



What to expect from an Inspector General (IG) Department Internal Audit?

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”¹

The internal audit process is a collaborative effort between management of the business unit or activity being reviewed and the audit team. Full participation is essential to the success of the project. Open communication is promoted at every phase of the review to ensure management's continuing involvement in the process. The process is composed of many interrelated phases, each vital to the success of the overall audit. Internal auditing is a catalyst for improving an organization's governance, risk management and internal controls by providing insight and recommendations based on analyses and assessments of data and business processes.

The Inspector General Department's Internal Audit function conforms to the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Red Book)* and the Association of Inspectors General (AIG) *Principles and Standards for Offices of Inspector General (Green Book)*.

Internal Auditors must exercise professional, objective, and independent judgment. *“Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.”²*

Internal Audits are designed to add value to local governments, their citizens, and other stakeholders. The information below provides insight into the steps of an Internal Audit project. We consider our audits to be a collaborative process between the audit client and the audit team. While every audit project is unique, the following phases are common to most:

Intent to Audit Memo/Pre-audit meeting: Announces the commencement of the audit to management and the business unit.

Entrance Meeting: We contact management to schedule an introductory meeting to discuss any concerns they may have, (What keeps you up at night?) their perception of risk associated with the business unit, and any areas or business functions that they would like reviewed. During the meeting, the audit scope and objectives, logistics (facilities, availability of personnel, primary contacts, etc.....), and the projected time frame for the review is discussed.

¹ www.theiia.org: Definition of Internal Auditing.

² International Standards for the Professional Practice of Internal Auditing (Standards), #1220 – Due Professional Care



Department level Risk Surveys: After the introductory meeting, a department level risk assessment may be completed by the primary contact(s) to obtain information that provides a comprehensive overview of the department. Risk Surveys help define the audit scope and the key areas to focus on during the review.

Evaluating Internal Controls: The control assessment involves a series of process related questions which are customized for the operations and functions and are directed to the responsible personnel identified. Members of the audit team may revise the planned audit scope based on the outcome of the control assessment.

Audit Testing: The audit team conducts tests to assess the effectiveness and efficiency of key processes and internal controls.

Planning & Scope: Each audit engagement begins with a research phase during which we collaboratively identify areas of department level/business unit risk, review past audit reports, available information pertaining to the department, and industry related best practices. This phase may only require limited departmental involvement as we have unconstrained access to independently gather information.

Fieldwork: During this phase, the audit team performs detailed reviews of identified risk areas, department processes, and procedures. This may include interviewing key personnel, personnel outside of the business area, reviewing policy and procedures, financial and budgeting activity, administrative and business procedures, critical departmental functions, information technology, rules, laws, and regulations, and other activities specific to each department. We keep management informed of our progress and discuss observations and concerns with them as they are identified.

Final Fieldwork discussion: Meet with management to discuss observations and recommendations. There should be no surprises at the end of an audit. The audit teams keeps management informed throughout the audit and lets them know of any potential observations or recommendations. If there is any information that may clarify a potential audit observation, please let the auditor know this during the audit – do not wait until the final exit meeting.

Draft Report: After fieldwork and testing is complete, and observations and recommendations have been reviewed with the audit client, a draft report is prepared. The draft report observations are provided to management for review during the final fieldwork meeting.

Exit Meeting: The draft report is updated to reflect feedback provided after reviewing the report. The exit meeting provides an opportunity to discuss and gain consensus on the wording of observations and recommendations in the draft report, and to agree on achievable management action plans and reasonable completion dates.



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Management Response: Responses are to include action plans (as applicable) to improve processes or mitigate identified risks, the parties responsible for carrying out the action plan, and the anticipated date of action plan completion.

Report Publication & Distribution: The final report is delivered to the audit client, senior management, other interested parties, and is published on LeeClerk.org.

Follow-Up: For audit reports that contain observations that recommend corrective actions, management formulates action plans. Agreed upon recommendations are expected to be implemented by the agreed-upon completion date. Management is notified that the follow up report is approaching its due date, and we request that they provide us with updates and information to demonstrate completion. We review the information provided and determine whether the observation is resolved. If the management action plan has been appropriately implemented, we document that it is complete. If it requires additional measures for completion, we work with management to take the necessary steps or obtain the appropriate documentation to resolve the observation. We are required to report on complete and incomplete management action plans. It is the responsibility of department management to ensure internal controls are implemented and are effective in mitigating risks affecting operations.