Assurance Services

Introduction

Assurance Services

- Independent professional services that improve the quality of information, or its context, for business or individual decision makers.
- Making better decisions:
  - Capture information
  - Information reliability
  - Improved decision-making
Assurance Services

- Includes: Attestations (audits, agreed-upon procedures, and reviews), compilations, and some management consulting

Assurance Services

- Risk Assessment
- Business Performance Measurement
- Information Systems Reliability
- Electronic Commerce
- Health Care Performance Measurement
- Other – Policy compliance, outsourced internal auditing, trading partner accountability, mergers and acquisitions, ISO 9000, AIMR compliance, and WWW assertions.
Assurance Services

- Independence
  - Is primary purpose to improve the quality or context of information? (if no, independence not required)
  - If yes, is the engagement under SAS, SSAEs or SSARS?
    - Meet Code of conduct rules
    - If SEC, etc. must meet those rules too.
  - If no, the engagement team must have no interests that create an unacceptable risk of material bias with respect to the quality or context of information that is the subject of the engagement.

Assurance Services

- Given SOX, will the development of assurance services change?
Assurance Services

- Changes needed:
  - Increase value-added
  - Change timing
  - Attack tough problems

Assurance Services

- Risk assessment
  - Comprehensive profile
  - Management system

- Business risk: threats to achieving objectives and executing strategies
  - Strategic environment
  - Operating environment
  - Information risks
Assurance Services

- Business Performance Measurement
  - Relevant and reliable measures of objectives and industry norms

- System reliability
- Internal information system designed and operating in accordance with specified criteria.

- Management service
- External service
DDS – Getting Started

- First Impressions
- Project 1: In-class group
  - Take 15 - 20 minutes to brainstorm ideas for finding information about industry.
  - Take 10 minutes to write-up a memo to K. Pollock, Manager from the group. (Turn-in).
  - As a class bring ideas together.

DDS – Review for Projects 2, 3, 4

- Internal Controls:
  - Goals:
    - Protect the assets of the company
    - Provide for a reliable system of reporting
    - Promote effective and efficient operation to achieve company goals
    - Comply with applicable laws and regulations
DDS – Review for Projects 2, 3, 4

- Internal Control – Principles:
  - Components:
    - Control environment
    - Risk assessment
    - Control activities
    - Monitor system
    - Accounting information and communication

- Internal Control – Principles:
  - Control activities:
    - Limit physical access
    - Segregate duties
    - Proper Authorization
    - Adequate documents and records
    - Independent checks of performance
Internal Control – Principles:
- How can the system be compromised or corrupted?
  - Review a system in light of the company's goals.
  - Use the internal control components, especially control activities, as a catalyst for identifying strengths and weaknesses.

What is/are the goal(s) of DDS’s internal control system?
What is the DDS system? What are its documents and databases?
What are DDS’s control strengths?
How can you test compliance with its strengths?
**DDS – Projects 2, 3, 4**

Discuss each of the following in your group, jotting down answers:

- What is the impact of DDS’s weaknesses?
- How do the weaknesses affect DDS?
- How can we determine the extent of the weaknesses?
- How can DDS’s address the weaknesses?

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**DDS – Project 2, 3, and 4**

Due next week (refer to project for complete descriptions):

- **Group: Write-up memo for Project 2**
  - formal, fleshed-out version of today’s discussions
  - each person should turn in copy with individual work
- **Individual: Do projects 3 and 4 (read requirements from disk)**
  - Describe well-enough that anyone could replicate your work.
  - Who, what, why, when, and how.
  - What did you find?
  - What did you conclude?
Statistical Review

- **Averages** - use the +/- standard deviation rule.
- Example:
  - Predict class average GPA to be 3.3.
  - Calculate actual average and std. dev. (Note that letter grades would need to be converted to numbers.)
  - Create range by +/- std. dev. from actual average.
  - If prediction falls within range accept hypothesis.

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Statistical Review

- **Goal achievement** - use t-test (see examples).
- **Non-statistical** - judgmentally set a +/- percentage.