



Expert Team on Centre Audit and Certification

Wellington

1 – 4 October 2018



Auditing Refresher : Planning Interviews

Operational Risk

Process Controls



Auditing Refresher - Planning Interviews

Why do auditors Interview?

- To gain an understanding of the process
- To verify information or evidence from elsewhere
- To test opinions or conclusions
- Basically - To gain "Audit Evidence"



Interview models – PEACE model

- Developed in the early 90s by law enforcement and psychologists in England and Wales
- Conceived to stem the false confessions that were resulting from an accusatory style of interviewing



Interview models – PEACE model

- Is a non-accusatory, information gathering approach to investigative interviewing suitable for any type of interviewee
- Used by Police, insurance investigators, auditors etc



PEACE

- Preparation and Planning
- Engage and Explain
- Account, Clarify and Challenge
- Closure
- Evaluation



P – Preparation and Planning

- Understand your audit objective
- Research any relevant information
- Plan your day
- Consider the interviewee(s) backgrounds
- Consider areas for questioning - stay flexible



E – Engage and Explain

- Explain the reason for the audit
- Give an overview of the process
- Discuss any ground rules (no phones or distractions)
- Put the interviewee at ease and build a rapport



A – Account, Clarify and Challenge

- Ask the auditee to explain their role
- Use open questions that elicit an explanation (“Tell me”, “Explain to me”, “Show me”)
- Listen in a non-judgemental manner & don’t assume
- Question any areas that require clarification



A – Account, Clarify and Challenge

- Don't interrupt or answer for the interviewee
- Utilise the “power of silence” and note body language
- Verify the accuracy and completeness of what you are told with closed questions
- Ask for supporting documentation or other verification
- Check for process “controls”



C – Closure

- Summarise what you have learned
- Seek confirmation that you have understood
- Ask for feedback or any additional information
- Ask any resulting questions
- Explain the ongoing process



E – Evaluation

- Evaluate the interview
- Follow up any leads or confirmations required
- Draw your conclusions
- Write up the findings



E – Evaluation

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A wide-angle photograph of a sunset over a large body of water. The sky is filled with soft, wispy clouds in shades of blue, purple, and orange. The sun is low on the horizon, creating a bright orange glow. In the distance, a dark silhouette of a city skyline is visible against the horizon. The word "QUESTIONS?" is written in white, bold, sans-serif capital letters in the center of the image.

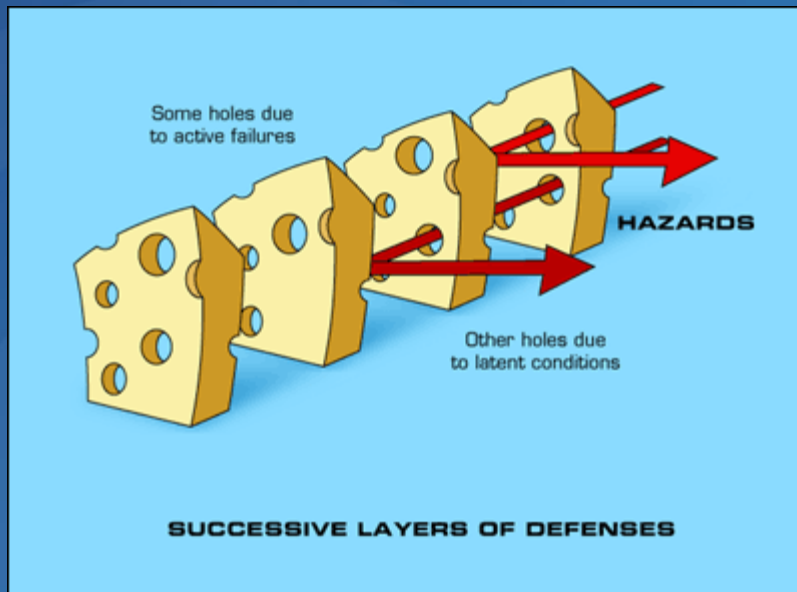
QUESTIONS?



Auditing Refresher - Process Controls

Controls

A control is a process or procedure, within a system, that is designed to prevent or reduce the likelihood and/or consequence of a risk being realised.



Controls can be viewed as layers of defence that combine to prevent an undesired outcome



Types of Controls

- Corporate level
 - Organisational structure
 - Culture & values
 - Training & competencies
 - HR practices
 - Financial Processes
- Preventative
- Detective
- Compensating
- Automated
- Manual
- Monitoring



Evaluating Controls

Are the controls in the process being audited:

- Appropriate for the level of risk ?
- Effective at controlling the risk ?
- Monitored to provide metrics ?



Testing Controls

Use a walk-through test

- Understand the process
- Select an appropriate sample
- Follow sample through the process
- Do controls prevent or detect error ?
- Consider controls as a package
- Is the risk mitigated or reduced to an acceptable level ?



Testing Controls

- Consider controls as a package
- Is the risk mitigated or reduced to an acceptable level ?



A wide-angle photograph of a sunset over a large body of water. The sky is filled with soft, wispy clouds in shades of blue, purple, and orange. The sun is low on the horizon, creating a bright orange and yellow glow. In the distance, a dark silhouette of a city skyline is visible, including several tall structures and a set of Olympic rings. The water in the foreground is dark blue with gentle ripples.

QUESTIONS?



Auditing Refresher - Operational Risk

What is Risk

- The effect of uncertainty on a future objective



What is Operational Risk

- The inherent risks in the on-going activities of an organisation.
- The ownership of operational risk rests with line managers.
- As auditors we probe into the processes that line managers have in place to control operational risk.



Why organisations manage operational risk

- To protect their reputation
- To meet contractual obligations
- To protect organisation financial well-being
- To protect employees
- To make continual improvements



Where do you encounter operational risk

- In service design and delivery
- In business Continuity
- In your supply chain
- In the work environment

- In short – everywhere!

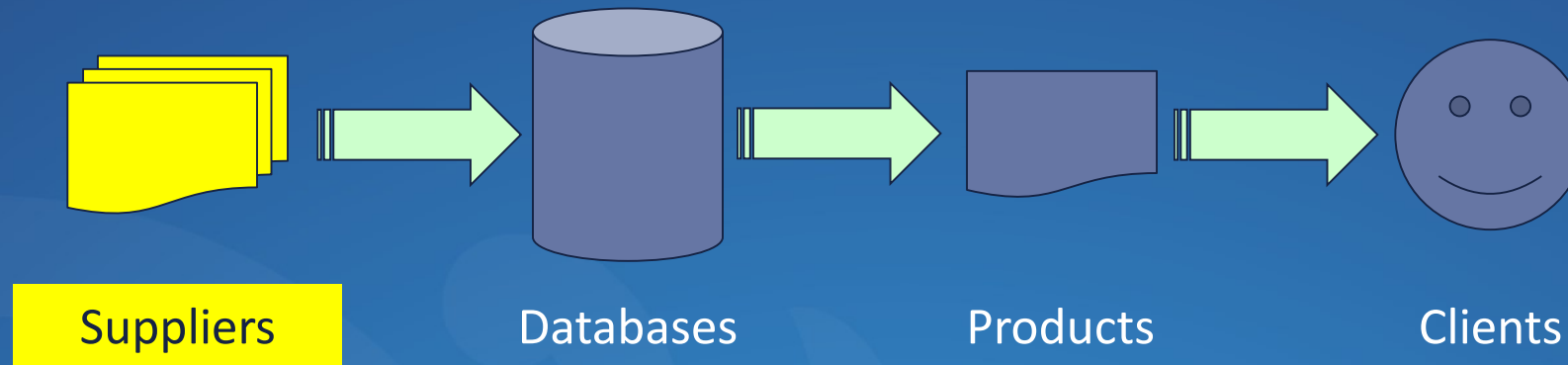


Managing operational risk

- Accept the risk and decide to do nothing
- Accept the risk, but attempt to lessen the impact or likelihood
- Take out insurance against the risk
- Eliminate the risk by ceasing the activity that could cause it.



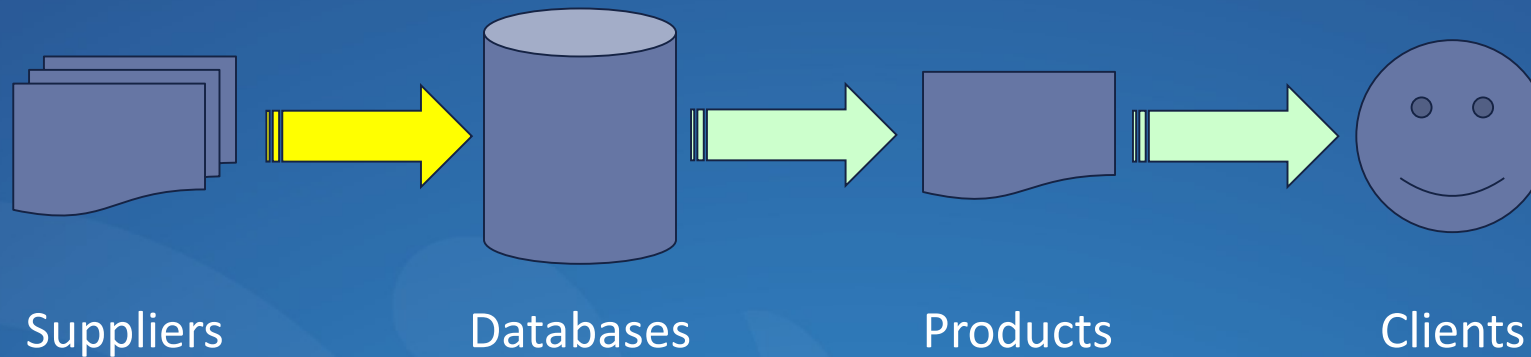
An Example



Contracts/Service Level Agreements
Multiple data delivery mechanisms
Multiple suppliers



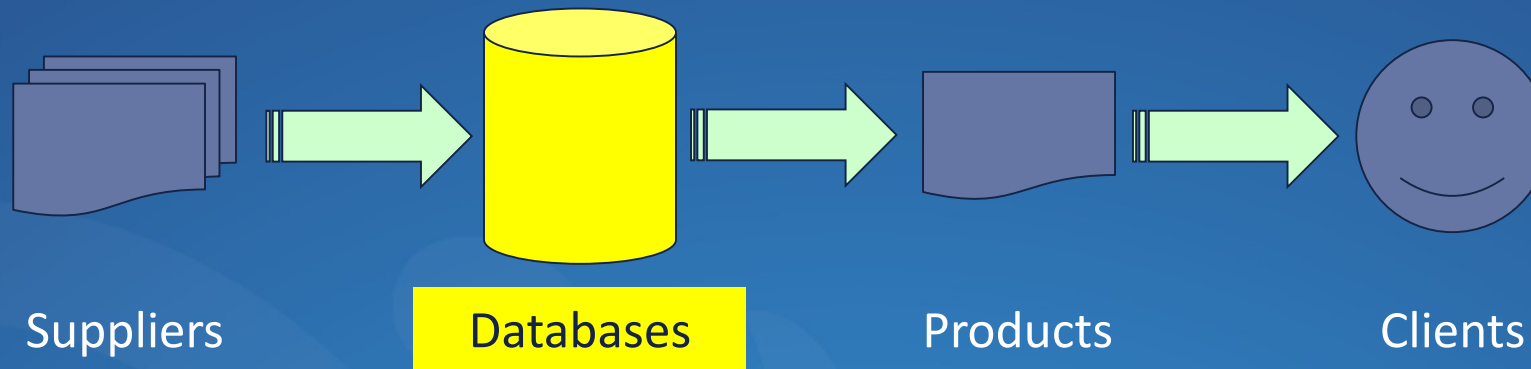
An Example



Controlled release of software
Training/experience



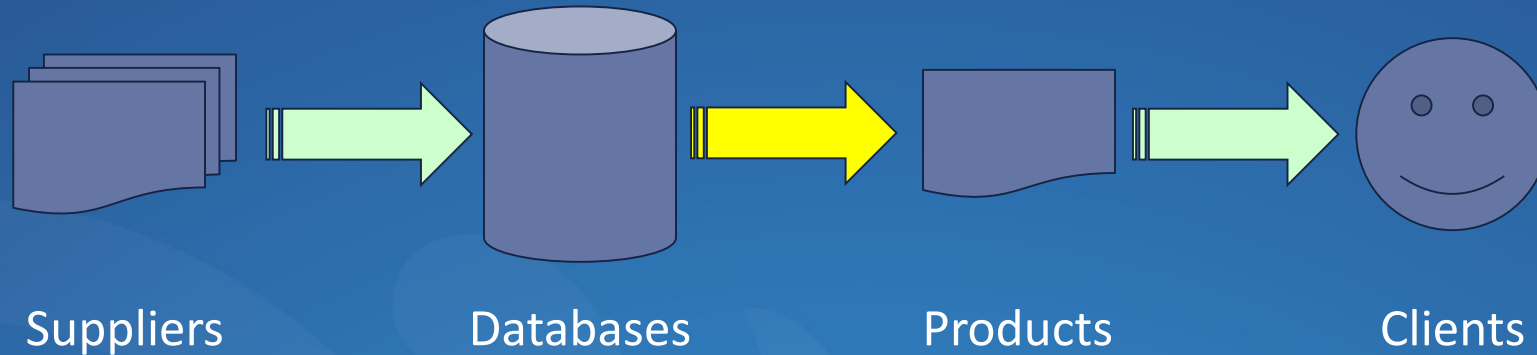
An Example



Back-ups.
Enterprise-level hardware.
Routine maintenance.



An Example



Suppliers

Databases

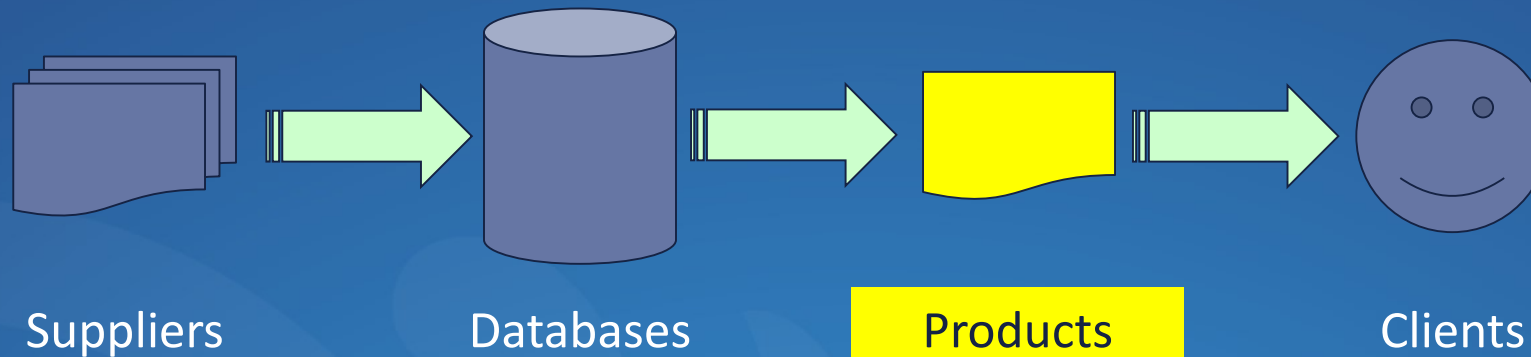
Products

Clients

Training.
Testing.



An Example



Suppliers

Databases

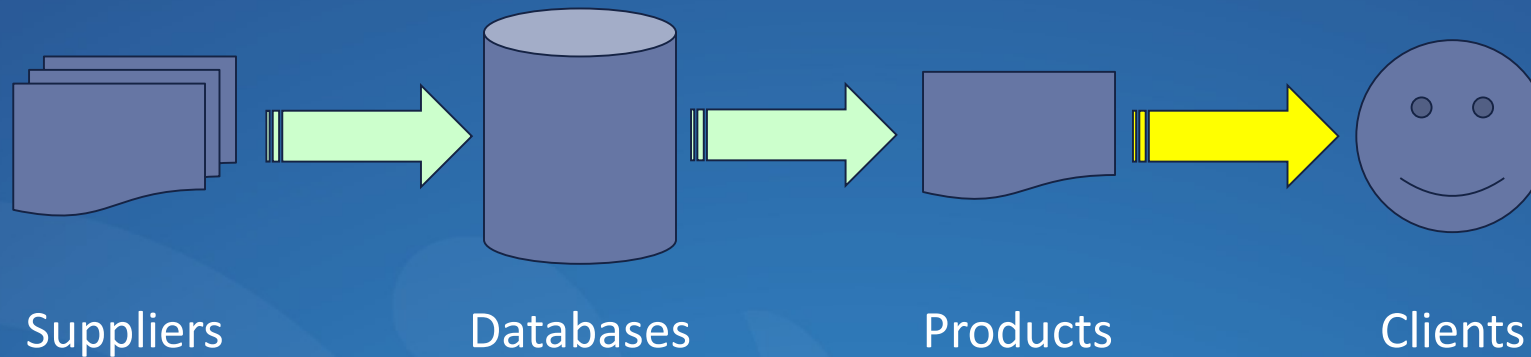
Products

Clients

Training.
Control of templates.
Checking.



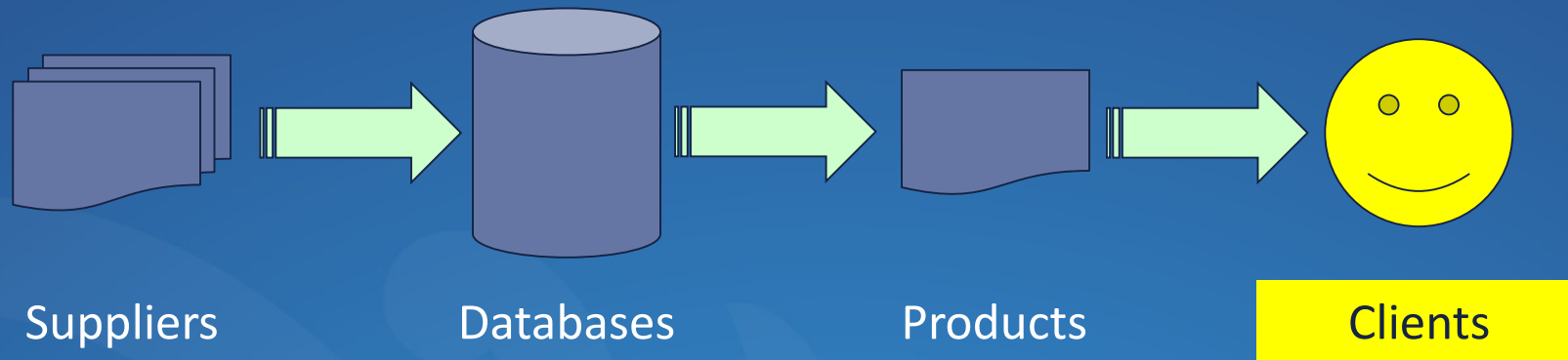
An Example



Robust communications.
Multiple delivery methods.
Scheduling systems.



An Example



Agreed service levels and escalation processes.
Communication.



Becoming risk aware is everyone's responsibility.

As an auditor you can:

- Improve an organisation's risk profile.
- Test the preparedness of Line Managers and Frontline staff by exploring the operational risk management controls that are in place.



A wide-angle photograph of a sunset over a large body of water. The sky is filled with soft, wispy clouds, transitioning from a deep blue at the top to a vibrant orange and red near the horizon. The water in the foreground is dark blue with gentle ripples. In the distance, a dark silhouette of a city skyline is visible against the bright horizon, including several tall structures and a set of Olympic rings on the right side.

QUESTIONS?



Thank you 