student of the 2nd cycle of Bologna who is interested in auditing companies from an internal or external perspective.

Critical analysis and **communication skills** will be developed through a **case-based discussion** forum and **exercises** that will allow addressing some of the themes exposed in the various sessions.



1.1. Course Objectives

At the end of the course, participants should be able to:

- Understand the **concept of Audit** and the **role of the Auditor**;
- Know some professional **regulation** of the activity of the **Chartered Accountants / Statutory Auditors**;
- Understand how to develop and analyze the **audit evidence** necessary to support the auditor's opinion;
- Know the different **phases** that make up the **auditing process**;
- Recognize the scope of the **different types of opinion** established in the **auditing standards** and be able to prepare the appropriate **final report**.
- Understand how **AI, data analytics and emerging technologies** are affecting audit risk, audit evidence and professional judgement.



ARTIFICIAL INTELLIGENCE AND THE FUTURE OF FINANCIAL AUDITING

Opportunities	Audit Risks / Challenges
Analyse larger populations of transactions	Reliability of AI outputs
Identify unusual transactions and patterns	Automation bias
Support audit risk assessment	Data quality and completeness
Analyse contracts and other documents	Confidentiality and data protection
Support review of financial disclosures	Over-reliance on technology
Increase audit efficiency	Need for appropriate human oversight

KEY PRINCIPLE: AI can support the auditor's work, but **responsibility** for professional judgement and the audit opinion **remains with the auditor**.

Sources: PCAOB, Generative Artificial Intelligence in Audits and Financial Reporting (2024); IAASB, Technology Position (2024).

The [PCAOB](#)'s outreach found GenAI use in audit still limited but evolving rapidly; the [IAASB](#) has committed to adapting standards to technology-enabled procedures.

**Example of an evaluation table of Auditors 'proposals concerning
audit services**

1. Introduction

✗ Importance of information

➡ Power of Information

It is widely accepted that knowledge has become the main force of production in recent decades. In the form of an informational commodity indispensable for a productive power, knowledge is already, and will continue to be, the main - perhaps the main - tool in the world competition for power.

Jean François Lyotard (La Condition Postmoderne: Rapport sur le Savoir, 1979)

➡ Reliable information

The truth is not simply what we think it is; it is also the circumstances in which it is said, and by whom, why and how it is said.

Václav Havel (Disturbing the Peace - A Conversation with Karel Hvizdala, 1990)

1. Introduction

✗ Agency Theory (Jensen & Meckling, 1976)



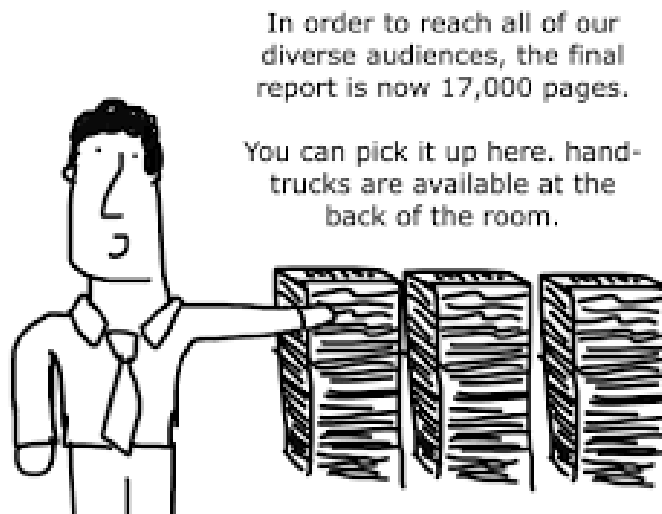
Information
asymmetry



Companies prepare
information to provide
to third parties

1. Introduction

✗ Duty of accountability



"I like the creative way you manipulate reality. You may be just the man we need to write our corporate annual reports."

1. Introduction

✗ Duty of accountability

Article 65.º CSC – Duty to report

- 1) The members of the board of directors shall prepare and submit to the competent bodies (General Assembly) of the company the management report, **including the non-financial statement or the separate report with this information (if applicable), the accounts for the financial year** and the other accounting documents provided for by law, for each annual financial year.
- 2) The preparation of the management report, **including the non-financial statement or the separate report (if applicable), the accounts for the financial year** and the other accounting documents **must** comply with the provisions of the law; the shareholders agreement may supplement, but not derogate from, those legal provisions.
- 5) The management report, **the separate report with the non-financial information (if applicable), the accounts for the financial year** and other accounting documents must be submitted to the competent body and assessed by it, except in special cases provided for by law, within **three months of the closing date of each annual financial year**, or within five months of the same date in the case of companies which must submit consolidated accounts, or which apply the equity method.

1. Introduction

✗ Duty of accountability

Article 66.º-A CSC – Notes to the accounts

- 1) Information on the fees invoiced by the Statutory Auditor (ROC)
- 2) Information on operations with related parties

Article 66.º-B CSC – Non-financial statement (for large companies)

- 1) Information on environmental, social and worker-related issues, equality between women and men, non-discrimination, respect for human rights, combating corruption and money laundering.
- 4) The non-financial statement referred to in paragraph 1 shall also include, where appropriate, a reference to the amounts shown in the annual financial statements and additional explanations of those amounts.

2026 UPDATE: EU corporate reporting is transitioning from “non-financial reporting” towards a sustainability reporting and assurance framework under the CSRD and subsequent amendments.”

1. Introduction

✗ Duty to accounts for issuers with listed securities

Yearly Accounts	Semester Accounts
Annual Report and Accounts • Management report, annual accounts, legal certification of accounts and other accounting documents required by law or regulation; • Report prepared by the auditor; • Statement by the management body that the accounts comply with accounting standards and the management report accurately describes the business and main risks; Annual Corporate Governance Report	After a maximum of 3 months from the end of the 1st semester: • Condensed financial statements; • Interim management report; • Statement by the management body that the accounts comply with the accounting standards and the management report faithfully describes the business and the main risks.

Audited information – art.º 8. CVM

- Annual Accounts
- Where the quarterly or half-yearly information has been subject to audit or limited review, the audit or review report shall be included or, if it has not been, this shall be stated.



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