

BUSINESS RISK MANAGEMENT LTD



Risk Based Auditing

Course Outline

Day 1 Essentials of Risk based Audit

Introduction and course objectives

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
- Institute of Internal Auditors professional standards
- How to ensure you adopt best practice
- How to get management buy-in
- The key challenges resulting
- The steps needed to embrace a risk based approach

Exercise 1 Challenges for Internal Audit

Understanding Risk

- Approaches to risk management
- Surprises and Risk
- Risk and your organisations culture
- Assessing the changing risk environment
- Risk averse and risk embracing cultures and the impact on assurance
- Risk as the pulse of the organisation – and how Internal Audit needs to take this pulse

- ISO 31000 risk standard as a template for success

Exercise 2 – Auditing the major risks in your organisation

Strategic Audit Planning

- Risk based audit planning
- The factors you need to consider
- Determining the level of Assurance required
- Getting management input
- Translating key risks from the business risk process into the basis of the audit programme
- Audit challenges resulting
- Determining the audit universe
- Best practice audit risk planning model (*an electronic version will be provided to all delegates*)

Exercise 3 Strategic audit planning using the model

- Determining audit priorities and developing the audit plan.
- Which risks are not easily auditable?
- How should these topics be dealt with?

Undertaking a Risk based audit

- **Case Study – HR Audit**
- Brainstorm the issues
- Build a picture of the risks
- Consider threats and opportunities
- Plan the assignment
- Determine the threats to success

Exercise 4 Undertaking a risk based audit

The RBA approach

- The need to assess the risk maturity of the function
- Commitment to risk management
- 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
- Assessing the 4 T's
- Consultancy assignments

Exercise 5 A team event to allow you to experience Risk taking in action

RBA 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 6: Scoping a RBA assignment

Day 2 Risk Based audit challenges

The Role of Internal Audit in risk management

- The changing scope of modern internal audit
- Options for involvement of IA in risk management
- IIA guidance and 2009 professional standards impact
- Translating the key risks into the basis of the audit programme
- Auditing the risk management process

Exercise 7 Moonshot – the need for wider thinking

Corporate Governance and the Internal Audit Role

- The Corporate Governance challenges
- The tensions created for management
- The opportunities for Internal Audit
- The converging role of the assurance providers
- The need to coordinate activities across assurance providers
- Audit Committees
- Relationships with external Audit

Exercise 8 – Analysing a disaster (the need to consider wider stakeholder risks)

Measuring Success and Adding value

- What do management think of you?
- Have they embraced the wider role for IA?
- How have they responded to changes already introduced?
- What challenges have they posed?

Exercise 9 Audit reputation and measures of Success

- The reputation of the your team and how to assess it
- Risk based audit Key Performance indicators

Marketing a risk based approach

- The need to measure value added
- How to sell the benefits
- Who you need to sell the approach to

Exercise 10 Marketing a Risk based approach

Risk Based Audit Reporting

- Objectives of reporting
- Reports and the reporting process
- What make a good report?
- What management expects
- Audit's response to those expectations
- Professional standards

Exercise 11 35 questions about your reports

Why Traditional Reports need to Change

- The psychological dilemma
- Risk reporting – the route to securing action
- How to link objectives, risk and audit findings
- Risk as a vehicle for promoting fundamental change

Exercise 12 Evaluation of 3 risk-based reports

- Determining a new approach
- Audit opinions
- 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
- Best practice format
- Essential “do’s” and “don’ts”
- The best practice main report
- Words and phrases to avoid