

# The Impossible Interview: A Two-stage Interview Case for Auditing Students

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## Abstract

Professional skepticism is a critical component of the auditor's skill set. Developing this takes time for accounting students and new auditors. Rather than waiting until they have an internship or a full-time auditing position, students can begin practicing this important skill earlier in their academic career. The case presented is aimed at students in their first auditing course as a way of introducing the need for more complex thinking and professional skepticism in the auditing and forensic accounting areas. The focus of the case is on risk assessment and critical evaluation of audit evidence, primarily audit interviews. In addition, the case allows students to learn the value of preparation and strategy in a unique way: their first attempt at the case is almost impossible to solve.

## Case Overview

This case has two stages. In stage 1, students are provided with an opportunity to experiment with interviewing styles and strategies by taking part in a series of 2-minute "speed dating" – style interviews with the characters of their choice. The characters are all played by the faculty member. After each round, students must consider the veracity and completeness of the answers they received within a small team. This reflection period allows the students to apply a level of professional skepticism toward the information they have, comparing it to previous interview answers and existing evidence. At the end of the first round, teams provide their assessment of what areas pose the greatest risk of misstatement and/or fraud. In stage 2, the students again work with their teams to develop a strategy for a longer interview of one character. They then conduct a 10-minute team interview with that character, incorporating what they learned in stage 1. This provides a setting where the students can learn for themselves the difficulties with auditor interviews, enhance their professional skepticism, work as a team to develop more productive strategies, and eventually conclude on the next steps of the audit.

## Conclusions

The value of this case is fourfold. First, it provides a realistic setting: a growing small business that is yet to reach the size to incorporate many of the ideal internal controls. This allows students to take the textbook concepts into a less "clean" environment. Second, it includes practice at interviews with minimal setup by the instructor. Because the initial interviews are intentionally short, one instructor can serve as the interviewee for everyone. This provides a practical alternative to larger fraud cases that require the instructor to recruit volunteers. Third, while it addresses the heightened risk of fraud, the primary focus is on general risk assessments. Students often see fraud everywhere when first exposed to it. This case pushes students to gather information to distinguish between a potential fraud and a poor control environment, allowing them to better recognize the signs of fraud. Finally, this case helps students learn how to take control of their own learning, analyzing for themselves what is successful. As all accounting professionals need to develop a habit of lifetime learning, empowering students to initiate learning is essential.

## Learning Objectives

The objectives of this case focus on introducing students to the complexities of auditing risk assessment and fraud considerations. The interviews, in conjunction with the case materials, provide students with a more realistic setting to learn the importance and difficulty of developing effective professional skepticism. Upon completion of the case, students should be able to:

1. Identify factors indicating a high risk of material misstatement.
2. Identify fraud risk factors in a financial statement audit.
3. Brainstorm with teammates regarding the risks in an audit and appropriate steps to take.
4. Understand the potential difficulty of effectively interviewing client personnel and strategies to improve success.
5. Analyze information from multiple sources for consistency or confirmation.
6. Discuss the implication of audit findings for the remainder of the audit.
7. Consider the necessity of fraud or forensic specialists.

## Stage 1

In stage 1 of the case, students are given background information on a fictional company and assigned to work in teams to assess risk of fraud or misstatement in specific functions of the company. They then take part in a series of interviews with the characters of their choice. At the end of this, they provide their assessment of what areas pose the greatest risk of misstatement and/or fraud. They are able to provide conclusions, regarding the possibility (or absence) and likely location of fraud. This may take the form of a written summary of the team risk assessment or it may be part of a class discussion.

At the completion of stage 1, teams should take time to evaluate the information received in light of the questions in the case materials. The instructor can either use these as discussion topics, or require a written response. Three questions are asked:

1. For each functional area, what are the key risk factors of a material misstatement? Do you think a material misstatement is likely to have occurred?
2. In one functional area, there is evidence of a potential fraud? Which area and what is the evidence? How would you adapt the audit to determine fraud did take place?
3. For each of the remaining functional area, how would you rate the risk of fraud? What support do you have for this conclusion?

## Stage 2

In stage 2, student teams use the information provided in stage 1, the results of their interviews, and added information to develop a revised risk assessment. From here, they are allowed to select one functional area they feel poses the greatest risk of material misstatement or fraud and interview the character responsible. After the interview, the teams evaluate the new interview information and incorporate it into a risk assessment memo, including steps to address the new risks.

When finished with the interview, teams prepare a risk assessment memo for DDI. They are instructed to include:

1. What are some overall company risk factors that need to be addressed during the audit? What impact could they have on the financial statement reporting of DDI?
2. What are the function-specific risk factors for both material misstatement and fraud that you identified? How can they be addressed during the audit, being as specific as possible?
3. Which employee did you choose for the follow-up interview and why? Did you get the information you were expecting from this individual? Did it change your conclusions about any specific functional area for better or worse?
4. At least one area has very strong risk factors for fraud. Which area is it and what evidence have you found? How should the audit address this risk?

## Conclusions

The value of this case is fourfold. First, it provides a realistic setting: a growing small business that is yet to reach the size to incorporate many of the ideal internal controls. This allows students to take the textbook concepts into a less "clean" environment. Second, it includes practice at interviews with minimal setup by the instructor. Because the initial interviews are intentionally short, one instructor can serve as the interviewee for everyone. This provides a practical alternative to larger fraud cases that require the instructor to recruit volunteers. Third, while it addresses the heightened risk of fraud, the primary focus is on general risk assessments. Students often see fraud everywhere when first exposed to it. This case pushes students to gather information to distinguish between a potential fraud and a poor control environment, allowing them to better recognize the signs of fraud. Finally, this case helps students learn how to take control of their own learning, analyzing for themselves what is successful. As all accounting professionals need to develop a habit of lifetime learning, empowering students to initiate learning is essential.

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