



## Opportunity Auditing 2 days

### Why you should attend

The risk-based focus being increasingly adopted is universally accepted as the new benchmark for Internal Audit.

The flip side of risk however, is opportunity.

Specifically targeting significant areas of business opportunities in the audit programme can deliver major measurable benefits to the organisation whilst at the same time reducing the associated risks.

This is particularly true if the areas of the business targeted are those which are often overlooked by management.

With budgets under even greater scrutiny, demonstrating value for money is more important than ever

This 2 day course will enable participants to understand the benefits of a focussed VFM audit process and how to effectively measure the value added.

### Course Level

- This is a basic/intermediate level course and delegates are not required to have any previous experience in the field to attend
- There are no minimum educational requirements
- No advance preparation is required
- Delivery method – Group-live (with exercises and role-plays to simulate audit scenarios and situations that auditors will encounter)

### After completing this course you will be able to

- Understand the principles and practice of opportunity auditing
- Plan opportunity and value for money assignments effectively
- Develop plans to ensure optimum coverage
- Provide overall assurance on the opportunity assignment
- Establish performance measures
- Write efficient and effective VFM/opportunity audit reports

## CPE credits

- Participants can earn 14 CPE credits in the Auditing field of study.

Business Risk Management Ltd is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

## COURSE OUTLINE

### Day 1 The power of Opportunity auditing

#### What is Opportunity auditing?

- How does it differ from other audit approaches?
- Key questions
  - Does your Internal Audit function add measurable added value to your organisation?
  - Do you specifically evaluate and report this added value?
  - Are you happy with this process?
  - Do you measure the value of monetary savings made as a direct result of your audits?
  - Have these savings been at least double the cost of your function in each of the past 2 years?
  - Are these savings known to and recognised by management?
  - Does your audit programme target areas of opportunity as well as risk?
  - Do you carry out any specific value for money audits?
  - Do VFM assignments account for more than 5% of the annual work programme?
- The benefits of opportunity auditing
- Other outcomes
- Performance Auditing guidance
- The associated dangers e.g. trying to quantify non-quantifiable savings

#### Exercise 1 - The benefits of opportunity auditing

#### The 3 E's

- The 3 E's – the cornerstone of opportunity auditing
- Economy and how it can be evaluated
  - Minimising the cost of resources whilst maintaining acceptable quality
  - Examples of poor economy
- Efficiency and how it should be assessed
  - The relationship between inputs and outputs and the use of resources
  - Why it is critical to evaluate efficiency – with examples
- Effectiveness and how it can be assessed

- The degree to which the goals or objectives are met
- The measurement of that achievement
- Identification of inputs and outputs
- How to measure the 3 E's

## **Exercise 2 - Assessing the 3 E's**

### **Opportunity auditing techniques**

- Identifying over-managed risks
- These are likely to be the risks in the green zone of the risk matrix
- Opportunity management is a business enabler
- The flip side of risk
- When did you last suggest reducing controls?
- Challenge 'we have always done it this way'
- Do we have to do it?
- What are the benefits / penalties associated?
- Can we reduce effort in some areas to give time and resource for the priorities?

## **Exercise 3- What areas would be useful to review?**

### **Key steps in completing an opportunity review**

- The research phase
- Objectives, methodology and techniques
- Establishing terms of reference
- Defining the boundaries of the review
- Gathering of information
- Evaluation of data and effectiveness of management processes
- Evaluation of performance and cost saving potential

## **Exercise 4 - Determining the opportunity audit objectives/scope**

### **Choosing the opportunity Audit**

- Risk and opportunity approach
- Audits should be prioritized as other audits
- Most common topics
  - Travel management
  - Mobile communications
  - Insurance
  - Stationery
  - Energy management
  - Budgeting
  - Meetings management
  - Office furniture

## Exercise 5 – Selecting the VFM audit

### Day 2 VFM auditing in practice

#### Performing the Opportunity assignment

- Audit programmes with examples
- Walk through tests
- Audit testing – how to decide the type and depth of testing
- Ask personnel re their frustrations and ideas
- Ask for reports and measures already in use
- Ask about measures they would like to see
- Spending levels and revenues
- Major operations, including in the field
- Control systems
- Functional and audit objectives
- Determining sources of information
- Concerns expressed
- Audit working papers
- Adopt an opportunity matrix
- Prioritising actions to deal with over-managed risks
- Develop an opportunity register

#### Exercise 6 - The VFM audit in practice

#### Performance measures

- How to determine performance measures
- Good KPI's
- SMART measures
- Auditing performance measures
- Audit programmes in this regard

#### Exercise 7 – Assessing Performance measures

#### Specific VFM assignments – with hints and tips

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##### 1. Mobile Telecommunications

- What are the objectives
- What are the risks
- How to compare bills, tariffs and added value benefits.
- Hardware versus airtime costs - how to evaluate.
- Understanding the trends in the market.
- Identifying the inputs and outputs

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- What measures of the 3 E's would you expect?

## 2. Travel Management

- Building a picture of travel costs - travel recording and management reporting.
- How to gauge the effectiveness of a travel policy.
- Evaluating policy compliance and its financial impact.
- Evaluating the service provided by a travel agent.
- The need to get the best from suppliers.
- How to evaluate savings potential.

## 3. Budgeting

- Evaluating the costs and time involved in preparing a budget
- Steps in agreeing a budget
- Buy in to the budget process and the final budget
- The Forecasting process and the link to budgets
- Ways to improve the process
- How to evaluate savings potential.

## 4. Insurance

- Evaluating current spend.
- Assessment of number of claims.
- Evidence of controls required by the insurer
- Use of captives
- Assessment of self-assurance.
- Could any areas be over insured?

## 5. Procurement

- Procurement strategy.
- Framework for purchasing decisions
- Key supply needs
- Consolidated purchasing opportunities
- Over- assessment of needs
- Purchasing cards
- Emergency contracts
- Specialist purchasing
- Legal requirements
- Expert advice

## 6. Marketing

- Products and services
- Target market
- Place
- Pricing strategy
- Processes

- The physical environment
  - Assessing effectiveness
  - KPI's
  - Outsourcing arrangements
  - Agencies, consultants and suppliers
  - E-marketing
  - Customer analytics
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## **Exercise 8 - VFM audits will be chosen by the delegates and the audit planned using the approach outlined**

### **Audit conclusions**

- Drawing specific conclusions
- Developing recommendations
- Determining the level of assurance
- Getting commitment to action
- Tips for success
- The report

## **Exercise 9– The opportunity audit report**

### **Open Forum**

- Practical applications for VFM/ opportunity audit – open discussion with opportunity for delegates to raise specific concerns and ideas