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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:** Winter Quarter 2021  
**Class Time:** Wednesday, 6:00 – 8:40pm  
**Classroom:** ONLINE  
**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 audit sampling plans and the role of the internal auditor in assessing internal controls over fraud.

**Required Textbook**

Anderson, Urton L., et al. *Internal Auditing Assurance and Advisory Services*. 4th Ed. IIA Research Foundation

**Basis of Grade**

• Team Presentation <u>or</u> Group Project*	25.0%	100 points
• Group Project	25.0%	100 points
• Final Assessment	37.5%	150 points
• Professionalism/Participation	25.0%	100 points
• Discussion Forum	12.5%	<u>50 points</u>
Total	100%	400 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%

\*Students will be preassigned to either a team presentation or a group project

**Team Presentation**

Team presentations will be based on an assigned article from a leading auditing, accounting, or finance journal. Students will develop their presentations in teams of two and will be assigned a specific date on which they will make their presentation. Student teams will be preselected and presented the first night of class, and the presentations started the third night of class in accordance with the presentation schedule. The presentation topics and schedule will be posted on Canvas for your review. The purpose of each presentation is to convey knowledge to the class on a course-related aspect of auditing, ethics, or organizational behavior in business. The team presentation should not exceed 30 minutes, including Q&A. Each team will need to make its presentation as scheduled to earn the point value assigned for that portion of the grade. Grading criteria are indicated below.

- Description of the subject matter and the business issues involved, including risks and controls identified or discussed, if any (15 pts.)

- Research to identify additional facts and data that might help explain the subject matter and any business issue identified (20 pts.)
- Analysis and critique of the strengths and weaknesses of the author's ideas and assertions (25 pts.)
- Evaluation of the author's conclusions (20 pts.)
- Overall quality of presentation, including clarity and organized structure (20 pts.)

### **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 reporting<sup>1</sup>, as appropriate, for a publicly traded, *local* Pacific Northwest company and to prepare an *annual* audit plan to verify the adequacy and effectiveness of internal controls over the assessed risks. The members of each group and the companies to be examined will be preselected and presented the first night of class as indicated above. At the seventh class of the quarter, each assigned group shall present its risk assessment and audit plan to a hypothetical *audit committee* for evaluation. The committee, to be comprised of faculty members and auditing professionals, will critique each presentation 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 minimum requirements for the presentation and report, including grading criteria, are indicated below.
- Brief overview of the firm including history, products/services, strategy, and business objectives (15 points)
- Synopsis of competitors and any risk that the competition poses to the firm's strategy and objectives (15 points)
- 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 (25 points);
- 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 Chapter 5 (25 points)
- Master audit plan/schedule describing the planned audit projects by their audit scope and objectives, detailing critical risks to be addressed for proper control (20 points)

**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 presentation should run **no more than ten slides** and last **no more than thirty minutes**. The objective is to inform and persuade the audit committee as to the validity of your proposed audit plan/schedule based on company risks. So, be sure to engage the committee as you present your plan and allow time for Q&A. 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.

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<sup>1</sup> 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.

The other two team members should help respond to committee questions. 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. The team lead is expected to coordinate team assignments as soon as they have been determined. Specific requirements for the project will be discussed further in class. Additional project guidance will be provided during the fifth class as indicated in the schedule below. Instructor evaluations of the projects will be returned and discussed on the last night of class or before, depending the progress of the class and the time available.

### **Final Assessment**

The assessment will be comprehensive, covering all assigned textbook chapters and containing MC questions from the lecture notes, class quizzes, and textbook. (The correct answers to a few MC questions will be provided from each textbook chapter as an indicator to students of the quality of their study.) Supplemental readings assigned for review ***in class*** are also eligible for testing as MC. The exam must be taken when scheduled. No books or notes will be permitted. No points can be earned for a missed exam. You may review the results of your final exam on Canvas shortly after you have completed it. *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.*

**Note:** *The CIA Exam contains only MC questions.*

### **Participation and Professionalism**

Participation will be assessed based on class attendance and involvement. For class attendance, it is expected that students will come to class on time and adequately prepared, pay close attention to class lectures and discussions, and not be distracted by electronic devices. For class involvement, it is expected that students will work class MC questions and analyses in a supportive and productive manner, ask relevant, course-related questions, and respond appropriately to instructor questions. While such criteria are subjective in nature, similar to what you will encounter throughout your professional career, you are welcome to seek feedback from me at any time during the course. *Note: I can only assess your participation if you are actually in class and actively engaged in the lectures, class presentations, class analyses, and the issues that surface in the class MC questions.* Professionalism is also included in the grading criteria 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 commitments to a group project or team presentation, your consideration of guest speakers, if any, and your use of technology in class exclusively for learning the concepts and techniques being taught. Instances that are counter to these professionalism criteria may reduce your participation score depending on their severity. The table below correlates class involvement and attendance with the participation grade.

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

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

### **Discussion Forum**

At least two discussion questions will be offered in the course, one in the first half of the quarter and one in the second half. Other questions may be added during the quarter depending on student interest and the content of class discussions. Your written reflection on each question presented will be evaluated based on whether it is thoughtful, complete, and responsive to the matters addressed. Responses that comment on the issues raised

by other students are encouraged and will enhance your grade for this part of the course. The following criteria will be used for grading each discussion forum:

Criterion	Description of a well-thought-out response by discrete criterion	Point value
Thoughtfulness	Demonstrates competent understanding of the underlying internal auditing issues involved based on class lectures / discussions	10 points
Completeness	Covers the question topics from all perspectives, providing examples where relevant and commenting on the replies of other students as appropriate in the circumstances	10 points
Responsiveness	Replies to the question clearly and concisely, avoiding extraneous information not relevant to the question posed.	5 points

### Class Schedule

Class	Tentative Sequence of Topics	Textbook
<b>January 6 Class 1</b>	<p><b>Course Introduction and Overview of Internal Auditing</b></p> <p>Supplemental reading to be analyzed in class:  “U.S. Corporate Audit Function,” <u>Internal Auditor</u>, October 2004</p> <p>Supplemental reading to be reviewed outside class:  “Everyday Ethics: Tougher Than You Think,” <u>Strategic Finance</u>, June 2015</p> <p><b>Internal Auditing Standards</b></p>	<b>Ch. 1</b>      <b>Ch. 2</b>
<b>January 13 Class 2</b>	<p><b>Corporate Governance/ERM</b></p> <p>Supplemental reading to be analyzed in class:  “Lessons from the Wells Fargo Scandal,” <u>Strategic Finance</u>, November 2016</p> <p>Supplemental reading to be reviewed outside class:  “10 Questions about the New Three Lines Model, <u>Internal Auditor</u>, October 2020  “Auditing Organizational Governance,” <u>Internal Auditor</u>, March 2017</p> <p><b>MC Quiz 1 – Overview</b></p>	<b>Ch. 3, 4</b>
<b>January 20 Class 3</b>	<p><b>Risk Management</b></p> <p>Supplemental reading to be analyzed in class:  “Joint Venture/Joint Exposure,” <u>Internal Auditor</u>, April 2015</p> <p>Supplemental reading to be reviewed in class:  “COSO ERM: Getting Risk Management Right,” <u>Internal Auditor</u>, October 2017</p> <p><b>MC Quiz 2 – Governance, ERM</b></p>	<b>Ch. 4</b>
<b>January 27 Class 4</b>	<p><b>Internal Control</b></p> <p>Supplemental reading to be analyzed in class:  “Audit Processes Take Flight,” <u>Internal Auditor</u>, October 2016</p> <p>Supplemental reading to be reviewed outside class:  “Assessing and Controlling Nonprofit Fraud Risk,” <u>Strategic Finance</u>, May 2019  “Simplifying Segregation Duties,” <u>Internal Auditor</u>, April 2009</p> <p><b>MC Quiz 3 – Internal Control</b></p>	<b>Ch. 6</b>

Class	Tentative Sequence of Topics	Textbook
<b>February 3</b> <b>Class 5</b>  <b>1<sup>st</sup> Discussion</b> <b>Forum Due</b>	<b>Business Processes and Risks</b> Supplemental reading to be analyzed in class: “An Overlooked Risk,” <u>Internal Auditor</u> , February 2007  Supplemental reading to be reviewed outside class: “Human Rights Risks in the Supply Chain,” <u>Financial Management</u> , December 2016  <b>Instructor-led discussion in re: Group Projects</b> <b>MC Quiz 4 – Business Process Risk</b>	<b>Ch. 5</b>
<b>February 10</b> <b>Class 6</b>	<b>Managing the Internal Audit Function</b> Supplemental reading to be reviewed in class: “Training New Auditors,” <u>Internal Auditor</u> , April 2004  Supplemental reading to be reviewed outside class: “Steps to Right Size Internal Audit,” <u>Internal Auditor</u> , December 2018 “Tailoring IPPF Implementation,” <u>Internal Auditor</u> , June 2018  <b>Introduction to the Engagement Process</b> <b>MC Quiz 5 – Audit Management</b>	<b>Ch. 9</b>       <b>Ch. 12</b>
<b>February 17</b> <b>Class 7</b>	<b>Conducting the Assurance Engagement</b> <b>Communicating Engagement Outcomes and Performing Follow-up</b> 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  <b>MC Quiz 7 – Audit Projects</b>	<b>Ch. 13</b> <b>Ch. 14</b>
<b>February 24</b> <b>Class 8</b>	<b>Group Project presentations to “Audit Committee” (copies to be provided to Audit Committee prior to presentation)</b> <ul style="list-style-type: none"> <li>• Tim Boyle, Senior Audit Manager, Boeing Corporate Audit</li> <li>• Monica Carlin, Audit Manager, Boeing Corporate Audit</li> <li>• Lou Snyder, Senior Auditor, Boeing Corporate Audit</li> <li>• Professor Sarah Bee, Department of Accounting, Seattle University</li> </ul>	<b>NA</b>
<b>March 3</b> <b>Class 9</b>	<b>Audit Sampling</b> Supplemental reading to be reviewed in class: “Attribute Sampling Plans,” <u>Internal Auditor</u> , February 2010	<b>Ch. 11</b>
<b>March 10</b> <b>Class 10</b>  <b>2<sup>nd</sup> Discussion</b> <b>Forum Due</b>	<b>Fraud</b> Supplemental reading to be reviewed in class: “Lessons from an \$8 million Fraud,” <u>Journal of Accountancy</u> , August 2014  Supplemental reading to be reviewed outside class: “Iconic Fraud Triangle Endures,” <u>Fraud Magazine</u> , July/August 2014 “Why Don’t Auditors Find Fraud,” <u>Fraud Magazine</u> , January/February 2019  <b>MC Quiz 6 - Fraud</b>	<b>Ch. 8</b>
<b>March 17</b>	<b>Final Assessment</b> Supplemental reading to be reviewed outside class: “How GE Went from an American Icon to an Astonishing Mess,” <u>Bloomberg Businessweek</u> , February 2018. <a href="https://www.bloomberg.com/news/features/2018-02-01/how-ge-went-from-american-icon-to-astonishing-mess">https://www.bloomberg.com/news/features/2018-02-01/how-ge-went-from-american-icon-to-astonishing-mess</a>	<b>Comprehensive</b>

### Learning Outcomes

To succeed in RSKA 5310, you must satisfactorily demonstrate Learning Outcome #3 and, to a lesser extent, Learning Objective #5 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 to generate student feedback and discussion. Questions are expected and encouraged. Preliminary lecture notes will be posted on Canvas. Final lecture notes with MC questions and solutions will be posted following the class. Classes may also include a team presentation, guest speaker, or class analysis (based on the supplemental readings), or some combination of the three to amplify key topics. The class analyses will involve instructor-presented questions with in-class responses reviewed in the respective project teams. 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. This quarter, given the size of the class, it is likely that all quizzes will be taken offline with solutions provided. It also may be necessary for some, if not all, of the class analyses to be taken offline as well. Again, written solutions will be provided.

### **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 your 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:** [oiie@seattleu.edu](mailto:oiie@seattleu.edu); **phone:** 206.296.2824) University Resources and Policies