

2012 Internal Audit Series

Certificate in Internal Audit 6

Establishing or transforming an Internal Audit Function

Who should attend?

- Recently appointed Chief Audit Executives (CAE's) or those about to be appointed or wishing to apply for this role
- CAE's appointed to establish an internal audit function
- CAE's appointed to take over an established function
- Directors or VP's of organisations about to establish an internal audit function
- CAE's that need to reassess the function and significantly enhance it's effectiveness

What you will learn

- The steps needed to establish a new Internal function or invigorate an established function
- How to build senior management support for the role and determine it's authority
- How to sell the benefits to the business
- Responsibilities of the function and its professional standards
- How to build a resource plan and get it approved
- How to build a roadmap for success

Why you should attend

- Many organisations that have previously not had an internal audit function are now establishing this activity, due to regulatory or business requirements. Others see the need to significantly change the traditional internal audit approach
- You may have just accepted a position as chief audit executive (CAE) and have been tasked with building or refocusing an internal audit function, or been given functional responsibility for setting up such a function
- Where do you begin? What should you undertake first? What are the critical components?
- When building or assessing an audit function, you must deal with both strategic and tactical considerations — everything from gaining senior management support to developing an audit plan. From a strategic standpoint, you will need to understand how the business intends to engage and benefit from internal auditing.

- The new CAE can then develop an effective project plan to establish or transform the audit function.
- Tactical considerations include how to best introduce and embed the audit process into the organisation such that it is seen as a value adding and positive activity.
- This brand new 4 day course led by Phil Griffiths, one of the world's leading internal audit trainers, provides you a simple and highly effective roadmap to ensure success.

A series of invaluable free models will be provided to all delegates, including a 64 page audit manual example

Course Outline

Day 1 The Internal Audit remit

Establishing the authority of the internal audit activity

- Independence & Objectivity
- Reporting lines – the need for independence
- Should you report to the Chief Executive or the Audit Committee?
- Audit Committee relationships
- Key requirements of the role and the implications
 - Objective assurance
 - Consulting
 - Adding value
 - Improving the organisation's operations
 - Assisting the business to achieve its objectives
 - Systematic and disciplined approach
 - Evaluate and improve risk management, control and governance processes
- Dealing with the misconceptions of the role
- It is not internal audit's responsibility to :-
 - detect fraud
 - introduce more and more control
 - find management out
 - Assess the ability of management and staff
 - Train staff
 - Tell management what to do

Exercise 1 – Challenges in establishing the IA authority

Gaining top management commitment

- Meet with all key decision makers :-
 - Audit Committee Chairman (if there is an Audit Committee)
 - CEO
 - Chairman
 - CFO
 - COO
 - Other Board members

- Chief risk Officer (if there is one)
- Business Unit Heads
- How to deal with resistance
- The need to sell the role to key stakeholders
- **A presentation to sell the role will be shared**
- The benefits of building strong relationships with key decision makers
- Clarify and record expectations
- Dealing with issues raised

Exercise 2 – How to gain high level commitment for IA

Developing a strategic plan or roadmap

1. If Internal Audit function already is in place

- Meeting with existing staff to understand their job responsibilities, training to date, and qualifications.
- Obtaining and reviewing staff job descriptions.
- Reviewing audit reports issued for the past year.
- Reviewing any other reports produced on various audit activities.
- Reviewing policies and procedures.
- Meeting with internal audit customers within the organization to gain their perspective on the services received.
- Meeting with the external auditors to understand whether and how they rely on internal auditing.

2. If this is a brand new function

- Meeting with the heads of other assurance providers such as Compliance, Insurance, Legal, Health and Safety, Quality Assurance etc
- Agree to share plans, reports etc and how to avoid duplication of effort
- Meeting with internal audit customers within the organization to gain their perspective on the services required.
- Meeting with the external auditors to understand whether and how they will rely on internal audit and what their requirements will be to do so

Exercise 3 – Developing a strategic road map

Day 2 Documentation and high level planning

Developing or updating the Audit Charter

- The best practice audit charter
- Explanation of the role
- The authority of the function
- Access to all documents and records
- Dealing with sensitive information
- Responsibilities of IA
- The need for IA not to have responsibilities for any business process
- Management responsibilities
- **An example charter will be provided**

Exercise 4 – The audit charter

Business Policies and Procedures

- Familiarise yourself with all the key policies and procedures
- Build a picture of the areas of concern (via other assurance providers)
- Understand the process for updates
- Determine new systems under development and those planned
- Determine the approval process for changes
- Map these processes

Exercise 5 – Mapping the business policies and procedures

Determining the key risks

- The need to focus audit attention towards the most significant risks
- Institute of Internal Audit advice re the need for a risk based audit approach
- The need for much higher levels of assurance than ever before
- What level of assurance can really be provided?
- What should be the audit role in relation to identification and managing of risks
- What should the IA role be if your organisation has/ has not a risk management function?
- Could working with management to identify and evaluate risks compromise the independence of the function?
- Building a picture of the risk profiles
- Assessing the risk maturity of the organisation

Exercise 6 – Building a picture of the business risks

Strategic Audit planning

- The need to build a strategic three year plan to determine priorities and resourcing requirements
- How to develop the audit universe
- How to assess the risks for each audit topic

- Tapping into risk assessments carried out by management
- How to determine the level of assurance required for each topic
- Getting management input
- Demonstration of a world-renowned audit planning model
- **A free electronic version of the model will be provided to all attendees**

Exercise 7 – Building a strategic plan using the audit planning tool

- Using the model to create a resource plan – how many auditors you will need etc
- Making a case for the number of auditors you will need
- Convincing management
- How to determine audit frequencies – how often you need to audit each topic

Day 3 Resourcing the function

Developing a budget

- Research the market for typical salaries and packages
- Specialist agencies such as Barclay Simpson can provide invaluable information
- Decide on the mix of auditors required
- Determine qualifications and experience needed
- **A model will be provided to determine an optimum mix of qualifications and experience**
- Evaluate travel costs carefully
- Build in training costs
- Consider audit software requirements for year 2 or 3
- Obtain approval

Exercise 8 – Building or updating the IA budget

Building or enhancing the Internal Audit Team

- Determining a strategy for building the team
- Sources of talent – recruiting from outside or transferring personnel into the team?
- The recruitment dilemma – what if you cannot get the talent you need
- Should you try to recruit personnel with previous IA experience?
- Which is more important – knowledge of your sector or IA knowledge?

- What skills you should be looking for
- **Checklist of issues to assess in a potential auditor will be provided**
- The need to consider succession planning
- Should you consider outsourcing or co-sourcing for technical areas such as IT audit?
- The use of benchmarking information such as the IIA's 'GAIN'

Exercise 9 – The challenges of building the team

Developing or updating the audit manual

- Internal Audit Organisation
 - Audit Charter
 - Professional standards
 - Organisation chart
 - Job descriptions
 - Audit Committee relationship
 - Audit methodology
- Strategic Audit Planning
 - Audit universe
 - How audit priorities are set
 - Annual and Quarterly plan
- Audit Assignment planning
 - Establishing the plan
 - Interpersonal awareness
 - Determining the people to interview
 - Pre-meetings
- Completing the assignment
 - The audit file
 - Audit Assignment Checklist
 - Audit PowerPoint presentation
 - Personal learning planner
 - Guest auditors
 - Post audit questionnaire
 - The audit report format
- **A 64 page manual example will be provided to all delegates**

Exercise 10 – The challenges of developing the audit manual

The use of Computer assisted audit techniques (CAAT's)

- The benefits of CAAT's
- Why CAAT's can significantly improve audit efficiency
- How to make the case for purchasing this software
- Alternative approaches
- Application for CAAT's
- Big populations

- Comparing files
- Info on different systems
- Investigations
- Stratified sampling
- Audit trails
- Continuous audit

Exercise 11 – The use of CAAT's

Day 4 Implementing the internal audit process

Audit programme development

- The need for risk based audit programmes
- Brainstorming the functional objectives
- Building a picture of the risks
- Identifying threats and opportunities
- Building the details of the controls
- Planning the assignment
- Mistakes to avoid
- The dangers of re-inventing the wheel
- Assigning tasks
- Determining the types of test and techniques to use
- Determining the threats to success

Exercise 12. Specific audits will be chosen for the purpose by the delegates and the functional objectives and risks brainstormed

The Risk based audit approach

- Whether objectives are being delivered efficiently and effectively
- Whether risks have been identified, evaluated and are being managed
- Whether controls mitigate the risks effectively
- Where risk exposures exist action is being taken to improve controls
- Whether appropriate management oversight is in place
- Reviewing risk registers
- The questions to ask
- Assessing risk appetite
- Reviewing the effectiveness of the risk management process adopted
- Determining which risks should be concentrated on in the audit
- Reviewing risk ownership and identifying gaps
- Determining the inherent and residual risks
- Identifying residual risks above the risk appetite

Exercise 13 – Risk based audit assignment plans

Consultancy assignments

- The IIA standards
- Why consultancy should be encouraged
- The difference in approach
- How to document these assignments
- Reporting consultancy assignments
- Audit by workshop

Exercise 14 –The challenges of consultancy

Developing or updating the audit report process

- The challenges of audit reporting
- IIA standards
- Getting the message across
- Getting action
- The messages you want the Board to hear
- How to ensure no overreaction
- The need to include positive comments
- How to keep it short and focussed
- Developing a risk based Executive summary
- How to get recipients to react positively
- How to write balanced reports
- Highlighting the issues that matter
 - How to minimise the number of words
 - The power of pictures and graphics
 - The need to relate the issues to objectives and risk
 - How to deal with sensitive issues in the report.

Exercise 15 –Developing a simple audit report process

Open forum

- An open forum will be held to discuss any topic of interest. A number of topics will be tabled – you can highlight the issues you would like to discuss on the day