EF5064: AUDITING AND CONTROL FOR FINANCIAL INSTITUTIONS

Effective Term
Semester B 2024/25

Part I Course Overview

Course Title
Auditing and Control for Financial Institutions

Subject Code
EF - Economics and Finance

Course Number
5064

Academic Unit
Economics and Finance (EF)

College/School
College of Business (CB)

Course Duration
One Semester

Credit Units
3

Level
P5, P6 - Postgraduate Degree

Medium of Instruction
English

Medium of Assessment
English

Prerequisites
Nil

Precursors
EF5042 Corporate Finance EF5052 Investments

Equivalent Courses
AC6832 Auditing and Controls for Financial Institutions (from the old curriculum)

Exclusive Courses
Nil

Part II Course Details

Abstract

This course adopts DEC approach to facilitate learning, which aims at developing abilities of students to discover and innovate how banks are audited and examined for control purposes. Upon completion of the course, students should be able to (1) evaluate and design the objectives, general principles and characteristics of different types of audits/ examinations; (2) apply the basic statutory and regulatory requirements in relation to internal controls for banking institutions; (3) be familiar with the recent developments in banking supervision as well as the minimum standards as expected of banking institutions and auditors; (4) design and carry out audit/examination procedures for banks; (5) be familiar with the practices and process of bank auditing/bank examination; (6) discover and innovate the implications of bank audits/examinations for bank accounting and management.

Course Intended Learning Outcomes (CILOs)

	CILOs	Weighting (if app.)	DEC-A1	DEC-A2	DEC-A3
1	Evaluate and design the objectives and the general principles as well as characteristics of different types of audits/examinations.	25	x	x	
2	Apply the basic statutory and regulatory requirements in relation to internal controls for banking institutions and auditors.	25	x	x	x
3	Be familiar with the recent developments in banking supervision and the minimum regulatory standards as expected of banking institutions and auditors.	20	x	x	x
4	Design and carry out audit/examination procedures for banks.	10	x	x	x
5	Be familiar with the practices and process of bank auditing/bank examinations.	10	x	x	x
6	Discover and innovate the implications of bank audits/examinations for bank accounting and management.	10	x	x	

A1: Attitude
Develop an attitude of discovery/innovation/creativity, as demonstrated by students possessing a strong sense of curiosity, asking questions actively, challenging assumptions or engaging in inquiry together with teachers.

A2: Ability
Develop the ability/skill needed to discover/innovate/create, as demonstrated by students possessing critical thinking skills to assess ideas, acquiring research skills, synthesizing knowledge across disciplines or applying academic knowledge to real-life problems.

A3: Accomplishments
Demonstrate accomplishment of discovery/innovation/creativity through producing /constructing creative works/new artefacts, effective solutions to real-life problems or new processes.

Learning and Teaching Activities (LTAs)

	LTAs	Brief Description	CILO No.	Hours/week (if applicable)
1	Lectures	The lectures introduce fundamental concepts in different types of audits/ examinations. Students are encouraged to think critically and logically, with the goal of guiding students to develop their ability to analyse and solve problems.	1, 2, 3, 4, 5, 6	3 hours per week
2	Discussion of case studies	Case studies include problem bank cases; common banking frauds; and risk management techniques and practices adopted by major international banks in the banking world. This would help to enhance students' knowledge on the real banking practices of financial institutions, as well as to develop their analytical and innovative skills.	1, 2, 3, 4, 5, 6	3 hours per week
3	Group project	The project report would reflect: (1) how well the students understand the regulatory requirements; (2) how well they apply the knowledge learnt from the lectures to daily practical problems. This is important in developing students' ability to discover and innovate.	1, 2, 3, 4, 5, 6	Student group work

Assessment Tasks / Activities (ATs)

	ATs	CILO No.	Weighting (%)	Remarks (e.g. Parameter for GenAI use)
1	Group project, test	1, 2, 3, 4, 5, 6	50	

Continuous Assessment (%)

50

Examination (%)

50

Examination Duration (Hours)

3

Additional Information for ATs

Students are required to pass both coursework and examination components in order to pass the course.

Assessment Rubrics (AR)

Assessment Task

Group project, test (for students admitted before Semester A 2022/23 and in Semester A 2024/25 & thereafter)

Criterion

Demonstrate good understanding of the regulatory requirements and the capability of applying the knowledge learnt to daily practical real life cases.

Excellent

(A+, A, A-) High

Good

(B+, B, B-) Significant

Fair

(C+, C, C-) Moderate

Marginal

(D) Basic

Failure

(F) Not even reaching marginal levels

Assessment Task

Examination (for students admitted before Semester A 2022/23 and in Semester A 2024/25 & thereafter)

Criterion

Demonstrate familiarity on how banks are audited and examined for control purposes and be able to apply basic statutory and regulatory requirements in relation to internal controls for banking institutions. Demonstrate awareness of the recent developments in banking supervision as well as the minimum standards as expected of banking institutions and auditors and be able to design and carry out audit/examination procedures for banks.

Excellent

(A+, A, A-) High

Good

(B+, B, B-) Significant

Fair

(C+, C, C-) Moderate

Marginal

(D) Basic

Failure

(F) Not even reaching marginal levels

Assessment Task

Group project, test (for students admitted from Semester A 2022/23 to Summer Term 2024)

Criterion

Demonstrate good understanding of the regulatory requirements and the capability of applying the knowledge learnt to daily practical real life cases.

Excellent

(A+, A, A-) High

Good

(B+, B) Significant

Marginal

(B-, C+, C) Basic

Failure

(F) Not even reaching marginal levels

Assessment Task

Examination (for students admitted from Semester A 2022/23 to Summer Term 2024)

Criterion

Demonstrate familiarity on how banks are audited and examined for control purposes and be able to apply basic statutory and regulatory requirements in relation to internal controls for banking institutions. Demonstrate awareness of the recent developments in banking supervision as well as the minimum standards as expected of banking institutions and auditors and be able to design and carry out audit/examination procedures for banks.

Excellent

(A+, A, A-) High

Good

(B+, B) Significant

Marginal

(B-, C+, C) Basic

Failure

(F) Not even reaching marginal levels

Part III Other Information

Keyword Syllabus

Bank audit and audit risks
Audit reports and opinions
Bank Examination
Internal control systems
Statutory and regulatory requirements
Bank accounting
Financial statement
Corporate governance
Risk-based supervisory approach
Risk management

Banking frauds
Problem banks
Capital adequacy
Anti-money laundering
High level controls
Going concern considerations

Reading List

Compulsory Readings

	Title
1	Stephen Taylor, Hong: Kong GAAP - A Practical Guide to Generally Accepted Accounting Practice, Sweet & Maxwell Asia, Deloitte Touche Tohrnatsu (latest version)
2	Hong Kong Monetary Authority, Supervisory Policy Manuals - (Suggested reading topics: Corporate Governance of Locally Incorporated Authorised Institutions; Risk-based Supervisory Approach; General Risk Management Controls; Large Exposures & Risk Concentrations; Connected Lending; Financial Disclosures; Capital Adequacy; Liquidity Risk Management Controls; General Principles of Credit Risk Management; Interest Rate Risk Management; Market Risk Management; Reporting Requirements relating to Authorised Institutions' External Auditors under the Banking Ordinance); Guideline on Anti-money Laundering and Counter-Terrorist Financing (latest version)
3	Hong Kong Banking Ordinance (latest version)
4	Hong Kong Society of Accountants, Auditing Standards and Guidelines (latest version)
5	KPMG Peat Manvick, Illustrative Financial Statements for Hong Kong Authorised Institutions (latest version)
6	PriceWaterhouseCoopers, Illustrative Accounts for Authorised Institutions (latest version)
7	The Institute of Chartered Accountants in England and Wales, Banks: an accounting and auditing guide, C.I. Brown, D.J. Mallett, M.G. Taylor (latest version)
8	AICPA Banking and Savings Institutions Committee, AICPA Audit and Accounting Guide: Banks and Savings Institutions, American Institute of Certified Public Accountants (latest version)
9	Basel Committee on Banking Supervision, Initiatives by the BCBS, IAIS and IOSCO to combat money laundering and the financing of terrorism (latest version)
10	Basel Committee on Banking Supervision, Principles for enhancing Corporate Governance (latest version)
11	Basel Committee on Banking Supervision, A Framework for Internal Control Systems in Banking Organisations (latest version)

Additional Readings

	Title
1	Nil