

Risk Based Auditing Course Outline

Day 1 **Risk and Internal Audit**

The key aspects of Risk Based Audit

- **Explanation of risk based audit (RBA)**
- **Worldwide trends**
- **Trends (from the BRM Internal audit best practice database)**
- **The transition from systems based to risk based assurance**
- **How risk based audit has changed the face of auditing**
- **Audit's primary roles, objectives and concerns**
- **Questions about the maturity of the audit process**
- **How RBA links to other audit approaches**
- **The role of the function – policeman, risk assessor or consultant**
- **How to ensure you adopt best practice**
- **The need widen the coverage - to become less financially based**
- **RBA in the different sectors**
- **The steps needed to embrace a risk based approach**
- **Audit risks (what risks do you face?)**
- **The key challenges resulting**

Exercise 1 Challenges for Internal Audit

The importance of risk

- **The wider business agenda – understanding strategic risks**
- **How risk management has grown from being a useful tool to being the very pulse of the organisation**
- **Selling the need for a RBA approach**
- **Building an appreciation of your organisation's risk appetite**
- **The International Risk standard ISO 31000**
- **A new paper on the audit implications of ISO 31000**
- **Steps to take in establishing a risk management programme**
- **Outline of a best practice process**
- **A new paper on Risk management challenges and the IA impact**

Exercise 2 Analysing a disaster (risk and controls)

Risk and Internal Audit

- New IIA professional guidance – an approach to implementing RBA
- 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

Exercise 3: Risk and reward – team exercise

Strategic Audit Planning

- Strategic audit planning
- How to decide which areas to audit
- The audit universe – new IIA guidance
- Determining the level of assurance
- New IIA guidance on annual internal audit coverage plans
 - The RBA audit plan preparation
 - Risk Based Internal Audit Plan Example
- **Demonstration of a best practice audit risk planning model (an electronic version will be provided)**

Exercise 4: Developing a strategic audit Plan

Day 2 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 5. Specific audits 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
- Determining an audit risk and control assessment
 - Evaluating and recording such assessments
 - Presenting the evidence to management
 - How to ensure consistency

Exercise 6: Challenges of the RBA – group discussion

The RBA approach

- 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

The Converging Roles of the Assurance Providers

- The increasing emphasis on governance, assurance and control
- How should the various assurance providers rise to the risk challenge?
- Synchronising regulatory compliance with internal audit and the risk management functions
- The need to coordinate quality assurance, security, insurance and the health and safety functions in relation to risk management
- Linking external auditors into the process

Exercise 7: Coordinating your efforts with other assurance providers