

Risk Based Auditing of Projects and Contracts

Course Outline

Day 1 Understanding Project Risk

What is Risk?

- Uncertainty or a surprise?
- Something that can go wrong or failure to get things right?
- Risk cultures and the impact on project delivery
- Enterprise risk management
- Why projects often fail.
- OGC paper on why projects fail
- The need for a formal approach to risk management
- How to avoid failure
- Risk appetite and the implications for projects
- The benefits of project risk management
- How to quantify and measure risk – and why the approach followed by most organisations is incorrect
- The role of risk champions
- New paper on initiating successful projects
- High profile project failures and the lessons to learn

Exercise 1 Why projects fail – The Wall

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
- Unclear or inconsistent PM processes
- Business requirements unclear or changing all the time
- Technical requirements complex or new
- Complex system interfaces
- Unrealistic timescales
- Long estimated project duration
- Type of project new to the business
- Businesses processes require major change
- Heavy customisation of packaged solutions

Exercise 2 The key project risks – using a project risk checklist

The 10 Golden Rules of Project Risk Management

- Make risk management an integral part of the project - Dubai Metro case study
- Identify risks early in the project – London Millennium Dome case study
- Communicate the risks widely – Sheikh Zayed bridge case study
- Consider both risks and opportunities – Dyson case study
- Ensure each risk is owned
- Prioritise the risks – Cairn Energy case study
- Analyse the risks properly – Space shuttle case study
- Plan and implement risk responses – BP case study
- Record project risks in a register
- Track the risks

Exercise 3 The project risk management process

Risk Identification and Evaluation

- Approaches and techniques
- Questions to about project risk identification
- Surprises and risk in projects
- How to establish a risk workshop process
- The use of diagnostic questions and thought-provokers
- Other methods of risk identification
 - Monte Carlo Simulations
 - Bayesian networks
 - Scenario planning
- 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.

Exercise 4 - An Actual Project Risk Workshop – at the project development stage

What is Risk Based Audit?

- Definitions
- Worldwide trends
- Trends (from the BRM Internal audit best practice database)

- Audit's primary roles and objectives in relation to projects
- The different approach dependent on risk maturity of projects
- What does it mean to be a project auditor?
- How to ensure you adopt best practice
- The key challenges resulting

Exercise 5 Challenges for Internal Audit (SWOT)

Risk and Project Audit

- An Introduction to project audit IIA paper
- Project audit guidance
- Identifying, appraising and evaluation risk during the audit process
- Translating key risks from the business risk process into the basis of the audit programme
- Monitoring of action plans
- Evaluation and reporting of actual versus perceived controls
- Determining which key risks are not readily auditable
- Coordinating efforts with other assurance providers

Exercise 6: Risk and reward – team exercise

Day 2 Auditing projects and contracts

Strategic Audit Planning

- Determining which projects to audit, to which frequency and to what depth
- Determining the level of assurance required
- Determining the level of assurance that can be provided
- A computer model will be provided to all delegates

Exercise 7: Determining project audit priorities

The project RBA approach

- Steps in a project audit
- Benefits of a project audit
- Judging 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
- Identifying residual risks above the risk appetite

Exercise 8: The audit involvement in the project life cycle

Auditing contracts

- New paper from OGC
- Procurement contracts
- Procurement strategy
- Meeting key supply needs
- Procurement checklist will be shared
- Strategic procurement
- Tactical procurement
- Emergency contracts
- Expert advice
- External agencies
- Assessing contractor performance
- Auditing procurement checklist will be shared
- Tendering procedures
- Issues to look out for
- The bidding story
- Delegation and authority
- Sourcing strategy
- Collaborative procurement
- Procurement audit approach
- Procurement audit toolkit

Exercise 9: Using the procurement audit toolkit

Auditing JV's and partnership contracts

- Ensuring that there is a risk strategy for partnership working
- The need to identify and schedule key partnerships
- What protocol is in place?
- What is the review mechanism?
- Is it effective?
- What frequency is there for review by management?

- What mechanism is there to guide management in attending partnership meetings
- Has each partnership/JV been risk reviewed
- Partnership audit toolkit
- Steps in a JV audit

Exercise 10 – The challenges of auditing a partnership

Day 3 Auditing major projects

Steps in a major project audit

- Assessing the project life cycle
- Different types of construction project and their implications
- Selection of Professional Services providers
- 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
- Selecting a contractor
- Competency and viability

Exercise 11: The project game – why major projects overrun

The project in progress

- The construction plan
- Design methodology
- Site visits
- Measurement and valuation methods
- Red flags
- Evaluating the Quantity Surveyor process
- Innovation and reward
- Variations and claims
- Performance management
- Payments
- Liquidated damages
- Performance guarantees
- Sub-contractors

- Contract finalisation

Exercise 12: Auditing the project during the 'build' phase

Cost control and accounting

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

Exercise 13: Auditing the costs

Handover and post audit

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

Exercise 14: Completing a post Audit of a project

IT Projects

- IT projects GTAG
- The case for auditing IT projects
- Business and IT alignment
- Types of project audit
- Use of CobIT
- Key risks in IT projects
- IT Project audit checklist will be provided

Exercise 15: IT project failures – risks and causes

Other Projects

- Open forum to discuss projects as per specific delegate requirements