

AUDIT PROCESS MANAGEMENT

Definition / Aims

The aim of audit process management is to ensure efficient & effective operations via:

- 1) *procedures to guide* the work of Internal Audit;
- 2) processes to provide *assurance over the quality* of the work of Internal Audit;
- 3) accurate and reliable *management information* over internal audit delivery and to *meet the needs of all stakeholders*;
- 4) *effective management* of Internal Audit *risks*.

Principles & Approach

- Establish *Audit Procedures** to guide the audit work undertaken. Consider:
 - Audit Basics
 - assignment planning
 - assignment fieldwork (risk & control assessment and testing)
 - assignment reporting
 - follow up of management actions;
 - Management of the Audit Department
 - assurance planning and reporting
 - resource management (particularly IT and 3rd party management)
 - process management (particularly quality assurance, relationship management & MI)
 - working with other assurance providers;
 - Auditing of highly technical business areas / risks.
- Establish a *quality assurance and improvement program** including:
 - checks of compliance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics;
 - checks on quality within individual assignments by the assignment leader;
 - sample checks on assignment quality outside of the assignment team;
 - checks on the quality of MI produced for stakeholders;
 - external assessments should be undertaken at least once every five years.
- Establish a suite of *MI* to monitor audit performance and meet stakeholders needs:
 - regularly monitor your key performance indicators (see also the article and Practitioner's Guide on Audit Governance, Strategy & KPIs);
 - identify your stakeholder MI needs and produce regular stakeholder reports. Consider including upcoming audits, audit results, trends of audit opinions, risks accepted, outstanding issues and issue deadlines missed & trends.
- Establish an effective *audit risk management* process:

- identify your key risks, your risk appetite and put controls in place;
- report audit incidents arising;
- review major incidents within the business for potential audit failings.

*Procedures and quality assurance are requirements of the International Standards for the Professional Practice of Internal Auditing.

Hints and Tips

- Procedures should not be so detailed that they record every keystroke, nor should they be so high level that they don't provide a meaningful guide to practically undertaking internal audit work. Try to find the right balance.
- For new audit colleagues, procedures should be a key reference point, if they are not using them then you have probably pitched them at the wrong level.
- Procedures are living documents, keep them up to date.
- Think about whether you have given guidance on the really tricky areas that come up time and again – it is too easy to just cover the basic audit process (see the article on the VLC on Audit Process Management for some common tricky areas).
- Audit undertakes lots of activity other than doing audits, such as managing the department and consulting engagements. Have you got procedures for these, particularly over MI and IT where the knowledge may just rest with one or two individuals and problems arising would be highly visible?
- Challenge yourself as to whether your quality assurance process is embedded or just an add-on. Question the timing of assignment quality checks – an individual assignment will not benefit if checks are completed after the audit report is issued.
- Are you really checking the quality of work undertaken, or just compliance with policies and procedures? Have you been unduly influenced by a 'neat file'? Have you assessed whether an independent person would have drawn the same conclusions as the audit team from the evidence available on file?
- Have you taken appropriate action after external quality assurance assessments and peer reviews of the assessment of the quality of assignments? Or have you just 'ticked the box'?
- How do you really know if your audit work is good enough? Looking at major business incidents and assessing the adequacy of audit activity is one method.
- Report the results of your quality assurance work to the Audit Committee, together with an action plan to address any problems arising.
- Monitor a *balanced* range of KPIs to ensure the department is working effectively.
- Beware of micro managing your team's performance with too many KPIs.
- Ask stakeholders what audit information they would like, don't assume.
- Managing risk effectively is not just something we assess in others; we believe in the value of managing risks so should actively manage our own risks. Do you?

- And don't think you never have risk incidents within Internal Audit, there's bound to be the odd case where leavers still have system access, where audit files contain personal data being held in breach of the Data Protection Act, where information is not shared securely with third parties securely etc.
- There are a number of relevant International Standards for the Professional Practice of Internal Auditing, so ensure you read through them for specific areas you need to comply with and do an annual check of compliance.

Please see the IIA website for their guidance
<http://www.iaa.org.uk>