

Opportunity Auditing

INTRODUCTION

- 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 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 Opportunity Auditing training seminar will provide the tools and techniques to develop and deliver an opportunity focused plan and deliver measurable added value.

This training seminar will highlight:

- The power of opportunity auditing and value for money reviews
- A proven approach to target the audit programme to optimize success
- How to focus on areas of opportunity in regular assurance reviews
- The way to identify and deal with over-managed business areas
- A simple method to reduce unnecessary controls

OBJECTIVES

After completing this training course you will be able to:

- Apply the theory and practice of opportunity auditing
- Deliver real cost savings to the business
- More than cover the costs of your function with these cost savings
- Plan assignments effectively to focus on opportunity as well as risk
- Audit business areas which may have not been previously covered
- Assist management to simplify and streamline processes
- Measure performance in a more business centric manner

TRAINING METHODOLOGY

- This is a basic / intermediate level course and delegates are not required to have any previous experience in fraud prevention or detection to attend. Delegates should have a good educational standard and/or a professional qualification and no advance preparation is required
- The delivery method will be Group-live with exercises and role-plays to simulate audit scenarios and situations that assurance professionals will encounter. A short examination will be given at the end of the course.

ORGANISATIONAL IMPACT

- This Opportunity Auditing training course will benefit organisations in all business sectors. It will provide the basis for a subtle but hugely powerful shift in the focus of Internal Audit towards a much more consultancy and value adding approach. The financial and operational benefits will be significant.

This training course will enable organisational knowledge to be enhanced in the following areas:

- Identifying processes which are carried out 'just because they always have been'
- Determination of activities which add little business value and can be significantly reduced
- A focus on the 3 E's (Economy, efficiency and effectiveness)
- Identification and simplification of overlapping processes
- Reduction of over-managed risks

PERSONAL IMPACT

This training course will enable delegates to enhance their personal knowledge in the following disciplines:

- Identification of measurable benefits
- Simplification of complex processes
- Asking relevant questions
- Focussing on savings potential
- Delivering success

WHO SHOULD ATTEND?

This training course is suitable to a wide range of professionals but will greatly benefit:

- Audit Managers
- Senior and Lead Auditors
- Quality Auditors
- Heads of Audit (CAE's)
- Managers needing a broader understanding of opportunity identification

Course Outline

The Principles of Opportunity Auditing

What is Opportunity Auditing?

- How does it differ from other audit approaches?
- Opportunity or Value for Money Auditing
- The 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?
- How did you score on the questions?
- The Relationship between Opportunity and other Types of Audit
- The Benefits of Opportunity Auditing
- Performance Auditing Guidance
- The Associated Dangers e.g. trying to quantify non-quantifiable savings

Exercise 1 – The challenges

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

Key Steps in Completing an Opportunity Review

- How to select the topics?
- The Research Phase
- Objectives, Methodology and Techniques
- Establishing Terms of Reference

Exercise 3 - Determining the opportunity audit objectives / scope

Opportunity Audit Techniques

- The Range of Techniques
- Comparative Analysis
- Evaluating Effectiveness, Efficiency and Economy
- Evaluating Productivity in Practice
- Working with other Specialists
- Measuring Opportunities
- Opportunity Audits of Line Functions
- Opportunity Reviews of Projects
- VFM as an Investigative Tool
- A VFM Audit Template will be Shared
- Developing a Terms of Reference

Exercise 4 - Planning the audit approach

Identifying Over-managed Risks

- 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 5 - What areas would be useful to review?

Developing an Opportunity Register

- The Need to Record Potential Opportunities
- Adopting an Opportunity Matrix
- Prioritising Actions to Deal with Over-managed Risks
- Develop an Opportunity Register
- Key Elements

Exercise 6 - The opportunity register

Choosing the Opportunity Audit

- Risk and Opportunity Approach
- VFM Audits should be Prioritized as other Audits
- Benchmarking Techniques
- Helps Organisations to Identify Areas where their Costs are 'Out of Kilter' with their Peer Group
- Cross Sector Comparisons of the 3 E's

- They Assess the Issues largely from the Perspective of Past Performance
- Most Common Opportunity Audit Topics
- Travel Management
- Mobile Communications
- Insurance
- Stationery
- Energy Management
- Budgeting
- Meetings Management
- Office Furniture

Exercise 7 – Selecting the VFM audit

Opportunity Auditing of Projects

- The Need to Audit Projects as they Happen
- Steps in a Project Audit
- Auditing at the Feasibility Stage
- 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 and Opportunities
- Dealing with Them

Exercise 8 - The audit involvement in the project life cycle

Performing an Opportunity Audit

Performing the Assignment

- Audit Programmes with Examples
- Walk through Tests
- VFM Fieldwork Techniques
- Audit Testing – How to decide the type and depth of testing?
- Ask Personnel for their Frustrations and Ideas
- Ask for Reports and Measures Already in Use
- Ask about Measures they would like to See
- IIA Guidance on Testing
- Key Personnel
- Spending Levels and Revenues
- Major Operations, including in the Field
- Control Systems
- Functional and Audit Objectives

Exercise 9 - The opportunity audit in practice Assessing Performance Measures

- How to determine performance measures?
- Good KPI's
- SMART Measures
- Auditing Performance Measures
- Audit Programmes in this Regard

Exercise 10 – Assessing Performance measures

Specific VFM Assignments – with hints and tips Mobile Telecommunications

- What are the objectives?
- What are the risks?
- How to compare bills, tariffs and added value benefits?
- Hardware vs. Airtime Costs - How to evaluate?
- Understanding the Trends in the Market
- Identifying the Inputs and Outputs
- What measures of the 3 E's would you expect?

1. 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?

2. 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?

3. Insurance

- Evaluating current Spend
- Assessment of Number of Claims
- Evidence of Controls required by the Insurer
- Use of Captives

4. 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

5. 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

Exercise 11 – Audits will be chosen by the delegates and the audit planned using the approach outlined
: Opportunity Auditing Linked with the Traditional Assurance Assignment
Auditing Systems under Development

- Why auditing systems under development need not compromise your wider audit role?
- The Need to Audit at Key Stages – not to be part of the project team
- Ensuring that the Processes and Policies are Complied With
- Determining the Points of Potential Failure and Areas of Opportunity to Streamline
- Ensuring Controls are Not Bypassed – due to time constraints
- Ensuring Risks and Opportunities are Identified at the Start and Regularly Reviewed
- Ensuring Sufficient End-user Involvement
- Audit Stages and the Questions to Ask

Exercise 12 – The benefits of system development audit

Auditing Brand and Reputation

- The Rise of Reputation
- 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 Success
- Global Brands
- How to judge reputation?
- Identifying Reputational Benefits and Challenges
- A Checklist for Reviewing Reputation will be Provided to All Delegates

Exercise 13 – Auditing business reputation

Understanding and Hopefully exceeding Stakeholder Expectations

- Who are the stakeholders?
- Are stakeholders' expectations known?
- Arranging Meetings with all Stakeholders
- Workshops with key stakeholders?
- Are the expectations clear?
- How can you meet the widely differing expectations?
- Are there any areas where expectations could be exceeded?
- Are there any quick wins?
- What reports should IA provide to stakeholders?
- A New Paper on Working with Stakeholders will be Shared
- New Advice on Auditing Strategy
- What every Director should know about IA? – New Guidance

Exercise 14 - Meeting the ever expanding requirements of stakeholders – What should the IA role be?

The Opportunities by Fully Coordinating the IA Role with the Other Providers of Assurance

- Ensuring Your Assurance Provider Roles e.g. Internal Audit, Compliance, Risk Management, Insurance, Security are coordinated to avoid duplication of effort
- Why you should incorporate internal audit agreed actions in your risk register?
- Ensure Environmental Risk is taken seriously even if you are in a sector such as Financial Services
- Ensure that Your Business Continuity Plan Covers All Eventualities and Ensure it is Fully Tested
- Identify New Ways to Benefit the Least able Section of the Wider Community You Serve
- New Guidance on Coordinating RM & Assurance

Exercise 15 – The benefits and deliverables from Assurance Mapping Strategic Audit Planning and Opportunity Auditing Strategic Audit Planning – Covering both Risks and Opportunities

- The Need for a Strategic Audit Plan
- How to decide which areas to audit and how often?
- New IIA Standard
- Determining the Level of Assurance
- New IIA Guidance – Production of the Audit Plan
- Developing the Audit Universe – Issues to include
- IT Governance
- Expenditures with Cost Saving Opportunities
- Ethics Programme
- Outsourced Operations
- Value for Money Assignments
- Projects
- Systems under Development
- 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 16 – Developing the audit plan using the model

Audit Analytics for Opportunity Audit

- The Use of Analytical Tools
- The Process of Data Mining
- Applications of CAAT's
- Fuzzy Matching
- Data Validation
- Trend and Pattern Analysis
- Neural Networks
- Continuous Auditing and Continuous Monitoring
- The Use of CAAT's for Continuous Auditing
- Benford's Law and its Importance in Analytics
- Auditing Big Data
- Implications of IIA GTAG – Understanding and Auditing Big Data
- The Use of Internal and External Databases
- How to put the techniques into use in your organisation?
- Practical Uses of Data Analytics and the Results Achievable

Exercise 17 – Use of data analytics in opportunity audit

The Opportunity Audit Report

- The Challenges
- The Need for Impact
- How to grab attention?
- What management expects?
- Knowing What to Write
- Convincing the Reader
- Getting the Right Balance
- Focussing the Report
- Discussion of Implications
- Benefits rather than Weaknesses
- Audit Opinions
- Words and Phrases to Use
- Recommendations and Action Plans
- Follow-up