

# Overview of ETF's Internal Audit Function

Board	Mtg Date	Item #
JI	12.1.11	3C

# Definition 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. ”**

The Institute of Internal Auditors

# Internal Audit Function

Evaluating internal controls to help prevent bad things from happening.

# Internal Control

Process designed by the ETF Board, management, and staff to provide reasonable assurance of achieving a specific goal and objective in the following areas:

- ✓ Effectiveness and efficiency of operations
- ✓ Reliability and integrity of information
- ✓ Compliance with applicable laws and regulations
- ✓ Safeguarding of assets

# Comprehensive Audit Coverage

- ETF's Internal Audit Function
- State Controller
- Legislative Audit Bureau
  - Annual Financial Statement Audit
- Other Independent Auditors
  - Compliance Audits of Third-Party Administrators
  - SSAE 16 Service Auditor Reports

# ETF's Internal Audit Function

“...systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

Biennial Audit Plan

# ETF's Internal Audit Function

## Biennial Audit Plan

The goal is to address the highest risk areas, given the resources available to Internal Audit and business areas.

- ✓ Risk-Based
- ✓ Internal Control Focused
- ✓ Input from Management and Secretary's Office
- ✓ Audit Committee Involvement

# Adding Value

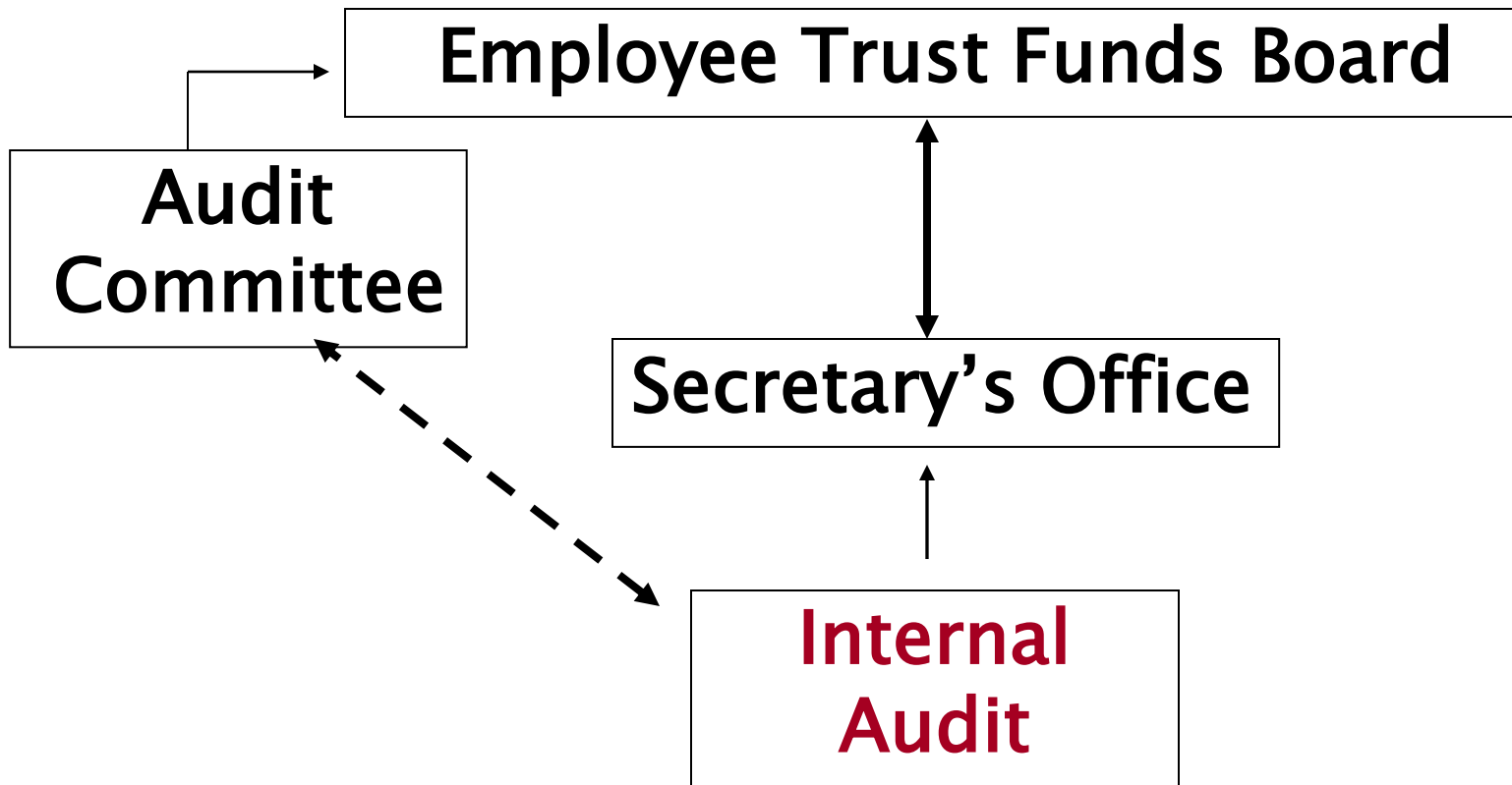
Value is provided by: 1) improving opportunities to achieve organizational objectives, 2) identifying operational improvements and 3) reducing risk exposure through both assurance and consulting services.



# Methods to Measure Value Added

- ✓ Acceptance and implementation of recommendations
- ✓ Assessment by customer surveys from audited departments
- ✓ Reliance by external auditors on internal audit results
- ✓ Management requests for assurance/consulting projects

# Reporting Structure



# Current Internal Audit Staff



John  
Vincent

Claudius  
Lebi

Helen  
Malzacher

# Internal Audit Governance

## Internal Audit Standards and Ethics of the Institute of Internal Auditors

- Framework for performing and promoting internal auditing. The *Standards* consist of:
- Statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of its performance. The requirements are internationally applicable at organizational and individual levels.

# Questions

