

## **ORGANIZATIONAL AUDIT PROGRAM**

### **INTRODUCTION**

As a part of its responsibility to ensure the accountability and transparency of its organizations and their processes, the ICANN Board of Directors must, from time to time, by the means of audit activities, assess the effectiveness of the processes of its Supporting Organizations, Advisory Committees, and other groups that it deems necessary; the outcomes of those processes; and the capability of the ICANN structures to support the processes. In the past organization reviews mandated by the bylaws to a certain extent assessed the process elements and certain aspects of the capability of the structures to support the processes. There was no real assessment of process outcomes and no assessment of the processes themselves. There also did not exist a manner or means in which the results of these assessments were routinely integrated into strategic or operational planning. Hence there is a need for an improved review regimen. This improved regimen is a comprehensive Organizational Audit Program. This paper describes a concept for the board to discharge its responsibility and provides the principles to guide the development of the Organizational Audit Program.

### **TERMS**

#### Process

A plan or predetermined method is for producing an outcome or product. It is composed of elements that define standards, requirements or resources needed to accomplish the activity.

#### Process Audit

An examination that measures whether people know how to perform a process and whether controls are used to produce an outcome.

A process audit looks for performance indicators such as waiting, redoing, deviating or rejecting. It does not measure the quality of the outcome nor does it measure the compliance to standards, requirements, or the provision of resources needed. It can identify the lack of or inadequacy of the elements. By its nature, a process audit analyzes work flow identifying efficiencies or deviations by verifying conformance to the required sequential steps from input to output using models and tools such as simple flowcharts, process maps or process flow diagrams. A process audit provides added value by evaluating how processes flow, their controls and risks and the achievement of outcomes. While objective criteria can be used to evaluate process flows, there may also be subjective evaluations based upon interviews regarding how well the process is or is not working.

#### Process Element Audit

An examination that verifies compliance or conformance to standards and requirements both as they pertain to the process and also to the manner of provisioning of resources.

A process element audit ensures all aspects of a process are being evaluated. Standards and requirements may be based upon statutes, organizational bylaws, or organizational policies and are used to support key elements or controls of a process or support the provisioning of supporting resources. A process element audit is the direct link to these statutes, bylaws, and policies. A process element audit verifies key elements or critical controls and identifies compliance or deviation from them. This includes but is not limited to such things as written procedures and record keeping. Lastly, a process element audit ensures that the people managing and using the process are aware of the standards and requirements and are adhering to them. Objective criteria can be used throughout to evaluate process elements to the extent that a checklist style of approach can be used.

## Outcome Audit

An examination that focuses on quality and effectiveness of the product of a process.

An outcome audit is the most common informal unstructured evaluation, but it can also be the most difficult to define standards and requirements and is the most prone to ambiguity in evaluation. An outcome audit is best conducted as part of the feedback and assessment phase of a process.

## Structural Audit

An examination that evaluates the capacity of an organization to effectively and efficiently perform its processes and achieve quality outcomes.

A structural audit looks at the organization and allocation of resources that provide the capacity for the organization to perform effectively. The Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of a strategic planning process is an effective method to conduct this audit.

## Principles

1. An audit measures against a standard and it should identify the cause of any deviation. All audits start with compliance against a standard whether it is a process flow, a process element, a process outcome, or the capability of a structure.
2. An audit must be focused on feedback. Feedback is needed so that organizations can take actions that will improve the organization. The results of the audit are provided in a written report that identifies strengths and weaknesses, identifies root causes of deviations, and provides recommendations for corrective actions and improvement. This report serves as a record of results that can be used to correct deviations, provide input into strategic and operational planning, and can benefit other organizations in the ICANN community.
3. An audit examines whether the deviations reported from the previous audit have been corrected and whether the results were incorporated into the strategic and operational planning.
4. An audit consists of five elements:
  - a. Measurement against a standard.
  - b. Determination of the magnitude of compliance or deviation.
  - c. Identification of the root cause of the deviation.
  - d. Identification of a solution or set of solutions.
  - e. Formulation of recommendations.

## Concept

All audits – Process Audits, Process Element Audits, Outcome Audits, or Structural Audits will be conducted in a phased or cyclical approach. A specific plan and process will be developed for each audit. Not all phases described below will be totally applicable for each of the audits. Each of the audits is an independent activity and are not usually conducted simultaneously. The phases of an audit are:

### 1. Pre-Audit Activities.

a. Identify standards and requirements. Standards and requirements appropriate to the audit are identified and prepared or developed by the staff and coordinated with the community.

b. Identification of the auditor. The auditor may be an individual or a team of individuals. Some audits will be conducted by independent firms selected through a contracting process while others can be conducted by teams of individual identified from the ICANN communities. These community based teams will be supported by ICANN provided resources and staff.

### 2. The audit.

#### a. Conduct of the Audit

1) The process audit will be conducted using either a contracted consulting firm or by a team of individuals identified from the ICANN communities.

2) The process element audit will be conducted using a contracted auditing firm.

3) The outcome audit will be conducted using either a contracted consulting firm or by a team of individual identified from the ICANN communities.

4). The structural audit will conducted as part of strategic planning. It will utilize the results of the other audits as input to this audit.

#### b. Preparation of the report.

1) Draft prepared and presented by the auditor to the audited organization.

2) Consultation and cross check between the audited organization and the auditor. If necessary the identification of differences and any resolutions of those differences will be placed into the final report.

3) Presentation of the final report to the board oversight committee and posting for public comment.

4) Analysis of the public comments by the board oversight committee and preparation of recommendations to the board.

5). Board acceptance of the report and issuance of implementation guidance and instructions.

### 3. Implementation of recommendations.

a. Immediate corrective action.

b. Integration into strategic and operations plans.

c. Publishing the report so that others can benefit from the results of the audit.

d. Follow up assessment of implementation progress.

4. Operational Experience. The audited Supporting Organization, Advisory Committee, and other group operates for a period of time after the audit recommendations have been implemented.

5. Assessment of effectiveness of recommendations. After the period of operation the Supporting Organization, Advisory Committee, and other group conducts a self-assessment of the effectiveness of the recommendations and prepares a report. This report will be sent to the CEO and will be used as an input into the next audit.