

# Quality Assurance and Improvement Program

*More than Just Compliance with the Standards*

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# Session Overview

- Safety Moment
- ConocoPhillips Company Overview
- Components of an effective Quality Assurance and Improvement Program (QAIP)
  - Engagement supervision
  - Workpaper reviews
  - Customer surveys
  - External Quality Assessments (EQAs)
- Benefits of an EQA and how to maximize value from the process
- Request for proposal and selection of the EQA provider
- Effective planning and execution of the EQA
- EQA reporting of results
- General success factors and considerations

# Safety Moment – Houston’s Unofficial Driving Rules

**Rule #10**: Please do not stop at yield signs.

**Rule #9**: Drive Faster.

**Rule #8**: Don’t hesitate at green lights.

**Rule #7**: Pay attention to other cars, not drivers.

**Rule #6**: Yes, the line is long to get on 45 South from I-10, but that doesn’t mean you get to cut it.



# Safety Moment – Houston’s Unofficial Driving Rules

**Rule #5:** Watch out for bike riders and motorcyclists.

**Rule #4:** Mentally prepare yourself for undue aggression.

**Rule #3:** If you’re in the right-hand lane on a street, you better be turning right.

**Rule #2:** Fender-bender on the freeway? **MOVE!**

**Rule #1:** Driving downtown requires reading comprehension and rule following, for real.



# ConocoPhillips Profile

- World's largest independent exploration and production company, based on proved reserves and production of liquids and natural gas
- 17 countries of operations
- Over 13,300 employees
- \$30.9 Total Revenues and Other Income and 605 MBD crude oil production in FY2015
- 10 Non-Employee Directors, 4 Audit and Finance Committee (AFC) members
- Internal Audit Headcount: 32
- General Auditor reports administratively to the CFO and functionally to the AFC Chairman

■ Exploration\*   ■ Production   ■ Exploration and Production\*   ★ Headquarters

- **1300 – Quality Assurance and Improvement Program**
  - The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.
- **1310 – Requirements of the Quality Assurance and Improvement Program**
  - The quality assurance and improvement program must include both internal and external assessments.
- **1311 – Internal Assessments**
  - Internal assessments must include:
    - Ongoing monitoring of the performance of the internal audit activity.
    - Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

- **1312 – External Assessments**

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

- **1320 – Reporting on the Quality Assurance and Improvement Program**

- The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board. Disclosure should include:
  - The scope and frequency of both the internal and external assessments.
  - The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
  - Conclusions of assessors.
  - Corrective action plans.

# Common Non-Conformance Characteristics

- Internal Audit Charter non-existent or not approved
- Reporting Relationships do not provide independence
- EQA not performed
- Infrastructure and process not defined and documented
  - Defined and documented process not followed
- KPIs not established and effectively monitored and reported
- Post Audit Survey Results not monitored, addressed, and communicated





# Quality Assurance and Improvement Program (QAIP) - INTERNAL

- Ongoing Reviews
  - Engagement supervision by Leads, Supervisors, Consultants, and Managers
    - Manager approval required for key planning and reporting activities
  - Post Audit Feedback Surveys
    - Sent to addressee and key contacts after final reports are issued
  - Audit Plan status reviewed during AFC meetings (at least five times per year)
- Periodic Reviews
  - Performance Metrics
    - Safety Incidents, Report Turnaround Time, Survey Scores etc.
    - Reviewed with staff and management periodically
    - Reported to AFC at least two times per year
  - Workpaper Assessments
    - First Team Lead
    - Target two workpaper files per auditor each year
    - Results periodically communicated to IA, and annually to AFC
  - Annual Risk Assessments Interviews
    - Use OneNote Notebooks to share interview notes

# Customer Surveys

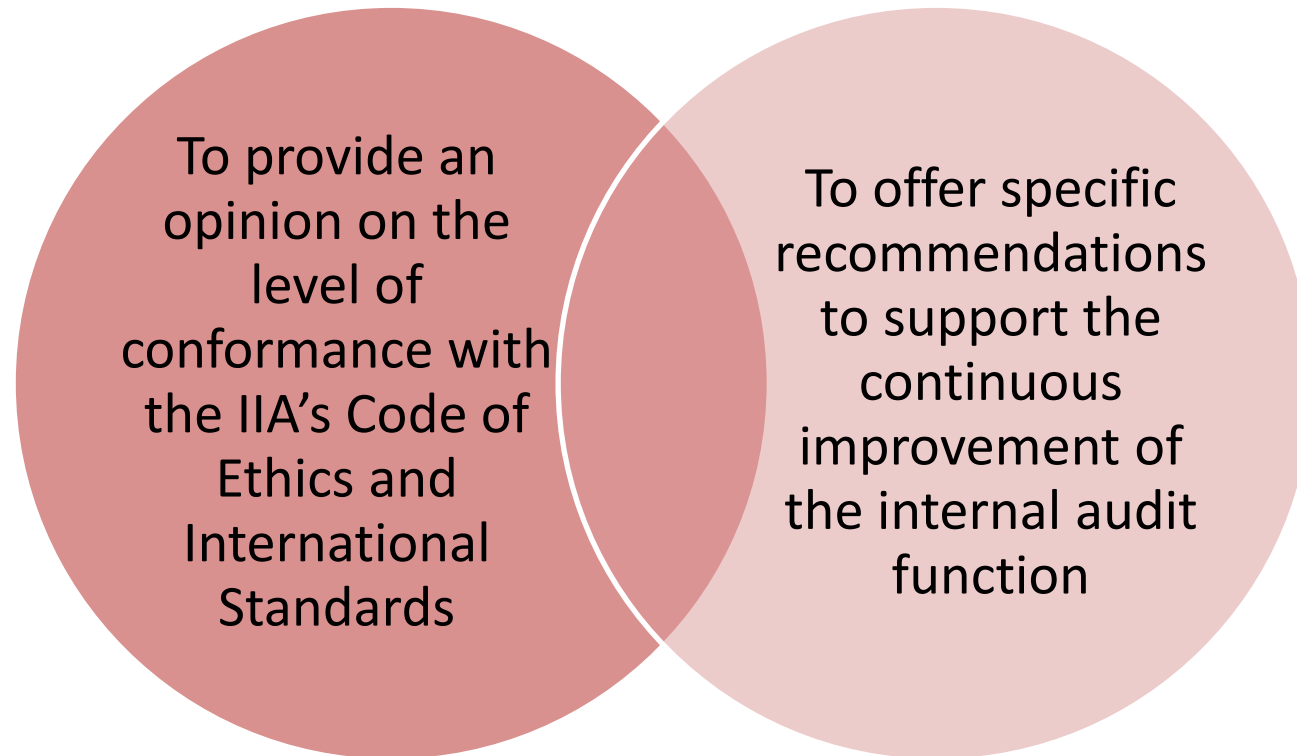
- Audit Services Director sends link (SurveyMonkey) to survey after final audit engagement report is issued
- 8 Yes/No questions with field for “Suggested Changes”
  1. Engagement objective achieved?
  2. Appropriate level of knowledge and understanding to meet objectives?
  3. Engagement conducted efficiently?
  4. Timing and requests not overly disruptive?
  5. Effective planning executed?
  6. Responsive to auditee requests?
  7. Ethical, professional, objective, and impartial standards met?
  8. Clear, accurate, and objective audit report?

# Customer Surveys (continued)

- Three open-ended questions
  1. Opportunities for IA to increase its value-added to the organization?
  2. Example(s) of how the team provided assurance or enhancement to the organization?
  3. General feedback regarding the internal audit function including annual planning, risk assessment interviews, scheduling, and execution of the individual audit engagements?
- Managers communicate results to teams and reach out to stakeholders as necessary
- Target 90% positive responses
- Report metric to A&FC two times per year



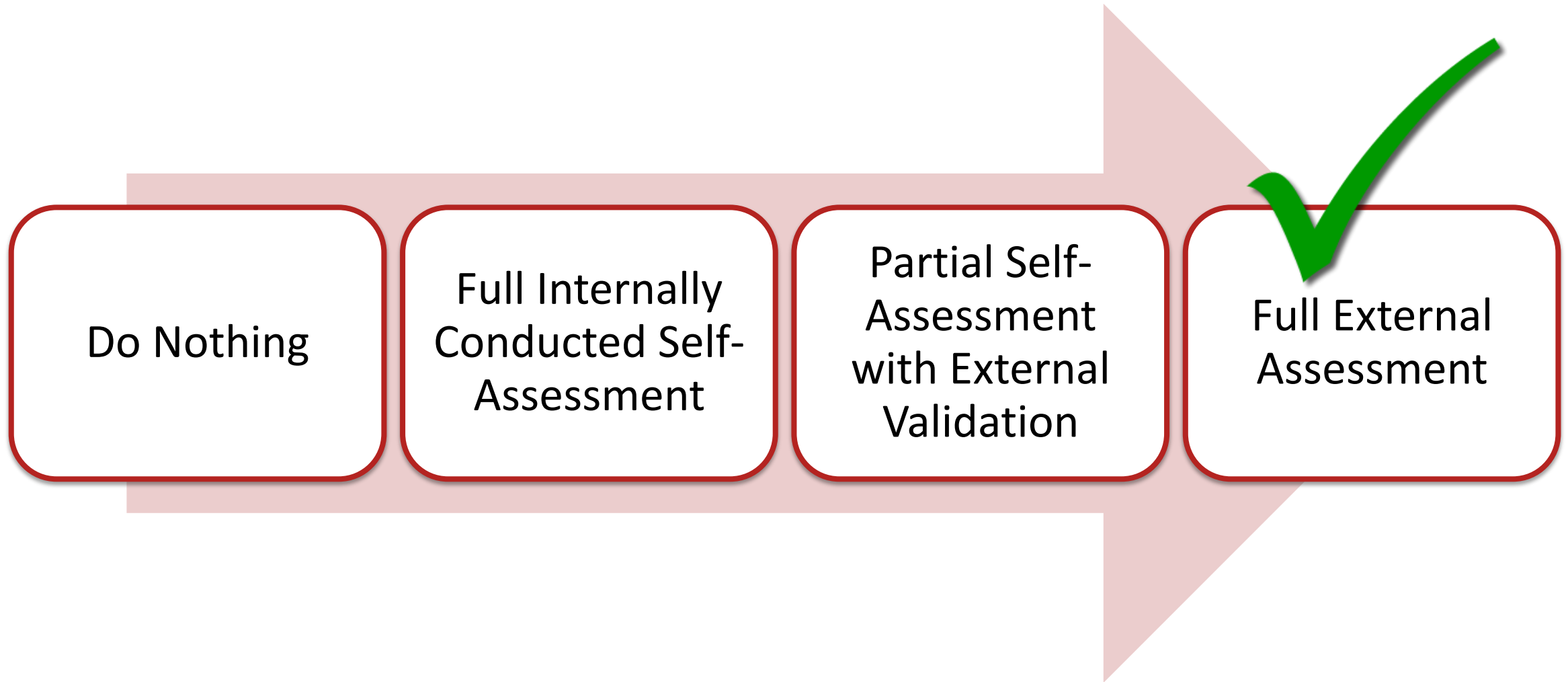
## Two Primary External Quality Assessment (EQA) Goals



To provide an opinion on the level of conformance with the IIA's Code of Ethics and International Standards

To offer specific recommendations to support the continuous improvement of the internal audit function

# External Quality Assessment – Options Considered

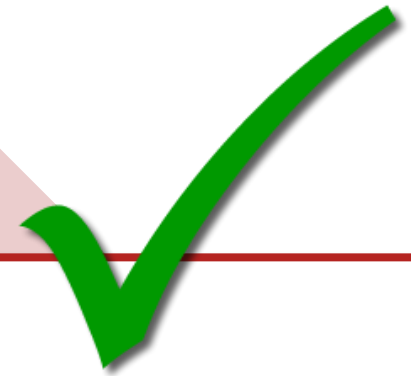


Do Nothing

Full Internally  
Conducted Self-  
Assessment

Partial Self-  
Assessment  
with External  
Validation

Full External  
Assessment



# EQA – Request for Proposal (RFP) Process

- COP Supply Chain coordinated process
- Bidders invited to provide proposals
- In-person presentations
- Follow-up questions
- Selected winning bidder based on:
  - Team member credentials
  - EQA approach
  - Access to relevant benchmarking data
  - Comfort regarding interaction with company management and the AFC
  - Price



# EQA - Preparation




- Logistics
  - Office Space
  - Security
  - Connectivity
- Document Request
  - Secure portal for document sharing
- Survey terminology review and logistics
- Access to workpaper files
- Interview Scheduling
- AFC Presentation coordination



- Interviews
  - Senior and Executive Management
  - Audit & Finance Committee Members
  - Internal Audit management
- Surveys
  - Stakeholders
  - Internal Audit Staff and Management
- Regular update meetings and deliverables
- Analysis of Internal Audit's working practices and audit deliverables
- Draft report



# EQA Report Components

- Recent company business developments and Internal Audit's response
- Strengths
- Assessment of IIA Standards 1000 – 2600 Compliance
  -  Does not Conform
  -  Partially Conforms
  -  Generally Conforms
- Recommendations
- Maturity Model Strategic Assessment based on survey results and benchmarking data
- Detailed Analysis of results, and recommendations for improved performance

# Communication of Results

- Pre-AFC discussions
  - General Auditor
  - EQA Review Team Leads
  - CFO
  - CEO
  - AFC Chairman
- Present results to AFC
- Review results with IA Staff and Management
  - Congratulations on EQA results!



# EQA Benefits and Lessons Learned

- Time requirements
  - RFQ process
  - Scheduling/coordination of interviews
- Single point of contact is recommended
- Request previous EQA reports
- “Dry runs” prior to AFC presentation
- In-person AFC Member interviews coordinated with AFC meeting
- EQA reviewers assist with stakeholder internal audit function awareness
- Communicate upfront what you want to get out of the EQA
- Team available to assist with response to workpaper reviews (Team Leads if possible)
- Go beyond IIA Standards compliance assurance

# Questions/Discussion

