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HOW AND WHY AUDITS ARE DETERMINED AND SCHEDULED
 Audit Committee - Educational Topic
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The Internal Audit Charter – Policy Statement


The Department of Employee Trust Funds (ETF) Office of Internal Audit (IA) provides independent objective services and consultation designed to improve ETF's overall operations. IA assists ETF in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes. The IA function is responsible for providing ETF management, the ETF Board, and the Audit Committee with information regarding:

1. reliability and integrity of financial and operational information and reporting systems;
2. adequacy and effectiveness of the internal control system;
3. stability and cost-effectiveness of the information systems environment;
4. safety, value, and management of assets; and
5. compliance with statutes, rules, contracts, goals, and policies.

HOW AND WHY AUDITS ARE DETERMINED

1. Biennial Audit Plan – As provided in its Charter, IA will “*prepare, in cooperation with ETF division administrators/office directors, a flexible, biennial audit plan that addresses key risk areas. The Secretary’s Office will consider and finalize the plan, include any desired changes, and submit it to the Committee*”. The objective is to continually assess high-risk areas of ETF and evaluate critical business processes throughout the agency, as resources permit.

Development of the plan is based on risk assessments of all ETF divisions/offices, systems and functions, and interviews with senior management. For example, the 2009-2011 Audit Plan was developed based on a department-wide risk assessment that identified and rated 308 risks. Risks were identified and rated by the division/office leadership using the following risk factors, with a rating scale of 1 through 5 (five being the highest rating):

Reviewed and approved by Robert J. Conlin, Secretary

 Signature Date 9/4/12

Board	Mtg Date	Item #
AUD	9.20.12	3A

- Severity of Risk
- Complexity of Operations
- Internal Controls General
- Information Technology Controls
- Changes in Operations
- Time Since Last Review

IA held discussions of the highest-rated risks with the respective division/office to determine the risk(s) that should be audited. In addition, IA met with the Secretary's Office to discuss the results of the risk assessment and follow up discussions and for input on audits that should be conducted.

The 2011-2013 Audit Plan combined the results of the 2009 department-wide risk assessment and extensive consultation with ETF division/office leadership and the Secretary's Office.

While the Audit Plan is the tool for scheduling most IA projects, other projects can be scheduled, depending on emerging issues or special requests.

2. Special Projects – The ETF Secretary, Audit Committee, or any ETF administrator, director, or manager may request a special audit or examination of any area or function of ETF. These can involve reviews of specific processes, provide advice or information about an activity or proposed change, or other agreed upon procedures. The biennial Audit Plan allocates a block of hours to be used for special projects.

Before the project is accepted, the Director of IA will review the nature of the project, the risk of not performing it, the effect the review will have on the current year work plan, and the available time remaining in the special projects budget. The Director will notify management regarding whether or not the review will be performed.

3. Emerging Developments – The Director of IA may initiate an audit or examination of program or administrative changes stemming from legislation, results of an audit by the Legislative Audit Bureau, or other external auditor.

HOW AUDITS ARE SCHEDULED

The following factors are considered when scheduling audits or examinations:

1. Available resources, including IA staff and/or staff of the area being audited
2. Competing priorities
3. Timing relevant to operational responsibilities or developments
4. Capabilities of audit staff