

SECTION B-8

QUALITY ASSURANCE

IIA Standard 1300, Quality Assurance and Improvement Program, requires that the chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The quality assurance and improvement program must include both internal and external assessments. The design requirements of the quality assurance and improvement program include being able to do the following:

- Evaluate the internal audit activity's conformance with the Definition of Internal Auditing and the Standards;
- Evaluate whether internal auditors apply the Code of Ethics;
- Assess the efficiency and effectiveness of the internal audit activity; and
- Identify opportunities for improvement.

Internal Assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

External Assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:

- The form and frequency of external assessments; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

The Texas Internal Auditing Act, § 2102.011, Internal Audit Standards, requires the internal audit program shall conform to the Standards for the Professional Practice of Internal Auditing, the Code of Ethics contained in the Professional Practices Framework as promulgated by the Institute of Internal Auditors, and generally accepted government auditing standards (GAGAS). GAGAS requires an external peer review performed by reviewers independent of the audit organization being review at least once every three years.

Quality and improvement are ongoing objectives for the Internal Auditing Department. Quality and improvement are accomplished by several methods, both informal and formal. Quality and improvement is ongoing via weekly and ad hoc meetings between Internal Auditing management and the Internal Auditing staff and among the Internal Auditing staff. Also, quality and improvement is achieved by the several layers of review of the draft audit reports. In addition,

engagement supervision helps achieve quality and improvement, as well as annual performance evaluations. Furthermore, Internal Auditing management utilize several project management reports to help ensure resources are used efficiently and effectively (See Section C-1), and that work is being performed in conformance with the IIA Standards, definition of Internal Auditing, IIA's Code of Ethics, and the Texas Internal Auditing Act.

The Internal Auditing Department has established four performance measures to help evaluate certain aspects of quality and improvement. The performance measures are included in the Internal Auditing Department's Annual Activity Report. The performance measures are:

- Percentage of audit recommendations implement/in progress,
- Direct audit hours as a percentage of total audit hours,
- Average training hours per auditor, and
- Percentage of auditees responding to feedback survey indicating they were satisfied with the audit.

The Internal Auditing Department also has a formal Quality Assurance and Improvement Program that consists of four types of assessments: project, customer, internal, and external assessments.

Project Quality Assessment

During the course of the audit, members of the audit team perform specific quality assurance tasks and then monitor their program and document the completion of this task, using the Quality Assurance Checklist. Included in this checklist are the requirements for detailed review of working papers, an independent second review of certain working papers, and the transmittal of the Audit Feedback Survey.

Customer Quality Assessment (Auditee Feedback Survey)

At the conclusion of Board approved audit engagements, a feedback survey is emailed to key persons (primary customers of the audit) of the activity reviewed. This allows the auditee the ability to provide the Chief Audit Executive with their candid feedback on the audit process. It is a series of yes/no questions with a comment and/or suggestion section to complete, if desired. Noted below are the questions included in the feedback survey. Question #11 is a performance indicator that is reported on in the Internal Auditing Department's Annual Activity Report.

- Did you receive timely or advance notification of the audit?
- Were you provided the opportunity for an opening meeting to discuss the objectives and timing of the audit?
- Did the auditor exhibit an understanding of your mission/operations/procedures and the related University policies?
- Was the auditor cooperative in attempting to minimize interruptions to your operations and schedule?

- Did the auditor(s) convey, verbally or in writing, their questions, conclusions, and recommendations effectively?
- Did you consider the audit report observations accurate?
- Did you have an opportunity to provide explanations or responses to the auditor's observations and recommendations?
- Did you consider the report and any other written communications clearly written?
- Were you and/or your staff kept well informed of the audit's progress, during the course of the audit?
- Did the auditor(s) carry out their responsibilities in a courteous and businesslike manner?
- Overall, were you satisfied with the audit?

Internal Quality Assurance Reviews

Once every three years, the Internal Auditing Department schedules an Internal Quality Assurance Review, which is included in the Board approved Audit Plan. The Chief Audit Executive selects a senior Internal Audit staff member to conduct the Internal Quality Assurance Review. This review is performed prior to the External Quality Assurance Review and is conducted in accordance with IIA guidelines. The report is signed by the staff member performing the review, and responses to recommendations are provided by the Chief Audit Executive. The report is included in the agenda for the next regularly scheduled Audit and Compliance Committee meeting of the Board of Regents.

External Quality Assurance Reviews

Once every three years, the Internal Auditing Department schedules an External Quality Assurance Review, which is included in the Board approved Audit Plan. The Chief Audit Executive recommends an external peer review team to the Chair of the Audit and Compliance Committee of the Board of Regents. This review is conducted in accordance with IIA guidelines. The External Quality Assurance Review report, including the CAE's responses to recommendations, is included on the agenda for the next regularly scheduled Board of Regents meeting. The External Quality Assurance Review is also transmitted to various state agencies in accordance with the Texas Government Code (included in the Internal Auditing Department's Annual Activity Report).