

# Risk-Based Internal Audit

## Why Attend

- Internal auditing is defined by the Institute of Internal Auditors as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
- Changes in the regulatory and corporate governance environment have significantly increased the expectations that many stakeholders place on the internal audit function. This course guides internal auditors through the required standards for performing the internal audit. It covers up-to-date tips and tools to accomplish the audit in an efficient, flexible, and results-based manner in order to support the organization's strategic objectives, improve its sustainability and leverage its ability to face future challenges.

## Course Methodology

- The course uses a mix of interactive techniques, such as brief presentations by the consultant, case studies, live demonstrations of sampling methodologies and group exercises to apply the knowledge acquired throughout the course.

## Course Objectives

By the end of the course, participants will be able to:

- Define the scope and function of internal audit within the company
- Distinguish the types of internal audit assignments related to operational, compliance, quality, safety or financial internal audit
- Describe the internal audit planning guidelines and develop a risk-based audit plan
- Apply techniques for risk identification, controls identification and controls testing
- Identify the best sampling techniques in an internal audit assignment considering sample size or sample selection
- Select the appropriate internal audit test tools and list the advantages and disadvantages of each

## Target Audience

- Delegates with some experience in auditing as well as junior auditors or professionals from finance or other departments looking to develop a focused and best practices approach to the internal audit function. This course is also suitable for supervisors and managers who are interested in updating, upgrading, and refreshing their knowledge of the internal audit function.

## Target Competencies

- Risk based audit planning
- Evaluating risk management frameworks
- Evaluating internal audit functions
- Identifying risk
- Identifying and designing controls
- Sampling
- Completing fieldwork audit

### Risk and internal audit overview

- Definition of risk
- Types of risk in an organization
- Strategic, reporting, compliance, operational, financial and physical
- Scope of corporate governance
- Building blocks of corporate governance
- Internal audit as a function of corporate governance
- Scope of internal auditing
- Reasons to have an internal audit function
- Distinguishing internal from external auditing
- The internal audit charter
- The role of an audit committee
- Risk management process
- Five steps to accomplish an effective Enterprise Risk Management (ERM) framework
- COSO enterprise risk management framework
- Determining the risk appetite
- The role of an internal audit activity in risk management

### Types of internal auditing

- Assurance services: the third line of defense
- Performance auditing
- Operational auditing
- Contracts auditing
- Financial auditing: accounting cycles audited by the internal audit function
- Security and privacy auditing
- Quality auditing

## Risk-based internal audit: planning the fieldwork

- Reasons for risk-based audit planning
- Three stages for implementing risk-based internal audit
- Stage 1: risk maturity assessment
- Actions of internal audit to assess risk maturity
- Overall audit strategy based on risk maturity
- Conclusion on risk management framework
- Stage 2: production of the audit plan
- Assurance requirements from board and management
- Actions to achieve production of an audit plan
- Identify processes and responses on which assurance is required
- Categorize and prioritize the risks
- Scoring and weighing risks
- Link risks to audit assignments
- Using assurance maps to determine assurance requirements
- Stage 3: conducting audit engagements

## Risk-based internal audit: conducting audit engagements

- Internal audit role in performing the audit
- Assessing risks: inherent, control, detection and audit risks
- How management and internal audit can minimize risk
- Engagement planning
- Engagement objectives, scope and criteria
- Engagement work program
- Role of internal audit staff
- Defining management assertions
- Uncover risks during audit engagement
- Example of internal audit risk assessment scale
- Testing management controls
- Insights on flowcharting for understanding cycles and controls
- Assess design of internal controls
- Test operating effectiveness of internal controls
- 10 steps to complete the audit stage
- Summarizing audit conclusions for the audit committee

## Technical tools for internal auditors

- Tips and tools for audit sampling
- Information gathered by internal auditors
- 4 qualities of information
- Sources and nature of information
- Assessing the degree of persuasiveness
- Types of engagement procedures
- 15 internal audit test tools
- Observation
- Interviewing: a disliked technique
- Interviewing skills: how to run a successful interview
- Role play: internal auditor in action
- Examining records
- Verification and confirmations
- Vouching and tracing
- Re-performing
- Internal audit working papers
- Best practices for managing working papers
- Retention policies
- Communicating fieldwork results and recommendations
- Legal considerations for communicating results
- 4 attributes of an observation or recommendation
- Disseminating results and exit meetings