

# SECTION: FINANCIAL AND ACCOUNTING POLICIES AND CORPORATE GOVERNANCE IN THE GLOBAL CONTEXT

## PLANNING INTERNAL AUDIT ACTIVITIES USING THE GANTT CHART

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### Abstract

*The internal audit registers a large range of activities, which means that the internal auditor spends much of his time on documentation on missions, workbooks, delimitation of auditable objects and identification of significant risks. The internal auditor must "be covered with papers" for each opinion, recommendation, idea, written official/justificatory evidence is required to certify the auditor's statements. Planning internal audit (both annual planning and mission planning) it is a time-consuming stage, a recurring activity, the same documents are planned to be elaborated in every mission (Service order, declaration of independence, mission statement, etc). This paper aims to identify and show a computerized way of planning internal audit activity, so that this stage could be streamlined and done in a more efficient manner. In this aspect, we are working on a Gantt chart template searching for efficient ways for planning activities.*

**Keywords:** *internal audit, Gantt chart, quality of internal audit*

**JEL Classification:** M10, M42

### 1. The necessity of planning internal audit activity

This paper refers to public internal audit regulated by Law 672/2002 and Government Decision No. 1086/2013, but the research can be applicable to all internal audit types.

Planning is an activity necessary in every field. Planning is a function of management, as described by Henry Fayol, considered to be the father of management. Planning consists of all the processes of work through which the main objectives of the company and its components are determined, together with the resources and means necessary for their realization. In our case, we refer at internal audit objectives and resources.

Planning is the exercise of anticipating the evolution of the conditions in which the social-economic system is being managed, as well as its state, behavior and functioning.

The planning can be seen as a foresight activity that requires a clear, rigorous definition of the objectives, for a good allocation of resources, responsibilities, setting the timetable for the objectives set.

The planning function (general management) includes decisions and actions to establish:

- company or organization objectives;
- the procedural and structural components;
- the ways of achieving them;
- dimensioning all resources (human, financial, material, etc.);
- intermediate and final terms.

Both the entity's management and the internal auditors can use, as assessment model, the fishbone diagram, also called the Ishikawa diagram (Ishikawa, 1986) or the Cause – Effect diagram. By means of this diagram, a profound analysis of an issue that requires a solution is required within a brainstorming meeting. (5, pg. 526)

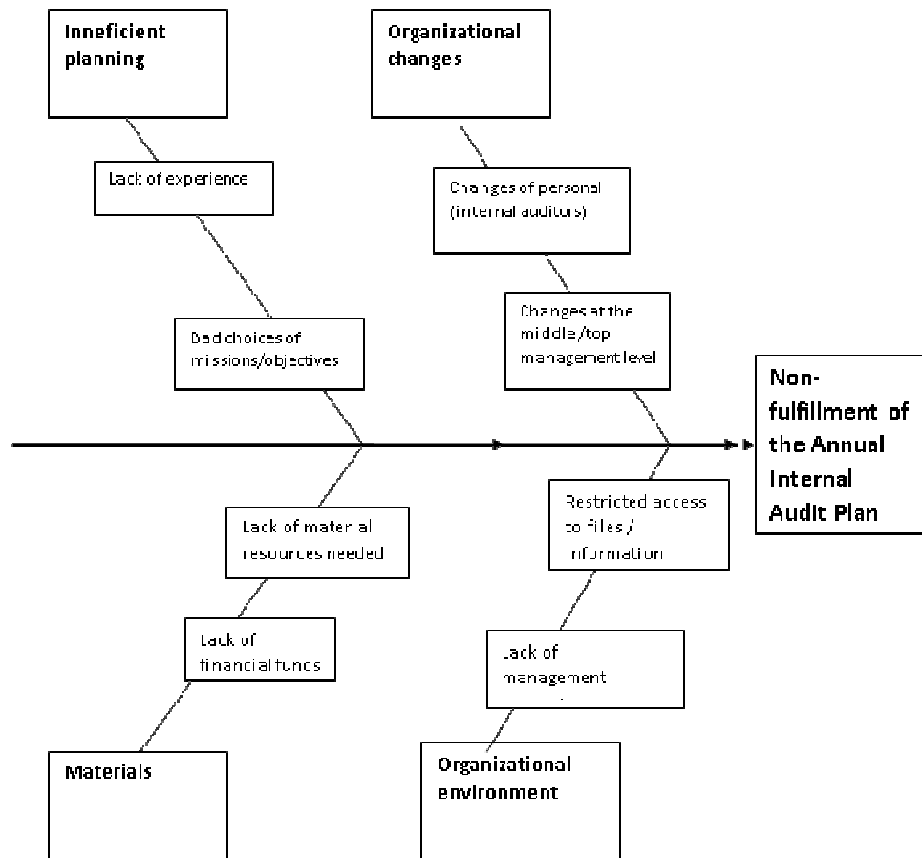
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This method is used in order to identify the basic causes of the problem.

In fig.1. we considered *Non-fulfillment of the Annual internal audit plan* the problem, as this is considered to be the main risk in public internal audit, through the perspective of risk management (related to O.G.S.G. 400/2015).

Although the legislation (Law 672/2002, art. 23, c ) provides sanctions only for failure to elaborate the annual internal audit plan and not for non-compliance, we consider compliance with the annual plan a significant element in the internal audit activity, especially as this is a principal element followed by the internal audit department's assessment / control bodies. As we observe in fig.1 we selected a few causes that lead to the problem. In this paper we are focusing on the planning activity, as the other causes can be said that are not directly in the responsibility of the audit chief, but are indirect causes, while planning lays only in the responsibility of the head of the internal audit. The head of internal audit, according to the public internal audit and OGS 400/2015 requirements, must take into account the risks faced by its department and ensure continuity of activity under reasonable conditions.



**Fig. 1. Fishbone Diagram – internal audit**

Source: own presentation

Starting from the Ishikawa diagram and establishing the problem, we identified possibilities for planning streamline. A possible way to streamline the planning of internal audit work is to use the Gantt chart.

## 2. Using Gantt chart for planning internal audit activity and missions

The Gantt chart is a tool used to plan projects, events and work in general, invented by Henry L. Gantt (American engineer and sociologist) in 1917.

The Gantt chart graphically illustrates an activity program that helps to plan, coordinate, and monitor tasks specific to a project and can be done on a sheet of paper, in a program in the Microsoft Office suite (Excel / Word) or in a project-specific project management: Microsoft. In this paper we used Microsoft Office Excel.

We consider this method useful to plan and follow the work done by the internal audit office, as all the staff involved in the internal audit activity can follow at any time the stage in which the documents are.

First, we will introduce data in an Excel sheet, as follows.

We have chosen the main activities to be developed in an internal audit bureau, in accord with the regulatory framework. Also, we introduced the start and end date of the activity. All data complies with the legal regulations in force.

The following activities were taken into account in Table 1. **Gantt chart data for planning internal audit annual activity** (with due dates, where extreme dates are the first day of the year-31.01.N and the last day of the year-31.12.N):

- Annual Report, 31.01.N;
- Court of Accounts Report: 31.01.N;
- Report of The quality assurance and improvement program (QAIP), 31.01.N;
- Risks report, 25.02.N;
- Questionnaire on the state of implementation of the internal/managerial control system, 15.03.N;
- Professional Training Report, 30.03.N;
- Forms/Procedures, permanent activity through the year, 31.12.N;
- Annual Plan, 30.11.N;
- Multiannual Plan, 30.11.N (once at three years);
- Risk registry (analyses and updating risks), 31.12.N;
- Annual Professional Training Plan, 25.01.N;
- Internal Audit Charter/ Internal Regulations (analyses and updating), permanent activity, 31.12.N;
- The quality assurance and improvement program (annual activity), 20.12.N.

The documents (activities) taken into account in Table 2. **Gantt chart data for planning internal audit missions** (with due dates, where extreme dates are the first day of the mission-04.10.N and the last day of the mission-16.11.N, based on our example) are referring to the classical documents that an internal auditor prepares during the internal audit engagement according to the legal norms.

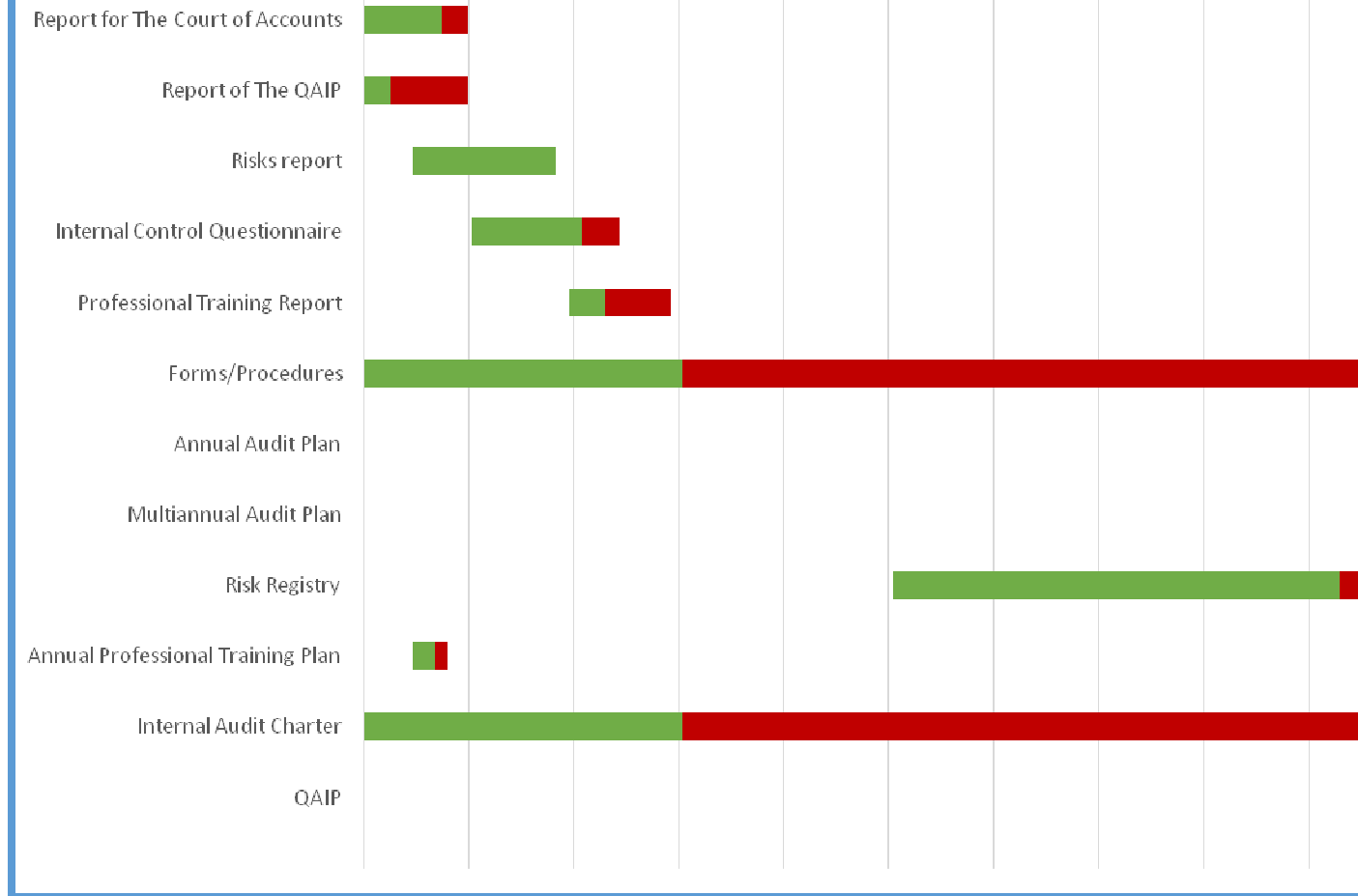
In both tables (Excel worksheets), we manually introduce the start date and the duration in days. In the following columns formulas are introduced in order to automate data processing and transfer to the Gantt chart.

We are considering a total 8 hours working day, so where we mention 0,25 as the durations for a task, we are referring to a 2 hours' necessary work for accomplishing task.

All data are given as examples and are not exhaustive.

		<i>by</i>			<i>days</i>	<i>days</i>	<i>days</i>	<i>comp</i>
<i>Annual report</i>	CAE	CEO	01/01/	31/01/	30	0.00	30.00	0%
<i>Report for The Court of Accounts</i>	CAE	CEO	01/01/	31/01/	30	0.00	30.00	0%
<i>Report of The quality assurance and improvement program</i>	CAE		01/01/	31/01/	30	0.00	30.00	0%
<i>Risk Report</i>	IA	CAE	15/01/	25/02/	5	0.00	5.00	0%
<i>Questionnaire on the state of implementation of the managerial internal control system</i>	IA	CAE	01/02/	15/03/	19	5.70	13.30	30%
<i>Report on continuing professional training</i>	CAE/IA	CAE/CEO	01/03/	30/03/	29	0.00	29.00	0%
<i>Forms/Procedures</i>	IA	CAE-CEO	01/01/	31/12/	364	364.00	0.00	100%
<i>Annual Internal Audit Plan</i>	CAE	CEO	01/11/	30/11/	19	0.00	19.00	0%
<i>Multiannual Internal Audit Plan</i>	CAE	CEO	01/11/	30/11/	19	19.00	0.00	100%
<i>Risk register</i>	IA	CAE	01/06/	31/12/	29	29.00	0.00	100%
<i>Annual plan on continuing professional training</i>	CAE	CEO	15/01/	25/01/	10	0.00	10.00	0%
<i>Internal Audit Charter</i>	CAE	CEO/Board of Directors/ Superior institution	01/01/	31/12/	364	364.00	0.00	100%
<i>The quality assurance and improvement program</i>	CAE		01/12/	20/12/	19	0.00	19.00	0%

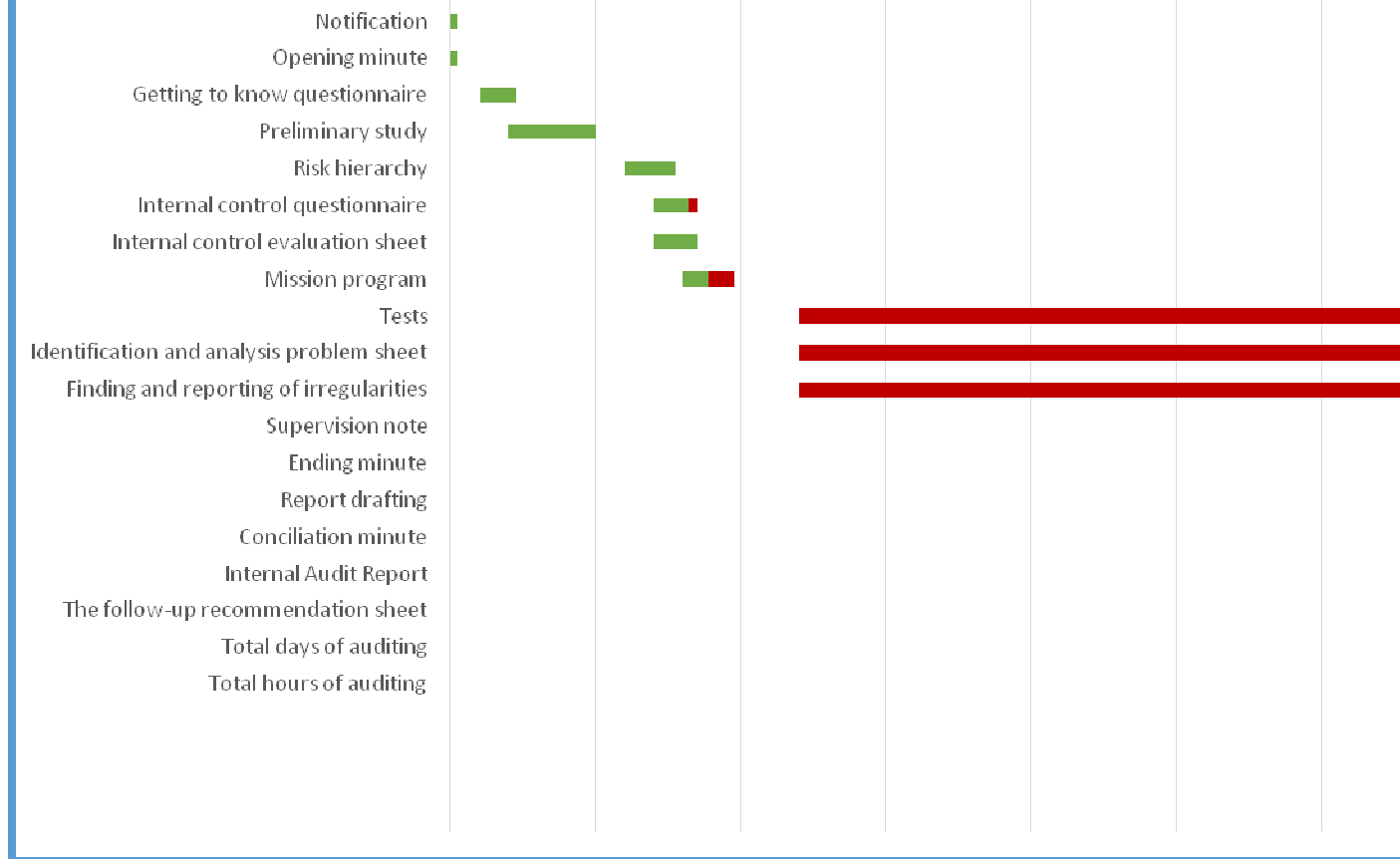
*Source: own data*



**Fig. 1. Gantt Chart for Annual Planning**

	<i>to</i>	<i>By</i>	<i>Date</i>	<i>Date</i>	<i>(Days)</i>	<i>Complete</i>	<i>Remaining</i>	<i>Compl</i>
<i>Service Order</i>	CAE	CAE	04/10/	04/10/	0.25	0.25	0.00	100%
<i>Declaration of independence</i>	IA	CAE	04/10/	04/10/	0.25	0.25	0.00	100%
<i>Notification</i>	IA	CAE	04/10/	04/10/	0.25	0.25	0.00	100%
<i>The minute of the opening session</i>	IA	CAE	04/10/	04/10/	0.25	0.25	0.00	100%
<i>Getting to know questionnaire</i>	IA	CAE	05/10/	06/10/	1.25	1.25	0.00	100%
<i>Preliminary study</i>	IA	CAE	06/10/	09/10/	1.75	3.00	0.00	100%
<i>Risk hierarchy</i>	IA	CAE	10/10/	11/10/	1.75	1.75	0.00	100%
<i>The internal control questionnaire</i>	IA	CAE	11/10/	12/10/	1.50	1.20	0.30	80%
<i>Internal control evaluation sheet</i>	IA	CAE	11/10/	12/10/	1.50	1.50	0.00	100%
<i>Mission program</i>	IA	CAE	12/10/	13/10/	1.75	0.88	0.88	50%
<i>Tests</i>	IA	CAE	16/10/	06/11/	16.00	0.00	21.00	0%
<i>The identification and analysis sheet of the problem</i>	IA	CAE	16/10/	06/11/	16.00	0.00	21.00	0%
<i>Finding and reporting of irregularities</i>	IA	CAE	16/10/	06/11/	16.00	0.00	21.00	0%
<i>Supervision note</i>	IA	CAE	07/11/	08/11/	1.75	0.35	1.40	20%
<i>The minute of the mission ending</i>	IA	CAE	08/11/	08/11/	0.25	0.00	0.25	0%
<i>The draft internal audit report</i>	IA	CAE	09/11/	13/11/	2.25	0.00	4.00	0%
<i>Minutes of conciliation</i>	IA	CAE	-	-				0%
<i>Internal Audit Report</i>	IA	CAE	13/11/	16/11/	2.25	0.00	3.00	0%
<i>The follow-up recommendation sheet</i>	IA	CAE	16/11/	16/11/	0.50	0.00	0.50	0%
<i>Total days of auditing</i>					32	9.425	31.325	0.50
<i>Total hours of auditing</i>					256	75.4	250.6	

Source: own data



**Fig. 2. Gantt Chart for Mission Planning**

## **Conclusions**

From our point of view, the elaboration and archiving of the supporting documents regarding the internal audit mission is a highly important activity, these being the basis on which the internal auditor finds and makes recommendations. However, we consider that the preparation of the documents should not be the main activity undertaken by the internal auditor, but the activity of testing, collecting evidence by various methods, such as direct observation (which according to the field of activity of the company and the objective of the mission internal audit or audit process can be one of the most appropriate audit evidence), interviews, verification and analysis of audit procedures, questioning audited audits and other methods and techniques considered to be used according to reasoning professional position of the internal auditor.

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