

# **Audit in Accounting**

## **1. Warm-Up**

- What do you know about accounting?
- Have you ever heard the term "audit"? What do you think it means?

## **2. Vocabulary Introduction**

### **Vocabulary List:**

1. **Audit** – an official examination of financial accounts.
2. **Auditor** – a professional who performs audits.
3. **Financial statements** – documents that provide an overview of the financial activities of a company.
4. **Internal controls** – procedures put in place to ensure the accuracy of financial reporting.
5. **Compliance** – conforming to laws and regulations. – zgodność, stosowanie się do ...
6. **Fraud** – wrongful or criminal deception intended to result in financial gain.
7. **Forensic accounting** – accounting practices used to investigate fraud. – rachunkowość śledcza
8. **Independence** – the quality of being free from influence or control from external sources.
9. **Risk assessment** – the process of identifying potential financial risks in an organization.

### **Activity: Vocabulary Matching**

Match the definitions to the correct words: AUDIT, AUDITOR, INTERNAL CONTROLS, FRAUD

- .....a person who checks financial records for accuracy.
- .....measures to ensure accurate and truthful reporting.
- .....an official examination of financial accounts.
- .....deliberate deception for financial gain.

## **3. Reading Activity**

### **Reading Text:**

#### *The Importance of Auditing in Accounting*

An audit is a critical part of the accounting process. It ensures that a company's financial records are accurate and comply with legal standards. Auditors examine financial statements and internal controls to identify any discrepancies or irregularities. This process helps maintain trust between the business and its stakeholders, including investors, creditors, and customers. Auditing also plays a key role in preventing fraud, as auditors are trained to detect signs of financial manipulation.

In many countries, businesses are required by law to undergo regular audits to ensure that their financial activities are transparent and comply with tax laws. There are two main types of audits:

internal audits and external audits. Internal audits are conducted by an in-house team, while external audits are carried out by independent third-party firms. Both types of audits are necessary to provide a complete picture of a company's financial health.

### Reading Comprehension Questions:

1. Why are audits important in accounting?
2. What are two types of audits mentioned in the text?
3. Who benefits from the transparency provided by audits?
4. How can audits help prevent fraud?

## 4. Speaking Activity

**Speaking Task 1:** In pairs, students role-play a conversation between an auditor and a business owner.

- **Auditor:** You need to ask the business owner about the company's internal controls and any irregularities that may have been found.
- **Business Owner:** Answer questions about your company's financial records and explain the challenges you've faced in maintaining compliance.

**Speaking Task 2:** As a group, discuss the following question:

- "Do you think auditing should be mandatory for all businesses, or should it be optional? Why?"

## 5. Extended Listening Task: Forensic Accounting

### Audio Script:

*"Welcome to our special podcast on forensic accounting. Today, we're speaking with Maria Kowalska, a forensic accountant with over 15 years of experience in the field. Maria, can you tell us a bit about what forensic accounting is and how it differs from regular accounting?"*

### **Maria Kowalska:**

"Of course. Forensic accounting is essentially the use of accounting skills to investigate financial fraud and other financial crimes. Unlike regular accounting, which focuses on preparing and analyzing financial records, forensic accounting involves digging deeper into financial documents to find irregularities, misstatements – błędne oświadczenie, nieścisłość, or even intentional fraud. It's not just about balancing the books — it's about uncovering hidden financial truths."

*"That sounds like an important job. What are some common methods you use when investigating fraud?"*

### **Maria Kowalska:**

"Well, there are several techniques we use. First, we perform a thorough analysis of financial statements, looking for any discrepancies or unusual patterns that don't match the business's normal activities. We also examine internal controls, such as how transactions are recorded

and who approves them. Another key aspect is tracing funds — making sure money has been allocated (przydzielać, przeznaczać, przyznawać) properly and hasn't been misdirected for personal gain.”

*“It seems like your job is crucial for protecting businesses from financial harm. Can you give us an example of a fraud case you worked on?”*

**Maria Kowalska:**

“One case I worked on involved a large company that was publicly traded. They were reporting profits that were much higher than the actual revenue. We discovered that the company was overstating (zawyżyć, przecenić) its earnings by inflating (zawyżyć) the value of its inventory and making false sales entries. After our investigation, we were able to track down the individuals responsible and help the company recover some of the lost funds. It was a long process, but ultimately, the company was able to restore its financial integrity.”

*“Wow, that’s impressive. How do you ensure your findings are reliable and can be used in court?”*

**Maria Kowalska:**

“Good question. One of the most important aspects of forensic accounting is maintaining objectivity. We have to ensure that our findings are accurate and well-documented. We use established methodologies and keep a clear record of all our investigations. If necessary, our findings can be presented in court as expert testimony, so it’s crucial that we’re thorough and transparent in our approach.”

*“What role does forensic accounting play in preventing future fraud?”*

**Maria Kowalska:**

“Beyond investigating fraud, forensic accountants also help businesses improve their internal controls and financial systems. After an investigation, we may recommend changes to ensure that the company is better protected against fraud in the future. This can include tightening approval processes, enhancing transparency, and setting up more robust auditing procedures. Prevention is always better than cure, so many businesses now use forensic accounting not only to investigate fraud but also to prevent it from happening in the first place.”

## **6. Listening Comprehension Questions:**

1. What is forensic accounting, and how does it differ from regular accounting?
2. What methods does Maria Kowalska use to investigate financial fraud?
3. Can you give an example of a fraud case Maria worked on? What was the outcome?
4. How does Maria ensure her findings are reliable and can be used in court?
5. What role does forensic accounting play in preventing future fraud?

## **7. True/False Questions:**

1. Forensic accounting is primarily concerned with preparing financial records.
2. Forensic accountants are only involved in investigating fraud after it happens.
3. Maria Kowalska discovered fraud by finding discrepancies in the company’s inventory valuation and sales entries.

4. Forensic accountants always work with large corporations and never with small businesses.
5. One key aspect of forensic accounting is maintaining objectivity and ensuring findings are well-documented for legal purposes.

## 8. Multiple Choice Questions:

1. **What is the primary focus of forensic accounting?**
  - A) Preparing tax reports
  - B) Investigating financial fraud and crimes
  - C) Balancing the company's books
  - D) Managing a company's payroll
2. **Which of the following is NOT a method forensic accountants use to detect fraud?**
  - A) Tracing funds
  - B) Examining internal controls
  - C) Preparing financial reports for clients
  - D) Analyzing financial statements for discrepancies
3. **In the fraud case Maria Kowalska worked on, what did the company do to overstate its earnings?**
  - A) They overstated their assets by making false inventory records.
  - B) They made fraudulent investments.
  - C) They inflated the value of their sales to mislead investors.
  - D) They inflated their inventory value and made false sales entries.
4. **What is one of the main responsibilities of forensic accountants in preventing fraud?**
  - A) Lowering company costs
  - B) Recommending improvements to internal controls and financial systems
  - C) Maximizing profits
  - D) Writing tax reports
5. **Why is maintaining objectivity important for forensic accountants?**
  - A) To avoid personal biases and ensure findings can be used in court
  - B) To ensure that all financial statements are perfectly balanced
  - C) To create financial reports for clients
  - D) To make sure auditors are paid fairly

