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Seattle University
Albers School of Business and Economics
RSKA 5310 – Internal Auditing
Risk Advisory and Assurance

Instructor: Dennis B. Applegate, CPA, CMA, CIA, CFE, CFM
Office: Pigott 532
Office Hours: Wednesday, 5:00 – 6:00pm and by appointment
E-Mail: applegad@seattleu.edu

Class Session: Fall Quarter 2019
Class Time: Wednesday, 6:00 – 8:40pm
Class Room: Pigott 102
Website: <https://seattleu.instructure.com/>

Course Description

Explain the primary conceptual frameworks of risk management and internal control that form the basis of the internal auditing profession; review the professional standards and practices that guide the assurance project of an internal auditor; define the roles and responsibilities of the internal auditor in assessing enterprise risk and in establishing or enhancing controls to mitigate such risk; describe the assurance tests and techniques that support the internal auditor in assessing governance, risk management, and process controls. Assurance engagements are mainly addressed. Special attention will be given to statistical sampling plans and the role of the internal auditor in assessing internal controls over fraud.

Required Textbook

Reding, Kurt F., et al. *Internal Auditing Assurance and Advisory Services*. 4th Ed. IIA Research Foundation

Basis of Grade

• Ethics Case Study	20%	100 points
• Group Project	30%	150 points
• Final (comprehensive)	30%	150 points
• Professionalism/Participation ¹	<u>20%</u>	<u>100 points</u>
Total	100%	500 points

Grading Scale

A = 90% (90-92 = A-)
B = 80% (88-89 = B+; 80-82 = B-)
C = 70% (78-79 = C+; 70-72 = C-)
D = 60%

Ethics Case Study

The purpose of this case study is to introduce Ethics and Business Conduct as a governance process. Study teams of 3-4 students each shall analyze, brainstorm, and prepare responses in report format to the *Auditing the Compliance and Ethics Program (Case Study 2)* posted on Canvas, focusing their analysis solely on the five questions posed in **Case Scenario 1**. The report should be clear, concise, well organized and written, and prepared in the order of the questions presented. No report should be submitted not prepared in such order. The case study report should run no more than five written pages, a length sufficient to respond, adequately, to the questions posed. Study teams should be formed by the second night of class, and the written report started as soon thereafter as possible; however, no case study should commence later than the third class on risk management in which the topic of ethics is addressed. The final report is due and must be submitted on the evening of the sixth class. No late projects can be accepted. The report will be evaluated and returned to each team the following week.

¹ Students may earn half of these points by giving the instructor documented evidence that they attended a professional meeting related to internal auditing (i.e., IIA Puget Sound Chapter or SU Student Internal Audit Club)

Group Project – Annual Audit Risk Assessment and Master Audit Plan/Schedule

The purpose of the project is to assess risks pertaining to strategy, operations, compliance, and internal reporting², as appropriate, for a publicly-traded, *local* company and to prepare an *annual* audit plan to verify the adequacy and effectiveness of internal controls over the assessed risks. At the end of the quarter, each group shall present its risk assessment and plan, along with a written report, to an *audit committee* for evaluation. The committee, to be comprised of faculty members and auditing professionals, will critique each presentation³ based, in part, on the thoroughness of the risk assessment, including its underlying rationale and the facts/data that support it, as well as the logic of the relationship between the key risks affecting achievement of the firm's business objectives and the projects proposed in the audit plan.

The presentation and report should, at a minimum, contain the following:

- Brief overview of the firm including history, products/services, strategy and business objectives;
- Synopsis of competitors and any risk that the competition poses to the firm's strategy and objectives;
- Analysis of external/internal events, focusing on those events presenting risk to the firm's strategy and the achievement of its objectives such as economic, regulatory, or technological factors, among others that may be relevant to the firm;
- Detailed risk assessment of the firm, including the underlying rationale for the ratings assigned to the assessed risks – **assessed risks are to be limited to six** – using a “heat map” as described in Ch. 5; and
- Master audit plan/schedule describing the planned audit projects by their audit scope and objectives, detailing critical risks to be addressed and expected controls to be tested to the extent possible.

Publicly available information shall represent the sole source of facts and data appropriate for this project, beginning with the SEC filings for the selected firm and its competitors. All sources must be properly documented and referenced. Officers/employees of the firm or its competitors must not be contacted for insight, interpretation, or information. Such contacts would tend to skew the analysis.

The length of the written report should run **no more than five written pages**, excluding works cited and appendices, and should mirror the oral presentation to the audit committee. The length of the presentation should run **no more than ten slides** and last **no more than thirty minutes per group**. The objective is to inform and persuade the audit committee as to the validity of your proposed audit plan/schedule. So, be sure to engage the committee as you present your plan and allow time for questions. Points will be deducted if the slides are read verbatim or there is an overreliance on prepared scripts. Given time constraints, only two members of each team should make the oral presentation to the audit committee. Project teams are to provide members of the audit committee with a hardcopy of their PowerPoint slides prior to making their presentations.

The team should hold each of its members accountable for completing a significant portion of the presentation and report. The team lead is expected to communicate the name of the local firm to be analyzed to the instructor, along with project assignments as soon as they have been determined. Specific requirements for the project will be discussed further in class throughout the quarter.

Specific project guidance will be provided during the sixth class as indicated in the schedule below.

Instructor evaluations of the projects will be returned and discussed on the last night of class.

² For purposes of this project, we will assume that external auditors have assessed the financial reporting risks of the firm during their required attestation pursuant to SOX 404.

³ I will meet with a project team at any time during office hours to discuss progress and problems.

Final Exam

The exam will be comprehensive, covering all chapters and containing MC questions from the lecture notes, class quizzes, and textbook. (Note: the correct answers to the MC questions in the textbook will not be provided so as not to defeat the learning process.) Supplemental readings reviewed *in class* are also eligible for testing as MC. No books or notes will be permitted. The exam must be taken when scheduled. No points can be earned for a missed exam. You may review the results of your final exam in my office by appointment.

Note: You may waive the final exam by completing Parts I or II of the CIA Exam by quarter end. A passing score on either exam will earn a score of 100% as your final exam grade. (Extra participation points will be awarded if the exam is taken but not passed.) The process used to apply for the exam has been furnished on Canvas. If you are currently a CIA or have already passed Parts I and II, the final exam cannot be waived.

Participation and Professionalism

Participation is included in the course grading criteria to encourage your attention in class and your contribution to class discussions. *Note: I can only assess your participation if you are actually in class and actively engaged in the lectures, class analyses, and the issues that surface in the class multiple choice questions.* Professionalism is included in the course as a reminder that business courtesy is an important success factor in your career. For this class, such factors would consist of your follow-through on project commitments, your consideration of guest speakers, and your use of technology in class for learning the concepts and techniques being taught, rather than for other purposes. Any instances that are counter to these participation and professionalism criteria reduce the participation score by 10-20 points depending on severity. Although such criteria are necessarily subjective, similar to what you will encounter throughout your professional career, you are welcome to seek feedback from me at any time during the course. Negative participation notwithstanding, your initial participation grade will be based on the number of classes attended (“attendance”) and the number of classes in which you ask relevant, course-related questions, respond appropriately to instructor questions, and work in teams in a helpful and productive manner, all reflecting class involvement. The table below correlates class involvement and attendance with the participation grade.

<i>Class Involvement</i>	<i>AND</i>	<i>Attendance</i>	<i>Participation Grade*</i>
≥ 8 classes	“	≥ 9/10 classes	100 points
≥ 7 “	“	≥ 8/10 “	90 points
≥ 6 “	“	≥ 7/10 “	80 points
≥ 5 “	“	≥ 6/10 “	70 points
≥ 0 “	“	≤ 5/10 “	0 points

**Based on the highest that simultaneously meets the conditions of attendance and class involvement.*

Class Schedule

Class	Tentative Sequence of Topics	Textbook
September 25	Course Introduction and Overview of Internal Auditing Supplemental reading to be analyzed in class: “U.S. Corporate Audit Function,” <u>Internal Auditor</u> , October 2004 Supplemental reading to be reviewed outside class: “Everyday Ethics: Tougher Than You Think,” <u>Strategic Finance</u> , June 2015	Ch. 1
	Internal Auditing Standards	Ch. 2

Class	Tentative Sequence of Topics	Textbook
November 13	Audit Sampling Supplemental reading to be reviewed in class: "Attribute Sampling Plans," <u>Internal Auditor</u> , February 2010	Ch. 11
November 20	Conducting the Assurance Engagement Communicating Engagement Outcomes and Performing Follow-up Guest Speaker: Mr. David Niess, Audit Manager, Premera Supplemental reading to be reviewed outside class: "Internal Audit and the Blockchain," <u>Internal Auditor</u> , August 2018 MC Quiz 7 – Audit Projects	Ch. 13 Ch. 14
December 4	All Group Project written presentations/reports due Group Project presentations to "Audit Committee" (copies to be provided to Audit Committee prior to presentation) <ul style="list-style-type: none"> • Tim Boyle, Senior Audit Manager, Boeing Corporate Audit • Monica Carlin, Audit Manager, Boeing Corporate Audit • Lou Snyder, Senior Auditor, Boeing Corporate Audit • Professor Sarah Bee, Department of Accounting, Seattle University 	NA
December 11	Instructor-led Discussion – Results of Group Projects Final Exam	NA Comprehensive

Learning Outcomes

To succeed in RSKA 5310, you must satisfactorily demonstrate Learning Outcome #3 in accordance with the MPAC accounting curriculum map:

3. Advise stakeholders of how strategic business risks relate to internal controls, financial reporting, tax, and/or audit using authoritative literature, fieldwork, surveys, archival, or other research data. (Medium impact)

5. Construct arguments for and against alternative accounting decisions by weighing the ethical, stakeholder, and stewardship implications of each. (Low impact)

Class Organization

Generally, each class will include relatively short, relevant lectures on key topics from the assigned readings interspersed with MC (subject to testing on the final exam) to generate student feedback. Questions are expected and encouraged. Preliminary lecture notes are posted on Canvas. Final lecture notes with MC will be posted following the class. Classes may also include either a guest speaker or a class analysis, based on the supplemental readings, or both to amplify the key topics. The analyses will involve instructor-presented questions with in-class responses reviewed in the respective project teams. Some of the class analysis questions will be tested on the final exam in MC format. Each team is expected to contribute to the class analyses and discussion. MC quizzes also will be administered in some classes, as shown on the above class schedule if time permits, but will not be graded as indicated below.

Supplemental Readings

Textbook chapters, as well as the supplemental readings designated for review *in class*, are to be completed prior to the assigned class. Supplemental readings to be reviewed *outside class* are highly recommended (to enhance knowledge of risk management and assurance), but are optional at discretion of the student.

Quizzes

Class quizzes will not be graded. They are intended to reinforce the material covered in class and are subject to testing on the final exam.

University Resources and Policies

Academic Resources:

- Library and Learning Commons (<http://www.seattleu.edu/learningcommons/>). (This includes: Learning Assistance Programs, Research [Library] Services, Writing Center, and Math Lab)
- Academic Integrity Tutorial (found on Canvas and SU Online)

Academic Policies on Registrar website (<https://www.seattleu.edu/redhawk-axis/academic-policies/>)

- Academic Integrity Policy
- Academic Grading Grievance Policy
- Professional Conduct Policy (only for those professional programs to which it applies)

Notice for students concerning Disabilities

If you have, or think you may have, a disability (including an 'invisible disability' such as a learning disability, a chronic health problem, or a mental health condition) that interferes with your performance as a student in this class, you are encouraged to arrange support services and/or accommodations through Disabilities Services staff located in **Loyola 100, (206) 296-5740**. Disability-based adjustments to course expectations can be arranged only through this process.

Notice Regarding Religious Accommodations

It is the policy of Seattle University to reasonably accommodate students who, due to the observance of religious holidays, expect to be absent or endure a significant hardship during certain days of their academic course or program. Please see, Policy on Religious Accommodations for Students (<https://www.seattleu.edu/media/policies/Policy-on-Religious-Accommodations-for-Students---FINAL.PDF>).

Office of Institutional Equity

Title IX of the Education Amendments of 1972 (Title IX) prohibits discrimination based on sex in educational programs or activities that receive Federal financial assistance. This prohibition includes sexual misconduct, which encompasses sexual harassment and sexual violence. Seattle U remains committed to providing a safe and equitable learning, living, and working environment. Seattle U offers emergency, medical, and other support resources, as well as assistance with safety and support measures, to community members who have experienced or been impacted by sexual misconduct.

Seattle U requires all faculty and staff to notify the University's Title IX Coordinator if they become aware of any incident of sexual misconduct experienced by a student.

For more information, please visit <https://www.seattleu.edu/equity/>. If you have any questions or concerns, you may also directly contact the Title IX Coordinator in the Office of Institutional Equity (**email: oi@seattleu.edu; phone: 206.296.2824**)
University Resources and Policies