QUALITY ASSURANCE AND IMPROVEMENT PROGRAM (QAIP)

ADB’s Office of the Auditor General (OAG)

7 June 2018
TOPICS OF DISCUSSION

- OAG’s Quality Assurance and Improvement Program (QAIP) Framework
- Role and Set-up of the Quality Assurance Group
- Internal Assessment
- External Assessment
- Key Learnings and Challenges
TERMS

- OAG - Office of the Auditor General
- IIA - Institute of Internal Auditors
- QAIP - Quality Assurance and Improvement Program
- QAG - OAG’s Quality Assurance Group
- The Board - Audit Committee of the Board
OAG’s Quality Assurance and Improvement Program Framework
ROLES AND SET-UP OF INTERNAL AUDIT QUALITY

Chief Audit Executive
Audit Team Lead
Internal Auditors
OAG Quality Assurance Group

IIA Standard 1300

QUALITY Level
LOW POOR AVERAGE GOOD EXCELLENT
OAG’s Quality Assurance and Improvement Program

Internal Assessment
- Ongoing Monitoring
- Periodic Reviews
- Self-assessment†

External Assessment
- Full External Assessment
- Self-Assessment with Independent Validation

Assessment by other staff within organization
OAG’s Quality Assurance and Improvement Program

Internal Assessment
- Ongoing Monitoring
- Periodic Reviews
- Self-assessment

External Assessment
- Full External Assessment
- Self-Assessment with Independent Validation

Assessment by other staff within organization
INTERNAL ASSESSMENT: ONGOING MONITORING

Measurement of Performance Indicators Benchmarking (CAE)

Compliance to OAG Guidelines (Internal Auditors)

Closed Recommendations Validation (QAG)

Engagement Supervision (Team Lead)
OAG’s Quality Assurance and Improvement Program

Internal Assessment

Periodic Reviews

Full External Assessment

External Assessment

Ongoing Monitoring

Self-assessment†

Assessment by other staff within organization

Self-Assessment with Independent Validation
INTERNAL ASSESSMENT: PERIODIC REVIEWS

Annual Self-assessment

**REVIEW TOOL**

- Internal Audit Governance
- Internal Audit Staff
- Internal Audit Management
- Internal Audit Process

**TOOLS:**
- Planning Guides
- Program Guides
INTERNAL ASSESSMENT: PERIODIC REVIEWS

Annual Self-assessment

Scope

- Standards and Code of Ethics
- Engagement Supervision
- OAG IA Charter and ADB management’s expectations
- OAG’s guidelines
- Performance Indicators
OAG’s Quality Assurance and Improvement Program

Internal Assessment
  - Ongoing Monitoring
  - Periodic Reviews
  - Self-assessment†

External Assessment
  - Full External Assessment
    - Self-Assessment with Independent Validation
  - Assessment by other staff within organization
EXTERNAL ASSESSMENT: FULL EXTERNAL ASSESSMENT
EXTERNAL ASSESSMENT: FULL EXTERNAL ASSESSMENT

Standards and Code of Ethics

OAG’s IA Activity

ADB management’s expectations
EXTERNAL ASSESSMENT: FULL EXTERNAL ASSESSMENT

- Generally Conform
- Partially Conform
- Does not Conform

QUALITY ASSESSMENT MANUAL
FOR THE INTERNAL AUDIT ACTIVITY
2017 IPF ALIGNED

ADB
DISCLOSURE OF CONFORMANCE

Audit Report

[Month year]

[Audit Title]
Audit Report Number: [YY-XXX] [Based on Team EWP]

The Office of the Auditor General (OAG) conforms with the International Standards for the Professional Practice of Internal Auditing.

The findings, recommendations, and comments contained in this report pertain only to the issues that have come to the attention of OAG as a result of the audit. They should not be regarded as a statement of all weaknesses (or strengths) that exist, or of all improvements that might be made.
CHALLENGES IN IMPLEMENTING QAIP

- Maintaining the correct balance
- Difficulty to: (i) audit and (ii) report the results to Internal Auditors
- Value-adding recommendations
KEY LEARNINGS

❖ Internal Audit quality is Internal Auditor’s responsibility

❖ Professional and Organization credibility

❖ Commitment to excellence
Why are We Successful?
Visit the http://na.theiia.org/ for more information

Katrina Fano
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Time for Questions
Standard 1300 – The chief audit executive must develop and maintain a QAIP

Standard 1310 – The QAIP must include both internal and external assessments.
- 1311 – Internal Assessments
- 1312 – External Assessments

Standard 1320 – Communication of QAIP results
- 1321 – Proper use of a conformance statement
- 1322 – Disclosure of nonconformance
REVIEW OF CLOSED RECOMMENDATIONS

- **Key items:**
  - Reasonable justification
  - Concrete action taken and implementation date
  - Supporting documents
<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>Output Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit and Advisory Services</strong></td>
<td></td>
</tr>
<tr>
<td>New Audits</td>
<td>80%</td>
</tr>
<tr>
<td>Carryover Audit</td>
<td>100%</td>
</tr>
<tr>
<td>End of Fieldwork to Issuance of Final Audit Report</td>
<td>2 months</td>
</tr>
<tr>
<td>Audit Recommendations Implemented</td>
<td>60%</td>
</tr>
<tr>
<td>Audit Recommendations Implemented</td>
<td>60%</td>
</tr>
<tr>
<td>Timeliness of Implementing Audit Recommendations</td>
<td>60% High within 12 months</td>
</tr>
<tr>
<td></td>
<td>60% Medium within 24 months</td>
</tr>
<tr>
<td>Performance Indicators</td>
<td>Output Targets</td>
</tr>
<tr>
<td>-------------------------------------------------------------</td>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Audit and Advisory Services</strong></td>
<td></td>
</tr>
<tr>
<td>Client Feedback on Completed Audits and Advisories</td>
<td>70% satisfaction</td>
</tr>
<tr>
<td>Biannual report (30 June and 31 December)</td>
<td>Circulated to management within 2 months of 30 June and 31 December</td>
</tr>
<tr>
<td><strong>Professional Capacity and Development</strong></td>
<td></td>
</tr>
<tr>
<td>Ratio of Actual Audit Staff to ADB Staff</td>
<td>1:100</td>
</tr>
<tr>
<td>Audit Staff with Professional Designation</td>
<td>90%</td>
</tr>
<tr>
<td>Audit Time Spent on Continuing Professional Education</td>
<td>5%</td>
</tr>
</tbody>
</table>
Time Recording
## Time Recording

<table>
<thead>
<tr>
<th>Category</th>
<th>Time Entry Field</th>
<th>Primary Field</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project</strong></td>
<td>• Audits</td>
<td>• Planning</td>
</tr>
<tr>
<td></td>
<td>• Advisory Services</td>
<td>• Fieldwork</td>
</tr>
<tr>
<td></td>
<td>• Follow-up of recommendations</td>
<td>• Reporting</td>
</tr>
<tr>
<td><strong>Non-working events</strong></td>
<td>• Leave</td>
<td>• Reporting</td>
</tr>
<tr>
<td></td>
<td>• Annual Leave</td>
<td>• Sick Leave (includes Family Leave)</td>
</tr>
<tr>
<td></td>
<td>• Holiday</td>
<td>• Occasional Absence</td>
</tr>
<tr>
<td></td>
<td>• Occasional Absence</td>
<td>• Administrative Leave</td>
</tr>
<tr>
<td></td>
<td>• Administrative Leave</td>
<td>• Maternity Leave</td>
</tr>
<tr>
<td></td>
<td>• Mission – rest day</td>
<td>• Mission – rest day</td>
</tr>
<tr>
<td></td>
<td>• Discretionary Time-off</td>
<td>• Discretionary Time-off</td>
</tr>
<tr>
<td><strong>Admin</strong></td>
<td>• Technical Training</td>
<td>Not Applicable</td>
</tr>
<tr>
<td></td>
<td>• Non-technical Training</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Continuous Improvement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Working Groups, MDB/IFIs benchmarking)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• OAG events</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• TeamMate Administration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Office Administration (e.g., Staff meeting, SWR Activities, PDP/LDP related activities)</td>
<td></td>
</tr>
</tbody>
</table>
Annual Benchmarking Exercise
Annual Benchmarking Exercise

- Multilateral Financial Institution
- Internal Audit Information
- Chief Audit Executive
- Audit Committee