

Towards the costs of auditing

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Agenda

- Definition of costs
- Behaviour of costs
- Audit performance
- Effectiveness of audit
- Audit effectiveness criteria
- Audit risks
- Who is auditing the auditor
- The project approach
- Value adding
- Internal audits
- Evidence collection
- Technologies

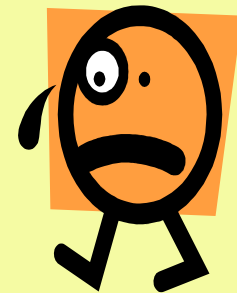
Definition

What is a “cost”- financial sacrifice / loss

What constitutes a “cost”- expenses

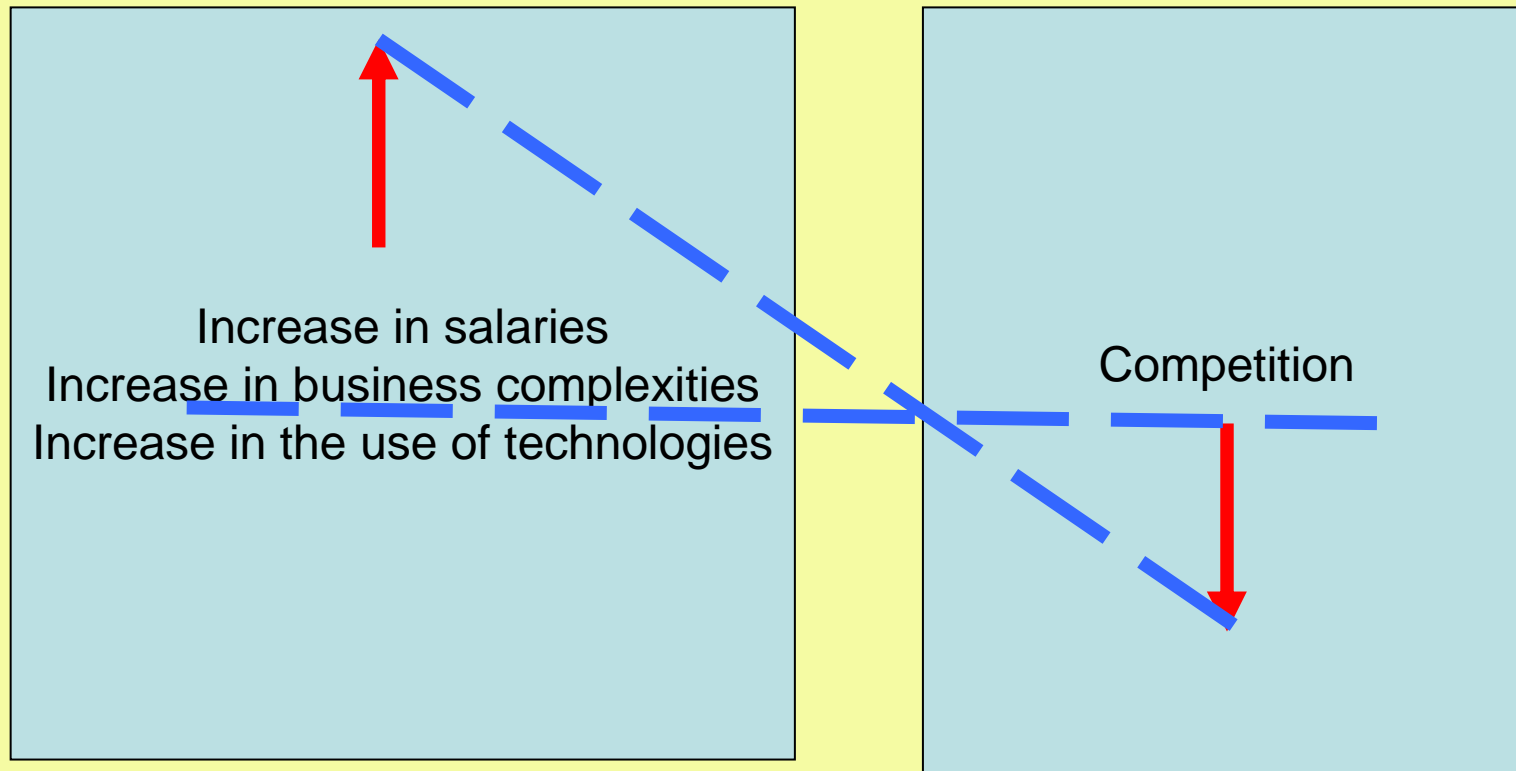
Cost is not price

Price = Cost + Profit



Organizations do not like to pay for audits, yet they cannot do without them

Behaviour of costs

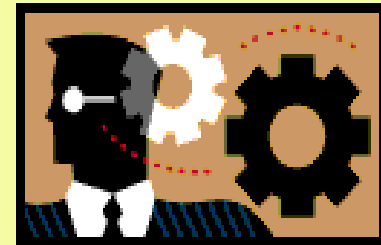


Audit Performance

- Two components

- ➔ Effectiveness

- ➔ Efficiency



Extent to which planned activities are realized and planned

Relationship between the results obtained and the resources used

Improvement in effectiveness at expense of efficiency
Improvement of efficiency at the expense of effectiveness

Audit Performance

- Must be measured
 - Results of an audit
 - Audit process controls
 - Use of resources
 - Audit risks



Effective audit

- **Suitable**

☞ achieve set objectives under a defined scope

- **Reliable**

☞ does not fail doing its function

- **Available**

☞ To fulfill objectives when required

- **Maintainable**

☞ if it fails it is restored to the working state soon thereafter

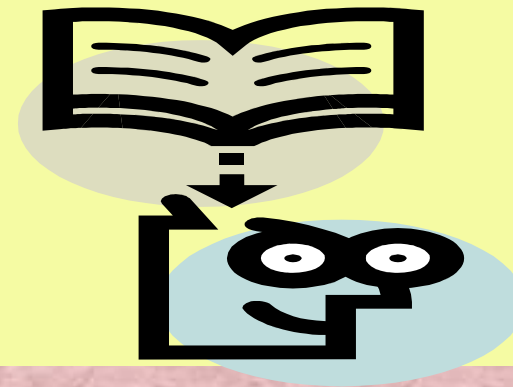
- **valuable**

provides satisfaction and delight to all stakeholders



Effective audit criteria

- Audit Objectives approved by all parties
- Suitable audit plan
- Adequate resources and time to complete audit
- Competent auditors
- Valid non-conformances – sufficient importance
- Audit results must lead to corrections and improvements



audit risks

- **Goal orientated**

No identification of audit performance criteria

Lack of adequate information to the auditee

- **Resource related**

Incompetent auditors

Absence of audit plan

Insufficient time to audit

- **Process related**

Absence of formal opening and/or closing meetings

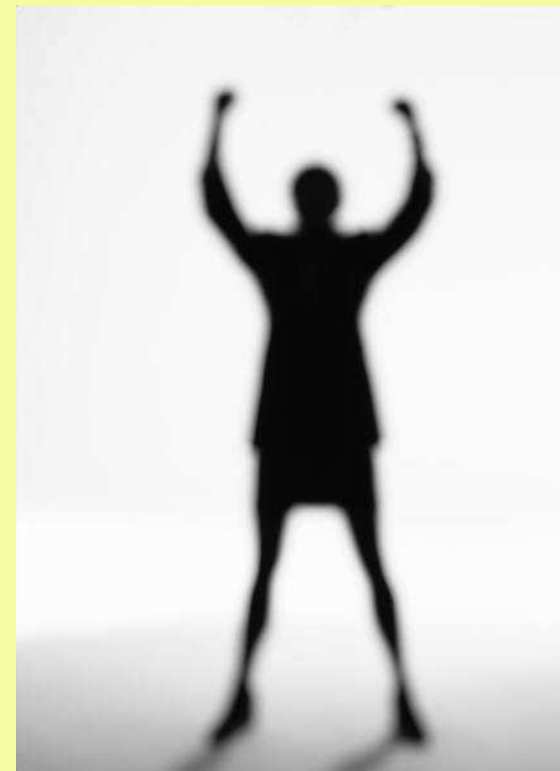
Poor auditor coordination with auditee

poor sampling methods

lack of sufficient objective evidence of findings

Biased evaluation of evidence

Subjective audit report (fault finding attitude)



Who is auditing the auditor

- Auditing is a basically **a self regulated profession** and even adhering to internationally accepted auditing standards **does not guarantee** an effective audit.
- The issue of audit effectiveness and quality assurance of audits **is not** clearly spelt out in **ISO 19011**. May be implied in auditor competence and audit program management.



Project approach to auditing

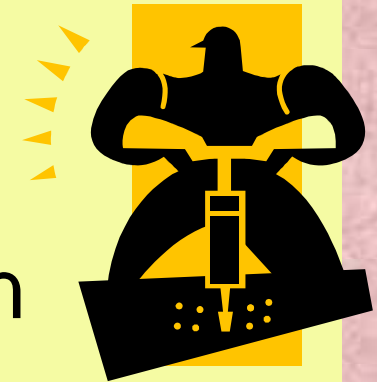


- **Initiation**-Audit brief from auditee, desk studies, communication and agreement with the auditee, project charter
- **Planning**- goal, purpose, scope, activities, duration, responsibility, controls, identification of risks, how to handle them, embedding quality into the audit, budget, critical time, slack time, audit plan, check lists, contracts, auditor status, [scope document]
- **Execution**- conducting the audit, collection of evidence
- **Controlling** - quality checks, meetings, conformance to auditing procedures,
- **Closing** - discussion and reporting of results Audit performance evaluation by the auditee



Value adding

- focus on activities that drive the organization's strategies
- Incorporate activities that create losses, example fraud prevention audits
- Promote combined audits
- Behave as a partner rather than an investigator
- Give the auditee the benefit of the doubt



Internal audits

- Change to reviews
- Identify strengths and seek improvements
- Distribute ownership of the system
- Communicate the reviews
- Find root causes of process failures
- Make recommendations that make things easier and better for the employees
- Chose non-conformances that make the greatest improvement on improvement



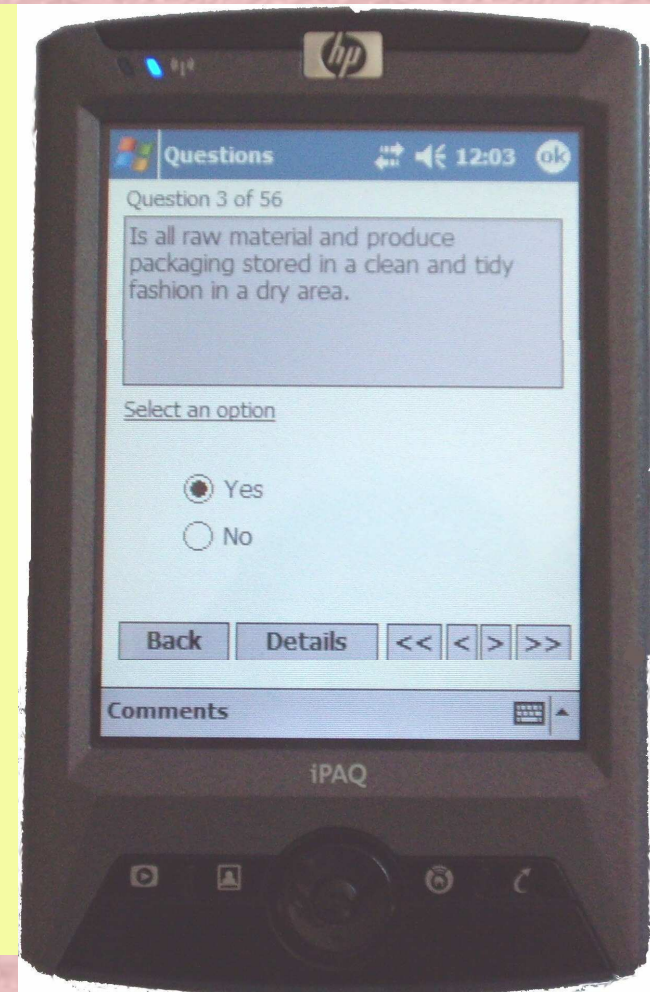
Evidence collections

- Evaluate customers directly
- Use indirect methods, paper based/digital
- software



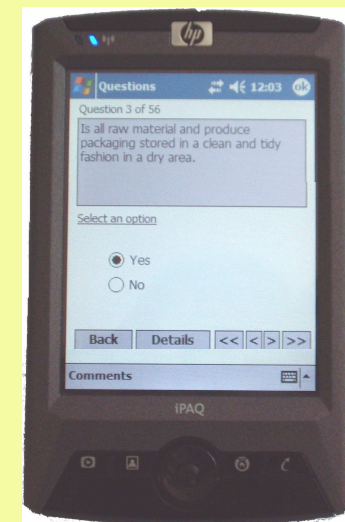
Technologies

- Digital technologies
- Software - ***Audit Now***



Technologies

- ***The launch of our new enterprise level Auditing***
- ***package called Audit Now means that it is now possible***
- ***to automate the audit process. This helps reduce costs***
- ***by up to half, reduce the delivery time of the audit report***
- ***from weeks to hours and gather valuable information for***
- ***trend based reporting.”***



TECHNOLOGY



- Proactively schedule and manage large numbers of audits
- Capture audit data electronically on site on the PDA, synchronize data instantly on the road or back at base
- Auditors notes, guidelines and recommendations available on the PDA
- A rapid audit approval process built in
- Automatically synchronize and produce the audit report instantly
- Log non conformances automatically into our online Manage Now system for collaborative follow up and tracking

Benefits of Audit Now:

- Save time and money (the system can pay for itself in a just few months)
- Have happier customers (audit report turnaround time is instant instead of days or even weeks)
- Get the competitive edge in auditing (increase your margins / time on core functions)
- State of the art technology (enhances your business image)
- All information from Audit Now is available for online reporting and management
(saving time generating ad hoc reports for clients)

**THANK YOU
QUESTIONS**