



Advanced Risk Based Auditing

Why you should attend

Most Heads of Internal Audit would say that their functions have adopted a risk based approach

However, has this process been fully embedded?

Have you for example:-

- Linked your audit programmes and testing directly with the risk registers?
- Made suggestions for reducing controls for over-managed risks?
- Challenged management's evaluation of the residual risks? If so, do you have a consistent basis for this challenge?
- Encouraged management to determine a target for each risk?
- Completed risk based audits of major projects?
- Carried out risk based audits of complex business activities such as marketing, environmental management and performance management?
- Audited your organisation's website, or social media activities?
- Determined a strategic audit plan which is flexible, but simple to explain to senior management?
- Have an audit plan which is fully coordinated with the other assurance providers in your business

This course is designed to cover these and other significant challenges of the modern risk based audit role

Who should attend?

- Heads of Audit, Audit managers and senior auditors
- Auditors responsible for developing or implementing a risk based approach
- Other assurance professionals such as those in Compliance and QA functions who are wanting to develop their Risk based approach
- Managers and Directors of business functions – to aid their knowledge of a risk based audit approach.

Course Level

- This is an intermediary level course and delegates should have at least 12 months experience in Internal Audit (or other assurance roles) to attend
- Delegates should have a good educational standard (Bachelors degree or above) and/or a professional qualification or be in the process of studying for such qualifications
- No advance preparation is required
- Delivery method – Group-live (with exercises and case studies to provide practical application of the tools and techniques)
- A pre-course questionnaire will be sent out 2-3 weeks prior to the course date to obtain some information about the delegate's role and to provide an opportunity to indicate specific learning requirements

After completing this course you will be able to

- Fully embed the RBA approach
- Advise management on the reality of controls and risk management effectiveness
- Challenge management's evaluation of risks and sell the benefits of proactive risk management
- Audit major and complex areas of risk for your business with confidence
- Add measurable value to your organisation by the application of risk-based audit services
- Plan risk based assignments efficiently and effectively

CPE credits

- Participants can earn up to 30 CPE credits (20 in the Auditing field of study and 10 in the Management Advisory Services field of study)

Day 1 Risk Based auditing in the modern era

The modern risk based audit approach

- IIA guidance – RBA 10 years on
- Worldwide trends in IA
- Trends (from GRC research and the BRM Internal audit best practice database)
- New RBA challenges (IIA standard 2120)
 - Organisational objectives support and align with the organisation's mission
 - Appropriate risk responses are selected that align risks with the organisation's risk appetite
 - Relevant risk information is captured and communicated in a timely manner across the organisation
- The need for auditors to provide wider assurance

- How risk based audit has changed the face of auditing
- Audit's primary roles, objectives and concerns
- IIA GRC report – risk maturity evaluation

Exercise 1 - Benefits of RBA

- Questions about the maturity of the audit process
- The need widen the coverage - to become more operationally based
- The importance of dealing with the audit risks not just the business risks
- The steps needed to enhance the risk based approach
- The key challenges resulting
- RBA benefits and drawbacks – new guidance

Exercise 2 - IA strengths and opportunities

RBA and ERM (Enterprise risk management)

- The key elements of Enterprise risk (ERM)
- The key relationship between risk and objectives
- Why senior management may lack a full understanding of the risks
- Risk cultures and the implications for IA
- Surprises and risk and why IA should ask about surprises
- Measurement of risk and why many organisations scoring process may lead to misunderstanding of significance
- Categories of risk

Exercise 3 - Analysing a disaster

Auditing strategic risks

- Why strategic objectives are often poorly defined
- The questions IA should ask
- Evaluating the pulse of the organisation
- Risk appetite and the need for RBA focus
- The questions to ask about risk appetite
- The International Risk standard ISO 31000 (and the IA role)
- Evaluating the strategy setting process – and identifying the gaps
- Evaluating the understanding of strategic objectives and risks across the business

Exercise 4 - Auditing strategic risks

Day 2 Evaluating the ERM Process

Risk Identification and Evaluation

- **Methods of risk identification**
- **Measuring the impact and the likelihood of occurrence of each key risk**
- **Inherent, residual and target risk**
- **Challenging management if no target risk is set**
- **Evaluating the risk categories**
- **The effectiveness of the risk matrix**
- **The IA role in risk identification**
- **Facilitation of risk workshops**
- **A new paper on auditing risk assessment will be provided**
- **IIA guidance on assessing risk maturity**
- **Root cause analysis – an excellent tool for auditors**
- **Cause and effect analysis (Fishbone)**
- **Other evaluation techniques such as Monte Carlo Analysis**
- **Examining Committee and Board minutes for risk discussions**

Exercise 4 - Evaluating risks with multiple causes

Assessment of Risk Mitigation

- **How to assess risk mitigation**
- **New IIA guidance – managers acknowledging risk**
- **The 3 types of controls**
- **Identification and evaluation of risk exposures**
- **Dealing with the exposures (The 4 Ts – terminate, tolerate, treat or transfer)**
- **Exploiting opportunities**
- **Evaluating the risk register**
- **Establishment of action plans**

Exercise 5 - Risk Exposures

Auditing the ERM process

- **Guidance on the links and differences between the audit and risk management roles (including the IIA position)**
- **Identifying, appraising and evaluation risk during the audit process**
- **Translating key risks from the business risk process into the basis of the audit programme**
- **Auditing the process – steps to take**
 - **Risk ownership**
 - **Reviewing the risk policy**

- Assessing the roles and responsibilities
- Performance measures
- Assessing the Key risk indicators (effectiveness and completeness)
- Frequency of risk evaluations (especially regarding major risks)
- Process for identifying emerging risks

Exercise 6 - Risk and reward (the not so buried treasure)

Day 3 Risk Based Audit Planning

The Internal Audit Strategy

- A strategic vision for Internal Audit
- The risk based audit charter and terms of reference
- Measuring success and adding value
- Engaging with stakeholders
- The Board relationship
- Audit Committee challenges

Exercise 9 – RBA KPI's

Strategic Audit Planning

- The need for a strategic audit plan
- How to decide which areas to audit and how often
- New 2017 IIA standard
- Determining the level of assurance
- New IIA guidance – Production of the audit plan
- Developing the audit universe – issues to include
 - IT Governance
 - Fraud risk management
 - Ethics programme
 - Outsourced operations
 - Value for money assignments
 - Projects
 - Systems under Development

Exercise 10– The Audit universe

- The world-renowned BRM strategic audit planning model (an electronic version will be provided to all delegates)
- Determining the audit priorities
- Separating the 3 year plan into annual plans
- Dealing with requests

Exercise 11– Developing the audit plan using the model

Tactical Audit Planning

- Planning considerations
- Audit programme development
- Sources of audit work
- Assignment planning and control
- Managing audit requests
- Use of technology – CAATS, audit automation, etc.
- Audit coverage – geographic and business units
- Assurance mapping
- How to cover specialist areas

Exercise 12– Assurance mapping

Day 4 Risk Based Auditing in Practice

Planning a Risk based audit

- Brainstorming the functional objectives
- Building a picture of the risks
- Consider threats and opportunities
- Building the details of the controls
- Planning the assignment
- Determining the types of test and techniques to use
- Determining the threats to success

Exercise 13. Audit topics will be chosen for the purpose by the delegates and the functional objectives and risks brainstormed in groups

The Risk Based Audit step by step

- **A risk based programme example will be walked through**
- Reviewing the business objectives
 - Are the objectives comprehensive and SMART?
- Do the risks in the register relate properly to the objectives?
 - Are they specifically linked to the objectives and recorded?
- Are the inherent risks correctly evaluated?
- Are any key risks missing?
- Are the causes of the event identified?
- Have mitigating actions been recorded for each risk?
 - Is such mitigating detailed enough?
- Are there any actions in progress to deal with risk?
 - Assess the status of such actions
 - Are there any management decisions pending?
 - Has a target risk been established?

- Assess confidence level in the potential for such actions to reduce the risk required
- Is the target risk realistic?
- Audit testing
 - Test each mitigating control by means of walk through tests
 - Extend testing as required to obtain sufficient evidence
 - Link the testing plan to the register (if the risk process is mature enough)
- Determining an audit risk and control assessment
 - Evaluating and recording such assessments
 - Presenting the evidence to management
 - How to ensure consistency

Exercise 14: The RBA in practice – using audits selected by you

The RBA deliverables

- The need to assess the risk maturity of the function
- Commitment to risk management
- 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
- Identifying residual risks above the risk appetite
- Assessing the 4 T's
- Monitoring of action plans
- Evaluation and reporting of actual versus perceived controls
- Determining which key risks are not readily auditable
- New audit programme – auditing ERM

Exercise 15: Challenges of the RBA – group discussion

Day 5 Risk based auditing of complex activities

Auditing Brand and reputation

- The rise of reputation as a key risk
- The increasing importance of a positive image – the need to be admired
- Where does reputation come from?
- How do you measure it?
- The magnifying effect on reputation of business failures
- Global brands
- How to judge reputation
- Identifying Reputational Risks

- **A checklist for reviewing reputational risk will be provided to all delegates**

Exercise 16 – Auditing a reputational disaster

Risk based auditing of projects and Joint Ventures

- **Steps in a project/JV audit**
- **How to Judge success**
- **Timing of the audit**
- **The need to assess the risk maturity of the project**
- **Reviewing risk registers**
- **The questions to ask**
- **Assessing risk appetite**
- **Determining which risks should be concentrated on in the audit**
- **Management evaluation of mitigation controls**
- **Identification of risk exposures**
- **Dealing with the exposures**
- **Establishment of action plans.**
- **Reviewing risk ownership and identifying gaps**

Exercise 17-The audit involvement in the project life cycle

Auditing other complex business areas

- **Environmental auditing**
 - **Environmental risks**
 - **Energy management audit**
 - **Water management**
 - **Waste management**
- **Auditing the marketing function**
 - **The benefits**
 - **Case study**
 - **The 7 P's**
 - **Determining metrics**
- **Auditing performance management**
 - **The performance framework**
 - **Risks and responses**
 - **Audit considerations**

Exercise 18 –Complex audit topics