

2012 Internal Audit Series

Certificate in Internal Audit 3

Advanced Audit Techniques

Substantially updated for 2012

Who should attend?

- Senior Auditors
- Audit Managers and those about to be appointed to that role
- Auditors that need to audit projects, contracts or technical business areas
- Assurance professionals who need to assess technical issues
- Assurance providers that need a greater understanding of Corporate Governance
- This course will be beneficial as a development aid for delegates that have previously attended the Certificate in Internal Audit 2 – Internal Audit Practitioner course

New for 2012

- New IIA guidance – IIA new standards and guidance
- IIA Global tree (transparency, reliability, effectiveness and ethics)
- Assurance mapping
- Imperatives for change IIA survey
 - IIA standards
 - Risk management and Governance
 - Risk based audit planning
 - Audit Committee relationships
 - Audit technology
- Audit Committee performance evaluation
- A brand new session on auditing partnerships
- BCP resilience
- Risk management assessment using ISO 31000
- Auditing the control environment
- GTAG guide to continuous auditing
- ISO 27001 audit checklist
- Ethics and internal auditing

What you will learn

- How to assess internal audit's contribution as a function
- How to audit Corporate Governance
- How to audit the Audit Committee

- The techniques of Continuous audit
- The techniques of environmental auditing
- How to audit Business continuity planning
- The modern approach to contract and project audit
- The techniques of IT and VFM audit

Why you should attend

As a progressive audit practitioner who strives for excellence, your vision is world-class and you realise that long term survival in today's competitive marketplace means delivering impeccable products and services and auditing the wide range of business risks.

An advanced and innovative auditing strategy coupled with effective implementation can greatly enhance the departmental value added and company-wide support of your auditing function.

Expertise in the more technical business areas is essential to maintaining a stable foundation from which your company can effectively compete in the Middle East environment.

The biggest challenges to modern internal audit functions will be covered in the course – including auditing your organisations reputation and brand

Day 1 The new Internal Audit challenges

Recent professional guidance and practice advisory statements

- New guidance and its implications
- Expectations of senior management
- Relationship with the Board
- Relevant assurance
- Quality assurance and improvement programme
- Outsourced functions
- Multiple engagements
- IT Governance
- Ethics
- Fraud risk management
- The IIA Global tree
- The IIA BOK (body of knowledge) survey
- Imperatives for change – IIA standards
- **An effectiveness of IA checklist will be shared**

Exercise 1 –The challenges of the new standards

The key aspects of Corporate Governance

- What is Corporate Governance
- 6 core principles of governance
- 7 governance warning signs
- Meeting Stakeholder requirements
- How the organisation is managed on behalf of the stakeholders
- Governance United paper
- The key parties within Governance
- Audit Committee
- The Board
- Regulators
- Customers
- Suppliers
- **A Governance toolkit will be shared**

Exercise 2 – Defining the parties – Who killed Amos?

Auditing governance readiness

- Who to meet with to discuss the assignment
- Assurance mapping
- Holding a pre-meeting – do's and don'ts
- Developing a terms of reference for the assignment
- Should this be a review only – will evidence be gathered?
- Determining who to interview and in what sequence
- Corporate governance statements

Exercise 3– The challenges in carrying out a Governance Audit

Auditing the risk management process

- Establishing the position regarding RM in the business
- Establish corporate targets and monitor overall progress
- **Risk management using ISO 31000 paper from IIA**
- Keeping the Board apprised of the most significant risks
- Assessment of RM capabilities
- Imperatives for change – RM and governance
- Review of risk evaluations in each function
- Ensuring actions to treat exposures implemented
- Ensuring all functions evaluate their risks consistently
- Evaluating the results and challenging where necessary
- Identification of exposures
- Auditing the control environment
- Imperatives for change – RBA planning
- Basing audit programme on most significant risks
- Comparing perceived versus actual controls

- **A Risk management evaluation tool will be provided**

Exercise 4 –The challenges in auditing the risk management process

Day 2 The Wider Internal Audit brief

Auditing the Audit Committee process

- Does the Committee approve (but not direct) internal audit strategy, plan and performance?
- Does the Committee review summary IA reports and the main issues arising and seek assurance that action has been taken
- How does the Committee consider the reports of external audit and other external agencies?
- How are the effectiveness of relationships between IA and EA and other bodies reviewed
- How are the effectiveness of the risk management environment and anti fraud arrangements assessed
- Imperatives for change – audit committee
- How does the Committee satisfy itself that assurance statements and the annual statement of accounts properly reflect the risk
- **An Audit Committee checklist will be shared**

Exercise 5 –The Audit Committee challenges

Continuous auditing

- The IIA Global Technology Audit Guide (GTAG)
- The practicalities of continuous auditing
- Paper – fantasy or reality
- Key issues in the GTAG
- Continuous auditing and continuous monitoring
- The use of CAAT's for continuous auditing
- Continuous risk assessment techniques
- Examples of continuous auditing
 - Segregation of duties
 - Purchase orders
 - System access logs
 - Purchase cards
- **A paper on continuous audit using ACL will be shared**

Exercise 6 –Opportunities for continuous auditing

Environmental audit

- The need for environmental auditing
- ISO 14001

- Why environmental audit is valuable even if you do need to comply with ISO 14001
- Carrying out an environmental site review
- Reviewing the audit trails
- Meeting regulatory requirements
- Ensuring consistency

Exercise 7 –Challenges of environmental audit

Auditing Business Continuity Management

- The importance of BCP
- The need to recognize BCP is not just about IT recovery
- Reviewing the different types of disaster – have all been considered?
- Does the organization’s leadership understand the current business continuity risk level and the potential impacts of likely degrees of loss?
- Can the organization prove the business continuity risks are mitigated to an approved acceptable
- Are they tested effectively?
- Is the Board well set up to respond swiftly and capably in a crisis?
- The transition from an emergency to a disaster and the questions to ask at each stage
- Is there an appropriate contingency plan ready to be used to manage a crisis?
- Communication testing
- Alternative site testing
- **A new paper on BCP resilience will be shared**

Exercise 8 –BCP audit discussion

<h2>Day 3 Auditing external activities</h2>

Auditing outsourced contracts

- Overview of outsourced contract management
- Outsourcing objectives
- Transfer of risk
- Outsourcing delivery models
- Roles and responsibilities
- Different approaches to outsourcing
- The key risks
 - Picking the wrong contractor
 - Higher costs

- Negative impact on service
- Loss of control
- Loss of knowledge or resources
- Difficulty of bringing the activity back in-house
- Loss of public focus
- Conflicting objectives
- Payment issues
- Contract variations
- Assessing the contract
- How to assess continuing viability – performance management
- Right to audit clauses
- **A new paper on auditing external business relationships**

Exercise 9 –Challenges of auditing external contracts

Auditing Partnerships

- Ensuring that there is a risk strategy for partnership working
- The need to identify and schedule key partnerships
- What protocol is in place?
- What is the review mechanism?
- Is it effective?
- What frequency is there for review by management?
- What mechanism is there to guide officers and members in attending partnership meetings
- Does anyone know the partnerships you are involved in and how much money and other resources are invested in them
- Has each partnership been risk reviewed

Case Study – what can go wrong in partnerships

- **Rationale**
 - Why does the partnership exist?
 - What are the agreed aims?
 - Where are these aims published?
- **Added Value**
 - How does the partnership add value?
 - How is this demonstrated to the public?
 - How do you know whether funds are being well spent?
- **Decision making**
 - How are decisions made?
 - How are they recorded?
 - Who makes sure they are acted on?
 - Who scrutinises them?
 - To whom are they reported?
- **Performance**
 - What are the targets?
 - How do you know which you are meeting

- Who manages and reports progress?
- Finance
 - Who provides the money?
 - Is the funding guaranteed?
 - Who decides how to spend it?
 - Can the money be reallocated?
 - What are the financial reporting arrangements?
- Problems
 - How do you know when things go wrong?
 - Who can take action if they do?
 - How are conflicts of interest resolved?
- Termination
 - What are the arrangements when the partnership ends?
 - What are the implications if you decide no longer to be involved?
 - How will resources be allocated back to the partners?

Exercise 10 Select two partnerships – one you regard as successful and another less so. Complete the checklist and try to identify the main differences

Brand and reputation audit – the ultimate challenge

- The rise of reputation as a key risk
- The increasing importance of a positive image – the need to be admired
- Reputation – the value measure of the 21st century
- Where does reputation come from?
- How do you measure it?
- The magnifying effect on reputation of business failures
- The relationship between vision, values, behaviour and reputation
- Damage by association – partnering and alliances
- Identifying Reputational Risks
- **A checklist for reviewing reputational risk will be provided to all delegates**

Exercise 11 –Auditing a reputational disaster

Day 4 CSR and VFM Audit

Social Responsibility, Ethics and meeting stakeholder expectations

- The increasing importance of Corporate Social Responsibility (CSR)

- New IIA standard 2110 re auditing of ethics
- What constitutes CSR
- The wider aspects of CSR and the implications for IA
- Doing responsible things responsibly
- Redefining IA role with CSR in mind
- An audit framework
- How to audit CSR – key steps
 - Is communication with main stakeholders taken seriously?
 - Are the expectations of these stakeholders accurately understood, and what are the risks that these will not be met?
 - Are opportunities taken to develop the ethical reputation of the business?
 - How do we ensure that staff have and display the right attitudes?
 - Has the business assessed its reputation for social responsibility and its impact on our business prosperity?
 - Is the Board, and in particular the Chief Executive, sensitive and responsive to the concerns of customers

Exercise 12 –CSR and meeting expectations – the audit challenges

The modern approach to VFM auditing

- What is VFM auditing?
- How does it differ from other audit approaches?
- The relationship between VFM and other types of Audit
- The benefits of VFM auditing
- The associated dangers e.g. trying to quantify non-quantifiable savings

The 3 E's

- The 3 E's – the cornerstone of VFM auditing
- Economy and how it can be evaluated
- Examples of poor economy
- Efficiency and how it should be assessed
- Why it is critical to evaluate efficiency – with examples
- Effectiveness and how it can be assessed
- Identification of inputs and outputs
- How to measure the 3 E's

Exercise 13 – VFM review of customer service

Key steps in completing a VFM review

- How to select VFM topics

- The research phase
- Objectives, methodology and techniques
- Establishing terms of reference (how this differs from a traditional assignment)
- Defining the boundaries of the review
- Gathering of information
- Evaluation of data and effectiveness of management processes
- Evaluation of performance and cost saving potential
- Measuring the benefits

Exercise 14 – Assessing performance via PI's

VFM Audit techniques

- The range of techniques
- Comparative analysis
- Evaluating effectiveness, efficiency and economy
- Evaluating productivity in practice
- Working with other specialists
- Measuring opportunities

Case Studies -with hints tips and practical advice

- Practical applications for VFM – open discussion with opportunity for delegates to raise specific concerns and ideas

Exercise 15 – VFM audits – topics will be chosen by the delegates and the audit brainstormed

<h2>Day 5 Auditing Projects and IT audit</h2>

Auditing projects

- Project management audit
 - Project organization
 - Content and scope
 - Time management
 - Cost management
 - Quality management
 - HR issues
 - Communication
 - Reporting
 - Risk management
 - Procurement
- Other types of project audit

- Business case audit
- Business requirements audit
- Project framework audit e.g. use of PRINCE
- Post project audit

Exercise 16 – Completing a project audit

Auditing systems under development

- Why auditing systems under development need not compromise your wider audit role
- The need to audit at key stages – not to be part of the project team
- Ensuring that the processes and policies are complied with
- Determining the points of potential failure
- Ensuring controls are not bypassed – due to time constraints
- Ensuring risks are identified at the start and regularly reviewed
- Ensuring sufficient end user involvement
- Audit stages and the questions to ask

Exercise 17 – Challenges of systems development audit

IT Auditing

- Global Technology Audit Guides (GTAG's)
 - Information Technology Controls
 - Management of IT Auditing
 - Managing and Auditing IT Vulnerabilities
 - Auditing Application Controls
 - Information Technology Outsourcing
 - Identity and Access Management
 - Change and Patch Management Controls
 - Managing and Auditing Privacy Risks
 - Developing the IT Audit Plan
- What can be done without specialist IT audit resource
- The need to determine the boundaries
- Defining the IT audit universe
 - Focus on high risk areas
 - Assess IT vulnerabilities
- Target areas where you are focusing on process rather than technical aspects
- Use of audit frameworks such as CoBIT and ISO 27000
- The need to review IT Governance – IIA new standard
- Risk based audit of general controls (GAIT)
- IIA guidance re GAIT
- **An ISO 27000 audit checklist will be shared**

Exercise 18 – Challenges of IT audit

