

Differentiate between Assurance and Consulting Engagements

| Type | Assurance Services | Consulting Services |
|---------------------|---|---|
| Definition | An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization; examples may include financial, performance, compliance, system security, and due diligence engagements. | Advisory and related client service activities, the nature and scope of which are agreed to by the client and which are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility; examples include counsel, advice, facilitation, and training. |
| Parties involved | <p>The internal auditor determines the nature and scope of the assurance engagement. Typically, three parties are involved in assurance services:</p> <p>The person or group directly involved with the process, system, or other subject matter (the process owner)</p> <p>The person or group making the assessment (the internal auditor)</p> <p>The person or group using the assessment (the user)</p> | <p>Consulting services generally involve two parties:</p> <p>The person or group offering the advice (the internal auditor)</p> <p>The person or group seeking and receiving the advice (the engagement client)</p> |
| Scope of activities | The internal auditor determines the nature and scope. | The client determines the nature and scope with agreement from the auditor. |
| Deliverable | Communicate an assessment, opinion, or conclusion of the assurance engagement result. | Advise, counsel, and add value to an organization's governance, risk management, and control processes. |

Typical types of assurance engagements

- **Control/risk self-assessment**

A useful and efficient approach for managers and internal auditors to collaborate in assessing and evaluating control procedures. This assessment integrates business objectives and risks with control processes.

- **Quality audit engagements**

Internal auditors measure an organisation's current operations against a set of standards or controls. We assess the quality of the organisation's controls and determine if controls are being updated and enhanced as organisational activities are changed, industrial practices are changed, and technology is enhanced through time.



- **Due diligence audits**

Due diligence is the process of investigation a person, business, or financial transaction to establish the value of an entity or transaction and the cost of any associated liabilities. The investigation should identify the presence of certain risks and/or confirm the absence of such risks.

A due diligence audit may refer to either an investigation of an entity/transaction or an audit of the due diligence investigation process itself.

The most common situations for performing due diligence audit are financial (banking, securities, mergers or acquisitions), real estate (property, structures) and intellectual property.

- **Performance audit engagements**

While management exercise control by creating and applying key performance indicators (KPIs), internal auditors perform efficient and cost-effective audits by focusing on the KPIs. KPIs are based on plans and not on policies or rules.

Standards should be designed and written in a way that will allow personnel to measure progress towards meeting the organisation's most important objectives. These standards are often called KPIs.

Types of KPIs including quantity of output standards, accuracy of quality standards, cost standards, timeliness standards, capital standards and revenue standards.

- **Operational (efficiency and effectiveness) audit engagements**

Operational audits are not finance- or compliance-focused but may include some financial and compliance risks.

They are focused on providing assurance on the governance, risk management, and controls in regard to the effectiveness and efficiency of operations. They are referred to as management audits in government environments.

- **Financial audit engagements**

Financial audits performed by internal auditors focus on an organization's internal control. Such internal control assurance is to ensure that the organization is adhering to the processes and procedures that control any type of financial activity. The internal controls set reliable financial reporting as a key objective because of its importance not only in satisfying legal and regulatory issues but also in ensuring efficiency and stewardship over the organization's resources.

- **Compliance audit engagements**

According to the Open Compliance and Ethics Group, “Compliance is the act of adhering to, and the ability to demonstrate adherence to, mandated requirements as defined by laws and regulations as well as voluntary requirements resulting from contractual obligations and internal policies.”

Compliance audits evaluate the adequacy and effectiveness of controls that keep the organisation in compliance with applicable laws and regulations, contracts, and the organisation’s own policies.

Typical types and examples of consulting engagements:

Advisory Engagements

Consultants provide expert advice, analysis, and recommendations to clients facing specific challenges or opportunities.

Operational Efficiency Advisory:

- Scenario: A logistics company is facing delays in delivery times.
- Outcome: Operations consultants map out current processes, identify bottlenecks, and suggest process improvements that streamline operations and enhance service delivery.

Implementation Engagements

Implementation engagements are consulting projects focused on executing specific solutions or strategies within an organization. Executing solutions have been defined either by the consultant or the client.

Enterprise Resource Planning (ERP) System Implementation:

- Scenario:
A manufacturing company needs to integrate its disparate systems into a single ERP solution.
- Outcome:
Consultants manage the entire implementation process, including requirements gathering, system configuration, data migration, training staff, and post-implementation support. This leads to improve operational efficiency and data accuracy across departments.

Innovation Engagements

Consultants focus on developing new ideas, products, services, or business models to drive growth and competitive advantage.

A company’s New Product Development:

- Scenario:
A manufacturing company wants to innovate its beverage offerings to cater to changing consumer tastes.
- Outcome:
The company engages innovation consultants to facilitate brainstorming sessions and apply design thinking methodologies. This collaboration leads to the successful launch of new flavours and healthier options, aligning with consumer trends towards wellness.

Performance Improvement Engagements

Focus on enhancing an organization's operational efficiency, productivity, and overall effectiveness across various functions within an organization, Consultants involve conducting



assessments to identify areas for improvement, implementing performance metrics, and recommending optimization strategies to drive measurable results.

Supply Chain Efficiency Improvement:

- **Scenario:**
A logistics firm struggles with delayed shipments and high operational costs.
- **Outcome:**
Consultants perform a comprehensive review of the supply chain processes, identifying inefficiencies in inventory management and transportation logistics. They implement new software solutions that optimize routing and inventory tracking, resulting in a 15% reduction in operational costs and improved delivery times.

Benchmarking Engagements

Consultants involve systematically comparing an organization's performance metrics, processes, or practices against industry standards or competitors to identify areas for improvement.

Employee Engagement Benchmarking:

- **Scenario:**
A mid-sized company wants to improve its employee engagement levels compared to industry standards.
- **Outcome:**
By utilizing benchmarking data from employee engagement surveys, the company identifies that its engagement scores are below the industry average. This insight drives initiatives aimed at enhancing workplace culture and increasing employee satisfaction.

Technology Consulting Engagements

Technology consulting engagements focus on leveraging technology to solve specific business problems, enhance operations, and drive innovation.

Business Process Automation for an Insurance Company:

- **Scenario:**
An insurance company wants to streamline claims processing.
- **Outcome:**
Technology consultants analyse current processes and implement automation tools that reduce manual tasks, enhance accuracy, and speed up claims resolution times, leading to improved customer satisfaction.

The types of consulting engagements mentioned above reflect the diverse nature of consulting services available to organizations seeking to improve their operations, implement changes, or innovate within their markets. Each type requires different skills and approaches from consultants to effectively meet client needs.