

**National University of Singapore
NUS Business School
Department of Accounting**

**ACC4612A Internal Auditing
Semester 1, 2017-2018**

Module Description and Scope

This elective module on internal auditing aims to provide students with an in-depth understanding of internal auditing in organisations.

The internal auditor plays a fundamental role in monitoring the control environment of an organization by providing independent and objective assurance that internal controls are in place and are working effectively and efficiently in the financial, operational and risk management systems and comply with policies and procedures put in place by the organization as well as by evaluating findings against other criteria established by regulators, recognized standard-setting bodies and internal control frameworks such as the *COSO Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organisations of the Treadway Commission.

Over time, effective internal auditing can lead to organizational efficiencies and reduced costs associated with public reporting on internal control because problems are identified and addressed in a proactive, rather than reactive, manner.

This course examines closely the relationship and interactions of the internal auditor with those charged with governance and in particular, with the Audit Committee and the value internal auditing brings to an organization. Students will learn about the importance of the role of the internal auditor in assisting those in charge of governance such as the Board of Directors, the Audit Committee and Management to discharge their duties and responsibilities under corporation laws such as the Companies Act and relevant rules and regulations such as those issued by the Singapore Stock Exchange and Code of Corporate Governance issued by the Monetary Authority of Singapore. Students will also gain an appreciation of the depth and breadth of the scope of work of an internal auditor including how internal audit functions are set up and organized; the practical challenges the internal auditor faces in the course of their work; ethical dilemmas and how to overcome them; the types of interactions with those charged with governance and other stakeholders in the organization as well as with external auditors.

This module builds on the knowledge of risk assessment skills and attitudes acquired in ACC3603 Assurance and Attestation; ACC 3613 Advanced Assurance and Attestation and ACC3612 Risk Management and Internal Control. It also integrates knowledge gained in other courses including Financial Accounting modules, BSP1004 Legal Environment of Business, ACC3604 Corporate and Securities Law; ACC 3611 Corporate Governance and Ethics; and ACC3616 Corporate Governance and Risk Management.

At the end of this module, students would have a better understanding of the role the internal auditor and the techniques and issues and other technical as well as practical aspects of an internal audit.

Students are expected to be able to :

- Relate the role of internal audit to corporate governance and risk management and key stakeholders
- Identify the factors to be considered in establishing an internal audit function
- Understand and apply the concepts and principles of internal audit and its relation to internal control frameworks such as the COSO *Internal Control – Integrated Framework (2013)*
- Apply tools for assessing the effectiveness of a system of internal control in internal audit focus areas such as Information Technology risks; Internal and External Outsourcing risks; risks of Fraud and Illegal Acts such as bribery, corruption and money laundering
- Understand the professional ethics and relevant skills in internal auditing
- Articulate the current issues and challenges faced in performing internal audits and possible resolutions

Pedagogy

This module meets once a week and typically comprises seminar discussions and case presentations. Seminar discussions provide students with opportunities for interactions and discussions with other seminar participants to discover, learn and assimilate knowledge, refine skills and apply their knowledge in problem solving. Case presentation questions serve the same purpose as seminar discussion except that a group will be responsible for the presentation of the materials (usually a case) which will help to hone the students' presentation skills. Opportunities will be given to interact with industry practitioners through guest lectures.

Students are expected to take responsibility for their own learning by doing the assigned readings and completing the seminar discussion questions **before** class. Students are also expected to contribute to class discussions during the seminars.

Module Assessment

| | |
|-------------------------|--------------------|
| Seminar Participation | 15% |
| Group Case Presentation | 15% |
| Group Project | 20% |
| Mid-term test | 20% |
| Final test | 30% |
| Total | <u>100%</u> |

Seminar Participation (15%)

Seminar participation includes individual contributions to discussions in seminars and can take the form of an insightful question, comment, or response. Both the quality and consistency of participation are considered in grading seminar participation. Good performance in seminar participation often reflects excellent preparation, good critical thinking, listening and communication skills, and, most importantly, a willingness to share questions, thoughts and ideas with others.

Group Case Presentation (15%)

Students are expected to form themselves into groups (number of students per group to be confirmed as it depends on class size). The objective of the group case presentation is to develop students' analytical, critical thinking, research and presentation skills. Each group will be in charge of one case presentation. Students will be graded as a group and the elements that they will be assessed will include (but not limited to): **content** (originality, accuracy, sound reasoning, relevance and ability to respond to queries from the class/instructor) and **presentation skills** (e.g., professionalism, active engagement of the class, clarity, coherence and appropriate use of audio-visual aids).

Group Project (20%)

Students are also required to submit a group project (to be announced). Students will be graded as a group and the elements that they will be assessed on are originality, accuracy, sound reasoning, relevance, conciseness and report writing skills. The deadline for submission of the Group Project is

30 October 2017 at 5 pm

Mid-Term and Final Tests (50%)

The mid-term and final tests will be **closed-book**. Students will be tested on their understanding of the key auditing concepts and methodologies covered in this module as well as their ability to address issues and/or solve problems. Current developments and events reported in the press, business periodicals and professional journals may also be covered.

References

There is no prescribed textbook for this module. Instead readings will be assigned for each topic and they will be uploaded on the IVLE work bin or are available in the library or web.

Prescribed Readings and Supplementary Materials

COSO - *Internal Control - Integrated Framework (May 2013)*, *Internal Control over Financial Reporting : A Compendium of Approaches and Examples* - The Committee of Sponsoring Organisations of the Treadway Commission.

Audit Committee Guidebook – the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and the Singapore Exchange Limited.

<http://www.mas.gov.sg/~media/MAS/Regulations%20and%20Financial%20Stability/Regulatory%20and%20Supervisory%20Framework/Corporate%20Governance%20of%20Listed%20Companies/Guidebook%20for%20ACs%202nd%20edition.pdf>

SGX Securities Trading Limited Listing Manual which includes the Mainboard and Catalist Listing Rules – Singapore Exchange Limited

<http://rulebook.sgx.com/>

Singapore Code of Corporate Governance (2012) - The Monetary Authority of Singapore

http://www.mas.gov.sg/~media/resource/fin_development/corporate_governance/CGCRevisedCodeofCorporateGovernance3May2012.pdf

IFAC: Guide to Using International Standards on Auditing ISAs on the Audits of Small and Medium-Sized Entities Third Edition Volumes 1 and 2.

<https://www.ifac.org/publications-resources/guide-using-international-standards-auditing-audits-small-and-medium-sized-en>

Internal Auditing: Assurance & Consulting Services – Kurt F. Reding, Sobel etc

Internal Control Audit and Compliance *Documentation and Testing Under the New COSO Framework* – Lynford Graham

Forensic Accounting and Fraud Examination, Second Edition – William S. Hopwood, Jay J. Leiner and George R. Young

Executive Roadmap to Fraud Prevention and Internal Control: Creating a Culture of Compliance – Martin T. Biegelman & Joel T. Bartow

International Professional Practices Framework and Standards – The Institute of Internal Auditors

Prescribed materials and Annual Reports for Case Studies

Module Instructor/Coordinator

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ACC 4612A Course Outline

AY 2017-2018, Semester 1 – 14 August 2017 – 13 November 2018

| Week/ Session | Date | Day | Topic | |
|------------------------------------|--------|--------|--|--|
| Introduction | | | | |
| 1 | 14 Aug | Monday | Introduction The Internal Auditing Profession <ul style="list-style-type: none"> • Role of the Internal Auditor • The Legal and Regulatory Framework – Roles and Responsibilities of those charged with corporate governance - Audit Committee, Public Reporting Requirements and the Internal Audit Function • Current economic environment, mitigation of business risks - Audit Committee and Board of Directors' perspectives • Managing the Audit Committee Expectations | |
| The Internal Audit Function | | | | |
| 2 | 21 Aug | Monday | Internal Audit and Its Relationship with Risk Management and Internal Control Framework <ul style="list-style-type: none"> • Risk Governance and Oversight Structures – an overview • Board Assurance Framework • Enterprise Risk Management and Internal Control Framework – COSO a recap | |

| Week/ Session | Date | Day | Topic | |
|---|--------|--------|--|--|
| The Internal Audit Function (Cont'd) | | | | |
| 2 | 21 Aug | Monday | <p>Internal Audit and Its Relationship with Risk Management and Internal Control Framework</p> <p>The Board Assurance Framework</p> <ul style="list-style-type: none"> • The Assurance Process • Management Assurance – Review of Control Self Assessment by Internal Auditor • Independent Assurance – Internal Audit vs External Audit • IA and Fraud Risk Management | |
| 3 | 28 Aug | Monday | <p>Establishing An Internal Audit (IA) Function</p> <ul style="list-style-type: none"> • Considerations of In house vs Outsourced IA • Scope of the IA - The Internal Audit Charter • Independence and Professional Skepticism • Professional Judgement in IA – Traps and Biases – how to avoid them with Critical Thinking Skills | |
| The Internal Audit Process | | | | |
| 4 | 4 Sep+ | Monday | <p>The IA Cycle - The IA Plan</p> <ul style="list-style-type: none"> • Elements of a good IA plan – A Risk Based approach • Scope considerations <ul style="list-style-type: none"> - Overseas operations and investments - Outsourced activities and processes • Risk Assessment including fraud risks • Frequency, timing and resources • Approval by the Audit Committee | |

| Week/ Session | Date | Day | Topic | |
|--|--------|--------|--|--|
| The Internal Audit Process (Cont'd) | | | | |
| 5 | 11 Sep | Monday | <p>The IA Cycle - Audit Testing - Assessing The Operating Effectiveness of Internal controls</p> <ul style="list-style-type: none"> • Evaluation of Control Activities over Transactions and Information Flows • Review of exceptions from the Use of Data and Analytics in Risk Management and Internal control systems <p>Audit Completion - Evaluation and Communication of Findings</p> <ul style="list-style-type: none"> • Evaluating and Documenting Control Deficiencies • Managing Disagreements with Management and stakeholders • Communications with the Audit Committee and Board of Directors • Conclusion and Reporting of Control Deficiencies <p>Follow Up on Implementation of Corrective Action Plan</p> | |
| 6 | 18 Sep | Monday | <p>Internal Auditing – Key Audit Focus I IT Information Processing and Cyber Security Risks</p> <p>Internal Auditing – Key Audit Focus II Audit Risks in External and Internal Outsourcing</p> <ul style="list-style-type: none"> • Use of Service Organisations and Experts and their impact on IA | |
| Mid Term Break | | | | |
| 7 | 2 Oct | Monday | <p>Module Review Mid Term Test (1.5 hours)</p> | |

| Week/ Session | Date | Day | Topic | |
|--|-------------|------------|--|--|
| The Internal Audit Process (Cont'd) | | | | |
| 8 | 9 Oct* | TBA* | Guest Lecture * | |
| 9 | 16 Oct | Monday | Internal Auditing – Key Audit Focus III Anti-fraud controls and programmes including Whistle blowing, Anti-Corruption (including Anti-Bribery), Anti-Money Laundering and Counter of Terrorism Financing Laws and related internal auditing of compliance risks– <ul style="list-style-type: none"> • The IA’s role and responsibilities Performance Evaluation of the Internal Auditor Challenges of Internal Auditing <ul style="list-style-type: none"> • People – Quality and Capabilities • Customer/ Clients • Process efficiency and effectiveness • Value to the organization | |
| 10 | 23 Oct | Monday | Student Case Presentation 1 Student Case Presentation 2 Student Case Presentation 3 | |
| 11 | 30 Oct | Monday | Student Case Presentation 4 Student Case Presentation 5 Student Case Presentation 6 | |
| 12 | 6 Nov | Monday | Group Project Presentations | |
| 13 | 13 Nov | Monday | Module Review Final Test (2 Hours) | |

+ Date of make-up class will be notified.

*Date, time, venue and other details of the guest lecture will be confirmed and notified.