



Risk Based Auditing of Projects 30 Nov- 2 Dec 2011

How many projects do you know which have been delivered on time, to budget and fully met the needs of all the parties involved?

Not very many I am sure will be your answer

Research indicates that in many projects, risks are identified and analysed in a random, uncoordinated manner. Not only does this result in unexpected risks arising, but the true impact of the risks actually identified are not fully appreciated or the combination effect of the risks are misunderstood

Bonus

- 3-day presentation will be made available via podcast for 30 days for registered delegates worth USD250.00
- 3 relevant articles by Phil Griffiths over a period of 3 months worth USD100.00
- 15 group exercises to strengthen your understanding
- 8 tools and techniques in project audit including
 - An insight into why projects overrun
 - Critical path analysis
 - The RASM methodology
 - The CoBit approach
 - A project negotiation exercise
- 12 new areas of guidance on RBA of projects including
 - New IIA guidance – Introduction to projects and project auditing
 - The top 10 mistakes in project management
 - Project risk factor checklist
 - A standard for auditing projects
 - A practice guide on auditing external business relationships
 - A 26 page IT project checklist
- A detailed course manual

What you will learn

- The concepts and practical application of a risk based approach to project review
- Understand how to identify, mitigate and control project risks effectively
- Appreciate how to separate the key risks from the lesser threats
- Challenge management and sell the benefits of proactive risk based audit of key projects
- Audit major projects including joint ventures with confidence
- Techniques to ensure that more projects meet their agreed objectives

Why you should attend

It has been estimated that a strong risk management process can decrease problems on a project by as much as 80 or 90 percent. In combination with solid project management practices, a good risk management process is critical in cutting down on surprises, or unexpected project risks. Such a process can also help with problem resolution when requirements change, because now those changes are anticipated and actions have already been reviewed and approved, avoiding the need for panic and emergency treatment.

Auditing the project throughout it's life from the project development stage to the post implementation review and adopting a risk based approach is a proven way to maximise the opportunity to deliver the project to time, to budget and fully meet the needs of all interested parties

Who should attend?

- Heads of Audit, Audit managers and senior auditors
- Project Managers and Project Programme Managers
- Auditors responsible for undertaking project audits assignments
- Other professionals who need to understand the risks impacting complex projects
- Managers and Directors of business functions – to aid their knowledge of a risk based audit approach to projects.

Course Methodology

The training course is designed to be interactive and to give delegates opportunity to discuss their particular issues in an open atmosphere. The course includes exercises, discussions and case studies to reinforce the messages.

Your course director, Phil Griffiths, has considerable experience in the field of project audit having worked for 10 years as Head of Internal Audit for an international construction and professional services organisation and also managed major projects in the field of IT, telecoms and retail management.

Why projects fail

- Is risk an uncertainty or a surprise?
- Something that can go wrong or failure to get things right?
- Risk cultures and the impact on project delivery
- Why projects often fail.
- OGC paper – common causes of project failure
- The need for a formal approach to risk management
- Risk appetite and the implications for projects
- Selling the benefits to top management
- High profile project failures and the lessons to learn

Exercise 1 Why projects fail – The wall**The major project risks**

- Business benefit poorly defined
- Scope of the project poorly defined
- Project sponsor not committed to the project
- Difficult to engage business functions or partners
- Lack of project management experience
- Project team scattered across many locations
- Unclear or inconsistent PM processes
- Business requirements unclear or changing all the time
- System availability difficult to achieve e.g. 24/7
- Technical requirements complex or new
- Project data requirements very complex
- Many locations impacted
- Complex system interfaces
- Large number of organisations involved
- Unrealistic timescales
- Man hours required very extensive over short time windows
- Long estimated project duration
- Type of project new to the business
- High dependency on outside parties (consultants, subcontractors)
- Businesses processes require major change
- Major changes to business structure
- Unfamiliar project technology
- Heavy customisation of packaged solutions
- Packages from new vendors

Exercise 2 The key project risks – using a project risk checklist

The 10 Golden Rules of Project Risk Management

- **Make risk management an integral part of the project**
- **Identify risks early in the project**
- **Communicate the risks widely**
- **Consider both risks and opportunities**
- **Ensure each risk is owned**
- **Prioritise the risks**
- **Analyse the risks properly**
- **Plan and implement risk responses**
- **Record project risks in a register**
- **Track the risks**

Project Risk Identification and Evaluation

- **Approaches and techniques**
- **How to establish a risk workshop process**
- **The need for effective facilitation**
- **Facilitation skills**
- **Establishing workshops**
- **The use of diagnostic questions and thought-provokers**
- **The pros and cons of using data capture technology**
- **Other methods of risk identification**
 - **Monte Carlo Simulations**
 - **Bayesian networks**
 - **Scenario planning**
 - **RAMP methodology**
- **How to identify, sift and group the risks**
- **Measuring the consequences and the likelihood of occurrence of each risk**
- **The use of risk matrices to prioritise the risks.**

Exercise 3: Risk and reward

The business perspective

- **Different types of project and their implications**
- **Selection of Professional Services providers**
 - **Financial planning consultants**
 - **Engineering firms**
 - **Design/Construct providers**
 - **Construction managers**
 - **Facilities management**
- **The growing popularity of turnkey approaches**
- **Choice of contractor**
- **Principal contract terms**

- Other legal and regulatory requirements
- Financing the project
- Choice of methodology
- Selecting the project manager
- Procurement process

Exercise 4 Who Killed Amos?

Auditing major projects

- IIA new paper – Introduction to project auditing
- Assessing the project life cycle
- The need to assess the risk maturity of the project
- Commitment to risk management
- Reviewing project 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
- Management evaluation of mitigation controls
- Identification of risk exposures
- Dealing with the exposures (the 4 Ts - terminate, tolerate, treat or transfer)
- Establishment of action plans.
- Reviewing risk ownership and identifying gaps
- Identifying residual risks above the risk appetite

Exercise 5: The audit involvement in the project life

Day 2 Auditing major projects

Strategic Project Audit Planning

- Determining which projects to audit, to which frequency and to what depth
- Determining the level of assurance required
- Determining the level of assurance that can be provided

Exercise 6: Determining project audit priorities

Project auditing in practice

- Determining the scope of a RBA assignment

- 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

Exercise 7 : Scoping a RBA assignment of a major project

Selecting a Contractor

- The tendering process
- Success criteria
- Use of approved organisations
- Categories of Risk in procurement
- Managing the range of risks
 - Strategic
 - Leverage
 - Routine
 - Bottleneck
- Strategic Procurement risks
- Partnering and Risk
- Contract negotiation
- Contract award

Exercise 8: Risks in Contractor selection

The project in progress

- Design methodology
- Site environment
- Measurement and valuation methods
- Evaluating the Quantity Surveyor process
- Innovation and reward
- Variations and claims
- Performance management
- Payments
- Liquidated damages
- Performance guarantees
- Sub-contractors
- Contract finalisation

Exercise 9: Auditing the project during the 'active' phase

Cost control and accounting

- The project budget
- Cost control and forecasting
- Cost accounting
- Schedule control
- Dealing with cost over-runs

Exercise 10: Auditing the costs

Handover and post audit

- Commissioning risks
- Completion certificates
- Maintenance agreements
- PFI contracts
- Post completion reviews
- Learning from successes and mistakes

Exercise 11: Completing a post Audit of a project

Day 3 Specific projects

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

Exercise 12 –Challenges of auditing external contracts

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 13 – Challenges of systems development audit

IT Projects

- Statistics re IT project success rates
- Key risks in IT projects
 - Business requirements unclear or superceded
 - Cost issues
 - Potential over-run
 - Poor disaster recovery
 - Lack of Project management skills
 - Loss of key project personnel
 - Poor vendor management
 - Ineffective contract management
 - Lack of or poor use of development methodology
 - Obsolescence
 - Inappropriate infrastructure
 - Failure in testing
 - Inappropriate technical standards
 - Poor interfacing
 - Poor systems integration
 - Poor configuration
 - Ineffective change management disciplines
- Identifying the warning signs
- Use of CobIT
- Asking the right questions

Exercise 14: IT project failures – risks and causes

Other Projects

- Open forum to discuss projects as per specific delegate requirements – and may include
 - Joint Venture projects

- **Finance Projects**
- **Business acquisitions and disposals**

Project Problems Exercise

- **The course will finish with a syndicate exercise where 3 project problems will be provided. The teams will discuss the issues and present their solutions**

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