Mr. Kobel is Managing Partner for Verracy and has more than 25 years of experience in finance, accounting, audit, risk and compliance.

Mr. Kobel brings a diverse background working with organizations from venture-backed startups to global Fortune 500 companies. Prior to joining Verracy, Mr. Kobel was the Asia-Pacific CFO for Ryder Logistics while living in Singapore.

Mr. Kobel received his BS degree from Indiana University and his MBA from The University of Texas at Austin. He is a member of the Institute of Internal Auditors (IIA) and the Association of Certified Fraud Examiners (ACFE). Mr. Kobel is currently an instructor and conference speaker for the IIA, ACFE and ISACA.
What is Project Management?

The Project Management Institute defines “project management” as:

*Project management is the application of knowledge, skills, tools, and techniques to project activities to meet the project requirements.*

What does that mean?

Using an established framework or methodology to:

- Increased quality
- Meet budget requirements
- Maintain the established timelines
- Meet / exceed customer expectations
- Enhanced effectiveness and efficiency of activities
- Better risk assessment
Why do projects fail?

What is failure?

Budget vs. Actual
Meeting Expectations

Project Delivery
What are the most common problems in Audit?
Management of Audits

- Late
- Resource overrun
- Lack of focus
- Audit client pushback
- Scope change...creep...

Reasons Projects Fail

- Lack of Senior Management Involvement
- Poor Requirements
- Unrealistic Expectations
- Scope Creep
- Lack of User Involvement
- Inexperienced Project Managers
- Lack of Resources
- Resource Conflict
Eight Ways to Improve Audit with Project Management

Five Phases of a Project

1. Project Conception and Initiation
   - Project Charter
   - Project Initiation

2. Project Definition and Planning
   - Scope & Goal Setting
   - Budget
   - Work Breakdown Schedule
   - Gantt Chart
   - Communication Plan
   - Risk Management

3. Project Launch or Execution
   - Status & Tracking
   - KPIs
   - Quality
   - Forecasts

4. Project Performance and Control
   - Objectives
   - Quality Deliverables
   - Effort & Cost Tracking
   - Performance

5. Project Close
   - Post Mortem
   - Project Punchlist
   - Reporting

Project Characteristics

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Project</th>
<th>Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined start and finish</td>
<td>Yes!</td>
<td>Yes!</td>
</tr>
<tr>
<td>Defined scope and objectives</td>
<td>Yes!</td>
<td>Yes!</td>
</tr>
<tr>
<td>Defined phases</td>
<td>Yes!</td>
<td>Yes!</td>
</tr>
<tr>
<td>Phases include well defined tasks and activities</td>
<td>Yes!</td>
<td>Yes!</td>
</tr>
<tr>
<td>Budgets that include timeline, resources and costs</td>
<td>Yes!</td>
<td>Yes!</td>
</tr>
<tr>
<td>Review and approval points for deliverables</td>
<td>Yes!</td>
<td>Yes!</td>
</tr>
<tr>
<td>Formal recordkeeping and documentation</td>
<td>Yes!</td>
<td>Yes!</td>
</tr>
<tr>
<td>Measurable final result(s)</td>
<td>Yes!</td>
<td>Yes!</td>
</tr>
</tbody>
</table>
Four Cornerstones of Project Management

Cost

Schedule

Scope

Quality

One cannot change one without impacting the others.

8 Ways to Improve Audit with Project Management
Devote enough time to planning.

Planning

It all starts with planning. Planning is the most critical phase of a project. In project management the planning phase is focused on gathering *business requirements*.

In audit planning is focused on understanding the business to *identify, evaluate and prioritize risks*. 
Eight Ways to Improve Audit with Project Management

Planning

What % of time for the audit should be devoted to planning?

Why?

In order to plan properly, what do we need to do?
Understanding the business...

Planning

In projects business requirements are gathered through:

- Research
- Interviewing

In auditing we do the same:

- Research (document review)
- Interviewing
Planning

Reading and Talking.

Then documenting our understanding.

If you don’t know where you are going, any road will get you there.

~Cheshire Cat  (Alice in Wonderland)
Eight Ways to Improve Audit with Project Management

Planning

• Most audits run into problems due to lack of appropriate planning.
• Many things that should be a part of planning are often done during field work.

What kind of issues can that cause?

Audit Engagement Planning

(Schedule Audit / Notify Client)
1. Understand the Business
2. Preliminary Scope - SIPOC
3. Preliminary Engagement Risk Assessment
4. Prioritization of Risks
5. Identification of Controls
6. Finalization of Scope & Audit Objectives
7. Develop Audit Work (Test) Program
   Conduct Fieldwork
Eight Ways to Improve Audit with Project Management

Planning Cycle

- Everything should always tie back to the business objectives and risks

Audit Planning

- Scope
- Resources
- Audit Work Plan
- Budget
  
  (Schedule & $$$)
Eight Ways to Improve Audit with Project Management

SCOPING

Formally scope the audit.

Defining Scope

Properly scoping a project / audit is crucial to:

- Managing timeline and budget.
- Minimizing scope change and creep.
- Executing a targeted and focused audit.
- Delivering a targeted, focused and persuasive audit report.
- Facilitating an action plan that will evoke positive change.
Audit Scope

Performance Standard 2220 – “engagement Scope” – “The established scope must be sufficient to satisfy the objectives of the engagement.”

2220.A1 – “…scope must include consideration of relevant systems, records, personnel and physical properties…”

Scope Statement

Should include:
- Locations to be visited.
- For diverse functions, a list of processes and sub-processes.
- Relevant systems, records and physical properties including 3rd party locations.
- Components of process – manual vs. automated.
- Time frame to be covered.
- What else?
Defining Scope

Scope will generally be focused on the duties being performed in the area being audited, however *the extent to which interfacing areas will be reviewed should be defined.*

Example – what other areas should be considered when auditing purchasing?

*Accounts Payable, Receiving, any others?*

- Scope is defined by the established business and audit objectives.
- Scope establishes the boundaries of the audit.
- States nature and intent of audit as well as timeframe to be covered.
- Specifies which activities will be reviewed and which will be excluded.
- *Why do we want to define what will be excluded?*
Defining Scope

Scope defines the boundaries of the audit

Scoping – Visual Representation
Defining Scope

SIPOC – The best 20 minutes you can spend to define scope and control scope creep.

<table>
<thead>
<tr>
<th>S</th>
<th>I</th>
<th>P</th>
<th>O</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td>Inputs</td>
<td>Process</td>
<td>Outputs</td>
<td>Clients</td>
</tr>
<tr>
<td>Triggers the Process</td>
<td>Feeds the Process</td>
<td>Execution of Process</td>
<td>Product of Process</td>
<td>Recipient of Product</td>
</tr>
</tbody>
</table>
## Eight Ways to Improve Audit with Project Management

### SIPOC

<table>
<thead>
<tr>
<th>S</th>
<th>I</th>
<th>P</th>
<th>O</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td>Inputs</td>
<td>Process including sub-processes.</td>
<td>Outputs</td>
<td>Clients</td>
</tr>
<tr>
<td>• Other Department</td>
<td>Invoice</td>
<td>Accounts Payable Payments</td>
<td>• Live Check</td>
<td>Vendor</td>
</tr>
<tr>
<td>• Vendor</td>
<td></td>
<td></td>
<td>• ACH</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Wire</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Credit to another invoice</td>
<td></td>
</tr>
</tbody>
</table>

---

**Example - SIPOC**

Supply the “who” or “where” the input comes from. Inputs: The “what” that starts the process. Process: The process including sub-processes. Outputs: The “what” that the process produces and “ends” the process. Clients: The “who” or “where” the output is delivered to.
Exercise SIPOC

Exercise Defining Scope

SIPOC Exercise – Defining Scope and Setting Expectations
WORK PROGRAMS

Leverage work programs to schedule and plan approach.

Work Program = Gantt Chart
Audit Plan & Schedule

Have you ever mapped out the audit engagement program and test steps on a Gantt chart?

A calendar?

What did you discover?

Gantt Chart

- List of all tasks
- Dependencies
- Duration of each task
- Sequence of tasks
- Critical path
- Resource allocation
- Conflict identification / resolution
How does that translate to audit?

Project Management in Audit

Gantt Chart (list of all tasks) = Work (Test) Program

How do we develop the work program?

- Understanding the business
  - Document research
  - Interviewing
- Identifying, evaluating and prioritizing risks
- Audit Scope
- Identifying controls
- Determining tests of controls to ensure effectiveness
Eight Ways to Improve Audit with Project Management

Project Management in Audit

To incorporate project management techniques we need to determine:

- Duration
- Dependencies
- Conflicts / Constraints
- Sequence
- Resource allocation

Sequence = order tasks are performed.

What determines sequence?

- Risk
- Dependencies
- Anticipated issues
- Efficiency
- Conflicts
Use the Work / Audit Program to plan the approach.

How?
Eight Ways to Improve Audit with Project Management

Plan Your Approach

- Conduct audit in order of risk – high to low
- Plan audit steps in fastest sequence
- Identify areas of possible redundancy and overlap between team members.
- Plan for areas of down-time and waiting
- Know what areas can be expedited – need less audit client input or documentation
- Identify where samples can be used for multiple tests
- Plan for least invasive approach on client

Project Management in Audit

![Project Planner](image-url)
Project Management in Audit

Conflicts = unrealistic expectations
Constraints = factors that cannot be changed

Common conflicts / constraints caused by:
- Dependencies – expecting to start a task before its predecessor is completed
- Resources – conflicts? training?
- Redundancy and overlap of tasks – specific to audit

CRITICAL PATH

Identify the Critical Path
Critical path

Longest sequence of activities in a project plan which must be completed on time for the project to complete on planned due date.

An activity on the critical path cannot be started until its predecessor activity is complete; if it is delayed for a day, the entire project will be delayed for a day unless the activity following the delayed activity is completed a day earlier.

Project Management in Audit

Duration + Dependencies = Critical Path

Critical Path = Timeline for Audit
Determining Critical Path

- A list of all activities required to complete the project;
- The time (duration) that each activity will take to complete;
- The dependencies between the activities; and
- Logical end points such as milestones or deliverable items.
Eight Ways to Improve Audit with Project Management

Critical Path Example

Critical Path

Critical Path Example

Critical Path
**Critical Path Example**

<table>
<thead>
<tr>
<th>Activity ID</th>
<th>Activity Description</th>
<th>Predecessors</th>
<th>Duration (weeks)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gather Business Requirements</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>Develop Design / Architecture Plans</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Equipment Selection</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>Building Permits and Zoning</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Purchasing and Vendor Selection</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>Construction</td>
<td>4 &amp; 5</td>
<td>16</td>
</tr>
<tr>
<td>7</td>
<td>Interior Finish</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>Installation and Set Up</td>
<td>7</td>
<td>1</td>
</tr>
</tbody>
</table>

**ANTICIPATE**

Anticipate and plan for problems.
What are some problems that commonly occur during an audit?

Common Challenges

- Waiting....waiting....waiting
- Scope creep
- Changes in risk assessment
- Resource constraints
Can we anticipate them?

If we can anticipate them, can we plan for them? How?

LESSONS LEARNED

To anticipate and plan for problems.
Lessons Learned

- How did we do?
- Unexpected challenges?
- Scope creep?
- Did we adequately address risks?
- Budget?
  - On time?
  - Within $?
- Evaluate client satisfaction

Lessons Learned

- Adequacy of the audit planning process
- Established scope and audit objectives
- Comprehensiveness and direction provided by the audit work program
- Attainment of sufficient, competent evidence
- Audit effectiveness and efficiency
- Audit team performance and their satisfaction with all aspects of the audit
Lessons Learned

- Solicit input from the audit client regarding:
  - The value of the audit
  - Competence and professionalism exhibited by the audit team
  - Client feedback?
- Solicit input from other interested parties on same criteria

MONITOR & CONTROL
Know where you are and where you need to be.
Eight Ways to Improve Audit with Project Management

Project management is about two things:

Planning and Measuring

Goals for Project Management in Audit

- On time
- On budget
- Less invasive approach for client
- Audits that are focused and targeted to risks
- Effective communication throughout, including reporting
- Organized, professional approach that increases credibility
How do we stay in budget and on time?

Controlling and Monitoring

- Plan the work, work the plan!
- Stay in scope
- You performed a risk assessment – rely on it.
- Set realistic expectations, then met them.
- Plan for the “unexpected” – it’s not really unexpected.
- Formal change management
  - Every “addition” should be a management decision
  - If perspective of risk has changed, can something be removed from audit?
  - Consider whether changes warrant a new or additional audit
Eight Ways to Improve Audit with Project Management

Controlling and Monitoring

Use “Critical Path” execution
- Conduct audit in order of risk – high to low
- Plan audit steps in fastest sequence
- Identify areas of possible redundancy and overlap between team members.
- Plan for areas of down-time and waiting
- Know what areas can be expedited – need less audit client input or documentation
- Identify where samples can be used for multiple tests
- Plan for least invasive approach on client

Avoid Scope Creep!
- The better the planning, the better the execution.
- Know when to stop - new audits, follow-up audits, rabbit holes.

Think of ways to fast track and crash the path
- Data Analytics
- Using samples for multiple tests
- Request samples in advance
Eight Ways to Improve Audit with Project Management

Controlling the Audit

- Run audit like a business
- Status reporting
  - Know where you are on the plan at all times
  - All meetings have agendas
  - Budget versus actual - accountability
  - Issues that will impair the successful completion of audit
  - Issues requiring escalation
    - Changes in scope / High risk findings / Cooperation issues / Resource limitations

Controlling and Monitoring

- Maintain the same level of communication and professionalism throughout.
- Determine formal escalation, change management and status reporting procedures within the audit team.
- Use metrics for measuring progress and success and formal internal updates.
- Extending timeframes should be a deliberate decision – know when its another audit.
Tools for Monitoring & Controlling

Tools for Monitoring & Controlling
Tools for Monitoring & Controlling

Controlling and Monitoring

Not meeting expectations – extending the audit timeframe, not quickly issuing reports – negatively impacts the credibility of audit.
Timeliness

Timeliness = credibility.

If it is not timely, it is not relevant.

Metrics for Internal Audit

Internal Audit Performance and Effectiveness
Eight Ways to Improve Audit with Project Management

Measuring Audit Effectiveness

Performance Measurement
Basic Measures

<table>
<thead>
<tr>
<th>MEASURES OF EFFICIENCY</th>
<th>MEASURES OF EFFECTIVENESS</th>
<th>MEASURES OF EFFICIENCY AND EFFECTIVENESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Number of audits scheduled.</td>
<td>- Client satisfaction ratings.</td>
<td>- Training/CPE hours.</td>
</tr>
<tr>
<td>- Number of audit completed.</td>
<td>- Staff satisfaction ratings.</td>
<td>- Staff turnover/intention.</td>
</tr>
<tr>
<td>- Timeliness of performance feedback.</td>
<td>- Number of significant audit findings.</td>
<td>- Number of new findings.</td>
</tr>
<tr>
<td>- Staff utilization – direct vs. indirect time.</td>
<td>- Percent of recommendations implemented.</td>
<td>- Number of open audit findings.</td>
</tr>
<tr>
<td>- Completed audits per auditor.</td>
<td></td>
<td>- Past planned corrective action data.</td>
</tr>
<tr>
<td>- Actual hours vs. budgeted hours.</td>
<td></td>
<td>- Number of unsatisfactory internal audit opinions.</td>
</tr>
<tr>
<td>- Audit report cycle time: elapsed time from opening conference to fieldwork completion and elapsed time from fieldwork completion to final report.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Performance Measurements

Additional Things to Consider:

- Balanced Scorecard
- Assurance of risk / control environment
- Surveys / feedback from management / executives / audit committee
- Accepted recommendations / implemented
- Cost savings / cost avoidance recommendations

Performance Measurements

Additional Things to Consider:

- Number of management requests for audits and consulting form audit
- Reliance of external audit on internal audit activity
- Budget to actual / hours planned to actual
- % of plan executed & completed
- Accuracy of planning cycle time of audits
COMMUNICATION PLANS

Formal internal and external communication plans.

What is Effective Communication?
Effective Communication is...

- Two-way information sharing.
  - Active listening is as important as sharing information.
- Delivering a message that is clearly understood by the other party.

Why is Effective Communication Important?
Advantages of Effective Communication

- Reduces conflict.
- Helps you meet your goals.
- Helps to develop stronger relationships.
- Helps you to be persuasive and have others adopt your ideas.
- People will like you better – and yes, that is a good thing even as an auditor!

Rules of Effective Communication

- Know your audience.
- Effective Communication if the responsibility of the communicator. The person try to convey the message.
- Tone and body language are 93% of in-person communication.
- Remember it’s not about you.
- If your approach isn’t working, try another approach.
- Effective communication can change reality.
There are **three versions** of all communication.

What you **thought** you said.
What you **actually** said.
What the other person **heard**.

It’s the same for **reports** and **email**.

---

**Communication**

- **Formal Communication Plan**
  - Internal Communication – Audit Team
  - External Communication – Audit Client

- **Realistic expectations for plan**

- Predetermined
  - Format / Method
  - Audience
  - Timing
  - Escalation Plan
Communication Requirements - Client

- Know what your audit client wants.
- Each client will want a different communication plan
- Be clear and concise
- Use the language of the business, not audit language
- Less is more...always.
- Understand your culture
- Use visual representation whenever possible
Meetings & Interviews

- Always send an agenda in advance.
- Formally introduce yourself and any colleagues with you.
- Explain the processes and why the area is being interviewed / audited.
- Designate a scribe.
- Practice active listening.
- Start on time and end early.

Meetings & Interviews

- Formal setting – their office or a conference room.
- Meeting / interview should be structured.
  - Follow agenda
  - Be prepared with a questionnaire or list of questions – some based on the document research performed.
- Interview serves two purposes
  - Information gathering
  - Establishing rapport
- Use plain language or the business language.
The two words 'information' and 'communication' are often used interchangeably, but they signify quite different things. Information is giving out; communication is getting through.

~Sydney J. Harris

Communication

Know when each is appropriate. Do not hide behind email.

<table>
<thead>
<tr>
<th>Mode of Communication</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal Meeting</td>
<td>Focused, interactive, group</td>
<td>Scheduling delays with stakeholders, discoverable information</td>
</tr>
<tr>
<td>Informal Meeting</td>
<td>Quick, interactive</td>
<td>Unpredictable, individual</td>
</tr>
<tr>
<td>Report</td>
<td>Detailed message, group</td>
<td>No immediate feedback</td>
</tr>
<tr>
<td>Email</td>
<td>Quick, focused, group</td>
<td>Unfocused response, discoverable information</td>
</tr>
<tr>
<td>Phone Call</td>
<td>Focused, interactive</td>
<td>Unpredictable connection, individual</td>
</tr>
<tr>
<td>Conference Call</td>
<td>Consistent message, group</td>
<td>Uncertain coverage</td>
</tr>
<tr>
<td>Voice Mail</td>
<td>Quick, focused</td>
<td>Limited content, individual</td>
</tr>
<tr>
<td>WebX</td>
<td>Focused, interactive, distributed group</td>
<td>Technology</td>
</tr>
</tbody>
</table>
Eight Ways to Improve Audit with Project Management

Communication

Realistic Expectations  Consistency

Communication - Internal

- Project Board
  - Significant Metrics
  - Budget / Actual
  - Resource Allocation / Conflicts
- Weekly Status Reports – documented
- Weekly Monitoring / Controlling Meetings
- Daily Standup Meetings
  - % of completion
Eight Ways to Improve Audit with Project Management

Communication – Internal

- Sync Ups – one on one with staff
  - % of completion
  - Pain points
  - Learning Curves / Skill Development
  - Questions & Answer session

TIME MANAGEMENT
Learn to formally manage your time.
Eight Ways to Improve Audit with Project Management

Time Management

- Prioritize, prioritize, prioritize.
- Overcome procrastination quickly and easily
- Plan your day and work.
- Develop a routine.
- Organize your workspace and workflow to make better use of time
- Leverage delegation and teamwork
- Plan meetings more appropriately and effectively

Use time management methodologies

- Block and Tackle Approaches
- Use Outlook Calendar to block and dedicate time for specific tasks and goals
- “Batch” email downloads
- Pareto - 80/20 rule
- Urgent / Important Matrix
Eight Ways to Improve Audit with Project Management

Time Management

- **Urgent and Important**
  - Crisis
  - Problems
  - Deadlines

- **Important, But Not Urgent**
  - Opportunities
  - Progress
  - High value
  - Long term

- **Urgent, But Not Important**
  - Maintenance
  - Routine tasks

- **Not Urgent and Not Important**
  - Trivia

In Summary

- Planning is the key to success, and understanding the business is key to planning.
- Do the work in an order that makes sense.
- Everything you do should protect your credibility.
- Set realistic expectations and then meet them.
- Avoid scope creep.
- Plan for the unexpected. It’s not really unexpected after all.
In Summary

- Use tools.
- Take the time to formally define scope for the internal team and the client.
- Determine duration and dependencies for major tasks and areas. Create a schedule (Gantt Chart). Everything will take longer than you estimate theoretically.
Thank you!

Contact Information
Bret Kobel
Email: bkobel@verracy.com
Telephone: (512) 658-2228
Web: www.verracy.com