

# BUSINESS RISK MANAGEMENT LTD



## Risk Based Auditing Course outline

### Day 1 Risk and Internal Audit

#### Seminar Introduction

#### Risk Based Audit

##### Definitions

Trends (from the BRM Internal audit best practice database)

The transition from systems based to risk based assurance

The different approaches to audit

Audit's primary roles, objectives and concerns

What is best practice?

*Perceptions of internal audit – various survey results*

The role of the function – policeman, risk assessor or consultant

How to ensure you adopt best practice

The key challenges resulting

#### Exercise 1 Challenges for Internal Audit

The need to widen the coverage - to become less financially based

RBA in the airline industry

The need to introduce a broad business based approach and the actions required

The steps needed to embrace a risk based approach

#### The Nature of Risk

The concept of risk

The relationship between risk and objectives

Why senior management may lack a full understanding of the risks

Risk culture

Surprises and risk

Measurement of risk: probability and impact (or likelihood and consequences)  
Categories of risk  
Inherent and residual risk

## **Business Risk**

### **Exercise 2: Analysing a disaster**

The wider business agenda – understanding strategic risks  
How risk management has grown from being a useful tool to being the very pulse of the organisation  
Corporate governance and the challenges posed  
Building an appreciation of your organisation's risk appetite  
The AUS/NZ Risk Management Standard  
The COSO standard  
Steps to take in establishing a business risk management programme  
Leading the programme – skills required  
Outline of a best practice process

## **Risk Identification and Evaluation**

Approaches and techniques  
Explanation of a risk workshop approach  
The need for facilitation skills and the characteristics required  
How to identify, sift and group the risks  
The use of diagnostic questions and thought-provokers  
Measuring the consequences and the likelihood of occurrence of each key risk  
Risk scoring  
The use of risk matrices to prioritise the risks

### **Exercise 3: Interactive Risk Workshop**

## **Day 2            Risk Management and the Audit Role**

### **Assessment of Risk Mitigation**

The need for separate mitigation workshops  
How to assess risk mitigation  
Identification and evaluation of risk exposures  
Dealing with the exposures (The 4 Ts – terminate, tolerate, treat or transfer)  
Exploiting opportunities  
Establishment of action plans

## **Exercise 4: Risk Exposures**

## **Exercise 5: Interactive Risk Workshop - Mitigation**

### **Risk and Internal Audit**

The changing scope of modern internal audit  
Identifying, appraising and evaluation risk during the audit process  
Translating key risks from the business risk process into the basis of the audit programme  
Options for involvement  
Monitoring of action plans and audit committee reporting  
Evaluation and reporting of actual versus perceived controls  
Determining which key risks are not readily auditable  
Coordinating efforts with other assurance providers

## **Exercise 6: Risk and its Consequences**

### **Embedding the Process**

Ensuring compliance with governance requirements and adopting best practice  
Quarterly board reporting to review progress in addressing the exposures  
Risk Management Committee reporting  
Bi-annual evaluation of key risks to ensure new risks identified and included  
Integrating the programme into the overall risk agenda – e.g. strategic planning, health, safety and environmental management, regulatory requirements, insurance procedures, etc.

## **Day 3                      Essentials of Risk Based Auditing**

### **The Internal Audit Role**

Audit's primary roles, objectives and concerns  
What is best practice?  
The audit charter and terms of reference  
The role of the function – policeman, risk assessor or consultant  
The reputation of the function and how to assess it

## **Exercise 7: Success Measures**

### **The Internal Audit Function**

Structure and reporting lines  
Outsourcing and partnering  
Perceptions of internal audit – various survey results

Audit personnel – numbers, skills, experience, etc.  
Measuring the value added  
Marketing the function

## **Exercise 8: Marketing of the Function**

### **Strategic Audit Planning**

Strategic audit planning  
How to decide which areas to audit  
The audit universe  
Best practice audit risk planning model (an electronic version will be provided)

## **Exercise 9: Audit Planning Using the Model**

### **Tactical Audit Planning**

Audit programme development  
Sources of audit work  
Assignment planning and control  
Managing audit requests  
Fieldwork techniques  
Technology – CAATS, audit automation, etc.  
Audit coverage – geographic and business units  
How to cover specialist areas  
The need for future orientation

## **Day 4            Risk Based Auditing in Practice**

### **The Converging Roles of the Assurance Providers under the Risk Umbrella**

The increasing emphasis on governance, assurance and control  
How should the various assurance providers rise to the risk challenge?  
Synchronising regulatory compliance with internal audit and the risk management functions  
The need to coordinate quality assurance, security, insurance and the health and safety functions in relation to risk management  
Linking external auditors into the process  
The need to coordinate risk reporting

*A best practice model for optimising assurance will be shared*

### **Relationships with the Board and Audit Committees**

Board requirements of internal audit  
Developing regular contact with the chief executive

Role of the Audit Committee  
The Audit Committee relationship – how to develop this  
Evaluating the audit committee requirements  
How to anticipate requests  
How to develop effective audit committee reports

## **Exercise 10: The Audit Committee Report**

### **Planning a Risk based audit**

#### **CASE STUDY**

#### **A worked example of a risk based audit of HR**

Brainstorm the functional objectives  
Build a picture of the risks  
Consider threats and opportunities  
Plan the assignment  
Determine types of test and techniques to use  
Determine the threats to success

**Exercise 11. Specific audits will be chosen for the purpose by the delegates**

### **Fraud**

How to build a picture of the major fraud risks and exposures in your organisation  
The key elements of a best practice framework  
How to develop specific strategies and measures against fraud  
The use of data mining as a fraud prevention tool  
Evaluating the effectiveness of controls – proactive programmes for internal audit  
How to ensure an effective balance between prevention and detection

*Discussion of delegates' issues*

An Auditors Fraud Toolkit will be provided

## **Day 5            Audit Reporting in the Risk Arena**

### **The Need for Reports with Impact**

Objectives of reporting  
Reports and the reporting process  
What make a good report?

**What management expects?  
Audit's response to those expectations  
Professional standards  
How reports need to be adapted to focus on risk**

## **Understanding the Problems with Traditional Audit Reports**

**Exercise 12: 40 Best Practice Questions to allow you to assess your own reports**

## **Why Traditional Reports need to Change to Encompass Risk**

**The psychological dilemma – why audit findings tend to be taken as a criticism of performance by management  
Why conclusions and recommendations do not often encourage changes in attitude or act as a vehicle to promote fundamental change in an organisation  
Why audit reports may be seen as distant and overly subjective  
Risk reporting – the route to securing action  
How to link objectives, risk and audit findings  
Risk as a vehicle for promoting fundamental change**

**Exercise 13: Analysis of a Typical Report**

## **Determining a New Approach**

**Drafting reports that make an impact  
How to express audit opinions – forget the scoring!  
How to ensure reports are taken seriously  
How to significantly enhance the percentage of recommendations implemented  
How to reduce the time between completion of fieldwork and final report to less than 2 weeks  
What to include in the Executive Summary**

**Exercise 14: The Executive Summary**

## **The Best Practice Report**

**Best practice format  
Essential “do's” and “don'ts”  
The main report  
Words and phrases to avoid  
How to sell a new approach to management  
How to ensure success and measure the benefits  
20 steps to success**

*A best practice report template will be made available to all delegates*