

Auditing Collaboratively

RETHINKING THE AUDIT PROCESS TO ENHANCE
VALUE



Nine Strategies and Four Tools for Auditing Collaboratively

Beware the
super chicken

Mind your self
importance

Big picture
thinking

Grow yourself,
then grow
others

Build you
mental
desktop

Build strong
professional
relationships

Leverage
Feedback
Loops

Consider your
perspective on
risk

Continuous
innovation

Consider
behavioral
norms

An Audit is
more than a
report

Effective
Meetings

Risk
Assessment

Process Maps

Risk Control
Matrix

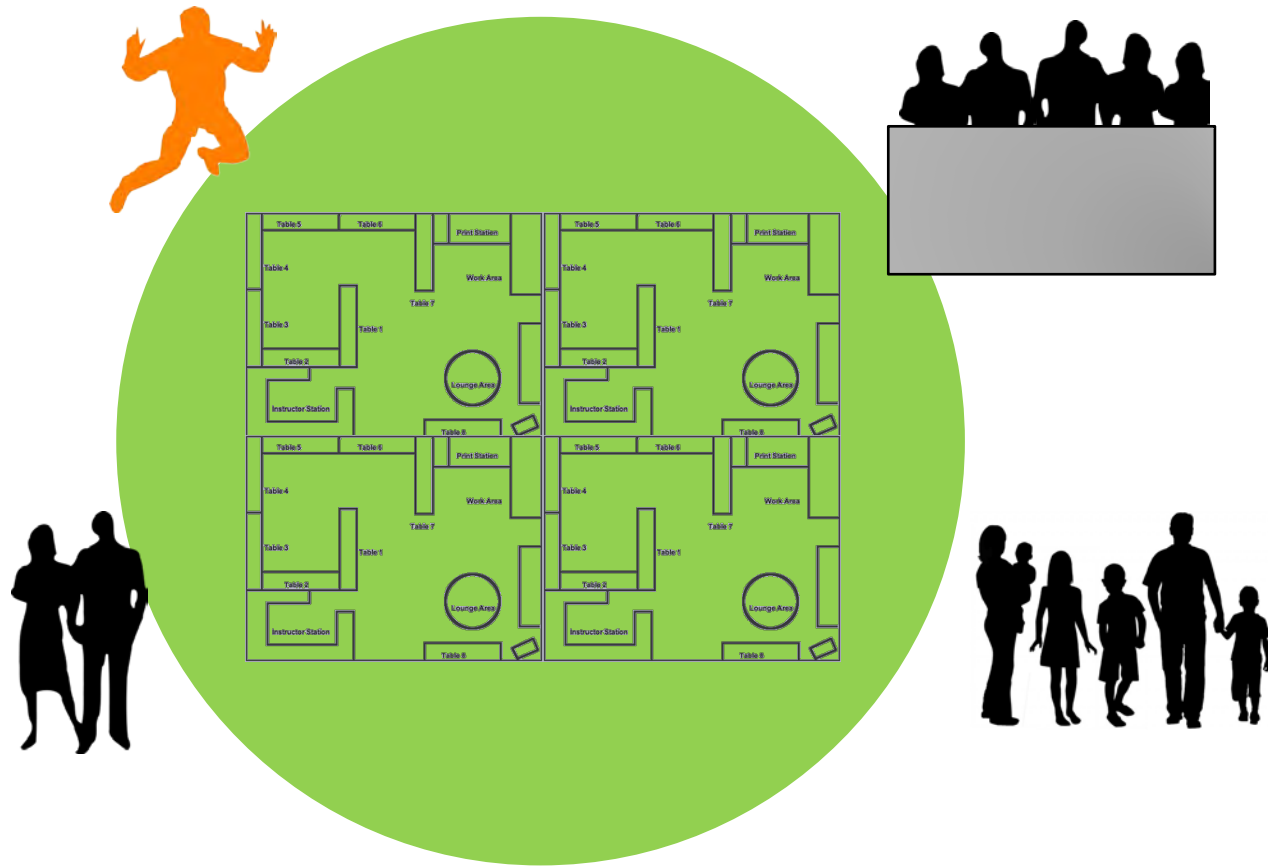


Setting the
Stage

Understand the Circle of Trust & Cooperation



Understand the Circle of Trust & Cooperation





Strategies for Collaborative Auditors

Beware the “Super Chicken”



**Margaret Heffernan – “Why it’s time to forget the pecking order at work”*

Mind Your Self Importance

“Every act of conscious learning requires the willingness to suffer an injury to one’s self esteem. That is why young children, before they are aware of their self importance, learn so quickly.”

Thomas Szasz

Big Picture Thinking

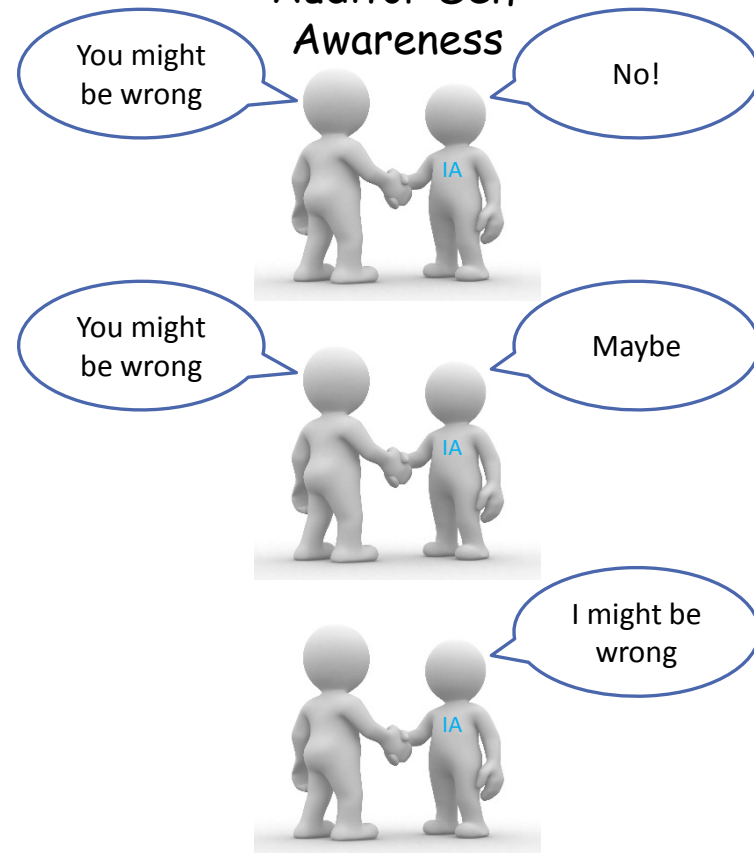
- Generate ideas
- See significance of work
- Effectively convey significance of work to others
- Connect the dots to generate action



Grow Yourself, Then Grow Others

- Make mistakes and learn from them
- Motivate people
- Seek out the right mentor & be a mentor
- Be self-aware

The 3 Stages of Auditor Self Awareness



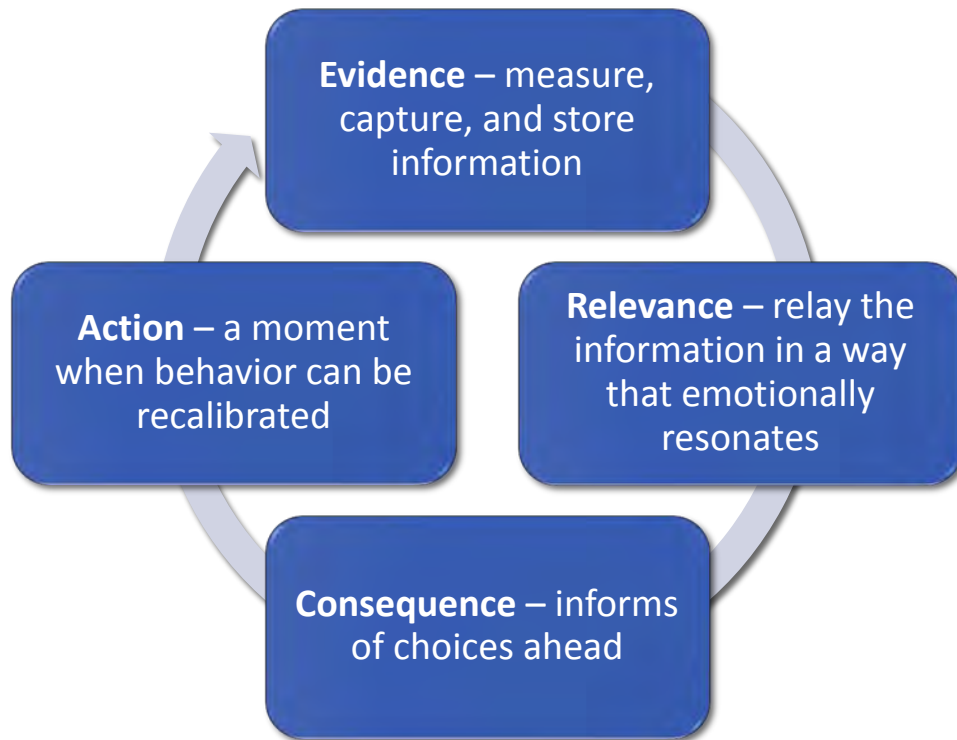
Build Strong Professional Relationships Based on Integrity and Trust

- Do what you know is right even in difficult times
- Involve others in your business
- Understand others business
- Trustworthy = Honesty + Competence + Reliability
- Don't hide behind independence



Source: *Lessons Learned on the Audit Trail* by Richard Chambers, IIA President and CEO

Leverage the Concept of Feedback Loops



- Action, information, reaction
- Consider building feedback loops built into your own operations

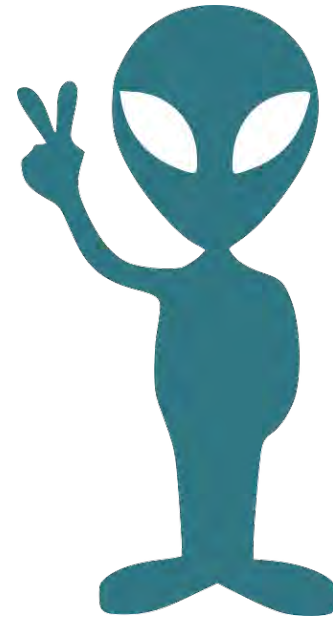


Consider Your Perspective on Risk



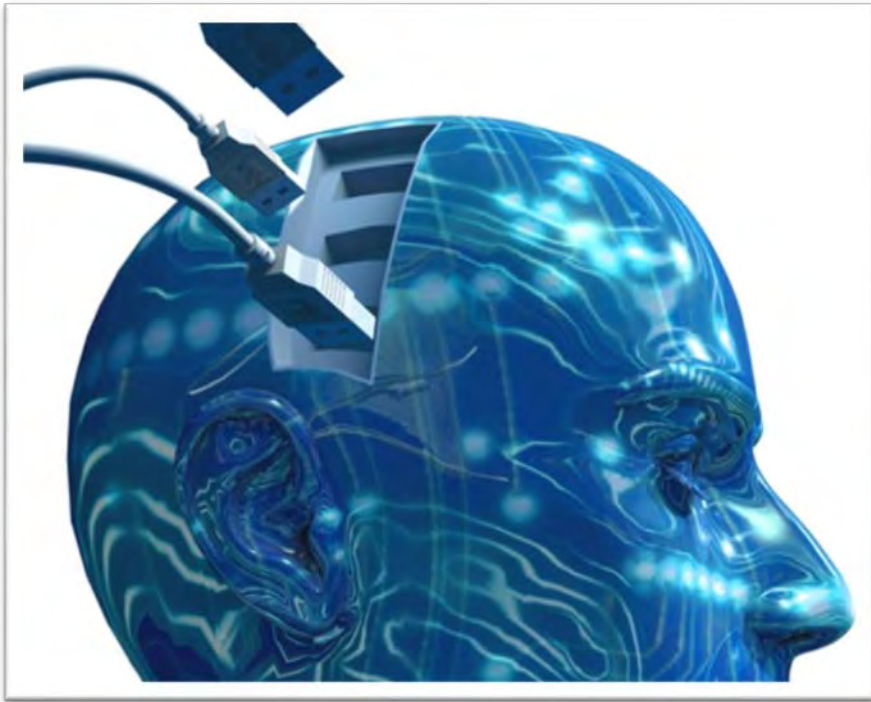
Eliminate all risks

OR



Support good decision
making around risks

Build You Mental Desktop



- Get or stay connected with others, grow your network
- Stay open to new ideas
- Build your *mental desktop*

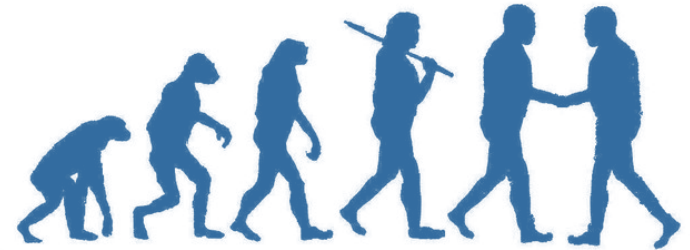
Continuous Innovation

- Creatively and proactively adapt to change
- Take risks
- Look for ideas everywhere
- See things differently



Pause and Consider Human Behavioral Norms

- Recognize your strengths and your weaknesses
- Recognize human nature
- Understanding how people react in different situations supports clear communication and reduces misunderstandings common in too many audits



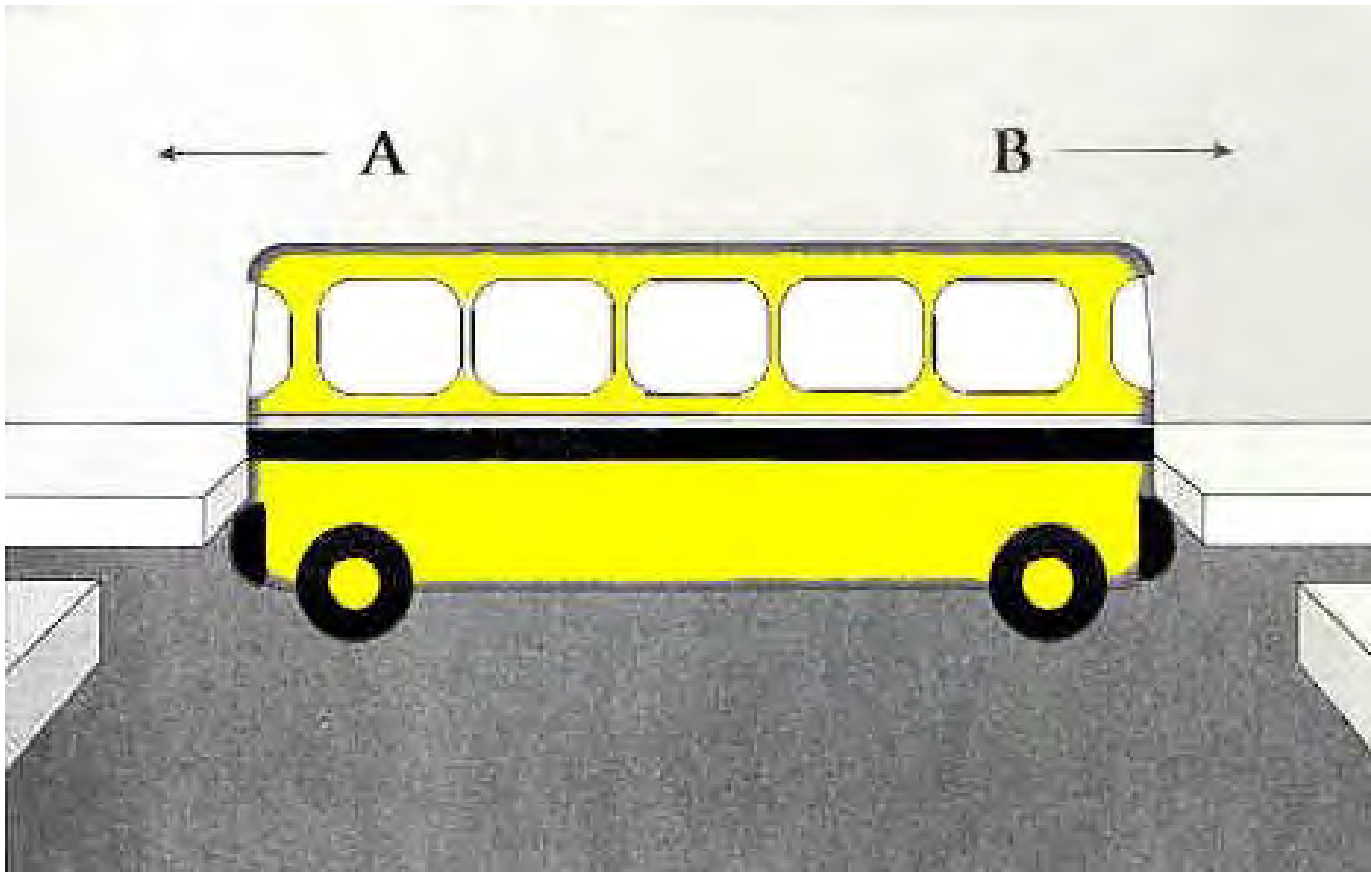
Provide a range in which the correct answer falls:

Distance between the Earth and Venus 162 Million Miles
(in miles)

Average number of bees in a hive ~50,000

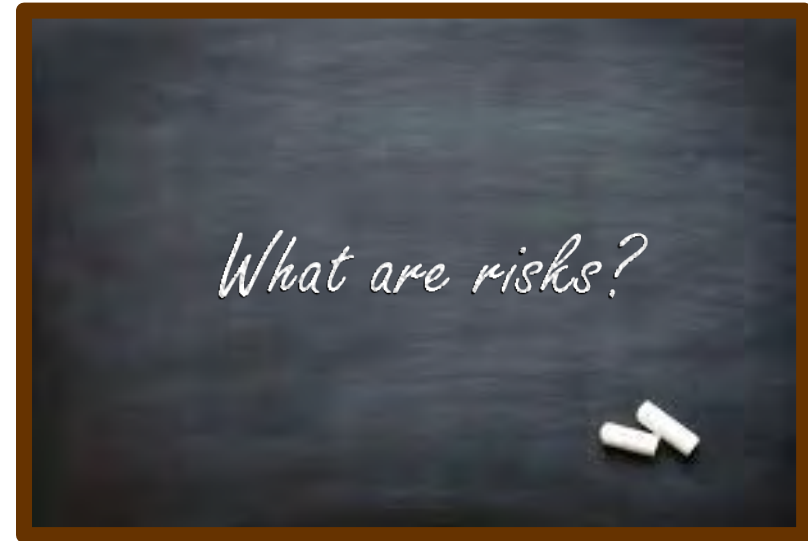
Population of Mauritius 1.29 Million

Which way is the bus going?



An Audit is More Than The Resulting Report and Recommendations

- More than anything, an audit is an opportunity to educate and learn
- Value is created when the impact of your audit goes well beyond the final report.





Tools for
Auditing
Collaboratively

Effective Meetings

- Using your client's time effectively and efficiently is critical to a successful audit.
- Every meeting should be planned in advance with an agenda and objectives.
- If pre-work is needed, send it as far in advance as possible,
- Reschedule meetings if you are not prepared.
- Set expectations for yourself and the client
- The “No Surprise” Audit

Session 1 Meeting Agenda Email Template

I scheduled a meeting for [date] for us to get together to discuss the program objectives, performance measures, and risks. I have attached the following for your review:

1) Risk Assessment Worksheet – This is one of the tools we will be using to organize information and determine which areas to focus during the audit. A risk is a potential event or missed opportunity that may negatively impact your ability to meet your business objectives. I filled out this worksheet based on my review of various documents and interviews. At our next meeting, we will discuss this worksheet to make sure it reflects your thoughts. Please do not spend more than a half an hour on this. This is a brainstorming tool and I will be using it to guide our discussion and we will keep building on it.

2) [Title] Process Map – I will be drawing more process maps during the audit to facilitate our communication and make sure I understand your processes accurately.

3) [Status Update]

I also have the following questions:

a) Are there additional performance measures you currently use or you would like to start using?

b) [Additional Questions]

Please feel free to call me if you have any questions.

Risk Assessment

- What it covers:
 - Risk
 - Impact
 - Preliminary mitigating controls
 - Likelihood x Impact = Risk Rating
 - Link to process maps
- The foundation of your audit and an effective tool for facilitating meaningful conversation.

As of 7/27/15

Risk ID	Risk (Potential event or missed opportunity)	Impact (How the objective may be negatively affected)	Preliminary Mitigating Controls	Impact Score (1 - 5)	Likelihood Score (1 - 5)	Risk Score (Impact x Likelihood)	Risk Rating (L, M, H)	Related Process
A	Authority and responsibility for workers' compensation administration or safety are not assigned to individual(s) with necessary knowledge and skills	Internal control responsibilities are not carried out resulting in: <ul style="list-style-type: none"> • Ineffective administration of the workers' compensation program • The Injury and Illness Prevention Program not implemented or maintained 	<ul style="list-style-type: none"> • Written Injury and Illness Prevention Program (IIPP) assigns authority and responsibility over IIPP to the Safety Officer with the necessary knowledge and skills. • The written policy assigns the authority and responsibility for claim administration to the HR Risk Manager who has the necessary knowledge and 	4	1	4	L	N/A
B	Workers' compensation claims are not filed in a timely manner	<ul style="list-style-type: none"> • Increased cost in claims and lost labor resulting from aggravated or prolonged injury or illness 	<ul style="list-style-type: none"> • Employee training for timely reporting • Policies and procedures on the Intranet • HR Risk Manager's monthly review of 	4	5	20	H	Claim Initiation
C	Workers' compensation claims are not closed out in a timely manner	<ul style="list-style-type: none"> • Increased cost in claims resulting from unmitigated exposure to future liability 	<ul style="list-style-type: none"> • TPA incentivized by contract to close claims in a timely manner • HR Risk Manager's monthly review of TPA performance • HR Risk Manager's quarterly meetings with TPA and supervisors to review 	5	3	15	M	N/A
D	False or inflated claims are filed and paid	<ul style="list-style-type: none"> • Increased cost in claims and lost labor • Negative impact on ethical environment and employee morale 	<ul style="list-style-type: none"> • TPA required by contract to review claims for red flags to detect and follow up on false or inflated claims • HR Risk Manager's quarterly meetings with TPA and supervisors to review 	5	2	10	M	N/A
E	TPA does not perform the required work in accordance with the contract terms	<ul style="list-style-type: none"> • Increased cost in claims and lost labor • Violation of laws and regulations and resulting penalties • Overpayment of administrator fees 	<ul style="list-style-type: none"> • HR Risk Manager's monthly review of TPA performance • HR Risk Manager's quarterly meetings with TPA and supervisors to review 	5	2	10	M	N/A
F	Workers' compensation costs are not recorded or disclosed completely, accurately, and consistently	<ul style="list-style-type: none"> • Misstatement of financial statements • Inability for stakeholders to make informed decisions due to unreliable reporting of financial data 	<ul style="list-style-type: none"> • Monthly reconciliation of TPA check register to the general ledger • Annual financial statement audit by the external auditor 	3	2	6	L	N/A
G	Performance measures are not identified, tracked, or reported accurately to monitor the workers' compensation program performance	<ul style="list-style-type: none"> • Inability for stakeholders to make informed decisions due to lack of or unreliable reporting of operational data 	<ul style="list-style-type: none"> • TPA required by contract to report monthly and annually on the program's performance to measure progress over time 	4	1	4	L	N/A

Confidential Working Draft
For Discussion Only

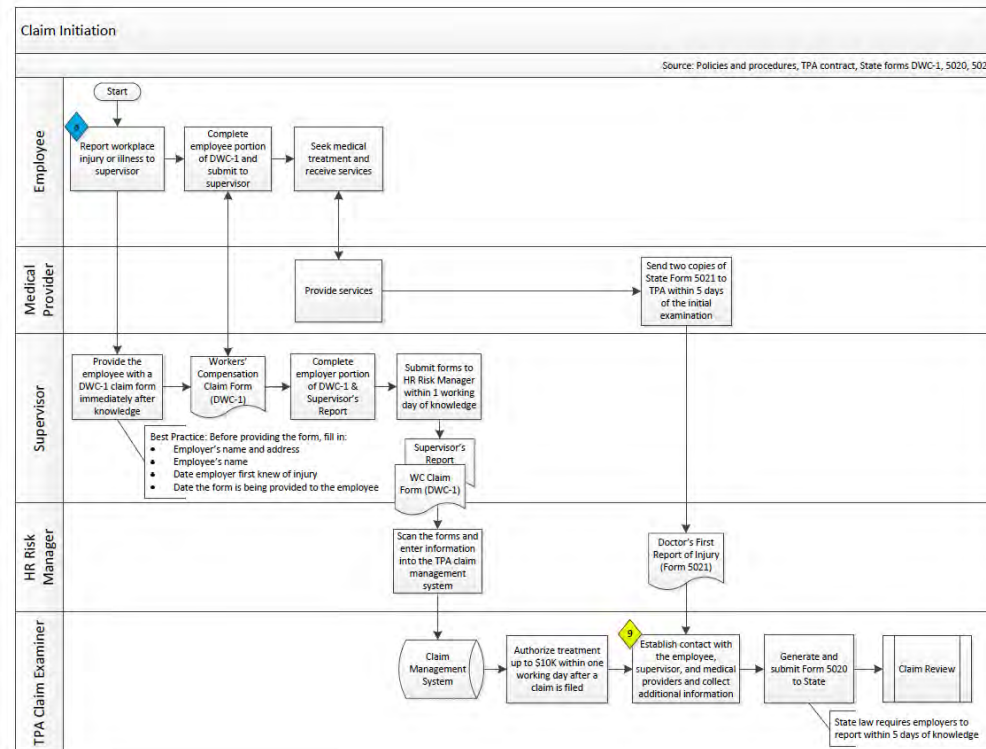
Risk Control Matrix

- What it covers:
 - Controls
 - Control Owner
 - Link(s) to risks
 - Manual/Automated
 - Preventive/Detective
 - Fieldwork approach
- Basis for an effective audit program.
- Strategize your testing approach for an efficient, streamlined audit.
- Like the Risk Assessment, should be treated as a living document that changes as you learn more.

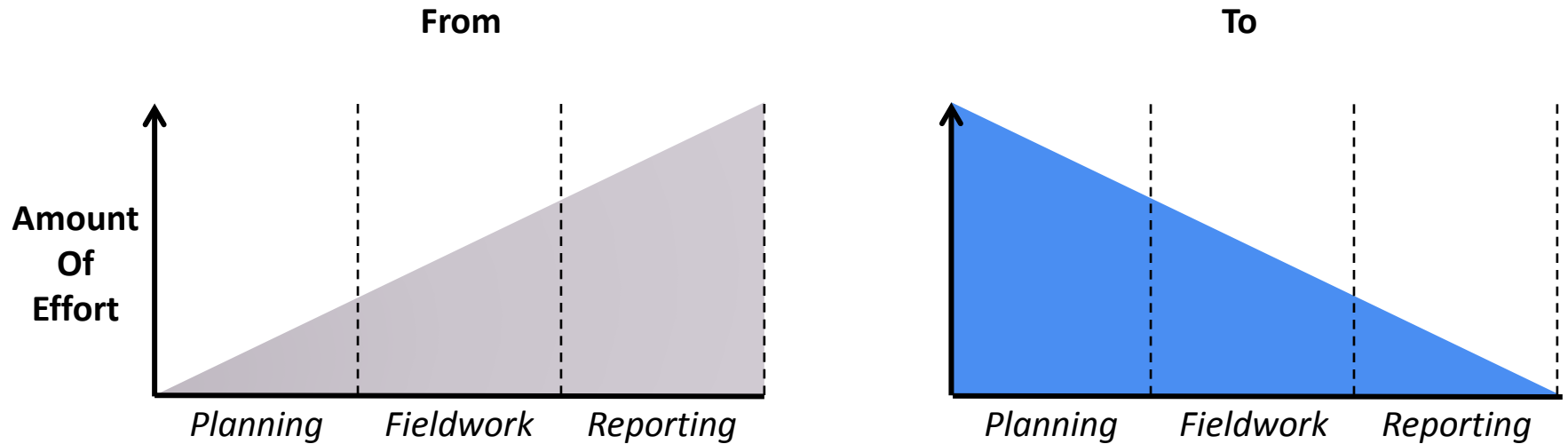
Risk (From Risk Assessment)		B	C	H	I	Fieldwork Approach
Risk Rating (High, Medium, Low)		H	M	H	H	
Existing Controls	Control Owner					
1 HR Risk Manager annually reviews the workers compensation policies and procedures with TPA to reflect the changes in laws and regulations. The updated policies and procedures are posted on the Intranet.	HR Risk Manager	M/P				Light
2 HR Risk Manager and TPA jointly provide annual employee training to keep employees up to date on the workers' compensation claim reporting process.	HR Risk Manager	M/P				Light
3 HR Risk Manager reviews TPA monthly reports to monitor TPA performance and compliance with the contract requirements, and follow up on any identified issues with TPA.	HR Risk Manager	M/D	M/D		M/D	Detail
4 HR Risk Manager meets with TPA and supervisor quarterly to review each active claim and the employee's work status.	HR Risk Manager		M/P&D		M/P&D	Detail
5 Supervisors are required to investigate accidents, near misses, or common illnesses to understand their cause(s), and submit a written report to the department safety coordinator with a copy to the Safety Officer.	Supervisors			M/D		Light
6 The Safety Officer and department safety coordinators are responsible for offering training through the training management system and maintain records including the dates, training description, provider's name, and sign-in.	Safety Officer, Department Safety Coordinators			M/P		Medium

Process Maps

- Clearly illustrates the process to ensure shared understanding
- Links to Risk Control Matrix to provide a comprehensive visualization of the entity's control structure
- Assists in identifying process inefficiencies and opportunities for streamlining and/or cost savings



Collaborative Results



The tools themselves are nothing special...it's how you use them that matters

Questions

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