Auditing the Construction Lifecycle: Strategies for Success

About This Course

Course Description

Capital construction projects can be risky business. These projects expose the organization to potential high-impact risks associated with design issues, procurement practices, excessive costs, project delays, quality issues, and opportunities for fraudulent activities. Internal auditors, in partnership with senior management, must be fully aware of construction-related risks, and the controls at each stage of the construction lifecycle to mitigate construction-related risk.

Are you ready to build your proficiency in auditing construction?

This course provides detailed audit strategies and techniques to address risks and controls associated with each phase of the construction life cycle: planning/design, bid/procurement, construction/build, and closeout. With an emphasis on project delivery and compensation methodologies, this course teaches techniques for identifying controls that should be present in any construction project, and focuses on prevention, cost recovery, and fraud prevention.

Who will benefit from this Course?

This course will benefit the internal audit staff, including chief audit executives (CAEs) and audit directors and managers with limited or no construction audit experience who want to strengthen their ability to provide construction-related assurance and consulting services to the organization. This course also will benefit individuals responsible for monitoring and reviewing construction activities.

Course Objectives:
At the end of the course students should be able to:

- Describe the four stages of the construction lifecycle.
- Identify the associated risks for each stage of the construction lifecycle.
- Identify which projects should be audited and recognize the elements to be considered when designing audit work plans.
- Develop strategies to minimize risk in each phase of the construction life cycle.
- State the responsibilities of stakeholders to mitigate risks inherent to construction projects.
- Identify audit approaches to assess the risk and the strategies for governance and oversight processes.
- Establish audit approaches that mitigate opportunities for contractor overcharges and improve contractor oversight and compliance, thus mitigating opportunities for fraud.
Course Topics

Why Audit Construction Contracts?
- Discuss the reasons and basis for auditing construction contracts.
- Discuss the objectives of a construction audit.
- Identify some of the controls that should be present in a construction project.
- To provide assurance that "You got what you paid for and you paid only what you should have!"

The Construction Life Cycle
- Define the four stages of the construction life cycle and review the associated risks for each stage and the possible controls that could be in place.
  - Planning/Program & Design.
  - Bid/Procurement.
  - Construction.
  - Close-Out.

Key Stakeholders
- Identify the key stakeholders in each phase of the construction process.
- Discuss the primary role and responsibilities of each stakeholder.
- Define the key relationships among the various stakeholders.

Construction Project Delivery Methodologies
- Understand the different methods that are used to deliver construction projects and the risk and benefits associated with each.
  - Design/Bid/Build-Traditional.
  - Design-Build, Construction Management.
- Understand the different types of contracts that may be utilized in a construction project.
  - Fixed Price/Lump Sum.
  - Cost Plus or Cost Reimbursable.
  - Time and Materials (T&M).
  - Guaranteed Maximum Price (GMP).
  - Unit Price.
- Understand the risks of the various types of contracts used in a construction project.
- Relate the risks inherent in the various delivery methods and contract types to the reasons for auditing the project.

Audit Planning
- Review the different types of contracts that are used for construction projects.
- Review the risk and exposure specific to each type of contract.
- Create a process and the rationale for selecting projects and/or activities to audit.

Construction Life Cycle – Planning and Design (Pre-award) Phase
• Identify the key stakeholders in the planning and design phase and describe their roles and responsibilities.
• Identify key risk and exposures.
• Discuss controls to mitigate the risk and/or improve the governance process.
• Establish audit procedures for achieving audit objectives.

**Construction Life Cycle – Bid and Procurement Phase**
• Identify the key stakeholders in the bid and procurement phase and describe their roles and responsibilities.
• List key risk and exposures.
• Discuss controls to mitigate the risk and/or improve the governance process.
• Establish audit procedures for achieving audit objectives.
• List cost avoidance or savings opportunities.

**Construction Life Cycle – Construction**
• Identify the key stakeholders in the construction phase and describe their roles and responsibilities.
• Review key risk and exposures.
• Discuss controls to mitigate the risk and/or improve the oversight process.
• Establish audit procedures for achieving audit objectives.
• Identify cost avoidance or savings opportunities.

**Construction Life Cycle – Close-out**
• Identify the key stakeholders in the construction close-out phase and describe their roles and responsibilities.
• List key risk and exposures.
• Discuss controls to mitigate the risk and/or improve the governance process.
• Establish audit procedures for achieving audit objectives.
• Identify areas that are vulnerable to overcharges.

**Issues Related to the Use of Sub-Contractors**
• Discuss issues and potential concerns with the use of subcontractors.
• Establish issues that are unique to DBE.
• Develop audit strategies and approach.

**Safety, Insurance and Bonding Related Issues**
• Identify areas of potential safety concern.
• Discuss insurance and bonding related issues.
• Develop audit strategies and approach to mitigate risk in the safety, insurance and bonding area.

**Other Audit Considerations**
• Identify other areas such as environmental or sustainability issues that should/could be reviewed when conducting an audit of a construction project.
• Review the risk associated with Mega Projects.
• Develop audit approach to assess the risk and strategies to enhance the governance and oversight process.
• Identify approaches that can be used to reduce the risk of fraud
• Discuss areas in the contract processes that are more vulnerable to fraud.

Course Information

Course Duration: 2 Days

CPE Hours Available: 16

Knowledge Level: Intermediate

Field of Study: Auditing

Prerequisites: Participants should come with a basic knowledge of the internal audit process.

Advance Preparation: None

Delivery Format: On-site Training (Group-Live); Seminar (Group-Live)