



Risk Based Auditing of Projects

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.

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

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

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

Day 1 Understanding Project Risk

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.
- 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 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 etc)
- Businesses processes require major change
- Major changes to business structure
- Unfamiliar project technology
- Heavy customisation of packaged solutions
- Packages from new vendors
- The 10 golden rules of project risk management

<p>Exercise 2 The key project risks – using a project risk checklist</p>

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
- 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.

<p>Exercise 3: The audit involvement in the project lifecycle</p>
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Auditing major projects

- Assessing the project life cycle
- Different types of construction 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: Auditing the project planning process

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 5: Risks in Contractor selection

Day 2 Auditing projects in progress

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 6: Auditing the project during the 'construction' phase

Cost control and accounting

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

Exercise 7: Auditing the costs

Handover and post audit

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

Exercise 8: Completing a post Audit of a project

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 9: IT project failures – risks and causes

Other Projects

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