

INTERNAL AUDIT OF CLINICAL AREAS

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Internal Audit of Clinical Areas

1. Who is this paper for?

This paper is for boards, management and staff in the health sector who are interested in internal audit (IA) reviews of their clinical areas, or may be assisting in such a review.

2. What is an internal audit of clinical areas?

It is a review of areas of significant clinical risk in an organisation. For example, this may be an assessment of actual practices against approved procedures or best practice for the delivery of key care systems.

3. How is an internal audit of clinical areas different to the internal audits currently conducted in our organisation?

An internal audit of clinical areas will be performed like any other internal audit:

- The IA team will agree the scope of the work to be undertaken with management and the board;
- Fieldwork (or testing) of procedures and controls will be undertaken; and
- A draft report will be provided for management comment. The final report will be presented to the audit and risk committee (or equivalent) and board.

The key difference, however, is that a specialist in the clinical area (a subject matter expert) will be a part of the IA team and their focus will be purely on reviewing clinical areas.

4. Why should we do internal audits of clinical areas using the internal audit function?

Internal audits (for example, reviews of risks in the financial and human resource departments) are a requirement of the Standing Directions of the Minister for Finance 2016, under the Financial Management Act 1994. There is no health service requirement for internal audits of clinical areas. However, boards are seeking assurance that their organisation is operating in accordance with approved practice and that risks are being adequately managed. Further, management are seeking feedback on the effectiveness of the controls and processes designed to reduce risk in their area.

5. What will the audit report look like?

There are 2 key sections in an audit report:

- i. Background of the area under review including the audit testing approach and commentary on any trends observed during the review. This may include processes or controls that are working well, or areas where there are opportunities for improvement.
- ii. Matters arising, also known as 'issues', which are descriptions of controls that may not be operating as expected and are resulting in levels of risk that are not acceptable to management. Actions to treat these risks are assigned to management and are monitored for completion by the audit and risk committee.

6. Who will be involved?

There are several parties involved in this process.

Through the board, the audit and risk committee's key role is to approve the audit plan, review the final reports and monitor the treatment of risks.

In clinical areas, the senior leaders, management and staff are generally involved when their area is reviewed. Their key role is to assist in the review by gathering documentation for IA to examine, participate in discussions, demonstrate controls or processes in operation and to review the draft report.

The IA team will include a lead auditor or manager, a clinical subject matter expert and audit consultants. IA will manage all aspects of the audit and will engage management and staff from the clinical area as needed.

7. What value and benefits will we receive?

IA helps your organisation to accomplish their objectives by bringing a “systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.” IA's assessment will provide the board with assurance that the clinical area under review is operating as expected, or that an appropriate action plan is in place to treat identified risks and control weaknesses.

Management will benefit from IA's independent and objective appraisal of the design and operation of processes and controls in their clinical area. The audit report can also help to raise the profile of risks requiring priority treatment.

8. Who will pay for the audit?

Internal audits of clinical areas can be built into the annual IA plan. The audit and risk committee or the board will usually assign or approve the budget to execute the IA plan.

9. How do I engage specialist resources?

Clinical subject matter experts are a critical member of the IA team. Your existing IA provider or other private sector accounting firms may have access to such specialists. VMIA may also be able to assist.

¹*International Professional Practice Framework*, the Institute of Internal Auditors