



Office of Inspector General
(OIG)
Internal Audit

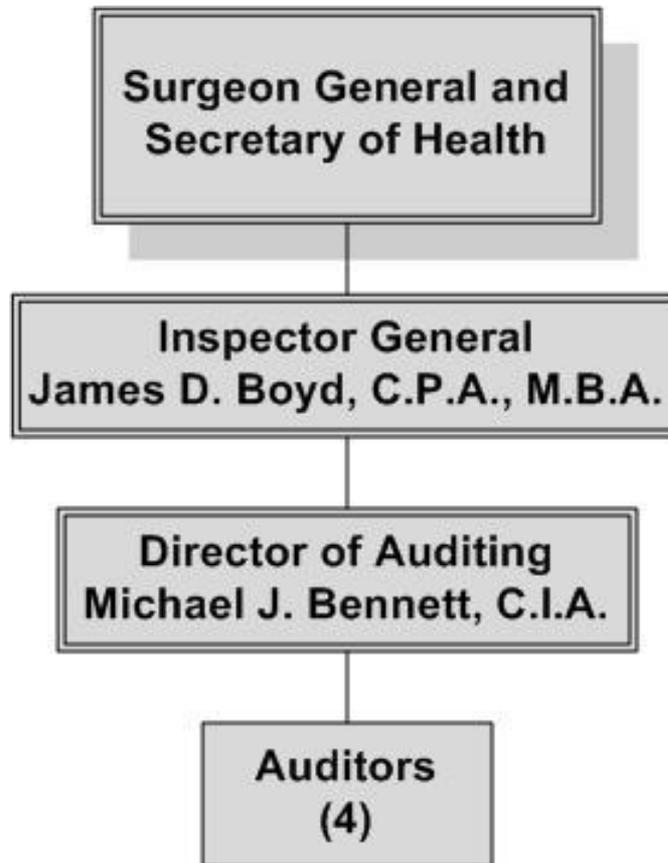
OIG Internal Audit

Authorized in Section 20.055, Florida Statutes

- Section 20.055, F.S. authorizes the Inspector General (IG) and the reporting auditing functions.



OIG Internal Audit Organization



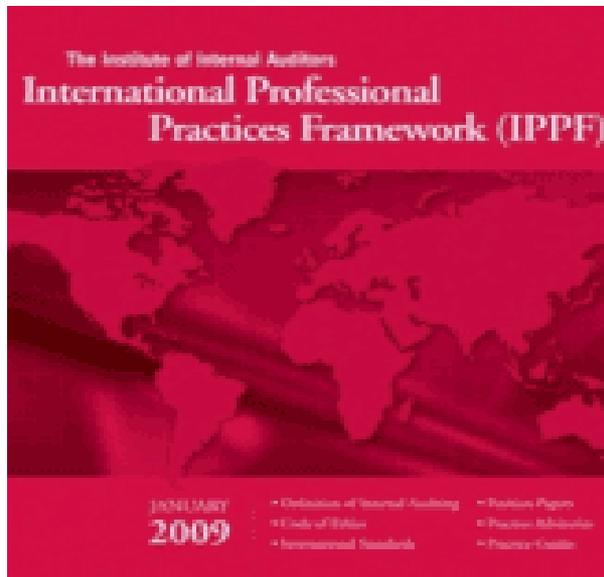
OIG Internal Audit

Purpose of Internal Auditing

- 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.



OIG Internal Audit Standards



Audits must be conducted in accordance with the current International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors.

Section 20.055(5)(a), F.S.

OIG Internal Audit Standards

The International Professional Practices Framework (IPPF) is the conceptual framework that organizes authoritative guidance. IPPF guidance includes:

Mandatory Guidance

- Definition of Internal Auditing
- Code of Ethics
- Standards

Strongly Recommended Guidance

- Position Papers
- Practice Advisories
- Practice Guides



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Code of Ethics

Internal auditors are expected to apply and uphold the following principles:

- Integrity
- Objectivity
- Confidentiality
- Competency



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Independence and Objectivity



- The internal audit activity must be independent, and internal auditors must be objective in performing their work.
- The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.
- Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

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Access to Information

- Auditors examine and need access to a lot of information to do their jobs.
- Section 20.055 (5)(c), F.S. states, “The inspector general and the staff shall have access to any records, data, and other information of the state agency he or she deems necessary to carry out his or her duties. The inspector general is also authorized to request such information or assistance as may be necessary from the state agency or from any federal, state, or local government entity.”



OIG Internal Audit Risk Assessment



What is risk?

- The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

How do we manage risk?

- Control Processes are the policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.

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Controls

What are controls?

- There are many definitions. In essence a control is any action taken by management and/or other parties or systems to manage and mitigate the negative impact of risk and increase the likelihood that established objectives and goals will be achieved.

The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.



OIG Internal Audit Controls (Cont.)

Examples of typical controls include:

- Policies and procedures
- Management reviews and approvals
- Physical safeguards
- Authorization of transactions
- Segregation of duties (organizational structure)
- IT Security (e.g. passwords, access logs, etc.)
- Information processing / application controls



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Risk Assessment and Audit Planning

The Inspector General shall develop long-term and annual Audit Plans based on the findings of periodic risk assessments. The Plan shall show the individual Audits to be conducted during each year and related resources to be devoted to the respective Audits.

- Section 20.055(5)(i), F.S.



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Risk Assessment and Audit Planning (Cont.)



- The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually.
- The Audit Director should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations.

OIG Internal Audit Assurance Engagements



- Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. There are generally three parties involved in assurance services:
 - The person or group directly involved with the entity, operation, function, process, system, or other subject matter (e.g. process owner),
 - The person or group making the assessment (e.g. the internal auditor), and
 - The person or group using the assessment (e.g. the user).

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Review Engagements



- Internal Audit also performs reviews and special projects of certain processes and functions that do not require a comprehensive audit.
- Management reviews assess effectiveness and responsiveness, provide assistance in identifying opportunities for improvement, and provide assistance in developing and implementing corrective actions necessary to enhance proficiency.

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Consulting Engagements



- Consulting services are advisory in nature, and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties:
 - The person or group offering the advice (e.g. the internal auditor), and
 - The person or group seeking and receiving the advice (e.g. the engagement client).
- When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

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Audit Process



Audit Cycles:

- Engagement Planning
- Fieldwork
- Report Writing
- Follow Up

***Review and consulting engagement cycle elements are less involved than an audit.**

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Audit Process (Continued)

- **Planning**
 - Background Review (authoritative references, contractual requirements, budgetary information, policy and procedure review, process mapping, and risk & control assessment)
 - Entrance Conference
 - Work Program Development
- **Fieldwork**
 - Work Program Execution
 - Testing of controls
- **Report Writing**
 - Draft and Approval
 - Exit Conference
 - Management Response (20 working days)
 - Final Report Issuance w/ Management Response
- **Follow Up (6 month intervals)**
 - Corrective Action Status Updates
 - Verification
 - Status Report Issued



OIG Internal Audit

External Audit Entities

Who audits the auditor?

- The Auditor General (AG):
 - Reviews a sample of each state agency's internal audit reports to determine compliance with current standards once every 3 years.



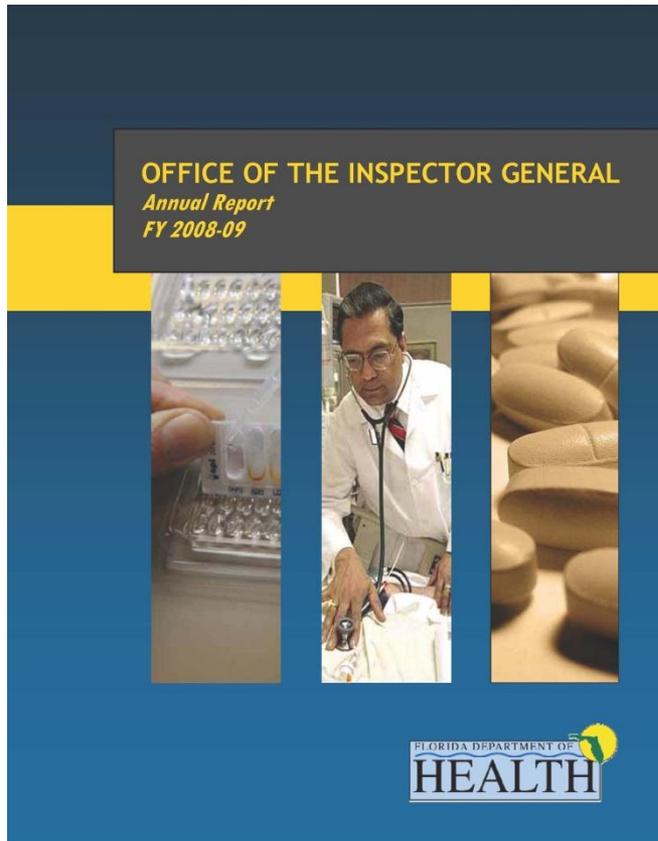


OIG Internal Audit External Audit Liaison Role

The Inspector General shall monitor the implementation of the state agency's response to any report on the state agency issued by the Auditor General or by the Office of Program Policy Analysis and Government Accountability. No later than 6 months after the Auditor General or the Office of Program Policy Analysis and Government Accountability publishes a report on the state agency, the Inspector General shall provide a written response to the agency head on the status of corrective actions taken.

- Section 20.055(5)(h), F.S.

OIG Internal Audit Annual Report



Not later than September 30 of each year, the OIG submits an annual report to the State Surgeon General summarizing the activities of the office during the preceding fiscal year. Included in this report is a summarization of the internal audit activities of the OIG.

- Section 20.055(7), F.S.

Contact Information



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