
20227 – RISK ASSESSMENT AND AUDITING

Accounting Department

BOCCONI UNIVERSITY

Credit Points: 6

Course Director: Prof. Nicola Pecchiari

Class Number	Class Director	Instructors	Class Day and Timetable	Room
31	Prof. Nicola Pecchiari	Prof. Sergio Beretta	Tuesday: 2.30-4.00 PM Thursday: 2.30-4.00 PM	33

The class timetable (see below) or the room listed above may change.

Students are required to check any eventual change on Bocconi website: <http://www.unibocconi.it>

COURSE DESCRIPTION

The course major educational objective is the analysis of the risk assessment and risk management methodologies with respect to the following major professional applications:

- Design and implementation of internal control systems, with reference to main strategic and operational risks for the effectiveness of the business, the reliability of financial reporting and the compliance with the law;
- Business planning and performance management systems;
- Audit of internal controls, in the perspective of managers, controllers and auditors;

Main contents:

- Corporate Governance and Internal Control Systems;
- Risk Management Frameworks : COSO Internal Control Integrated Framework;
- Risk Management Frameworks : COSO ERM Framework
- Control Environment;
- Objective Setting, Risk Appetite, Risk Tolerance;
- Risk Assessment : risk identification and evaluation;
- Methodologies and key roles in Business Risk Assessment and Control Risk Assessment;
- Risk Assessment and the Auditing process;
- Guidelines for monitoring the risk management process;
- Organizational issues in risk management.

Program: *(please refer to the detailed course Outline available on the e-learning platform for a detailed schedule of classes, contents and teaching materials)*

Part 1 - Corporate Governance, Internal Control Systems and Risk Management Frameworks

Part 2 – Enterprise Risk Management : The COSO ERM Approach (a)

- Control Environment
- Objective Setting
- Risk Appetite and Risk Tolerance
- Strategic Risk Assessment and Business Risk Modeling

Part 3 – Enterprise Risk Management : The COSO ERM Approach (b)

- Identifying Negative Events
- Risk measurement: qualitative and quantitative methodologies and techniques

Assessment of the internal controls effectiveness

LEARNING OBJECTIVES

Successful completion of this course should enable students to design basic Enterprise Risk Management (ERM) systems and to analyze ERM systems in complex organizations.

Particular relevance is given to the analysis and discussion of case studies, in order to develop students' skills in identifying critical risks and evaluating their expected impacts.

Risk assessment is quite a multifaceted discipline and a business practice heavily rooted into companies' real life. For this reason the teaching strategy of this course, in line with the teaching mission of a graduate program, is to systematically support the illustration of theories and methodologies with cases taken from practice.

Thus, teaching methods will consist in :

- theory sessions – aimed at setting out the foundations and transferring methodologies
- case discussions – aimed at grounding theory into real life and promoting learning from best practices in risk assessment and management
- ERM labs – aimed at enabling direct experience of concepts and theories

The course is designed in order to promote an active class learning process through:

- Case discussions – students are expected to read and prepare in advance the case studies that will be discussed.
- Group Assignments – students will elaborate and give presentations of some assignments.

COURSE MATERIAL

Slides, exercises, readings and other materials will be provided during the course. Students will need to refer to each specific session in the Learning Space (the course web site).

The content and availability of these additional materials will be announced in class and on the course web site.

The course material is regularly downloadable from the course website through <https://elearning.unibocconi.it>. Teachers will make this material available throughout the course.

E-learning at Bocconi: <https://elearning.unibocconi.it>

Enter your Bocconi username and password.

You will find the following materials:

- copy of overheads (available through the learning space in a specific directory, divided by each session)
- readings (available through the learning space in a specific directory)
- videos (links to http//.... are indicated into the detailed *course outline*)
- case studies, available through the Course Reserve.

To download the case studies from the Course Reserve, go to the following link:

http://lib.unibocconi.it/search*ita/r?SEARCH=20227&submit=Cerca

Enter your Bocconi ID number and your password.

Please remember the following rules:

1. not to email the files to any person, including participants or faculty;
2. access to cases held on the internal course management system is for the sole reasons of viewing on-line and printing one copy per title per student for their own personal use;
3. the electronic copies of cases or other materials accessed by you or the student/participant will not be collected or stored in any format in any library, including personal, or in any database system;
4. the cases, whether electronic or printed, will not be reproduced in any form or distributed by any means for any use outside of this agreement;
5. the cases are only accessible to the appropriate students/participants on the course for which the material has been purchased.

STUDENTS' RESPONSIBILITIES

a) In-class activities

The course emphasizes the case discussion method, with intense students' involvement. Therefore, feedback between students and instructors will be strongly encouraged throughout the course.

b) Out-of-class activities

Individual preparation of the course material, including notes, cases and exercises available on the course elearning website;

c) Students belonging to previous academic years

Students belonging to previous academic years who still have to take the exam must study the current academic year program and materials. Thus, they have to ask the Secretary's Office of the Department (see below for the details) to get the access to the current course site to update and integrate their own materials.

GROUP AND INDIVIDUAL ASSIGNMENTS

In order to promote active participation to classes and to improve the quality of learning, students are asked to accompany their class participation with **2 group assignments** and **2 individual assignments**. Each assignment is estimated to require on average 1-day working time and will be evaluated by instructors, thus becoming an integral part of the final individual evaluation.

Each assignment will be supported by written guidelines and formats prepared by instructors and uploaded on the course website. Each group/student will deliver the written output of the assignment to the instructor according to the guidelines received. For the 2 group assignments, each group must be ready to make a brief presentation to the classroom according to a schedule defined and communicated by instructors at the beginning of the course.

EXAM AND GRADING METHOD

Students' evaluation will be based on :

- | | |
|--------------------------------------------|-------|
| ▪ individual written exam | [60%] |
| ▪ overall group assignment evaluation | [20%] |
| ▪ overall individual assignment evaluation | [20%] |

The **written exam** will include open questions dealing with both cases discussed in classroom and hypothetical settings in order to apply the methodologies to specific business contexts.

The written exam will be based on all the subject detailed in the Course Outline, including case studies (see eLearning).

Students withdrawing during an exam session will be considered as non-attending the exam session at all.

Student passing the general exam with a mark of at least 18/30 cannot take the exam again and the final grade is automatically registered.

These exams are referred to the whole course program. Office hours will be specifically dedicated to view the exam corrections and will be promptly communicated.

To achieve 30 *cum laude*, students have to total at least 31 points. Roundings are calculated with regard to the final grade and not with reference to each single partial exam.

NOTE: For any specific question about the contents handled in class or concerning the rules and the organization of the course, please contact the instructors.

“**Non attending students**” are those students that do not participate to all the group and individual assignment. For these students the evaluation is only base on the written exam. The exam will include one additional question concerning the following two readings:

1. S. Beretta, S. Bozzolan, From Internal Auditing to Enterprise Risk Management: The Case of the Telecom Italia Group
2. T. Aven, Risk Analysis and Management. Basic Concepts and Enterprise Risk Management and Principles, R&RATA # 1 (12) (Vol.2) 2009.

TEACHERS' OFFICE HOURS

Office hours are available on the Bocconi website

Office hours may change: please check the website.

HONOR CODE

Università Bocconi conceives of education as an ongoing process that stretches across a person's entire professional life. The University hopes that the entire Bocconi community will respect the values of fairness and correctness associated with it, values which inspire and guide the conduct of all members as they pursue common objectives and a shared mission. The Università Bocconi Honor code is published at <http://www.unibocconi.eu/honorcode>. We encourage all students to read it.

ACCOMMODATIONS FOR STUDENTS WITH SPECIAL NEEDS

Università Bocconi enables students to follow their course of study and to test their learning through examination arrangements that take under consideration the different kinds of disability. Services for students with special needs are available at www.unibocconi.it (**Home > Services > ISU Bocconi > Other Services > Services for Students with Special Needs**). Please feel free to contact the instructors to receive assistance.

OTHER USEFUL INFORMATION

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*Secretary's Office of the Accounting Department: Mrs. Ivana Tagliabue
Via Roentgen 1 – V floor – Room C3 08
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COURSE CONTENTS AND SCHEDULE¹









Dates, timetable and Teachers are indicated, with reference to each specific class, on the website <http://www.unibocconi.it>

SS	Date	Topics	Teacher	Course Materials
Part 1 – Corporate Governance, Internal Control Systems, Risk Management Frameworks				
1	09/09/14	Introduction to the course. Corporate Governance, Internal Controls, Risk Management (part 1)	S. Beretta	Slides KPMG – Introduction to Risk Management http://www.youtube.com/watch?v=jJec9h4SNgc
2	11/09/14	Corporate Governance, Internal Controls, Risk Management (part 2)	S. Beretta	Slides FRC - UK Internal Control Revised Guidance (Turnbull Guidance), 2005 (abstract – pp 6-11; 13-15) BP SPILLOVER NEWS http://www.youtube.com/watch?v=GARHmc7WRqs&feature=youtu_gdata_player © Case Study : BP's DeepWater Disaster (A)

¹The schedule may be subject to revision. If time constraints require, appropriate adjustments will be made and will be announced in class. Should you miss class for any reason, make sure you keep track of any announcement regarding course materials, assignments and clarifications.






3	16/09/14	Internal Control Frameworks : COSO IC-IF	S. Beretta	Slides 📖 COSO IC-IF – SME – Executive Summary
4	18/09/14	Internal Control Frameworks : COSO IC-IF	S. Beretta	Slides © Case Study : Westchester Co. (A) 📖 UC – Understanding Internal Controls 📖 ENI – Internal Control System : Key Actors
5	23/09/14	Risk Management Frameworks : COSO ERM	S. Beretta	Slides 📖 IMA – ERM : Framework, Elements and Integration
6	25/09/14	Risk Management Frameworks : COSO ERM	S. Beretta	Slides © Case Study : Enterprise Risk Management at Hydro One
7	30/09/14	Risk Management Frameworks : the Business Process perspective	S. Beretta	Slides 📖 S. Beretta - Enabling Integration in Complex Contexts: The Role of Process Based Performance Measurement Systems 📖 ERM Lab : Applying the Objective Pyramid 📖 Introduction to Group Assignment (1)

Part 2 – Enterprise Risk Management : the COSO ERM Approach (a)

8	02/10/14	COSO ERM Framework : Control Environment	S. Beretta	<p>Slides</p> <p> The IKEA Way (abstract - pp 1-6)</p> <p> ENRON http://www.youtube.com/watch?v=OzMakN-EMLg</p>
9	07/10/14	COSO ERM Framework : Control Environment	S. Beretta	<p>© Case Study : Westchester Co. (A)</p> <p> ERM Lab : Assessing the efficacy of Control Environment</p> <p> ERM Lab : Risk Pressures. Applying the Risk Exposure Calculator</p>
10	09/10/14	Risk Management Frameworks : the Business Process perspective	S. Beretta	<p>ERM Lab : Applying the Objective Pyramid [Group Assignment (1) Presentation]</p>
11	14/10/14	COSO ERM Framework : Objective Setting, Risk Appetite, Risk Tolerance	S. Beretta	<p>Slides</p> <p> Case Study : University of Alberta</p> <p> ERM Lab : Defining the Risk Appetite</p>
12	16/10/14	COSO ERM Framework : Strategic Risk Assessment	S. Beretta	<p>Slides</p> <p> ERM Lab : Applying SWOT Analysis</p> <p> Introduction to Individual Assignment</p>

Part 3 – Enterprise Risk Management : the COSO ERM Approach (b)

13	28/10/14	COSO ERM Framework: Identifying Negative Events	N. Pecchiari	Slides <ul style="list-style-type: none"> 📖 ERM Lab : Applying the Fishbone Diagram - The Risk of Exam Failure (Part I) (group Assignment) 📖 I.M.A., Enterprise Risk Management. Tools and Techniques for Effective Implementation
14	30/10/14	COSO ERM Framework: Risk measurement – Preliminary issues <ul style="list-style-type: none"> • Fixing the Confusion about Risk • Risk Matrices: probability and impact measures 	N. Pecchiari	Slides <ul style="list-style-type: none"> 📖 ERM Lab: Calibration Test 📖 D.W. Hubbard, An Ivory Tower of Babel: Fixing the Confusion about Risk 📖 D.W. Hubbard, Clarifying the Measurement Problem
15	04/11/14	COSO ERM Framework: Qualitative vs. Quantitative Risk Measurement Techniques <ul style="list-style-type: none"> • Qualitative and Quantitative Methodology and Techniques • What's Wrong with Risk Matrices? 	N. Pecchiari	Slides <ul style="list-style-type: none"> 📖 L.A. Cox, Jr. What's Wrong with Risk Matrices? 📖 D.W. Hubbard, Worse Than Useless: The Most Popular Risk Assessment Method and Why It Doesn't Work 📖 ERM Lab : Applying a Risk Matrix – The Risk of Exam Failure (Part II) (group Assignment)
16	06/11/14	COSO ERM Framework: Qualitative vs. Quantitative Risk Measurement Techniques <ul style="list-style-type: none"> • Introduction to Monte Carlo Simulation 	N. Pecchiari	<ul style="list-style-type: none"> 📖 D.W. Hubbard, Measuring Risk: Introduction to the Monte Carlo Simulation 📖 ERM Lab : Applying the Monte Carlo Simulation – Ryan Air's Revenues (Individual Assignment)

17	11/11/14	Group Assignment - Presentations	N. Pecchiari	ERM Lab : The Risk of Exam Failure (Part I and II) (Group Presentation)
18	13/11/14	COSO ERM Framework: A Comprehensive case Study: Fast Food Co.	N. Pecchiari	 Case Study: Fast Food Co.: Measuring the impact of waiting times
19	18/11/14	(continued)	N. Pecchiari	(continued)
20	20/11/14	(continued)	N. Pecchiari	(continued)
21	25/11/14	COSO ERM Framework: Assessment of Internal Controls Effectiveness <ul style="list-style-type: none"> Monitoring the Internal Control System 	N. Pecchiari	 Slides w/Mini-Cases
22	27/11/14	COSO ERM Framework: Assessment of Internal Controls Effectiveness <ul style="list-style-type: none"> Control Activities Information and Communication 	N. Pecchiari	 Slides w/Mini-Cases
23	02/12/14	COSO ERM Framework: Assessment of Internal Controls Effectiveness <ul style="list-style-type: none"> Assessing the “design” of internal control procedures 	N. Pecchiari	 Slides w/Mini-Cases
24	04/12/14	COSO ERM Framework: Assessment of Internal Controls Effectiveness <ul style="list-style-type: none"> Assessing the “operation” of internal control procedures 	N. Pecchiari	 Slides w/Mini-Cases