ACC 383K.2 (03055)  
TOPICS IN AUDITING  
MANAGEMENT AUDITING AND CONTROL  
FALL 2014

TIME: MW 2:00-3:30 PM, IN CBA 5.328

Instructor: Bob George  
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Department of Accounting  
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The University of Texas at Austin  
e-mail: Bob.George@mccombs.utexas.edu
Hours: MW 3:30 to 5:30 PM, by appointment

Course TA: Kristen Valentine  
e-mail: Kristen.valentine@phd.mccombs.utexas.edu
Hours: By appointment

REQUIRED TEXTS:


(2) ACC 383K.2 (03055), Topics in Auditing - Management Auditing and Control: Readings, Fall 2014. Available at McCombs copy center, third floor.

(3) The Institute of Internal Auditors Practice Guides. Available in Course Documents Section of Blackboard.

COURSE OBJECTIVES

This course is designed for students who plan careers in the accounting and finance or internal audit functions of corporations or government entities or in the consulting/risk management/internal audit services side of public accounting and internal audit sourcing firms. The purpose of the course is to introduce the student to the scope of internal auditing in today's organizations, a scope that extends far beyond the traditional external audit attestation of 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 professional standards for conducting internal audits.
- An understanding of the organization and administration of internal audit functions.
- An understanding of the internal audit process.
- An ability to scope and establish criteria for an effective internal audit.
- The knowledge and ability to apply the basic tools used in evidence collection, including generalized audit software packages.
- The ability to report effectively the results of the internal audit.
Among the topics to be covered are:

- Organizational governance and the role of internal audit
- Providing value-added internal audit services
- Types of assurance and consulting internal audit services
- Risk assessments and allocation of audit resources
- The internal audit process
- Use of CAATS
- Internal control procedures and control system design
- Evaluating the effectiveness of compliance systems
- Information technology risks and controls for internal auditors
- Internal auditor/auditee relations
- Effective engagement reporting
- Quality assurance of the internal audit function
- Investigative auditing

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

Class Environment

Your active participation in class discussions is encouraged and expected to enhance the learning experience for you and your fellow students. As in any professional situation, courtesy and respect will contribute to a positive, constructive environment. The objective is for us to work together to achieve a relaxed and informal environment that will maximize your enjoyment of this course.

Please let me have your feedback as the course progresses regarding things you like or dislike about the course.

EXAMINATIONS AND GRADING

I DO NOT HAVE ANY FIXED POINT OR PERCENTAGE CUT-OFFS IN MIND REGARDING LETTER GRADES. I WILL MAKE THESE DETERMINATIONS AT THE END OF THE COURSE BASED ON BOTH RELATIVE AND ABSOLUTE PERFORMANCE CONSIDERATIONS.

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<thead>
<tr>
<th>POINTS</th>
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<tbody>
<tr>
<td>Exam</td>
<td>125</td>
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<tr>
<td>Team Project</td>
<td>235</td>
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<tr>
<td>Class Participation, Quizzes and Attendance</td>
<td>100</td>
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<tr>
<td>Short Assignments</td>
<td>80</td>
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<td>TOTAL POINTS</td>
<td>540</td>
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The University of Texas at Austin has instituted plus/minus grading for graduate students. Department of Accounting policy requires that a grading scale including pluses and minuses be used for all graduate accounting classes. University policy continues to prohibit use of plus/minus grading for undergraduate students. Department of Accounting policy requires that grades for undergraduate students enrolled in graduate accounting classes will be determined by dropping the plus or minus (if any) from their letter grade.
EXAM. The exam may consist of three parts: 1) multiple-choice problems, 2) short answer problems, 3) essay and extended calculation problems.

TEAM PROJECT. Students will complete a major field project this semester by working in groups of three, depending on the project scope. The projects will involve actual audit work in a government agency, company or non-profit organization and will be evaluated as follows:

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<th>POINTS</th>
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<tr>
<td>Deliverables and work papers</td>
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<td>Written Description of Auditee</td>
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<td>Auditee Interview</td>
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<td>Class presentation</td>
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<td>Final written report</td>
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<td>Team evaluation</td>
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<td>Individual evaluations from project sponsors</td>
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<td><strong>Total</strong></td>
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SHORT ASSIGNMENTS. There will be four case homework assignments during the semester which will be posted to the Blackboard.

CLASS PARTICIPATION, QUizzes AND ATTENDANCE. There will be 10 quizzes worth 5 points each. Additional points will be given for questions for guest speakers, and project presentation evaluations. The remainder of the 100 points will be awarded for general attendance and participation in class.

**Policy on Missed Examinations and Assignments**

Medical emergencies, family emergencies and university-sponsored conflicts are the only valid reasons for missing an exam, quiz or due date of an assignment. In any such instance, supporting documentation will be required, such as a signed note from a physician. At that point, I will decide the best make-up alternative on a case-by-case basis, which could mean a make-up exam or recalculating the semester grade to omit the missed component. Examinations or assignments that are missed for reasons other than emergencies or university-sponsored conflicts will generally receive no credit. In the case of a university-sponsored event, you must notify me as soon as you are aware of the conflict and before the examination date or assignment due date. **Interviews and office visits are not valid reasons for missing an examination, quiz or turning in an assignment late.**

**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 the department’s Policy Statement on Scholastic Dishonesty in the MPA Program and the Professional Program in Accounting. 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 Policy 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 department’s Policy Statement on Scholastic Dishonesty are consistent with the GSB Honor Code and the University’s General Information catalog. However, you should obtain and read the department’s Policy Statement to ensure that you understand my responsibilities.*
Students with Disabilities
The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Office of the Dean of Students.

Class Web Sites and Student Privacy
In Spring 2001, web-based, password-protected class sites became available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters will be a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar. For information on restricting directory information see: http://www.utexas.edu/student/registrar/catalogs/gi05-06/app/appc09.html

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, examination, quiz, work assignment or 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 and Emergency Evacuation
Please note the following recommendations regarding emergency evacuation from the Office 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 use 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.

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

Behavioral Concerns Advice Line (BCAL)
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).
**W August 27 CLASS 1**
**TOPIC:** What is Management Auditing?
**READINGS:** Course Syllabus

**M September 1 – LABOR DAY HOLIDAY**

**W September 3 CLASS 2**
**TOPIC:** The Internal Auditing Profession; Adding Value: Governance, Risk Management and Control
**READINGS:**
1. Text - Chapter 1
2. Text - Chapter 3

**M September 8 CLASS 3 - Mike Peppers, Chief Audit Executive – University of Texas System**
**TOPIC:** The Internal Auditing Profession and IIA International Professional Practices Framework
**READINGS:**
1. Chapter 2, read pages 2-18 to 2-34
2. International Standards for the Professional Practice of Internal Auditing (Standards). Text Appendix B, Sections 1300-2600

**W September 10 CLASS 4**
**TOPIC:** IIA International Professional Practices Framework
**READINGS:**
1. Chapter 2, read pages 2-1 to 2-18
2. IIA Code of Ethics, Text, Appendix A.
3. Standards. Text, Appendix B, Sections 1000-1230
4. PA-1120-1 Individual Objectivity
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

**M September 15 CLASS 5**
**TOPIC:** Student Projects
**READINGS:** Student Project Requirements & Sample Project Documentation (Posted to Blackboard)
**ASSIGNMENT:** Case 1 (Due in Class 7 on September 22)

**W September 17 Class 6**
**TOPIC:** NO CLASS – PROJECT WORK DAY

**M September 22 CLASS 7 – Gary Prasher, Partner (retired) - PwC**
**TOPIC:** Risk Management
**READINGS:**
1. Text - Chapter 4
4. IIA Position Paper - The Role of Internal Auditing in Enterprise-wide Risk Management
5. ISO 31000 - A Structured Approach to Enterprise Risk Management (ERM)
**ASSIGNMENT:** Case 1 Due in Class

**W September 24 CLASS 8 – Sonny Brantner, West U Mayoral Candidate, Former CAE & Big 4 Partner**
**TOPIC:** Business Process and Business Risks
**READINGS**
1. Text - Chapter 5
2. PA-2010-1 Linking the Audit Plan to Risk and Exposures
4. PA 2200-2: Using a Top-down, Risk-based Approach to Identify the Controls to be Assessed in an Internal Audit Engagement
<table>
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<tr>
<th>Date</th>
<th>Class</th>
<th>Topic</th>
<th>Readings</th>
<th>Assignment</th>
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<tbody>
<tr>
<td>September 29</td>
<td>Class 9 – Lyn Beaty, Chief Audit Executive - Halliburton</td>
<td>TOPIC: Risk Management and Internal Control in Practice</td>
<td>1. Text - Chapter 6</td>
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<td></td>
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<td>2. Committee of Sponsoring Organizations of the Treadway Commission, Internal Control - Integrated Framework (COSO, 1992), executive summary</td>
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<td>3. CS1 Entity Level Controls, CS1-1 to CS1-12 (Textbook DVD-ROM, Documents Section)</td>
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<td>5. PA-2130-1 Assessing the Adequacy of Control Processes</td>
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| October 1  | CLASS 10 | TOPIC: Information Technology Risks and Controls | 1. Text – Chapter 7  
2. PA-2130.A1: Information Reliability and Integrity | Case 2 (Due in Class 13 on October 13) |
| October 6  | Class 11 | TOPIC: Managing the Internal Audit Function  | 1. Text, Chapter 9  
2. PA-2030-1 Resource Management  
| October 8  | CLASS 12 – Lorie Winkler and Sue Huggler – USAA Audit Services | TOPIC: Performing the Assurance Engagement – Audit Evidence and Procedures | 1. Text, Chapter 10  
4. PA-2330-1 Documenting Information | Case 3 (Due in Class 13 on October 13) |
| October 13 | CLASS 13 | TOPIC: Performing the Assurance Engagement: An Overview of the Audit Process | 1. Text, Chapter 12  
2. PA-2200-1 Engagement Planning  
4. PG – Integrated Auditing, July 2012 | Case 2 Due in Class |
| October 15 | CLASS 14 | TOPIC: Performing the Assurance Engagement | 1. Text, Chapters 13  
2. Wright, R. “Effective Kickoff Meetings,” The Internal Auditor, April 2009, pp. 21 and 23  
3. PA 2050-3: Relying on the Work of Other Assurance Providers | Case 3 (Due in Class 15 on October 20) |
| October 20 | CLASS 15– Carolyn Ferguson, Former Temple Inland CAE | TOPIC: Investigative Auditing | 1. Text, Chapter 8  
2. PG - Internal Auditing and Fraud, December 2009 (pp. 1-29) | Case 3 Due in Class |
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<tr>
<th>Date</th>
<th>Class</th>
<th>Topic</th>
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<tr>
<td><strong>W</strong></td>
<td>October 22</td>
<td><strong>CLASS 16</strong>&lt;br&gt;<strong>TOPIC:</strong> Performing the Consulting Engagement&lt;br&gt;<strong>READINGS:</strong>&lt;br&gt;1. Text, Chapter 15&lt;br&gt;2. Head, Reding, and Riddle, “Blended Engagements,” <em>The Internal Auditor</em>, October 2010, pp. 40-44&lt;br&gt;3. White, S., “The Auditor as Internal Consultant, <em>The Internal Auditor</em>, February 2007, pp. 60-64&lt;br&gt;<strong>ASSIGNMENT:</strong> Case 4 (Due In Class 17 on October 27)</td>
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<td><strong>M</strong></td>
<td>October 27</td>
<td><strong>CLASS 17 - Bob Creager, Audit Committee Chair, Former PwC Assurance Leader</strong>&lt;br&gt;<strong>TOPIC:</strong> Coordination, Communications and Expectations of Audit Committees and External Auditors&lt;br&gt;<strong>READINGS:</strong>&lt;br&gt;1. PG - Interaction with the Board, August 2011&lt;br&gt;2. PA 2050-1: Coordination&lt;br&gt;<strong>ASSIGNMENT:</strong> Case 4 Due In Class</td>
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<td><strong>W</strong></td>
<td>October 29</td>
<td><strong>Class 18 – Luis Canuto, Director, Fraud, Deterrence &amp; Examination - Dell</strong>&lt;br&gt;<strong>TOPIC:</strong> Internal Audits of Anti-Corruption and Ethics-Related Programs&lt;br&gt;<strong>READINGS:</strong>&lt;br&gt;1. PA 2440-2: Communicating Sensitive Information Within and Outside the Chain of Command&lt;br&gt;2. PG – Evaluating Ethics-Related Programs and Activities, June 2012 (pp. 1-12)&lt;br&gt;3. PG – Auditing Anti-Bribery and Anti-Corruption Programs, June 2014 (pp. 1-16)</td>
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<td><strong>M</strong></td>
<td>November 3</td>
<td><strong>CLASS 19</strong>&lt;br&gt;<strong>TOPIC:</strong> NO CLASS – PROJECT WORK DAY</td>
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<td><strong>W</strong></td>
<td>November 5</td>
<td><strong>CLASS 20 – Mike Dunn, Chief Audit Executive – Dell</strong>&lt;br&gt;<strong>TOPIC:</strong> Internal Audit’s Role in Supporting Organizational Strategy&lt;br&gt;<strong>READINGS:</strong> PG - Developing the Internal Audit Strategic Plan, July 2012</td>
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<td><strong>M</strong></td>
<td>November 10</td>
<td><strong>Class 21</strong>&lt;br&gt;<strong>TOPIC:</strong> Reporting and Follow-up&lt;br&gt;<strong>READINGS:</strong>&lt;br&gt;1. Text, Chapters 14&lt;br&gt;2. PA 2320-2 Root Cause Analysis&lt;br&gt;3. PA-2410-1 Communication Criteria&lt;br&gt;4. PA 2440.A2-1: Communications Outside the Organization&lt;br&gt;5. PA-2500-1 Monitoring Progress&lt;br&gt;6. PA-2500.1-1 Follow-up Process&lt;br&gt;7. PG - Formulating and Expressing Internal Audit Opinions, April 2009 (pp. 1-8)</td>
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<td><strong>W</strong></td>
<td>November 12</td>
<td><strong>Class 22</strong>&lt;br&gt;<strong>TOPIC:</strong> Exam Review</td>
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<td><strong>M</strong></td>
<td>November 17</td>
<td><strong>Class 23</strong>&lt;br&gt;<strong>TOPIC:</strong> Exam</td>
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<tr>
<td><strong>W</strong></td>
<td>November 19</td>
<td><strong>Class 24</strong>&lt;br&gt;<strong>TOPIC:</strong> NO CLASS – PROJECT WORK DAY</td>
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<td><strong>M</strong></td>
<td>November 24</td>
<td><strong>Class 25 - -- Chris Williams, North Texas Risk Assurance Leader/Amanda Herron Risk Assurance Director - PwC</strong>&lt;br&gt;<strong>TOPIC:</strong> Risking It All&lt;br&gt;<strong>READINGS:</strong> &quot;What To Do When Bad Things Go Wrong,&quot; PwC (Blackboard)</td>
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<td><strong>W</strong></td>
<td>November 26</td>
<td><strong>CLASS 26</strong>&lt;br&gt;<strong>TOPIC:</strong> Creating Internal Audit Value</td>
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<td><strong>M</strong></td>
<td>December 1</td>
<td><strong>CLASS 27</strong>&lt;br&gt;<strong>TOPIC:</strong> Project Presentations</td>
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<td><strong>W</strong></td>
<td>December 3</td>
<td><strong>Class 28</strong>&lt;br&gt;<strong>TOPIC:</strong> Project Presentations</td>
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<tr>
<td><strong>M</strong></td>
<td>December 8</td>
<td><strong>Work Papers and Final Reports Due to CBA 4M by Noon</strong></td>
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