Working together to build a better future

P092	INTERNAL AUDIT PROCEDURE

Procedure

The key objectives of the internal audit function are:

- To provide objective assurance to management that the organisation's operations have been evaluated for the effectiveness of risk management, compliance, controls and governance processes.
- To provide opportunities to identify potential areas for improvement in response to changes in business needs or improved methods of performing tasks.
- To be pro-active in offering advice to management regarding the implications of future legislation, policy and industry changes.
- To encourage the reporting of significant weaknesses and potential solutions to the Executive Officer.
- To support and complement accreditation processes.

Every Auditor must maintain an objective state of mind and ensure the audit findings and conclusions recorded and communicated are based only on the objective evidence. Audit evidence recorded and communicated must be verifiable and based on samples of information available.

Audit Schedule

The Quality and Governance Manager is responsible for preparing an Audit Plan on an annual basis for **all independent audits**. This organisation-wide schedule will be endorsed by the Executive Officer and shall be made accessible to all relevant personnel. Consideration will be given to the more frequent auditing of the following:

- High quality cost areas.
- High risk areas.
- New or improved processes.
- Processes which have a significant number of non-conformances.
- Processes which are subject to specific contract requirements or which generate significant customer requests and feedback.

Any change to a scheduled audit date can be negotiated between the manager/process owner and the Quality and Governance Manager. Where a significant change is requested this must be ratified by the Executive Officer. All significant schedule changes shall be communicated to those impacted by the change.

An audit register shall also be maintained and updated by administration in the combined register.

Auditors

A pre-requisite for all **independent and investigative** audit assignments will be the conduct of a briefing on the internal audit function organised by the Operations teams.

Any person assigned audit responsibilities must ensure they are afforded such a briefing and must also make themselves familiar with the audit policy, procedure and templates prior to commencing the audit. The required audit attributes upon which an appropriate audit culture is based, and which drive internal control are:

- Ethical conduct through the demonstration of integrity, confidentiality and discretion exercising due care and diligence.
- Avoiding conflict of interest.
- Fair presentation through the obligation to report truthfully and accurately.

Every Auditor must maintain an objective state of mind and ensure the audit findings and conclusions recorded and communicated are based only on objective evidence. Audit evidence recorded and communicated must be verifiable and based on samples of information available.

Audit Planning

A standard Audit Checklist template will be used facilitate the conduct of each audit. This document will be produced and deployed by the Auditor for each audit undertaken and, where required, in consultation with the Quality and Governance Manager. Each completed Audit Checklist is a record of objective evidence that provides input to the audit reporting processes.

Where the audit is independent or investigative in nature all relevant information and documentation required to plan, the audit will be provided by the process owner(s) to the Auditor. The Auditor will use the Checklist to record the following details prior to the audit:

- An audit scope summary.
- Any reference documents used to determine the scope of the audit.
- The parameters of the audit (i.e. the process elements, control points and compliances to be audited – elements, quality controls and compliances will be clearly defined in relevant Quality policies and procedures).

The Auditor will give due consideration to the inclusion of non-compliances identified and documented in previous Audit Checklists and reports. Auditors may also be directed by management and/or process customers to include specific additional checking into the scope of an audit as a result of perceived or actual process or functional risks.

During the audit the Auditor will use the Audit Checklist to record details on compliance status, identified non-conformances and any comments relevant to observations made during the audit. Each completed Audit Checklist is a record of objective evidence that provides input to the audit reporting processes.

Conducting the Audit

The Auditor must effectively schedule time with all required audit participants and conduct the audit with minimal impact on routine business operations. In order to obtain objective evidence, the audit will include, but is not limited to the following actions:

- Interviews and discussions with process customers, participants and management.
- Review of protocols, procedures and manuals, compliance with relevant standards, policies, legislation and regulations.
- Assessing the adequacy (effectiveness, efficiency) of internal controls.

All members of the organisation are responsible for providing sufficient responses to audit questions with the aim of obtaining objective evidence of process or activity status. During the audit the Auditor will use the Audit Checklist to record the following details in a concise and clear manner:

- Compliance status identified and verified during an audit.
- A deficiency rating determined for every non-conformance identified (Major non-conformance, minor non-conformance or observation)
- Any findings and comments relevant to observations made during the audit.

Where required additional documentation can be attached to supplement the Audit Checklist information if required, particularly where related to improvement opportunities.

Corrective and Preventive Action

The Audit Checklist is used to summarise compliance status and facilitates the development of a Corrective Action Request for each non-conformance recorded. Where feasible, it may be possible to combine remedial actions for two or several non-conformances where a practical and mutual solution can be achieved.

Corrective Action Requests will be produced by the Auditor in accordance with the Internal Audit Procedure and, where required, in consultation with the Operations team.

Every Corrective Action Request will be made available to the Operations team prior to being assigned for action in order to meet quality assurance requirements as defined in the Internal Audit procedure.

Step 1

Enter summary details of each non-conformance identified. Audit participants can be requested to verify the accuracy of terminology used.

Step 2

The CAR must be assigned to the most appropriate person who can apply effective remedial action. This person may often be the Auditor where they are the person responsible for the process being audited. Where an Auditor is not assigned they can propose possible remedial actions to the assigned person. The Assignee must indicate the estimated timings for applying corrective and preventive actions to the Auditor for recording.

Step 3

The Assignee is responsible for determining and initiating effective action needed to correct a non-compliance and take appropriate actions to remove the root cause thus applying preventive measures and updating relevant documentation as required. Where remedial actions may impact on other business processes or activities the Assignee must verify proposed actions with the appropriate personnel to mutually agree on the most suitable course of action.

The Assignee must accurately complete the CAR and attach supplementary information as required. The Auditor must be notified immediately where delays occur.

Step 4

The Auditor must be immediately advised once corrective and preventive actions have been applied. The Auditor and other relevant/qualified personnel must verify effectiveness at an appropriate interval after actions have been taken. Once actions have been verified the Auditor can then close out the Corrective Action Request.

Where actions cannot be verified the Auditor must seek advice from the relevant manager and escalate the CAR to the Clinical and Governance Manager for direction in managing all risks incurred. Where major non-conformances have been identified and action applied the Clinical and Governance Manager may request a follow-up audit.

Step 5

All closed CAR's must be filed in a secure directory maintained by the Quality and Governance Manager.

Escalation

Any CAR may be escalated by an Auditor or Assignee to the Quality and Governance Manager for direction in managing all potential and real risks under the following circumstances:

- Where a major non-conformance has been identified that is determined to be a high-risk threat to a process or the business it will be assigned for urgent resolution under the direction of the Quality and Governance Manager.

- Where a suitable risk-free resolution cannot be determined, or is not practical the process owner, in consultation with the Quality and Governance Manager, may accept the current non-conformance status until a less impacting and achievable resolution is determined.

- Where resolution actions cannot be verified the Auditor must seek advice from the relevant manager and escalate the CAR to the Quality and Governance Manager for direction in managing all risks incurred.

Audit Reporting

The purpose of timely and effective reporting provides the following business benefits:

- Managers and process owners can monitor process performance.
- Managers can monitor and control the progress of CAR's.
- The Quality and Governance Manager can measure effectiveness of individual audits.
- The Quality and Governance Manager can measure the effectiveness and efficiency of the audit function.

- It will facilitate and promote a 'management by exception' approach by the organisation's governance body.

Where an audit outcome involves the identification of **no major non-conformances** the manager with accountability for the process and activities within the scope of the audit will be notified of all key audit learnings and the location of audit files for review. The Quality and Governance Manager will also be notified of the audit status.

Where an audit outcome involves the identification of **major non-conformances** or is an investigative audit a formal Audit Report will be produced by the Auditor and presented to all relevant managers. The report will provide a detailed description including, but not limited to, the following:

- All significant issues raised during the audit and the outcomes.
- A summary of CAR's issued and closed.
- Full details of escalations and non-closures.
- Recommendations and justification for follow-up actions.
- An evaluation of the effectiveness of the overall audit process.

The Quality and Governance Manager will produce function status reports as directed or scheduled by the Executive Officer and Board that will incorporate, but will not be limited to, the following:

- The internal audits conducted within stated periods.
- A summary of corrective and preventive actions undertaken in response to major non-conformities reported by Auditors.
- Details of any outstanding Corrective Action Requests that may adversely affect the business.
- The overall effectiveness of the internal audit function

All information obtained and reported is to be deemed confidential.

Management Review

Timely provision of accurate and concise audit reports is pivotal to effective management of all business-critical processes and functions. Report information will provide the capability to respond to audit recommendations, influence future audits, generate follow-up audits or create discrete projects to address functional problems or opportunities.

Where significant opportunities or weaknesses have been brought to the attention of management they must be prepared to direct appropriate levels of planning and effort to address each recommendation.

Reports will also provide learnings that can be valuable input to the organisation's governance and strategic and operational planning processes. Audit reports will also complement the accreditation process whereby factual evidence of function and process performance will be readily available.

Audit Closure

An audit will be considered formally complete upon proof that all corrective and preventive actions assigned have been successfully implemented. All original audit files shall be available to the Quality and Governance Manager for secure retention and future reference purposes such as influencing:

- Amendment and enhancement of existing key performance indicators and quality controls.
- Amendment and enhancement of future Audit Checklists.

- The creation of annual Audit Plans.

All audit documents form quality records that are valid and verifiable evidence for accreditation purposes.

Documentation

Documents related to this policy	
Related policies	Q001 – Quality Management Q002 – Internal Audit Policy
Forms, record keeping or other organisational documents	QF141 - Audit Checklist QF142 - Corrective Action Request