ACC 383K.2 (02560)
TOPICS IN AUDITING
MANAGEMENT AUDITING AND CONTROL
SPRING 2015

TIME: TTH 11AM-12:30 PM, IN CBA 5.328

Instructor: Carolyn Ferguson
Department of Accounting
The University of Texas at Austin
Office: TBA
Office Phone: TBA
e-mail: TBA
Hours: TTH 2:00-3:30 PM, by appointment

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

REQUIRED TEXTS:

(2) ACC 383K.2 (02940), Topics in Auditing - Management Auditing and Control: Readings, Spring 2015. 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 of public accounting and internal audit sourcing firms. The purpose of the course is to introduce students to the current scope of internal auditing that extends far beyond the traditional external audit attestation of financial statements. Its objectives are to provide students 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 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 an internal audit.
Among the topics to be covered are:

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

**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>
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<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,</td>
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<td>Quizzes and Attendance</td>
<td>100</td>
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<td>Short Assignments</td>
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<td><strong>TOTAL POINTS</strong></td>
<td><strong>540</strong></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 to four, 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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<tr>
<th>POINTS</th>
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<tbody>
<tr>
<td>Deliverables and work papers</td>
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<tr>
<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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SHORT ASSIGNMENTS. There will be four homework case 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 (1 point each), and project presentation evaluations (1 point each). The remainder of the 100 points will be awarded for general attendance and participation in class.

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. Copies are available in CBA 2.302.

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 at 471-6259, 471-4641 TTY.

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, Main Building, Room 1.
For information on restricting directory information see: http://www.utexas.edu/student/registrar/catalogs/qi05-06/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, 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 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.
- 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)

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).
### ASSIGNMENTS FOR CLASSES

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<thead>
<tr>
<th>T</th>
<th>January 20</th>
<th>CLASS 1</th>
<th>TOPIC: What is Internal Auditing?</th>
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<td>READINGS: Course Syllabus</td>
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<tr>
<th>TH</th>
<th>January 22</th>
<th>CLASS 2</th>
<th>TOPIC: The Internal Auditing Profession; Adding Value: Governance, Risk Management and Control</th>
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<td>READINGS:</td>
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<td>1. Text - Chapter 1</td>
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<td>2. Text - Chapter 3</td>
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<tr>
<th>T</th>
<th>January 27</th>
<th>CLASS 3</th>
<th>TOPIC: IIA International Standards for the Professional Practice of Internal Auditing (Standards)</th>
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<td>READINGS:</td>
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<td></td>
<td>1. Chapter 2, read pages 2-1 to 2-18</td>
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<td>2. IIA Code of Ethics, Text, Appendix A.</td>
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<td>3. Standards, Text Appendix B, Sections 1000-1230</td>
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<td>4. PA-1120-1 Individual Objectivity</td>
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<td>5. PA-1130-1 Impairment to Independence or Objectivity</td>
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<td>6. PA-1130.A2-1 Internal Audit’s Responsibility for Other (Non-audit) Functions</td>
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<td>7. PA-1210-1 Proficiency</td>
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<th>TH</th>
<th>January 29</th>
<th>CLASS 4 – Mike Peppers, Chief Audit Executive – University of Texas System</th>
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<tr>
<td></td>
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<td>TOPIC: The Internal Auditing Profession and the IIA International Professional Practices Framework (IPPF)</td>
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<td>READINGS:</td>
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<td>1. Chapter 2, read pages 2-18 to 2-34</td>
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<td>2. Standards, Text Appendix B, Sections 1300-2600</td>
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<td>ASSIGNMENT: Case 1 (Due February 3)</td>
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<th>T</th>
<th>February 3</th>
<th>CLASS 5 – Gary Prasher, PwC Partner (retired)</th>
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<tr>
<td></td>
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<td>TOPIC: Risk Management</td>
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<td>READINGS:</td>
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<td>1. Text - Chapter 4</td>
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<td>3. Sobel, P. and G. Kapoor, Step Up to the Plate, The Internal Auditor, April 2012, pp. 41-44</td>
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<td>4. IIA Position Paper - The Role of Internal Auditing in Enterprise-wide Risk Management</td>
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<td>5. ISO 31000 – A Structured Approach to Enterprise Risk Management (ERM)</td>
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<td>ASSIGNMENT: Case 1 Due in Class</td>
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<th>TH</th>
<th>February 5</th>
<th>CLASS 6</th>
<th>TOPIC: Student Projects</th>
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<td>READINGS: Student Project Requirements &amp; Sample Project Documentation (Posted to Blackboard)</td>
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| T     | February 10 | CLASS 7    | TOPIC: No Class— Project Work Day               |

**IMPORTANT:** ALL READING MATERIAL CAN BE FOUND IN THE REQUIRED TEXTBOOK, READING PACKET AND/OR ON BLACKBOARD.
TH  February 12  Class 8 – Sonny Brantner, West U Mayoral Candidate, Former CAE & Big 4 Partner

**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

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T  February 17  CLASS 9

**TOPIC:** Information Technology Risks and Controls

**READINGS:**
1. Text – Chapter 7
2. PA-2130.A1-1: Information Reliability and Integrity
3. GTAG 1: Information Technology Risk and Controls, 2nd Edition, March 2012 (pp.1-21)

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TH  February 19  CLASS 10 – Lyn Beaty, Chief Audit Executive – Halliburton

**TOPIC:** Risk Management and Internal Control in Practice

**READINGS:**
1. Text - Chapter 6
3. CS1 Entity Level Controls, CS1-1 to CS1-12 (Textbook DVD-ROM, Documents Section)
5. PA-2130-1 Assessing the Adequacy of Control Processes

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T  February 24  CLASS 11

**TOPIC:** Managing the Internal Audit Function

**READINGS:**
1. Text, Chapter 9
2. PA-2030-1 Resource Management

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TH  February 26  CLASS 12 – USAA Audit Services

**TOPIC:** Audit Evidence and Working Papers

**READINGS:**
1. Text, Chapter 10
4. PA-2330-1 Documenting Information

**ASSIGNMENT:** Case 2 (Due In Class on March 3)

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T  March 3  Class 13

**TOPIC:** Introduction to the Engagement Process

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

**ASSIGNMENT:** Case 2 Due In Class

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TH  March 5  CLASS 14

**TOPIC:** No Class – Project Work Day
T March 10 CLASS 15
TOPIC: Conducting the Assurance Engagement

READINGS:
1. Text, Chapters 13
3. PA 2050-3: Relying on the Work of Other Assurance Providers

ASSIGNMENT: Case 3 (Due in class on March 12)

TH March 12 CLASS 16
TOPIC: Investigative Auditing

READINGS:
1. Text, Chapter 8
2. PG – Internal Auditing and Fraud, December 2009 (pp. 1-29)

ASSIGNMENT: Case 3 Due In Class

March 16-20 SPRING BREAK

T March 24 CLASS 17
TOPIC: Performing the Consulting Engagement

READINGS:
1. Text, Chapter 15

ASSIGNMENT: Case 4 (Due in class on March 31)

TH March 26 CLASS 18– Dell
TOPIC: Internal Audit’s Role in Supporting Organizational Strategy

READINGS: PG - Developing the Internal Audit Strategic Plan, July 2012

T March 31 CLASS 19 – Dell
TOPIC: Internal Audits of Anti-Corruption Programs

READINGS:
1. PG – Auditing Anti-Bribery and Anti-Corruption Programs, June 2014 (pp. 1-16)
2. Department of Justice Resource Guide (pp. 10-45) (Blackboard)

ASSIGNMENT: Case 4 Due In Class

TH April 2 CLASS 20
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
5. PA-2500-1 Monitoring Progress
6. PA-2500.A1-1 Follow-up Process
7. PG - Formulating and Expressing Internal Audit Opinions, April 2009 (pp. 1-8)

T April 7 CLASS 21 – PwC
TOPIC: Risking It All

READINGS: “What To Do When Bad Things Go Wrong,” PwC (Blackboard)

TH April 9 CLASS 22
TOPIC: Business Analytics for Internal Auditors

READINGS: TBD
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<tr>
<th>Date</th>
<th>Class</th>
<th>Topic</th>
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<tbody>
<tr>
<td>T April 14</td>
<td>Class 23</td>
<td>Coordination, Communications and Expectations of Audit Committees and External Auditors</td>
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<td>1. PG – Interaction with the Board, August 2011</td>
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<td>2. PA 2050-1 Coordination</td>
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<td>TH April 16</td>
<td>Class 24</td>
<td>Exam Review</td>
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<td>T April 21</td>
<td>Class 25</td>
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<td>TH April 23</td>
<td>Class 26</td>
<td>No Class – Project Work Day</td>
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<td>T April 28</td>
<td>Class 27</td>
<td>Creating Internal Audit Value</td>
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<td>TH April 30</td>
<td>CLASS 28</td>
<td>Project Presentations</td>
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<td>T May 5</td>
<td>CLASS 29</td>
<td>Project Presentations</td>
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<td>TH May 7</td>
<td>CLASS 30</td>
<td>Project Presentations</td>
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<td>F May 8</td>
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<td>Work Papers and Final Reports Due to CBA 4M by Noon</td>
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