ACC 383.2
TOPICS IN AUDITING
MANAGEMENT AUDITING AND CONTROL
SPRING 2013

Instructor: Urton Anderson
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The University of Texas at Austin

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Hours: T 8:30-9:30 and TH 11-12 and by appointment

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Hours: TTH 1-2 and by appointment

REQUIRED TEXTS


(2) ACC 383.2, Topics in Auditing - Management Auditing and Control: Readings, Spring 2013. Available at Speedway Copy, 715 W. 23 Street (behind University Towers).

(3) KnowledgeLeader provided by Protiviti, http://www.knowledgeleader.com/. Subscription will be set-up for each student in the class for the semester by the 3rd class period. The subscription is for the full semester and part of the KnowledgeLeader University program which provides the service to university internal audit courses at no cost to the students.

COURSE OBJECTIVES
This course is designed for students who plan careers in the accounting and finance functions of corporations or government entities or in the consulting/risk management/internal audit services side of public accounting and internal audit outsourcing firms. The purpose of the course is to introduce the student to scope of auditing in today's organizations, a scope that extends beyond far the traditional attestation of the financial statements. Its objectives are to provide the student with:

- A basic understanding of the use of internal auditing by top management and governing boards for controlling organizations.
- An understanding of techniques for risk assessment and management.
- Knowledge of the standards for conducting management audits.
- An understanding of the audit function's organization and administration.
- An understanding of the management audit process.
- Ability to scope and to establish criteria for an effective management audit.
- The knowledge and ability to apply the basic tools used in evidence collection and documentation including the generalized audit software package (IDEA) and electronic working papers (TeamMate).
- The ability to report effectively the results of the audit.
Among the topics to be covered are:

- Organizational governance and the role of internal audit
- Providing value-added internal audit services
- Types of internal audit services: (attestation, performance, quick response, assessment, facilitation, remediation)
- Risk assessment and allocation of audit resources
- The management audit process
- Use of CAATS
- Management control procedures and control system design
- Evaluating the effectiveness of compliance systems
- Management and control of contracts, outsourcing and offshoring relationships
- Auditor/auditee relations
- Effective engagement reporting
- Quality assurance of the audit function
- Investigative auditing

These and other topics will be cover through lectures and readings, analysis of case studies by students, presentation of by practitioners from industry and government, and a team project. At the completion of the course students should be ready to assume positions in internal audit functions.

EXAMINATIONS AND GRADING

Grades will be based on the total points obtained in the course (as shown below). Plus/minus grading will be used in the final course grade. I will assign specific numbers of A's, A-'s, B+'s, B's, etc. to result in an average GPA for the course of approximately 3.3 to 3.6. However, I will use my own judgment as to how this objective shall be obtained.

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EXAMS. The exam will consist of three parts: 1) multiple-choice problems, 2) short answer problems, 3) essay and extended calculation problems.

TEAM PROJECT. During the semester you will complete a major field project. You will work in groups of three to four depending on the scope of the project. The projects this term will involve actual audit work in a government agency, company or non-profit organization. The projects will be evaluated as follows:

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<td>Individual evaluations (client and/or audit supervisor) and completion of audit final checklist</td>
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SHORT ASSIGNMENTS. There will be eight short assignments (i.e., homework assignments) during the semester. These will consist of three “cases”, five TeamMate exercises and an interview (part of the project). The one case will be an exercise using the IDEA software which will be provided, and TeamMate cases and exercises will be done by web access. The TeamMate exercise are posted to Blackboard.

CLASS PARTICIPATION, QUIZZES AND ATTENDANCE. There will be 22 quizzes worth 3 points each (four lowest will be dropped) for a total of 54 points. The four dropped quizzes include all excused and unexcused absences (i.e., no make-up for missed quizzes). Additional points will be given for questions for guest speakers (2 points each), and project presentation evaluations (2 points each). The remainder of the 100 points will be awarded for general attendance and participation in class (approximately 10 points out of the 100).

ACADEMIC HONESTY
Accounting Department Policy:

The Department of Accounting has no tolerance for acts of scholastic dishonesty. The responsibility of both students and faculty with respect to scholastic dishonesty are described in detail in Statement on Scholastic Dishonesty in the MPA Program Codes of Conduct. By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.

The student responsibilities embodied in the MPA Student Codes of Ethics, particularly the Statement on Scholastic Dishonesty, and are consistent with the GSB Honor Code and the University’s General Information catalog. However, you should obtain and read the MPA Student Code of Conduct and policy on Scholastic Dishonesty to ensure that you understand your and my responsibilities. Copies are available at http://www.mccombs.utexas.edu/MPA/Student-Code-of-Ethics.aspx

Students with Disabilities
The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) is housed in the Office of the Dean of Students, located on the fourth floor of the Student Services Building. Information on how to register, downloadable forms, including guidelines for documentation, accommodation request letters, and releases of information are available online at http://deanofstudents.utexas.edu/ssd/index.php. For more information, contact the Office of the Dean of Students at 471-6259, VP: (512) 232-2937 or via e-mail.

Religious Holy Days
By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Campus Safety
Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, http://www.utexas.edu/safety/
• Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.

• Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.

• Students requiring assistance in evacuation should inform their instructor in writing during the first week of class.

• In the event of an evacuation, follow the instruction of faculty or class instructors.

• Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.

• Behavior Concerns Advice Line (BCAL): 512-232-5050

Further information regarding emergency evacuation routes and emergency procedures can be found at: www.utexas.edu/emergency.

BEHAVIORAL CONCERNS ADVICE LINE: BCAL is a service for students, faculty, and staff of the university to discuss their concerns about another individual’s behavior. Trained staff members will assist the caller in exploring available options and strategies. They will also provide appropriate guidance and resource referrals to address the particular situation. Dialing (512) 232-5050 will connect you to trained staff members 24/7/365. Calls to BCAL can be anonymous, and there is also an on-line reporting form (not anonymous).
### ACC 383

#### ASSIGNMENTS FOR CLASSES

**T** January 15  
**CLASS 1**

**TOPIC:** What is Management Auditing?

**READINGS:** None

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**TH** January 17  
**CLASS 2**

**TOPIC:** The Internal Auditing Profession; Adding Value: Governance, Risk Management and Control

1. Text - Chapter 1
2. Text - Chapters 3
5. Moody's Investor Services, Best Practices in Audit Committee Oversight of Internal Audit, October 2006. (Available at document section of course Blackboard web site)

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**T** January 22  
**CLASS 3**

**TOPIC:** The International Professional Practices Framework

**READINGS**

1. Chapter 2, read pages 2-1 to 2-18
4. PA-1120-1 Individual Objectivity (Readings Packet)
5. PA-1130-1 Impairment to Independence or Objectivity
6. PA-1130.A2-1 Internal Audit's Responsibility for Other (Non-audit) Functions
7. PA-1210-1 Proficiency

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**TH** January 24  
**CLASS 4**

**TOPIC:** The Internal Auditing Profession, the International Professional Practices Framework

**READINGS**

1. Chapter 2, read pages 2-18 to 2-31

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**T** January 29  
**CLASS 5**

**TOPIC:** Risk Management

**READINGS**

1. Text - Chapter 4

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1 The following abbreviations are used:


### January 31 - CLASS 6
**TOPIC:** Information Technology Risks and Controls

**READINGS**
1. Text - Chapter 7
2. PA-2130.A1-1 Information Reliability and Integrity

### February 5 - CLASS 7
**TOPIC:** No Class– Project work day

**READINGS:** None

### February 7 - CLASS 8
**TOPIC:** Business Process and Business Risks

**READINGS**
1. Text - Chapter 5
3. PA-2010-1 Linking the Audit Plan to Risk and Exposures
5. PA 2200-2: Using a Top-down, Risk-based Approach to Identify the Controls to be Assessed in an Internal Audit Engagement
6. Chapter 5, Case 1, Text 5-33-5-35 (due Feb 7)

**ASSIGNMENT**
TeamMate Exercise 1 (TeamMate Exercises found on Blackboard)

### February 12 - CLASS 9
**TOPIC:** Internal Control

**READINGS**
1. Text - Chapter 6
3. CS1, Auditing Entity-wide Controls, CS1-1 to CS1-12 (posted to blackboard)
6. PA-2130-1 Assessing the Adequacy of Control Processes

**ASSIGNMENT**
Case 1 due (Chapter 5, 5-33 to 5-35)

### February 14 - CLASS 10
**TOPIC:** Performing the Assurance Engagement: An Overview of the Audit Process

**READINGS**
1. Text, Chapter 12
2. PA-2200-1 Engagement Planning
4. PG – Integrated Auditing, July 2012

**ASSIGNMENT**
TeamMate Exercise 2

### February 19 - CLASS 11 – Sharon Grant – Managing Director- Corporate Audit– United Airlines
**TOPIC:** Managing the Internal Audit Function

**READINGS**
1. Text, Chapter 9
2. PA-2030-1 Resource Management
3. PG - Interaction with the Board, August 2011 (reading packet)
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TH February 12 CLASS12
TOPIC: Performing the Assurance Engagement – Audit Evidence and Procedures
READINGS
1. Text, Chapters 10,
4. PA-2330-1 Documenting Information
ASSIGNMENT
TeamMate Exercise 3

T February 26 Class 13
TOPIC: Performing the Assurance Engagement
READINGS
1. Text, Chapters 13
4. PA 2050-3: Relying in the Work of Other Assurance Providers

TH February 28 CLASS 14
TOPIC: Performing the Assurance Engagement: Inquiry and Other Procedures
READINGS
4. PA 2320-1: Analytical Procedures
ASSIGNMENT
TeamMate Exercise 4

T March 5 CLASS 15 - John Polarinakis – CAE J.C. PENNEY
TOPIC: IA’s Role in Supporting the Organization’s Strategy
READINGS
1. PG, Developing the Internal Audit Strategic Plan, July 2012
ASSIGNMENT
Case 2 due

TH March 7 CLASS16 -
TOPIC: Performing the Assurance Engagement: Testing and Sampling
READINGS
1. Text, Chapters 11

March 11 – March 15 – Spring Break

T March 19 CLASS17
TOPIC: Performing the Assurance Engagement: Testing and Sampling
READINGS
3. (PG) GTAG 16: Data Analysis Technologies, August 2011 (reading packet)

TH March 21 CLASS 18
TOPIC: Reporting and Follow-up
READINGS
1. Text, Chapters 14
2. PA 2320-2 Root Cause Analysis
3. PA-2410-1 Communication Criteria
4. PA 2440.A2-1: Communications Outside the Organization
ASSIGNMENT
TeamMate Exercise 5
T    March 26   CLASS 19
TOPIC: Reporting and Follow-up
READINGS
2. PA-2500-1 Monitoring Progress
3. PA-2500.A1-1 Follow-up Process
4. PG, Formulating and Expressing Internal Audit Opinions, April 2009
5. GAO/SAO/City Audit report – to be determined

ASSIGNMENT
Case 3 due

TH    March 28   CLASS 20 – Charles Chaffin – UT Systems CAE (retired)
TOPIC: Performing the Consulting Engagement
READINGS
1. Text, Chapter 15

T    April 2   CLASS 21
TOPIC: Investigative Auditing
READINGS:
1. Text, Chapter 8
2. PG, Internal Auditing and Fraud, December 2009

TH    April 4   Class 22
TOPIC: Compliance
READINGS
1. CS2, Compliance, (posted to blackboard).
3. PG, Evaluating Ethics-related Programs and Activities, June 2012

T    April 9   Class 23 - 
TOPIC: Compliance, Ethical Culture and Whistleblowing
READINGS:
5. PA 2440-2: Communicating Sensitive Information Within and Outside the Chain of Command

ASSIGNMENT
Practice Exam (not to be handed in)

TH    April 11   Class 24
TOPIC: Exam

T    April 16   Robert Pink – Principal – IA and Regulatory Compliance Services - KPMG
TOPIC: Compliance, Contracts and Alliances
READINGS
<table>
<thead>
<tr>
<th>Date</th>
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<th>Readings</th>
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| TH April 18 | CLASS 26 | TOPIC: Right Sizing and Providing Assurance of IA Effectiveness | 1. PG, Coordinating Risk Management and Assurance, March 2012  
2. PG- Measuring Internal Audit Effectiveness and Efficiency, December 2010  
3. PA-1210.A1-1 Obtaining External Service Providers to Support or Complement the Internal Audit Activity  
4. PA-2050-1 Coordination  
5. PA 2050-2: Assurance Maps |
| T April 23  | Class 27  | TOPIC: Project Presentations                 | READING: None                                                             |
| TH April 25  | CLASS 28  | TOPIC: No Class – Project work day           | READING: None                                                             |
| T April 30  | Class 29  | TOPIC: Project Presentations                 | READING: None                                                             |
| TH May 2    | Class 30  | TOPIC: Project Presentations                 | READING: None                                                             |
| May 13 (Monday) 8-12 | | Final Exam Period – Presentations             | Workpapers and final reports due to CBA 4M.242 May 14 by 10AM |