

DPA \*602

Advanced Auditing

Summer 2017

Course Outline

Accounting and Financial Management Services Area

DeGroote School of Business

McMaster University

# Course Objective

The role of, and standards for, auditing continue to evolve. The traditional audit changes in response to factors such as development of financial reporting standards, technological advancement, the changing needs of users of financial information, regulatory changes and the increasingly litigious environment in which auditors practice. The evolution of auditing stresses the importance of professional judgement, a critical cognitive skill in the practice of auditing.

A central feature of accounting in today’s business world is the interaction of accounting professionals with computer-based information systems. As primary users of information systems in organizations, professional accountants must participate in their design and implementation; and understand their operation. Professional accountants must measure and evaluate the performance of the information system, assess the quality of information processing and evaluate the accuracy of data input and information output.

The specific competencies addressed in this course are:

* Analyzes, evaluates and advises on assurance needs
* Provides assurance services (internal or external)
* Provides control related services, including evaluating IT-related elements of internal control
* Evaluates the adequacy of the entity’s IT strategy and assesses the IT risks and how they are managed
* Develops and improves the IT infrastructure needed to generate the necessary information
* Establishes or enhances financial reporting using IT
* Provides comprehensive auditing services
* Maintains awareness of proposed changes in assurance standards

# Instructor and Contact Information

Instructor: Yvonne S. F. Kwok, CPA, CA

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**Course Elements**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Credit Value: | 3 | Leadership: | Yes | IT skills: | Yes | Global view: | Yes |
| Avenue: | Yes | Ethics: | Yes | Numeracy: | Yes | Written skills: | Yes |
| Participation: | Yes | Innovation: | Yes | Group work: | Yes | Oral skills: | Yes |
| Evidence-based: | Yes | Experiential: | Yes | Final Exam: | Yes | Guest speaker(s): | Yes |

# Course Description

This course will build on the knowledge of auditing and assurance learned in the *Introduction to Auditing* and the *Information Systems in Business* course. The topics covered in this course will be augmented with auditing cases that will help provide students with a practical application of their knowledge. Students will further develop competencies required for future professional accountants. This course is directed at students who wish to pursue an accounting designation.

Emphasis is placed on integrating advanced auditing topics with other areas of study, e.g. accounting, taxation, finance, governance and strategy. Students are taught to apply their technical knowledge and professional judgement in a variety of practical situations through the use of cases. The cases will be a combination of Comprehensive questions and Multi-Subject questions. The instructor will teach the students various techniques to address issues in each case. Students will be evaluated using a competency based ranking system. Certain components of this course will be integrated with DPA\*704.

# Learning Outcomes

Upon satisfactory completion of this course, a student should have:

* An understanding of the various types of assurance services and the ability to assess and recommend the assurance services appropriate to meeting the needs of a client;
* The ability to critically evaluate issues related to, and the risks for, accepting an assurance engagement and understand the impact on the timing, nature and extent of work performed;
* The ability to develop and plan for an assurance engagement and the related procedures necessary in the circumstances; and
* The ability to evaluate the adequacy of the entity’s IT strategy and assesses the IT risks and how they are managed and to gain an understanding of the meaning and importance of IT governance
* The ability to identify and gain an understanding of key controls, including IT related general and application level controls, and recommend improvements to identified deficiencies in controls.
* To identify the techniques available to help the auditor test computer programs.

**Required Course Materials and Other Reference Materials**

|  |
| --- |
| **Required course materials**   * *CPA Canada Handbook – Accounting and Assurance (CPA Canada)* * *Rules of Professional Conduct and Council Interpretation (CPA Ontario)* * *The CPA Competency Map* * *Competency Map Study Notes (Densmore Consulting Services)* * *Case materials (to be supplied in class)* * *Other assurance topics, readings and assignments (discussed in class or posted on Avenue)*   **Other reference materials**   * Smieliauskas and Bewley, *Auditing: An international Approach.* 2016 – Seventh Edition (SB) - ***optional*** * Information Technology Auditing and Assurance, 3rd edition, James A. Hall, South-Western Cengage Learning – ***optional*** |

# Evaluation

Learning in this course results primarily from in-class discussion and participation of assurance related cases as well as out-of-class analysis. The balance of the learning results from the lectures on strategic concepts, from related readings, and from researching your presentations, cases, assignments, simulation decisions and projects. All work will be evaluated on an individual basis except in certain cases where group work is expected. In these cases group members will share the same grade adjusted by peer evaluation (where appropriate). Your final grade will be calculated as follows:

**Components and Weights**

|  |  |
| --- | --- |
| Mid-term examination | 30% |
| Final Examination | 35% |
| Case Presentation and Participation | 35% |
|  | 100% |

**Grade Conversion**

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme.

Letter Grade Percent

A+ 90 - 100

A 85 - 89

A- 80 - 84

B+ 75 - 79

B 70 - 74

B- 60 - 69

Fail 0 - 59

**Communication and Feedback**

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors are encouraged to conduct an informal course review with students by Class #4 to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Class #8 in the term.

**Class Participation**

Name cards are used to help give credit for your participation. You must have a name card with your **full first and last name** clearly written and displayed in front of you for every class.

Class participation, is an integral part of the learning experience in this course. Therefore, it is expected that every student will be prepared for each class and be a *willing participant* in the discussions. Voluntary class participation is expected; however, I will also *cold-call* on you to discuss issues related to assigned material and topical issues.

In order for you to gain maximum benefit from discussions, it is essential that you complete assigned readings in advance, as well as attempt assigned problems. Therefore class participation marks will be awarded on the basis of each student’s contribution to discussions, and relevant questions and comments during lectures. Class participation is not equivalent to class attendance.  **Specifically, students who fail to participate in case discussions will receive a class participation mark of zero, regardless of regular class attendance.** Students unable to attend class should inform the instructor before class of the conflict.

**Class Discussion**

The classroom format will be interactive and I will assume that you have read and prepared all of the assigned materials, though we may not have time to cover every one. Case studies for class discussion will be notified or made available online ahead of the class when they will be discussed, if possible. Examination materials are drawn from readings, cases, class presentations, and in-class and written assignments.

**Courtesy**

Courtesy in the classroom is crucial to an effective learning environment. In recent semesters many faculty members have observed what they consider discourteous, disturbing or disruptive behaviour. It is therefore requested that the following be observed:

* Please show up on time
* Please refrain from talking with your colleagues while the class is in session.
* Direct any comments and questions to the entire class.
* Please do not leave during class unless it is absolutely essential.
* If you attend class, please focus on the class.
* All cell phones must be turned off.
* Laptops must not be used in class other than for course work (taking notes, reviewing class materials online)

**In class group project**

The thrust of this project is to acquaint students with the more common topics on Assurance as examined in professional examinations. Students will learn the techniques in which these topics are examined.

The group project will assess students’ understanding of the Assurance competency in accordance with the level of proficiency as stated in The *CPA Competency Map.*

Students are expected to work in groups to be assigned by the instructor. The groups will be provided topics based on the CPA competencies. The students will be expected to develop a thorough understanding of these topics to enable the design of *both oral and written* assurance simulation and solution. The students will work together to ensure the simulation and solution achieve the design objectives as listed below and proficiency level specified in The *CPA Competency Map.*

The work will be evaluated in two stages:

## Stage 1 – Planning memorandum/Case outline

## The case outline should list key elements you intend to cover in your case. The planning memorandum should discuss which competencies in The CPA Competency Map your case is designed to cover.

**Stage 2 – Oral and Written simulation**

Both oral and written simulation must meet the design objectives specified below.

**Design objectives**

Sufficiency, depth and breadth are the three key elements that will be applied in the evaluation of the simulations as follows:

*Sufficiency:* In assessing sufficiency, the instructor will assess the areas selected by the students within the topics assigned and the manner in which the students embed the topic areas in the simulation. The instructor will also consider the uniqueness of the circumstances/scenario which the students utilize to present their topic areas.

*Depth and breadth:* In assessing depth and breadth, the instructor will consider the complexity of the simulation and consistency of the topic areas’ coverage with the CPA Way to be introduced at the beginning of the course.

# Academic Dishonesty

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at www.mcmaster.ca/academicintegrity.

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.

* 1. 2. Improper collaboration in group work.
  2. 3. Copying or using unauthorized aids in tests and examinations.

# Missed Mid-Term Examinations / Tests / Class Participation

Where students miss a regularly scheduled mid-term or class participation for legitimate reasons as determined by the Student Experience – Academic office, the weight for that test/participation will be distributed across other evaluative components of the course at the discretion of the instructor.  Documentation explaining such an absence must be provided to the Student Experience – Academic office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide to Student Experience – Academic office the [Petition for Relief for Missed Term Work](http://www.degroote.mcmaster.ca/MBA/documents/relief.pdf" \t "_blank) and the [McMaster University Student Health Certificate](http://www.degroote.mcmaster.ca/MBA/documents/McMasterUniversityDraftRevisedMedicalForm_April2009.pdf" \t "_blank) which can be found on the DeGroote website. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide Student Experience – Academic office the [Petition for Relief for Missed Term Work](http://www.degroote.mcmaster.ca/MBA/documents/relief.pdf" \t "_blank) and documentation supporting the reason for the absence.

Students unable to write a mid-term at the posted exam time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, have the option of applying for special exam arrangements. Such requests must be made to the Student Experience – Academic office at least ten (10) working days before the scheduled exam along with acceptable documentation.  Instructors cannot themselves allow students to unofficially write make-up exams/tests.  Adjudication of the request must be handled by Student Experience – Academic.

If a mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

***Missed Final Examinations***

A student who misses a final examination without good reason will receive a mark of 0 on the examination.

All applications for deferred and special examination arrangements must be made to the Student Experience – Academic office. Failure to meet the stated deadlines may result in the denial of these arrangements. Deferred examination privileges, if granted, must be satisfied during the examination period at the end of the following term. There will be one common sitting for all deferred exams.

Failure to write an approved deferred examination at the pre-scheduled time will result in a failure for that examination, except in the case of exceptional circumstances where documentation has been provided and approved. Upon approval, no credit will be given for the course, and the notation N.C. (no credit) will be placed on the student’s transcript. Students receiving no credit for a required course must repeat the course. Optional or elective courses for which no credit is given may be repeated or replaced with another course of equal credit value.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

Any student who is unable to write a final examination because of illness is required to submit the [Application for Deferred Final Examination](http://www.degroote.mcmaster.ca/curr/academ/mba/MBA_Deferred_Final_Exam_Form.pdf" \t "_popup) and a statement from a doctor certifying illness on the date of the examination. The [Application for Deferred Final Examination](http://www.degroote.mcmaster.ca/curr/academ/mba/MBA_Deferred_Final_Exam_Form.pdf" \t "_popup) and the [McMaster University Student Health Certificate](http://registrar.mcmaster.ca/forms/medical.htm" \t "_popup) can be found on the DeGroote website. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. Students who write examinations while ill will not be given special consideration after the fact.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic office within five business days of the missed examination.

Special examination arrangements may be made for students unable to write at the posted exam time due to compelling reasons (for example religious, or for part-time students only, work-related reasons):

* Students who have religious obligations which make it impossible to write examinations at the times posted are required to produce a letter from their religious leader stating that they are unable to be present owing to a religious obligation.
* Part-time students who have business commitments which make it impossible to write examinations at the times posted are required to produce a letter on company letterhead from the student’s immediate supervisor stating that they are unable to be present owing to a specific job commitment.

In such cases, applications must be made in writing to the Student Experience – Academic office at least ten business days before the scheduled examination date and acceptable documentation must be supplied.

If a student is representing the University at an academic or athletic event and is available at an overlapping scheduled time of the test/examination, the student may write the test/examination at an approved location with an approved invigilator, as determined by the Student Experience – Academic office.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic office within ten business days of the end of the examination period.

Note: A fee of $50 will be charged for a deferred exam written on campus and a fee of $100 for deferred exams written elsewhere. In cases where the student’s standing is in doubt, the Graduate Admissions and Study Committee may require that the student with one or more deferred examination privileges refrain from re-registering until the examination(s) have been cleared.

# Student Accessibility Services

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca. For further information, consult McMaster University’s Policy for Academic Accommodation of Students with Disabilities.

# Students With Disabilities

Students with disabilities are required to inform the Centre for Student Development (CSD) of accommodation needs for examinations on or before the last date for withdrawal from a course without failure (please refer to official university sessional dates). Students must forward a copy of such CSD accommodation to the instructor immediately upon receipt. If a student with a disability chooses NOT to take advantage of a CSD accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The CSD website is: http://csd.mcmaster.ca

# Potential Modifications to the Course

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

# Acknowledgement of Course Policies

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of DPA 602 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

# Course Schedule

DPA \*602

Advanced Auditing

Summer 2017

Course Schedule

| **Lecture** | **Topics\* and Readings** |
| --- | --- |
| 1  May 3 | **Professional Practice and responsibilities**  CPA Way and discussion of case writing techniques (Auditing elective)  Assignment of teams for group project  Refer to postings on Avenue\*\* |
| 2  May 10 | **Professional Practice and responsibilities (cont.)**  Cases – In class  Refer to postings on Avenue\*\* |
| 3  May 17 | **Preliminary audit planning, IT strategy**  Cases – In class  Refer to postings on Avenue\*\* |
| 4  May 24 | **Systems, ROMM and Audit Evidence**  Cases – In class  Refer to postings on Avenue\*\* |
| 5  May 31 | **Audit and Controls**  Cases – In class  Refer to postings on Avenue\*\* |
| 6  June 7 | **Audit documentation and use of work of experts**  Cases – In class  Refer to postings on Avenue\*\* |
| Week of June 12 | **Midterm week**  **Time and Date: TBD** |
| 7  June 21 | **Computer assisted audit tools and techniques (CAATT’s)**  Refer to postings on Avenue\*\* |
| 8  June 28 | **Audit completion**  Cases – In class  Refer to postings on Avenue\*\* |
| 9  July 5 | **Current issues and trends in auditing / Not For Profit Engagements**  Refer to postings on Avenue\*\* |
| 10  July 12 | **Integrated Topics**  Common long integrated case – In class  Refer to postings on Avenue\*\* |
| 11  July 19 | **Other Assurance Engagements**  Case – In class  Refer to postings on Avenue\*\* |
| 12  July 26 | **Other Assurance Engagements (Cont’d) /Future of auditing**  Refer to postings on Avenue\*\*  Exam Review |
| Week of July 31 | **Final Examination**  **Time and Date: TBD** |

\*Throughout the course, you are expected to refer to the CPA Canada Handbook – Assurance Part I Sections consisting of:

1. Canadian Standards on Quality Control
2. Canadian Auditing Standards
3. Other Canadian Standards
4. Assurance and Related Services guidelines

\*\*The last page of the weekly lecture slides will outline a list of CPA Canada Handbook sections referenced in class. You are strongly encouraged to use the Handbook as your key reference source. This will help you put together a study plan bridging you to the Capstone levels.

**NOTE:** ALL MATERIAL COVERED IN CLASS PRESENTATIONS COULD BE TESTED ON FINAL EXAMINATION.

ALL PREPARE-FOR-CLASS-DISCUSSION QUESTIONS MAY NOT BE COVERED DUE TO TIME PRESSURES. HOWEVER, YOU ARE STILL RESPONSIBLE FOR ALL ASSIGNED MATERIALS.

THERE MAY BE OTHER ASSIGNED MATERIALS HANDED OUT FROM TIME TO TIME. THESE ARE ALSO PART OF YOUR RESPONSIBILITIES.