

# Operational auditing education: high-impact techniques

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**Examines how educators can improve training for internal auditing students**

Bridging the expectation gap between internal auditing and accounting students and practitioners is a primary focus of the Institute of Internal Auditors (IIA) and American Accounting Association (AAA). Students are frequently unprepared for the rigour of internal auditing work and the breadth of expertise required for early success. Further, most practitioners do not interact routinely with students and educators. The absence of communications and sharing of experiences can result in unprepared students meeting internal auditing practitioners with unrealistic expectations. Traditional textbook-oriented auditing education is not enough to provide students with the background necessary to be an internal auditor. Educators and internal auditing professionals can improve the student's transition to practitioner by forming a partnership to enhance internal auditing education.

Spurred by the IIA's Research Foundation and Academic Relations Committee, internal auditing education has experienced unprecedented growth in the past ten years. Much of the growth is due to the impact of the IIA's Endorsed Internal Auditing Program[1]. The IIA now endorses internal auditing curricula at 26 universities around the world.

Many colleges and universities find it impractical to add two courses in internal auditing to their curricula, as required for IIA endorsement. These schools may still offer their students a "head start" in their internal auditing careers by broadening their traditional auditing course or by adding a single course in internal auditing to the curriculum. Further, high impact learning techniques can enhance the learning experience of both the internal auditing student and instructor.

The AAA's Accounting Education Change Commission (AECC) has also urged academicians and practitioners to improve the early employment experiences of accounting students[2] by implementing several practical

approaches to strengthening accounting education. The AECC's recommendations apply to other business and public administration programmes as well. Several AECC suggestions that can enhance learning are specified below[2]:

- (1) Faculty members should:
  - Acquire and maintain a high level of knowledge about both practice issues and non-academic accountants' workplace.
  - Seek out opportunities to interact with practising accountants.
  - Communicate knowledge about the conditions of practices to students.
- (2) Students should:
  - Seek opportunities to obtain first-hand knowledge of the business world and practice environment.
  - Obtain information about career opportunities and the job search.
- (3) Supervisors should:
  - Provide strong leadership and mentoring to staff members.
  - Build working conditions that are conducive to success.
  - Provide challenging and stimulating work assignments.

The University of Central Florida and the IIA have developed a pragmatic approach for bridging the expectation gap between internal auditing student and practitioner. The UCF/IIA technique combines individual study with hands-on classroom simulation of real internal auditing situations in UCF's operational auditing course.

## **Operational auditing course overview**

This graduate level elective in the School of Accounting Master of Science in Accounting programme (MSA) was revised significantly when offered in the Spring 1994 term. The title is somewhat deceiving since the course

does cover the standards, principles, practices and procedures followed in the internal audit function. Coverage included both the general and specific concepts related to internal auditing but emphasis is on operational auditing concerns.

#### **Course objectives**

The course had two primary objectives:

- (1) enhance the student's understanding of both the conceptual and practical aspects of the internal audit function; and
- (2) enhance the student's analytic, critical thinking, written and oral communication, and group/teamwork skills.

#### **Course content**

The course was divided into several modules: tools and techniques for internal control evaluation and documentation, development of audit objectives, scope, and the audit program; risk assessment; reporting of results; IA management and administration; ethics; and fraud and illegal acts.

#### **Method of instruction**

The course was conducted essentially as a seminar. Distinguished lecturers from the professional community participated in presentation of several of the modules. Classes were devoted to preparation and discussion of cases and other materials provided by the guest lecturer and/or the professor and taking mini-tests. The majority of the cases were assigned from *Case Studies in Internal Auditing*, Volume 2, provided by The IIA. The class was divided into five-member teams which remained together for almost all group work.

#### **Method of evaluation**

Course grades were determined according to the following weights: five mini-tests (individual and group tests), 10 per cent each; final examination, 25 per cent; peer evaluation, 15 per cent; and class grade, 10 per cent. The mini-tests were about 10-15 objective questions, mostly multiple-choice. The students were allowed to allocate their responses to a minimum of 1/3 weight to each answer on both the individual and group response (each question was assigned three points). Also, the group was allowed to appeal to the professor on any disagreement with the correct answer.

#### **Class demographics**

There were 15 students enrolled in the class and they came from various backgrounds. Only six were full-time students, with no or little work experience (perhaps in fast-food service). The remaining nine all worked full time in jobs ranging from accounting clerk to CPA firm staff, from new defence contract auditor to five years' public experience, and from a middle-manager accounting

function in a large hospital to vice-president in a large resort operation. There were two international students, who had little knowledge of basic auditing concepts, but the rest had a degree in accounting with strong audit coverage. Also, there were ten men and five women and the age range was about 21 to 35.

#### **IIA involvement**

A key component of the UCF/IIA operational auditing course was a new, abridged version of the IIA's successful Tools and Techniques for the Beginning Auditor course. Tools and Techniques is a week-long continuing education seminar designed to introduce new auditors to internal auditing standards, audit programmes, workpapers and evidence, as well as internal controls, communication techniques, exit conferences and audit reports. To fit into the operational auditing course, Tools and Techniques was reduced from 32 to nine hours, while maintaining critical elements of the entire course. Margaret L. Poposky, Educational Specialist with the IIA, agreed to lead the three-day mini-seminar. She is project manager for the revision and update of the Tools and Techniques course.

#### **Course objectives**

The IIA specified the following course objectives for the mini-seminar three-evening sessions:

- To alert students to the multi-faceted job of the internal auditor.
- To learn "how" and "what" to audit.
- To perform and document the preliminary survey.
- To identify internal control strengths, weaknesses, and operational issues based on the preliminary survey.
- To develop audit programme objectives, scope, and test steps based on the evaluation of internal controls.
- To develop audit programmes that meet operational, financial, and planning objectives set by management.
- To practise behavioural skills and communication techniques.

#### **Method of instruction**

As recommended by both the IIA and AECC, Tools and Techniques effectively employs case studies to simulate real-world internal auditing situations. A highly interactive format used a combination of lecture and discussion. Students were encouraged to work together, as internal auditing teams do, in determining the exposures highlighted in the case study. Students then presented to their classmates analyses of the case study

and recommended actions to solve the problems identified – just like practising internal auditors! The exchange of ideas and views and sharing of responsibility for learning not only helped students to understand internal auditing, but also helped students to sharpen human relations and communications skills needed for effective transition to internal auditing practitioner. Throughout the three sessions, students practised audit techniques on a “real world” case study that encouraged a high level of participation. The case study permitted flexibility and addressed the needs of individual students.

### Professional community involvement

After the IIA mini-seminar provided the background, the course moved to specific areas of internal audit concern. The students’ understanding and learning in any, or all, of these areas were enhanced by the participation of practising internal auditors. In this course there were three guest presenters. All three used the highly interactive format and team learning/case method approach.

Beryl Davis, Director of Internal Audit for the City of Orlando, was the first guest presenter. She emphasized internal audit operations topics and was particularly interested in the development of audit findings and recommendations for improvement in operations. She developed several cases from her own files, but also used a case from the *Case Studies in Internal Auditing*, Volume 2.

Barbara Ratti, director of Internal Auditing for UCF, agreed to help with the Value for Money case from the IIA seminar *Operational Auditing: Service Organizations*. This case involves preliminary identification of operational concerns at a university in Australia. She brought much insight to the case discussion and analysis, particularly in her many parallels with the operations of the IA function in a university in the USA.

John Fernandes, Director of Educational Services for the IIA, conducted a session on ethics. His emphasis was ethical concerns within the IA function. He guided the students in developing and understanding an ethical framework and made use of ethics-training materials developed by a large manufacturing company. He also used several cases from *Case Studies*, Vol. 2.

The volunteer presenters from the profession were very well received by the students. As comments cited later support, they felt the sessions were enjoyable and highly productive.

### Course evaluation

The students submitted two evaluation instruments, one for the Tools and Techniques sessions and one for the course. The end of course evaluation conducted by the university was not available as this article was being written. We did attempt to maintain anonymity to increase the objectivity of the responses.

#### The IIA workshop evaluation

The overall evaluation of the workshop was 4.2 on a scale of 1 for poor to 5 for excellent. All students rated at either the very good or excellent level. The students rated the sessions as very beneficial, at a level of 3.9 on the five-point scale. Those who scored a 3 or 4 level of benefit did explain that they already had significant experience. Some of the comments made were: “brought real world into the class room”; “can put to immediate use”; “valuable hands-on experience”; “it was an atmosphere that encouraged learning”; “broadened my view of the internal audit function”.

When asked to identify skills, techniques, ideas, or attitudes learned from the seminar, most comments dealt with technical areas such as sharpening of flowcharting skills, better able to specify audit objectives and to develop audit programmes. However, a few students did comment that their view of group work improved through this successful exercise. When asked to suggest ways of improving the workshop, the primary comment was to expand the time. Also, from those students with more experience came the suggestion of more emphasis on audit programme development and testing controls.

#### General course evaluation

About three-quarters of the way through the course the students did the KISS evaluation. This idea was taken from a speech by Doyle Williams, former chairman of the AECC. The survey listed each component of the course and asked the student to indicate keep (K), increase or decrease (I), stop (S), or start (S) and provide reasons. With only a few exceptions, the students wanted to keep things as they were: the heavy emphasis on teamwork and self-learning, the significant use of in-class cases, the individual and group mini-tests, the comprehensive final, and the limited use of out-of-class written cases. The exceptions were that half the students wanted to increase the use of guest speakers and essentially the same set of students wanted the time for lecturing increased, but only by a small amount, since this was a night class. The need for more lecture seemed to be associated with a criticism of the usage of an outdated textbook (1988).

Some comments made were: “good real life cases”; “cases as close to real world as we can get”; “(guest speakers) are a good way to share experience”; (guests) “add flavour to

this evening course”; (whole course) “refreshing approach to learning”.

### Summary

Based on the positive response received from both UCF students and their instructor, the IIA plans to offer the abridged version of their Tools and Techniques for the Beginning Auditor course, as part of the IIA's chapter support programme, starting in the autumn of 1994. IIA chapters will be able to utilize the abridged Tools and Techniques course for college students in academic courses to assist both students and their professors in better understanding internal auditing practice. The University of Central Florida will continue offering the operational auditing course periodically.

Many of the learning strategies imposed in the UCF operational auditing course were designed to “bridge the gap” between student and practising internal auditor.

Both students and their professor concluded that a curriculum made up of limited lecture, application of theory in case study analyses, and experiential reinforcement contributed by practising internal auditors, significantly enhances the student's learning experience, thereby reducing the expectation gap between university graduates and internal auditing professionals. For universities unable to meet IIA-endorsement requirements or obtain student internships, the UCF model can be an effective “high-impact” learning technique for internal auditing students.

### Note and Reference

1. The Institute of Internal Auditors endorses college curricula comprising at least two courses in internal auditing. Schools may apply for endorsement twice each year in May and November and they must meet ten qualifying criteria.
2. Accounting Education Change Commission, “Improving the early employment experience of accountants”, *Issues Statement No. 4*, April 1993.

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