The Institute of
**Internal Auditors**
*Australia*

# Internal Audit Dashboard Reporting

## Definitions

An audit observation can be defined as:

*The connection between the audit criteria and the audit evidence to reflect conformity, non-conformity, or opportunities for improvement.*

In some organisations they may be called audit findings.

Internal audit dashboard reporting can be defined as:

*A visual representation comprising tables and charts that can provide information at a glance.*

An audit action can be defined as:

*An improvement action, ideally agreed by management, for management to implement from an audit report.*

Audit action close-out can be defined as:

*Accepting an audit action as complete after management has implemented remediation or control improvements to address a matter raised in an audit report, or the risk has been accepted through the approved organisation risk acceptance process.*

## Monitoring Audit Actions

When an audit has been performed, internal auditors are required to ensure systems are in place to monitor progress of audit action implementation to address identified observations. (Internal Audit Standard 2500 'Monitoring Progress'). Standard 2060 requires that the chief audit executive "*report periodically to senior management and the board*" (audit committee), with the format, frequency and content of such reporting to be determined jointly between the chief audit executive, senior management and the board (audit committee). Progress on implementation of audit actions is usually part of such a report.

In some internal audit functions, reporting on audit observations may result in a list of observations being reported with a description of what has happened. An illustrative example is shown below:

While this format of reporting provides relevant information, it can lead to voluminous and unreadable reports. The potential volume of reporting leads to such questions as:

› Do we report on the progress of all audit actions?
› If we report only on a subset, which audit actions do we report on:
  › All audit actions?
  › High and Medium rated audit actions?
  › Higher rated audit actions?
  › Audit actions approaching due date?
  › Overdue audit actions?
› Does the audit committee have enough time to read through all the status update comments to achieve the best possible value of time spent in audit committee meetings?

The overarching questions are:

› How can the above information be best utilised to report at a governance authority level and senior management level?
› What is the best way to discuss progress with management responsible for implementing audit actions without duplicating information?
› Can information on progress from management be used to verify audit action close-out by reviewing the summary of what is done and vouching it to actions actually performed?

If there are a small number of audit actions, this may not be an issue and can be readily handled, but for many organisations the audit action issue is significant.

Here we outline an alternative strategy that can be used to address some of the potential challenges previously discussed.

## Remediation Plans as a Basis for Reporting

In some organisations, internal audit encourages senior management to develop a remediation plan to address an audit observation or a group of related audit observations. This recognises that addressing an internal audit observation is in itself a project designed to achieve a business objective.

| No | Observation | Rating | Implementation Date | Revised Implementation Date | Status Update |
|---|---|---|---|---|---|
| 1 | <observation> | **High** | 31 October 2021 | 31 March 2022 | › Implemented X<br>› Y to be Done<br>› On Schedule |

## Using a Dashboard to get Richer Reporting

A remediation plan is often a list of steps to be performed in sequence. An example might be:

› Draft policy and procedure for data management.
› Consultation on the draft policy and procedure.
› Review feedback and amend where appropriate.
› Respond to contributors.
› Adoption of policy and procedure.
› Update other impacted instruments.
› Provide training to staff in relation to new requirements.
› Incorporation of training into staff induction training.

The rationale for developing a plan is:

› Several people may be involved in the remediation process, but a single individual can be assigned overall responsibility for completing it.
› It allows co-ordination by management to monitor progress.
› It enables identification of required resources to address the observation.
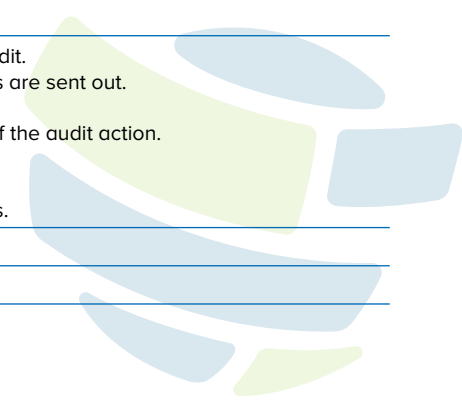
## Data Collection on Remediation

Recognising the project structure of remedial action can be used to improve internal audit reporting. Each project component will require a different amount of effort to achieve. At times some of the steps can be done synchronously and other times asynchronously. A progress template utilised by an internal audit function could require the audit action owner to provide an estimate of effort for each item along the lines of:

| Observation |
|---|---|---|---|---|---|---|
| Lack of policy / procedure to guide the organisation in relation to management and disposal of data in accordance with regulatory requirements |
| **Audit Action** |
| **Step** | | **Effort** | **Effect** | **Progress %** | **Done** | **To Do** |
| 1 | Draft policy and procedure for data management | 10% | | | | |
| 2 | Consultation on the draft policy and procedure | 20% | | | | |
| Etc | Etc | Etc | | | | |
| | | 100% | | | | |

Explanatory commentary for the table above and the table shown later in this Factsheet is shown below:

| Observation | › The audit observation. |
|---|---|
| Steps | › The number of audit action steps to address the observation and the number that are still open and have not reached 100% effect.<br>› This provides an indication of how much work has been done and also remains to do. |
| Effort | › Percentage through the remediation process<br>› It acknowledges some steps require more effort to complete than others.<br>› An initial estimate of effort is provided for each step.<br>› This adds up to 100% to close-out the audit action.<br>› When this is populated the 'Effort' column is hidden from view as it has served its purpose. |
| Effect | › Original due date and revised due date (with any extensions).<br>› This automatically highlights in a colour associated with when it is due:<br>  › Green if it is not due.<br>  › Amber if due in a month.<br>  › Red if it is due today or is past due. |
| Progress | › Progress is taken from the remediation plan provided to internal audit.<br>› Past progress is entered into the monitoring system before requests are sent out.<br>› This enables a visual tracking of progress for each audit action.<br>› It sums up and gives an indication of progress for implementation of the audit action.<br>› The 'Progress' column is also hidden.<br>› It is a background calculation (Effort x Effect = Progress).<br>› The total then provides an overall measure of remediation progress. |
| Done | › What has been completed so far. |
| To Do | › Remainder to be completed. |

When management is requested to provide an update for reporting purposes, they enter how much progress has been made in relation to each step and provide commentary in 'Done' and 'To Do' columns.
In the example below it can be seen that overall progress for the audit action is 22%.

When updates are received, they can be displayed on an internal audit dashboard report.

| Observation |||||| |
|---|---|---|---|---|---|---|
| Lack of policy / procedure to guide the organisation in relation to management and disposal of data in accordance with regulatory requirements |||||| |
| **Audit Action** |||||| |
| Step | | Effort | Effect | Progress % | Done | To Do |
| 1 | Draft policy and proce-dure for data management | 10% | 20% | 2% | | |
| 2 | Consultation on the draft policy and procedure | 20% | 30% | 6% | | |
| Etc | Etc | Etc | Etc | Etc | | |
| | | 100% | | 22% | | |

## Applying progress data to Audit Actions

An audit status dashboard for an individual internal audit engagement might look like the example below:



| Data Governance | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Steps ||| Dates || Progress || |
| Observation | Initial | Open | Rating | Original | Revised | Prior | Current | |
| Lack of Policy/Procedure Framework | 3 | 1 | 🟡 | 31-03-22 | 31-03-22 | 20% | 99% | |
| Outdated Compliance Register for Data Governance Requirements | 1 | 1 | 🟡 | 15-02-22 | 15-02-22 | 45% | 67% | |
| | 4 | 2 | 🟡 | | | 33% | 83% | |

An audit status dashboard might aggregate the observations to inform the audit committee of internal audit engagements. The audit status dashboard will take the highest rated open observation and associated audit action from an audit and display it on the overall summary. It selects the most recent dates for original and revised deadlines from the open audit action. This way as audit actions are addressed the dashboard is constantly refreshed with the next date and also the rating making it a dynamic representation of progress and provides a visual representation of the reducing risk profile for the organisation.



| Audit Status Dashboard | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Steps ||| Dates || Progress || Opinion |
| Observation | Initial | Open | Rating | Original | Revised | Prior | Current | Opinion |
| Data Governance | 4 | 2 | 🟡 | 31-03-22 | 31-03-22 | 20% | 99% | 🟡 |
| Conflict of Interest | 5 | 4 | 🟡 | 15-02-22 | 15-02-22 | 45% | 67% | 🟡 |
| | 4 | 6 | | | | 33% | 83% | |

The dashboard has a field called 'Opinion' which is where the internal audit function provides an opinion about how reliable they rate the management update. This example above is rated 'Medium' (amber) reliability. If evidence is being provided at regular intervals and is of appropriate quality, then the 'Opinion' indicator is set to 'Low' (green). If there are concerns it is set to 'High' (Red).

## Conclusion

When carefully structured your internal audit follow up process may provide data that enables you to provide deeper insights for the board, audit committee and senior management. It may also help line management to better focus their audit action remediation effort.

## Acknowledgement

The content of this Factsheet has been informed by Dr Peter McLeod at the University of Southern Queensland in Toowoomba, Queensland, Australia.