



South Central College

# ACCT 2847 Fraud, Auditing and Internal Controls

## Common Course Outline

### Course Information

<b>Description</b>	In this course students will learn about occupational fraud, basic auditing techniques and evaluation of internal controls. Covered topics include how and why fraud is committed, fraud detection, establishing and evaluating internal controls, and using internal auditing techniques to verify account balances. (Prerequisite: ACCT 1810)
<b>Total Credits</b>	4
<b>Total Hours</b>	64

### Types of Instruction

Instruction Type	Credits/Hours
Lecture	4/64

### Pre/Corequisites

Prerequisite ACCT 1810

### Institutional Core Competencies

Critical and Creative Thinking - Students will be able to demonstrate purposeful thinking with the goal of using a creative process for developing and building upon ideas and/or the goal of using a critical process for the analyzing and evaluating of ideas.

### Course Competencies

#### 1. Conceptualize the nature of fraud

##### Learning Objectives

- Define fraud
- Classify frauds into various types
- Depict the differences between criminal and civil fraud laws and how they relate to fraud
- Acquaint self with the types of fraud-fighting careers available today

#### 2. Determine who commits fraud

##### Learning Objectives

- Identify who commits fraud
- Determine why people commit fraud
- Describe the fraud triangle
- Identify controls that prevent and/or detect fraudulent behavior
- Identify non-control factors that provide opportunities for fraud

### **3. Describe how entities fight fraud**

#### **Learning Objectives**

Determine the importance of fraud prevention  
Identify the importance of early fraud detection  
Distinguish between different approaches to fraud investigation

### **4. Analyze fraud prevention techniques**

#### **Learning Objectives**

Create a culture of honesty, openness, and assistance  
Describe a system of good internal controls  
Illustrate collusion between employees and outside parties  
Describe the pros and cons of an employee hotline

### **5. Recognize the symptoms of fraud**

#### **Learning Objectives**

Describe how symptoms help in the detection of fraud  
Identify and understand accounting fraud  
Identify internal controls that help detect fraud  
Identify and understand analytical systems of fraud  
Explain how changes in lifestyle help detect fraud  
Explain how behavioral symptoms help detect fraud  
Recognize the importance of tips and complaints as fraud symptoms

### **6. Describe financial statement fraud**

#### **Learning Objectives**

Discuss the role that financial statements play in capital markets  
Describe the nature of financial statement fraud  
Acquaint self with financial statement fraud statistics  
Outline the framework for detecting financial statement fraud  
Identify financial statement fraud exposures.  
Explain how information regarding a company's management and directors, nature of organization, operating characteristics, relationships with others, and financial results can help assess the likelihood of financial statement fraud.

### **7. Investigate fraud against organizations**

#### **Learning Objectives**

Determine the various ways in which corrupt employees, vendors, and customers steal assets.  
Recognize how cash is stolen through larceny, skimming, and fraudulent disbursement.  
Define the nature of thefts of inventory and other assets  
Recognize the nature of bribery

### **8. Apply internal controls over financial reporting**

#### **Learning Objectives**

Discuss internal controls as an integral part of an organization's corporate governance and risk management processes and its effect on the financial statement audit  
Articulate the underlying principles of an effective control environment  
Integrate an understanding of computer based controls, including general computer and applications control to the evaluation of internal controls over financial reporting

### **9. Perform an integrated audit**

#### **Learning Objectives**

Describe the steps in performing an integrated audit  
Identify the potential outcomes concerning the results of control testing and their implications for subsequent substantive tests of account balances  
Discuss the factors that managers should consider in assessing control weakness, including distinguishing between a significant deficiency and a material weakness  
Apply the decision analysis and ethical decision-making frameworks to situations involving an audit

**10. Characterize audit evidence**

**Learning Objectives**

- Identify the basic sources of audit evidence
- Describe the assertions contained in financial statements
- Explain the nature and purpose of audit programs
- Discuss the issues surrounding auditing management's estimates

**11. Acquire an understanding of tools used to gather audit evidence**

**Learning Objectives**

- Describe the tools used by auditors to gather and evaluate audit evidence
- Explain the risks associated with sampling procedures and the nature of inferences required of all audit procedures
- Describe how to use monetary unit sampling (MU) to test account balances
- Describe how to use general audit software to analyze data, including sampling data

**12. Audit revenue and related accounts**

**Learning Objectives**

- Describe the approach an auditor would take to perform an integrated audit of the revenue cycle
- Describe how to use preliminary analytical procedures to identify possible misstatements in the revenue cycle
- Apply audit procedures for the revenue cycle

**13. Audit the payment cycle and inventory**

**Learning Objectives**

- Describe the approach an auditor would take to perform an integrated audit of the payment cycle
- Describe the approach an auditor would take to perform an integrated audit of inventory
- Explain the complexities inherent in auditing inventory and cost of goods sold
- Describe the typical internal controls over inventory and cost of goods sold
- Apply audit procedures for the payment cycle and inventory

**14. Audit cash and other liquid assets**

**Learning Objectives**

- Describe the approach an auditor would take to perform an integrated audit on cash and other liquid assets
- Describe why cash is an inherently risky asset and identify risks related to cash
- Articulate how auditors gain an understanding of internal controls over cash and other liquid assets and identify controls typically present in these accounts
- Apply audit procedures for cash and other liquid assets

**15. Audit long lived assets, long term liabilities and equity**

**Learning Objectives**

- Describe the approach an auditor would take to perform an integrated audit on long-lived assets
- Describe the approach an auditor would take to perform an integrated audit on long-term liabilities
- Describe the approach an auditor would take to perform an integrated audit on equity
- Identify risks to reliable financial reporting in the long-lived asset cycle and explain how management manages earnings through fixed-asset accounts
- Discuss the risks associated with lease accounting and the audit approach for leases
- Apply audit procedures for long lived assets, long term liabilities and equity