

Virgin Islands Department of Education Internal Audit Division



POLICIES AND PROCEDURES

Introduction

The purpose of this manual is to outline the authority and scope of the Internal Audit Division (IA) within the Virgin Islands Department of Education (VIDE or Department) and to provide standards, guidelines, and procedures for members of Internal Audit.

These guidelines aim to ensure consistency, stability, continuity, standards of acceptable performance, and standards to execute and meet the objectives of IA effectively. IA's overall objective is to provide VIDE management with an independent assessment of the quality of its internal controls and administrative processes and provide recommendations and suggestions for continuous improvement.

This manual provides guidance; however, an individual auditor's professional judgment is required when applying this information to specific assignments.

Roseann Mondy

Director of Internal Audit

Office of the Commissioner

Virgin Islands Department of Education

Direct Line: 340-474-0525

St. Thomas: 1834 Kongens Gade, St. Thomas, VI 00802 (340) 774-0100

St. Croix: 2133 Hospital Street, Christiansted, St. Croix, VI 00820 (340) 773-1095

www.vide.vi



A handwritten signature in blue ink that reads "Roseann Mondy".

Roseann Mondy, Director of Internal Audit

9/15/21

Date

Table of Contents

Introduction..... 2

Purpose, Authority, and Responsibility – Standard 1000..... 5

 Definition of Internal Auditing5

 Mission of Internal Audit5

 Core Principles for the Professional Practice of Internal Auditing5

 VIDE Internal Audit Charter5

Independence and Objectivity – Standard 1100..... 6

 Impairment to Independence or Objectivity6

 Code of Ethics6

Proficiency and Due Professional Care – Standard 1200 7

 Proficiency.....7

 Due Professional Care.....7

 Fraud7

 Continuing Professional Education8

 Job descriptions.....8

Quality Assurance and Improvement Program – Standard 130010

 Ongoing Monitoring10

 Periodic Internal Self-Assessments10

 External Assessments11

 Reporting on the Quality Assurance and Improvement Program.....11

Managing the Internal Audit Activity – Standard 200011

 Annual Audit Plan.....11

 Approval and Communication12

 Resource Management.....12

 Policies and Procedures12

Internal Audit Services Nature of Work – Standard 210012

 Internal Control13

 Legal Considerations.....13

 Information Security.....13

 Environmental Risks14

 Privacy Risks.....14

 Risk Management Processes.....14

Business Continuity14

Scope of Work	15
Reliability and Integrity of Information	15
Compliance with Laws and Regulations	15
Safeguarding of Assets	16
Economical and Efficient Use of Resources	16
Accomplishment of Established Objectives and Goals for Operations or Programs	16
<i>Engagement Planning – Standard 2200</i>	<i>17</i>
Understand the Context and Determine the Purpose for the Audit (2201)	17
<i>Performing the Engagement – Standard 2300</i>	<i>19</i>
<i>Communicating Results – Reporting – Standard 2400</i>	<i>21</i>
<i>Monitoring Progress – Standard 2500</i>	<i>24</i>
<i>Acceptance of Risk – Standard 2600</i>	<i>24</i>
<i>Wrap-Up</i>	<i>25</i>
<i>Appendices-Templates</i>	<i>26</i>
Appendix A: Internal Audit Charter	27
Appendix B: Annual Independence Statement	28
Appendix C: Conflict of Interest Statement Template	30
Appendix D: IIA Code of Ethics	31
Appendix E: Planning Memo Template	31
Appendix F: Kick-Off Meeting Template.....	31
Appendix G: Test of Design / Walkthrough Template.....	31
Appendix H: Finding Development Template	32
Appendix I: Quality Control Checklist Template	34
Appendix J: Potential Audit Area	34
Appendix K: Status Report Template	34
Appendix L: Audit Report Template	34
Appendix M: Audit Memorandum Template	34
Appendix N: Audit Observation Tracker	34
Appendix O: Client Satisfaction Survey	34

Purpose, Authority, and Responsibility – Standard 1000

The purpose of this manual is to document the roles, policies, and procedures for the Virgin Islands Department of Education’s (VIDE) Division of Internal Audit (IA) to provide quality audits and reviews in the most effective manner.

Definition of Internal Auditing

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving risk management, control, and governance processes.

Mission of Internal Audit

IA’s mission is to enhance and protect VIDE value by providing risk-based and objective assurance, advice, and insight. IA helps VIDE accomplish its objectives by bringing a systematic, disciplined approach to evaluate and contribute to the effectiveness of risk management, control, and governance processes. IA conducts operational, financial, and performance audits, which are selected based on rigorous risk identification and risk assessment processes.

Core Principles for the Professional Practice of Internal Auditing

The following core principles, taken as a whole, should be present for an Internal Audit function to affectively achieve its mission:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organization
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organizational improvement

VIDE Internal Audit Charter

The charter sets forth the purpose, mission, objectives, authority, and responsibility of the Internal Audit office for VIDE. See [Appendix A](#) for the Internal Audit Charter.

IA is responsible for examining and evaluating the adequacy and effectiveness of VIDE’s systems of internal controls and the quality of performance by management in carrying out their assigned responsibilities. We will serve as a resource to the Commissioner to provide timely, accurate, and objective information, opinions, and recommendations on VIDE’s programs, activities, and functions. The following values guide VIDE’s IA in conducting its work:

- Independence and Objectivity: We will approach each assignment in an objective manner and maintain independence in the work that we do.
- High-quality audit reports: We will strive to issue audit reports which present significant, timely, and useful information for management and the Commissioner.
- Respect for associates: We value the diverse contributions of each staff member. We will strive for good teamwork and treat each other with consideration, dignity, and respect.
- Respect for customers¹: We expect every IA staff member to communicate with its customers in a

¹ Internal Audit’s customers are the Commissioner, VIDE Leaders or any VIDE stakeholder.

friendly, non-threatening way and remain fair and objective.

- Professional integrity: We expect that every staff member will conduct themselves in a professional manner at all times, to be honest and considerate, work hard and work to maintain a high level of credibility for VIDE.
- Confidentiality. Respect the value and ownership of information received. Do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- Continuing improvement: We strive to improve professionally and intellectually through continuing education and participation in the auditing profession.

Independence and Objectivity – Standard 1100

Independence is the freedom from conditions that threaten IA’s ability to carry out its responsibilities in an unbiased manner. Independence permits Internal Auditors to render the impartial and unbiased judgments essential to the proper conduct of audits. It is achieved through organizational structure and objectivity. To this end, each staff member will complete an Annual Independence Statement (see [Appendix B](#)).

The IA Office is independent of the activities audited. This is achieved through the office reporting directly to VIDE’s Commissioner and as warranted to the OIG, as established in VIDE’s Charter.

All IA reports and executive summaries will be submitted to VIDE’s Commissioner. At least annually, the Director of Internal Audit will confirm the Internal Audit activity’s organizational independence. Internal Audit has full, unrestricted access to all activities, records, property, and VIDE personnel. Internal Audit is free from interference when determining the scope of its work and communicating results.

Members of the VIDE Internal Audit Division are required to refrain from assessing specific operations for which they were previously responsible. Providing assurance services for an activity for which an IA member had responsibility within the previous year is not allowed.

As detailed in the audit charter, Internal Auditors do not assume operating responsibilities. In performing their work, the Director of Internal Audit has no direct authority over, nor responsibility for, any of the activities reviewed. The Internal Auditor will not develop and install procedures, prepare or approve records, make management decisions, or engage in any other activity, which could be construed to compromise their independence. Therefore, IA reviews and appraisals do not in any way substitute for nor relieve other persons in the VIDE of the responsibilities assigned to them. The Director of Internal Audit reviews the results before the related audit report is released to provide reasonable assurance that the work was performed objectively.

[Impairment to Independence or Objectivity](#)

IA personnel completes a conflict-of-interest statement during the planning stage of each engagement concerning potential conflicts of interest (see [Appendix C](#)). Internal Auditors have been instructed to report to the Director of Internal Audit any situations in which a conflict of interest or bias is present or may reasonably be inferred. If independence or objectivity is impaired in fact or appearance, the impairment details will be disclosed to appropriate parties. Independence is addressed in the Audit Planning Memorandum of individual audits to remind Internal Auditors of the importance of maintaining an independent mental attitude when conducting audits.

[Code of Ethics](#)

IA staff shall subscribe to the Code of Ethics established by the Institute of Internal Auditors, as well as adhere to the policies set forth by VIDE (see [Appendix D](#)).

Proficiency and Due Professional Care – Standard 1200

Every Internal Auditor is responsible for performing engagements with proficiency and due professional care. This begins with an understanding of the mandatory guidance of the International Professional Practices Framework (IPPF), including the IIA's Code of Ethics. Both are discussed in depth throughout the relevant sections of this manual.

Proficiency

Professional proficiency is the responsibility of the individual auditor. The Director of Internal Audit will assign each audit to the individual who possesses the necessary knowledge, skills, and disciplines to conduct the audit properly and is responsible for providing appropriate audit supervision. Supervision is a continuing process, initiated with the planning process and concluding with the completion of the audit assignment

The Internal Audit Manager must obtain competent advice and assistance if he/she lacks the knowledge, skills, or other competencies needed to perform all or part of an engagement. For consulting engagements, the Internal Audit Manager must decline the engagement or obtain competent advice and assistance if the Internal Auditor lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement.

When the use and reliance of an outside consultant or service provider are needed, the Director will assess their competency, independence, and objectivity.

Due Professional Care

Members of the Internal Audit Division are required to exercise due professional care in performing assurance services. The auditor is expected to use reasonable audit skill and judgment in performing the audits and consider the following:

- The extent of audit work needed to achieve the audit objectives
- Relative materiality of the significance of matters to which audit procedures are applied
- Adequacy and effectiveness of risk management, control, and governance processes
- Audit cost relative to potential benefits
- Probability of significant errors, irregularities, or noncompliance,
- The use of computer-assisted audit tools and other data analysis techniques

The auditor is expected to exercise due professional care during a consulting engagement by considering the:

- Clients' needs and expectations, including the nature, timing, and communication of engagement results and relative complexity and extent of work needed to achieve the engagement's objectives.
- Cost of the consulting engagement to the potential benefit.

The IA staff must be alert to the possibility of errors and/or fraud and the significant risks that might affect operations. However, assurance procedures alone do not guarantee that all significant risks will be identified. The Internal Audit Division documents their assessment of at-risk areas in the planning memo/preliminary survey and the audit program.

Fraud

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception, concealment or violation of trust. It can be perpetuated for the benefit of, or to the detriment of VIDE, by

internal and external persons.

VIDE is responsible for establishing and maintaining controls to discourage the perpetuation of fraud. Internal Audit is responsible for examining and evaluating the adequacy and effectiveness of those controls to prevent or detect fraud. However, audit procedures alone are not designed to guarantee the detection of fraud.

An error is an unintentional mistake in financial data, including mathematical or clerical mistakes in the underlying records and accounting data from which the financial data or other reports are prepared. It can also be errors in applying accounting principles and oversight or misinterpretation of facts that existed when the reports were prepared.

An irregularity is an intentional distortion of financial statements or other reported data or the misappropriation of assets.

For example, suppose the Director of Internal Audit believes that a material error or an irregularity exists in an area under review or in any other area of VIDE, the implications of the error or irregularity and its disposition should be reviewed with the appropriate personnel. As soon as it has been determined that an irregularity does exist, the Director of Internal Audit will notify the Commissioner that an irregularity has been identified and the audit steps needed to determine the extent of the problem and the corrective actions that are needed to manage the irregularity.

The preliminary survey portion of each audit is designed to assess the control environment and the inherent potential for fraud or other operating problems. Audit risk analysis and audit selection are based, in part, on the degree of change and “pressure” in operating units. Where appropriate, financial and operating systems are tied to related accounting and reporting information to validate propriety. All auditors should remain aware of the potential for fraud in all the noted areas, such as bribes, kickbacks, diversion, embezzlement, concealment, and misrepresentation. System reviews in the core Department cycles will evaluate the overall control environment and the related potential for fraudulent actions to take place. When a specific concern is identified from the normal audit process or by an employee or management concern, auditors may become involved in Audit or investigative work in these areas.

Continuing Professional Education

Internal Auditors must enhance their knowledge, skills, and other competencies through continuing professional education (CPE). All members of the Internal Audit Division is responsible for continuing their education to maintain their professional proficiency and professional licenses. CPE is obtained through membership and participation in professional organizations and attendance at conferences, seminars, college courses, and other training programs. For additional information on CPE requirements and available training, visit the [Institute of Internal Auditors website](#).

Job Descriptions

The Director of Internal Audit is directly responsible for the administration, management, and accountability of all audits conducted at VIDE. The Director of Internal Audit shall:

- Provide audit supervision from the planning process through the final stage of the audit process.
- Develop and/or update an annual Internal Audit plan (including staff suggestions)
- Manage, plan, direct, guide, and lead the Internal Audit team (distribute staff assignments, manage workload, make preparations for audits to be conducted)

- Approve and oversee the development of detailed audit programs setting forth the audit scope, objectives and staff assignments
- Develop and prepare guides for accomplishing audit objectives
- Develop and maintain working relationships with all key stakeholders to provide guidance and/or consultation, as appropriate, to effectively influence operational and administrative decisions and optimize overall internal controls.
- Assess business systems/processes to identify key control points and risks
- Review operational and administrative processes and controls and provide assessments for improvement that promotes the Department’s goals and objectives
- Evaluate the operating effectiveness of internal controls
- Provide training, coaching, and guidance to Internal Audit staff in conducting audits and other audit-related items
- Review audit draft, recommendations, and responses, and complete final audit report.
- Participate in special projects as assigned by the Commissioner

The Internal Auditor Manager shall:

- Assist with the development and maintenance of an audit universe that is driven by the annual risk assessment.
- Manage operational, financial, and compliance audits of fiscal and operational records, processes, procedures, and controls relating to accounting and fiduciary activities.
- Manage and assist the Internal Audit team with performing risk assessments identifying risks relevant to the applicable audit, and determining the risk levels to define the extent of testing procedures to be performed.
- Manage and assist the Internal Audit team with developing the audit approach and design the detailed audit program to achieve audit objectives.
- Complete detailed reviews of all work performed by the Internal Audit Senior
- Coordinates with Internal Audit Team members to determine data analysis needs and assists in the extraction and analysis of the associated data
- Communicate audit findings and recommend solutions for the correction of deficiencies or improvements in operations.
- Perform follow-up of audits to ascertain implementation of recommendations
- Perform other related work as required

The Internal Auditor Senior shall:

- Perform operational, financial, and compliance audits of fiscal and operational records, processes, procedures, and controls relating to accounting and fiduciary activities.
- Supervise and assist the Internal Auditor in performing risk assessments identifying risks relevant to the applicable audit, and determining the risk levels to define the extent of testing procedures to be performed.
- Supervise and assist the auditor in developing the audit approach and designing the detailed audit program to achieve audit objectives.
- Supervise and assist with performing detailed audit testing for the applicable audit
- Complete detailed reviews of all work performed by the Auditor(s).
- Coordinates with Internal Audit Team members to determine data analysis needs and assists in the extraction and analysis of the associated data
- Communicate audit findings and recommend solutions for the correction of deficiencies or

improvements in operations.

- Participates in conferences with representatives of the organization audited to establish a cooperative relationship and devise concerted approaches to problems.
- Provide support to the Manager or Director in advising on ongoing organizational projects and initiatives as well as participating in and supporting internal audits
- Perform other related work as required

The Internal Auditor shall:

- Perform risk assessments identifying risks relevant to the applicable audit and determine the levels of risk to define the extent of testing procedures to be performed.
- Perform operational, financial, and compliance audits of fiscal and operational records, processes, procedures, and controls relating to accounting and fiduciary activities.
- Assist in the development of the audit approach and design the detailed audit program to achieve audit objectives.
- Coordinates with Internal Audit Team members to determine data analysis needs and assists in the extraction and analysis of the associated data
- Participates in entrance and exit conferences covering the scope of the activity audited and the resulting audit findings and recommendations.
- Perform detailed audit testing per the Institute of Internal Auditors Standards, the annual audit plan, and within the budgeted hours.
- Communicate audit findings and recommend solutions for the correction of deficiencies or improvements in operations.

Quality Assurance and Improvement Program – Standard 1300

The Internal Audit Director develops and maintains a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the Internal Audit activity and continuously monitors its effectiveness. The program is designed to help IA add value, improve the VIDE's operations, assess the efficiency and effectiveness of the Internal Audit activity in meeting the needs of its stakeholders, identify opportunities for improvement, and enable an evaluation of the Internal Audit conformance with the mandatory elements of the International Professional Practices Framework (IPPF). The program includes ongoing monitoring of the performance of the Internal Audit activity and periodic internal self-assessments.

Ongoing Monitoring

Ongoing internal assessment or monitoring is conducted throughout the fiscal year via standard policies and work practices. It provides an assurance that the current processes are working effectively. Any areas of weakness should be addressed throughout the year. Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the Internal Audit activity.

Periodic Internal Self-Assessments

Periodically (at least annually), IA conducts self-assessments to evaluate its conformance with the International Professional Practices Framework (IPPF). During the self-assessment, audit files are reviewed and assessed. The audits assessed will be chosen by random selection from audits completed in the previous two-year period. At the end of the 5 years, we will have assessed 10-20 percent of our completed audits. Internal Audit performance metrics and best practices may be considered during the assessments;

however, the self-assessments are geared toward verifying compliance with the mandatory elements of the IPPF.

External Assessments

External assessments are conducted to determine whether the Internal Audit Division conforms to the Code of Ethics and the Standards. The IIA Standards require an assessment of the Internal Audit activity is conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.

Reporting on the Quality Assurance and Improvement Program

To demonstrate conformance with the Code of Ethics and the Standards, the results of periodic internal and external assessments will be communicated to VIDE management upon completion of such assessments, and the results of ongoing monitoring will be communicated at least annually. The results will include the scope and frequency of the internal and external assessments, the qualifications and independence of the assessor(s) or assessment team (including any potential conflicts of interest), conclusions of assessors, and any corrective action plans.

Managing the Internal Audit Activity – Standard 2000

Conducting our audits will follow a disciplined, systematic approach consisting of a series of well-defined phases. Each phase is designed to achieve specific objectives, and each phase is dependent upon the results of the preceding phase. Each auditor is responsible for understanding and following this general process when conducting any Internal Audits. Each of the phases and their objectives is described below:

- Planning - We will perform a risk assessment of VIDE divisions as the basis for selecting areas for Audit. Those Divisions selected will be included in an annual Audit Plan.
- Survey - The Survey is all of the work that is designed to complete the auditor's understanding of the department, cost center, activity, program, process, or function to identify risks and potential issues and determine audit objectives and methodology.
- Fieldwork - Fieldwork involves all audit activities related to detail testing and gathering evidence to support or refute our preliminary findings or conclusions drawn during the survey. The purpose of fieldwork is to develop adequate evidence for an audit opinion or conclusion to be included in our report.
- Communicating Results - Reporting (communicating results) an audit can take several forms. It can be a verbal presentation, an issue paper presented to a steering committee, or most commonly, a written audit report. Regardless of the form it takes, the audit report is the most important product of an Internal Audit. For all practical purposes, the audit report is the Audit. It is usually the only thing that the client and management will see and will be the basis for judging the Audit.
- Audit Follow-up and Resolution: Failure to resolve or implement audit comments and recommendations render an Internal Audit nothing more than a philosophical exercise.

Annual Audit Plan

The Director of Internal Audit must establish a risk-based plan to determine the priorities of the IA Division, consistent with VIDE's goals. The annual audit plan is a guide for the utilization of IA's. To assist in the preparation of the annual plan and the risk assessment, input from the following should be requested or obtained:

- Prior external and Internal Audit findings
- Single Audit findings
- Emerging issues determined from other state offices

- Input from risk assessment questionnaires

Approval and Communication

After the plan is prepared, the Director of Internal Audit obtains the VIDE’s approval of the plan. The plan is then shared with VIDE’s Senior Leadership.

Resource Management

The IA Division attempts to set measurable goals capable of being accomplished within specified operating plans and budgets. The goals are included in the audit plan and are accompanied by targeted hours to complete. If necessary, the Internal Audit Director adjusts the audit plan during the year. In most cases, unfinished audits are carried forward to the following years’ audit plan.

Policies and Procedures

This document is the Internal Audit Division’s formalized policies and procedures. The form and content have been adapted for a small team.

Internal Audit Services Nature of Work – Standard 2100

IA’s primary activity is implementing a program of regular audits of VIDE’s business operations, as outlined below. However, the complete range of services provided by IA may also include special projects and consultations as directed by the Commissioner.

The scope of work of the IA Division is to determine whether VIDE’s governance, risk management, and control processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees’ actions comply with policies, standards, procedures, applicable laws, regulations, and governance standards.
- Resources are acquired economically, used efficiently, and adequately protected.
- Quality and continuous improvement are fostered in the VIDE’s control process.
- Significant trends, legislative or regulatory issues impacting the VIDE are recognized and addressed properly.
- Results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established systems and processes enable compliance with those policies, plans, procedures, laws, and regulations, which could significantly impact the VIDE.

The VIDE’s IA Division general objectives are:

- Determining that the VIDE’s overall internal control system and the controls in each Division or activities under audit are adequate, effective, efficient, and functioning by conducting audits periodically to review all major systems.
- Determining the reliability and adequacy of the accounting, financial, and reporting systems and procedures.
- On a test basis, determining that VIDE activities, including administering grants and contracts, received or made, are in conformance with the VIDE policies and procedures, state and federal laws and regulations, contractual obligations, Board Rules, and good business practices.
- Determining the extent to which VIDE assets are accounted for and safeguarded from losses of all kinds and, as appropriate, verifying, on a test basis, the existence of such assets.

- Evaluating operational procedures to determine whether results are consistent with established objectives and goals and whether the procedures are being carried out as planned.
- Evaluating the design of major new electronic data processing systems and major modifications to existing systems before their installation to determine whether the internal control system will be adequate, effective, and efficient.
- Conducting investigations as required or directed related to the general objectives previously stated.

Internal Control

IA assists VIDE in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Internal Audit evaluates the adequacy and effectiveness of controls encompassing the VIDE's governance, operations, and information systems regarding:

- The reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws, regulations, and contracts.

IA is responsible for ascertaining the extent to which operational and program goals and objectives have been established and conform to those of the VIDE. Operations and programs are reviewed to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended. IA ascertains the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, IA uses such criteria in their evaluation. If inadequate, IA works with management to develop appropriate evaluation criteria. During consulting engagements, the Internal Auditors are expected to address controls consistent with the engagement's objectives and be alert to the existence of any significant control weaknesses. Knowledge of controls gained from consulting engagements is to be incorporated into identifying and evaluating significant risk exposures of the VIDE.

Legal Considerations

IA will review the revised statutes, Attorney General's Opinions, and other laws and regulations available online as situations are encountered requiring specific details relating to laws or regulations. In addition, information or opinions may also be obtained from VIDE's legal counsel.

Information Security

IA assesses the VIDE's information security practices. General and application control reviews may be performed. Reviews of disaster recovery, business continuity plans, and electronic funds transfers may also be conducted. In most cases, such assessments are integrated into other engagements conducted as part of the approved audit plan. However, separate stand-alone engagements may be conducted. These audits are conducted to evaluate the quality of the controls and safeguards over the VIDE's assets, the effective use of IT resources, adherence to VIDE policies, and to encourage the design and implementation of adequate controls over computer applications and computing environments in which they are used.

These overall objectives are designed to:

- Evaluate the adequacy of IT operations, policies, procedures, and controls, promoting operational efficiency and effective controls at a reasonable cost considering the risks involved.
- Determine the extent to which VIDE's IT assets and data are accounted for and safeguarded from losses.
- Provide management with recommendations for operating improvements identified during these audits.
- Promote the development of IT management accountability and self-review concepts throughout the VIDE.

When conducting fieldwork, the Auditor should be alert to key information, technology risks, and controls. The use of available technology-based audit techniques is considered in performing assigned work. If the Auditor lacks the knowledge, skills, or other competencies needed to perform information technology tests, the Director obtains competent advice and assistance.

Environmental Risks

The Virgin Islands Government Occupational Safety & Health Administration and the Department of Health periodically conduct audits of VIDE. IA will perform follow-ups on those audits to determine that appropriate corrective actions have been implemented to correct any findings.

Privacy Risks

Privacy can encompass:

- personal privacy (physical and psychological),
- Space (freedom from surveillance),
- Communication (freedom from monitoring), and
- Information (collection, use, and disclosure of personal information by others).

When evaluating VIDE's privacy framework, the Internal Audit staff is expected to consider applicable laws and regulations relating to privacy. During an engagement, as situations are encountered requiring specific details relating to privacy laws or regulations, the auditors may review the revised statutes, Attorney General's Opinions, and other laws available online. In addition, information or opinions may also be obtained from VIDE's legal counsel. Finally, information may also be obtained from the VIDE's information technology specialists.

Risk Management Processes

IA could be asked to act in a consulting role to assist the VIDE in identifying, evaluating risk management methodologies and controls. Internal Audit provides consultative services to review a process and provide advice on the presence of risks and controls, the effectiveness of the controls to mitigate the risks, overall process improvement – streamlining the process through a discussion of recommended practices.

Our process improvement assistance can help identify cost-savings opportunities for management and assists in communicating and implementing best practices within and between departments.

A control assessment is designed to assess the internal controls in key areas of a process or Division. Control assessments are conducted by going over a series of questions with the client and requesting basic documentation of their assertions regarding the internal controls. The basic documentation is then reviewed to assure that the department is in compliance with federal and state law, Department policies and procedures, and good business practices.

Business Continuity

Business interruption can have significant financial and operational ramifications. The VIDE's internal auditors can perform periodic assessments of the adequacy of the plan to determine if the plan has been updated, tested, and ensure that Leaders are aware of the state of disaster preparedness and ready to deal with business interruptions.

Scope of Work

The scope of the work IA performs includes evaluations of the adequacy and effectiveness of the VIDE's internal control system and the quality of performance in carrying out assigned responsibilities. In addition, IA is responsible for reviewing the processes to determine the following:

1. The reliability and integrity of information.
2. Compliance with policies, plans, procedures, laws, regulations, and contracts.
3. The safeguarding of assets.
4. The economic and efficient use of resources.
5. The accomplishment of established objectives and goals for operations or programs.

The purpose of reviews are as follows:

- Reviews of the adequacy of the *system/design* of internal control are conducted to ascertain whether the system established provides reasonable assurance that the VIDE's objectives and goals will be met efficiently and economically.
- Reviews of the *operating effectiveness* of the internal control system are conducted to ascertain whether the system is functioning as intended.
- Reviews of the *quality of performance* are conducted to determine whether the VIDE's objectives and goals have been achieved.

Since these evaluations are performed at specific points in time, the auditors are expected to be alert to actual or potential changes in conditions which affect the ability to provide assurance.

Reliability and Integrity of Information

VIDE management is responsible for establishing systems to ensure the reliability and integrity of information. IA is responsible for reviewing the processes to determine whether financial and operating records and reports contain accurate and useful information. IA is also responsible for determining whether controls over recordkeeping and reporting are adequate and effective. These audits may include the following:

- Determining if transactions have been properly reviewed and approved.
- Determining if information systems produced data that was useful, accurate, complete, timely, and relevant.
- Identifying and documenting key controls designed to ensure the reliability and integrity of information.
- Testing key controls.

Compliance with Laws and Regulations

VIDE management is responsible for establishing systems to ensure compliance with policies, plans, procedures, laws, regulations, and contracts. IA is responsible for reviewing the systems to determine whether the VIDE complies with the policies, plans, procedures, laws, regulations, and contracts. These audits may include the following:

- Obtaining background information to identify and interpret the relevant policies, plans, procedures, laws, regulations, and other items could significantly impact operations.
- Identifying key controls designed to ensure compliance with policies, plans, procedures, laws, regulations, and contracts.
- Testing of key controls.
- Determining if the auditee complies with the relevant policies, plans, procedures, laws, regulations, and contracts.

Safeguarding of Assets

VIDE management is responsible for safeguarding VIDE’s assets. IA is responsible for performing audits to test the means used by management to safeguard assets from various types of losses such as theft, fire, improper or illegal activities, and exposure to elements. These audits may include the following:

- Determining the adequacy of the separation of duties.
- Testing the rotation of sensitive duties among employees.
- Ascertaining that reconciliation procedures are timely, thorough, and appropriately reviewed.
- Verifying the adequacy of management’s periodic surprise reviews.
- Testing the review and approval of transactions by authorized individuals.
- Determining the adequacy of the physical protection of assets and records.
- Identifying key controls designed to prevent or detect errors and fraud.
- Testing key controls
- Verifying the physical existence of VIDE assets

Economical and Efficient Use of Resources

VIDE management is responsible for setting operating standards to measure an activity’s economic and efficient use of resources. In addition, IA may perform economy and efficiency audits to determine whether:

- Operating standards have been established for measuring economy and efficiency
- Established operating standards are understood and are being met.
- Deviations from operating standards are identified, analyzed, and communicated to those responsible for corrective action.
- Corrective action has been taken.

These audits may include the following:

- Identifying the operating standards
- Determining whether the standards are appropriate in keeping with the auditee’s goals and objectives.
- Determining if the information used by management to measure its success is accurate, current, and relevant.
- Ascertaining whether management has procedures to ensure that they met their standards.
- Determining whether management identified and analyzed deviations from the standards
- Determining whether management discussed deviations with the appropriate individuals.
- Identifying any inefficient or uneconomic use of resources.
- Identifying key controls designed to ensure compliance with the auditee’s goals, measures, or targets.
- Testing key controls designed to ensure compliance with the auditee’s goals, measures, or targets.

Accomplishment of Established Objectives and Goals for Operations or Programs

Management is responsible for establishing operating or program objectives and goals, developing and implementing control procedures, and accomplishing the desired operating or program results. In addition, IA is responsible for the following:

- Ascertaining if management identified relevant objectives and goals and developed a system for measuring their accomplishment.
- Appraising whether management established criteria for evaluating their program’s effectiveness.
- Assessing whether management determined if their objectives and goals were met.
- Determining if the techniques and data used by management to measure effectiveness are appropriate.
- Reviewing for evidence that the auditee was looking for cost-effective ways to accomplish objectives and goals.

- Determining whether management has estimated the costs and benefits of not meeting goals.

IA reviews operations (procurement, human resources, finance, etc.) or programs (fund-raising campaigns, capital expenditures, grant management, etc.) to determine whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned. These audits may include the following:

- Identifying key controls designed to ensure compliance with established objectives and goals.
- Testing the effectiveness of the key controls.

Engagement Planning – Standard 2200

Each engagement will be adequately planned, and the strategies, objectives, scope, timing, and resource allocations will be documented in the plan. Below is an overview diagram of the planning process.



Understand the Context and Determine the Purpose for the Audit (2201)

Below is a list of the most common reasons for conducting audits for VIDE.

- Management Request – Management may identify specific risks in their business area and ask IA to review their processes.
- Internal Audit Risk Assessment – IA performs an annual risk-based assessment to determine the risks that the company faces. Risks identified are subject to further review and may be incorporated into the annual audit plan.
- Results of prior audit reports of the Government of the Virgin Islands financial statement, Single Audits, OIG, or other USDE reports.
- Ad-hoc Projects – One-off research projects and/or requests from VIDE leaders.

Gather Information & Perform Research (2210)

The engagement team can hold pre-engagement meetings and/or interviews to better understand risks in the process. The team also gathers information that may be relevant to the audit area. Information gathering could include reviewing previous audit work papers or assessments, determining risks and controls related to the area under audit, and scheduling internal brainstorming sessions to discuss potential risk scenarios with other members of the IA team who may have experience or knowledge of the specific process.

Research of the area being audited may also be performed. This could include but is not limited to reviewing the VIDE website, professional websites, or other public information about the audit area, as well as obtaining relevant input from other team members within the Legal, Fiscal, external consulting firms, etc. Use of a subject matter expert or external consulting firm to supplement the audit team and the use of data analytics must be considered, and the reason for including or excluding should be documented within the audit file. All information gathered, and research performed must also be documented.

Review Organizational Risk Assessments & Perform Engagement Specific Risk Assessment (2210)

IA performs a risk assessment of the specified process before each Audit utilizing the information gathered and research performed. Additionally, the IA team reviews the results of any risk or fraud assessments performed by other VIDE Divisions. Helpful information may be leveraged to assist in the development of a specific and effective audit program.

Define the Objective of the Audit (2210)

After defining the purpose for the Audit and identifying the associated risks, objectives should be established. The objectives must consider the probability of significant errors, fraud, noncompliance, and other exposures. They should align with the risks identified and address those risks appropriately.

Determine Engagement Scope, Drafting Audit Program & Coordinate Internal Scoping Meeting (2220 & 2230)

The audit scope establishes the nature, timing, and extent of the procedures to be performed. Engagement procedures should be developed to derive conclusions related to the engagement objectives and documented. The engagement team should meet internally to discuss and establish the initial scope, risks, and associated audit procedures. Once drafted, the results should be discussed with the IA Director during the internal scoping meeting. In the internal scoping meeting, the audit timing, risk assessment results, and next steps should be discussed before preparing the Planning Memo (see [Appendix E](#)).

Draft & Distribute Planning Memo (2220 & 2230)

The planning memo is a document prepared by IA to inform the process owners of the upcoming Audit, including the intended audit objectives, scope, resources, timeframe, and general overview of how the Audit will be conducted before audit initiation. Upon creation, the Planning Memo should be reviewed by the IA Director before distribution. In addition, the Planning Memo should be sent before coordinating and conducting the Audit Kick-Off Meeting.

Conduct Kick-off Meeting with Management (2220 & 2230)

Before starting the Audit, a kick-off meeting should be held between the audit team and auditee(s). The auditee(s) is welcome to involve their team members who may be directly involved in the Audit to discuss the following topics:

- Role of Internal Audit
- Internal Audit team
- Audit purpose, scope, and objectives
- Audit deliverables
 - Establish status report protocol, including frequency, format, and recipients (e.g., bi-weekly in-person meetings, status update via email only, monthly calls, etc.)
- Management Responses/Action Plans
- Issue priority rating scale and issue tracking process
- Preliminary audit timeline
- Expectations of auditees

A kick-off meeting presentation template is available to help prepare for this meeting (see [Appendix F](#)).

In addition, the IA team members are expected to leverage the final Planning Memo and Kick-Off Meeting presentation to guide the overall discussion.

Perform Walkthrough – Test of Design Procedures (2310)

Interviews should be conducted with process owners to gather knowledge about their role in the area being audited. From these interviews, a narrative, flow chart, and/or walkthrough should be created documenting the processes and procedures of the area being audited. These documents should be considered living documents and be updated periodically through the Audit with any changes noted. Also, a draft copy of the documents must be forwarded to the process owner for confirmation to ensure accuracy. Screenprints, flowcharts, policies, etc., are often most helpful to include in this stage. A template for documenting the process narrative and walkthrough exists and should be leveraged (see [Appendix G](#)).

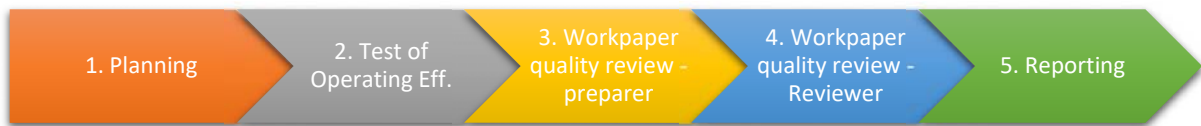
Finalize Audit Program with IA Management (2240)

As previously mentioned, the audit program is the document drafted to detail the step-by-step procedures the audit team will perform to complete the Audit. These procedures should be designed to achieve the engagement objectives. All risks, control objectives, and test procedures should be documented in the audit program. It is initially reviewed by IA management before Planning Memo creation; however, the IA team should re-evaluate and revise upon completed walkthrough - test of design procedures, if necessary. The audit program must be approved by the Internal Audit Manager/or IA Director on the Audit before executing the audit program in the Fieldwork phase. A template for documenting the audit procedures to be performed exists and should be leveraged whenever possible.

Preparing and finalizing the budgeted hours should be incorporated on a project-by-project basis, as needed and agreed upon by the Internal Audit Manager and/or Director of the engagement. In addition, the estimate of the amount of time and staff necessary to complete each of the steps in the audit program should be factored in.

Performing the Engagement – Standard 2300

Internal Auditors must identify, analyze, evaluate and document sufficient information to achieve the engagement objectives. Below is an overview diagram of the fieldwork phase.



Purpose/Objectives

The purpose of fieldwork is to accumulate sufficient, competent, relevant, and valuable evidence to conclude our performance expectations and support our audit comments and recommendations. Audit evidence is sufficient when it is factual and would convince an informed person to reach the same conclusion. Evidence is competent if it consistently produces the same outcomes. Finally, it is relevant when it is directly related to the audit comments, recommendations, and conclusions.

Procedures

Circumstances and conditions for each Audit will dictate the specific audit procedures to perform, and there will be a wide degree of variations between audits. Testing procedures can be performed by observation, computation, inspection, testimonials, and review of source documents. However, the general process will include the following steps for all audits:

Audit Program:

The audit procedures detail the audit steps to be followed and formatted as shown in the Standard Audit Program prepared after the survey. The audit objectives, steps, and procedures should be prioritized to perform and complete the most significant tasks. This will assist the auditor in developing sufficient information to reach conclusions early in and continually throughout the process.

The sampling methodology should be documented within the associated testing documentation (e.g., lead sheet when sample testing is performed). When selecting a sample, ensure the entire population is gathered and then use a random, judgmental, or haphazard selection process. In addition, the following sampling size guidance should be considered in determining the size of the sample:

Frequency of control	Population Size ¹	Sample Size
Annually	1	1
Quarterly	2 – 4	2
Monthly	5 – 12	2
Weekly	13 – 52	5
Between Weekly & Daily	53 – 144	10% of Population
Daily	145 – 365	15
Recurring/Multiple Times	>365	25
Periodically/On-Request	*	*

Sampling Framework

¹: Depending on the date range of the population and the audit period, extrapolation may be required to determine the population’s frequency.

***Periodic/On-Request:** An entire population will be obtained, and a sample size will be chosen based on which control frequency it most resembles.

Director’s Approval:

The Internal Audit Manager should submit the audit procedures to the Internal Audit Director before starting fieldwork for approval.

Collecting Evidence:

Decisions about the type and quantity of information to be collected are essential and require sound judgment. “Government Auditing Standards” state that evidence, whether physical, documentary, testimonial, or analytical, should meet the basic tests of sufficiency, relevance, and competence. There are various methods available to auditors for gathering information to achieve the audit objectives. The particular methods chosen vary from audit and depend on several factors, including time constraints, staff expertise, and the availability and reliability of the information. Data collection techniques generally fall into the following categories: interviews, analysis, observations, and questionnaires.

Working Papers:

After fieldwork, we should have working papers that are prepared per the Internal Audit manual. Each section of the working papers supporting the audit procedure performed should contain a lead sheet section summary indicating the objective, summary of work performed, and conclusion.

Audit Findings:

The Internal Audit Manager and the assigned audit staff should complete a Finding Development Sheet (see [Appendix H](#)) whenever the auditor identifies a possible (a) opportunity for operational improvement, (b) discrepancy, (c) error, (d) irregularity, (e) weakness (f) illegal act, or (g) deviation from internal control standards, regulations, laws, or policies. When the auditor realizes they have an audit concern, they should begin to complete the Finding Development Sheet. These finding sheets will be provided to the client and discussed. The auditor will document reasons for agreement or disagreement resulting from the discussion on the finding sheet. The finding sheet should stand alone and document the auditor’s analysis of the finding (condition, criteria, effect, cause, and recommendation). Observations that are immaterial or have been resolved during the audit may be reported informally (e.g., verbally) but must be documented on the finding sheet in the disposition section as a verbal comment. The Finding Development Sheet should also be used to record positive and noteworthy accomplishments by management within the audit scope. The Audit Director should review all significant audit concerns with the Internal Audit Manager or Internal Audit Senior.

Director’s Briefing:

The audit team will brief the Director on the status of the fieldwork program regularly and upon request.

Supervision and Quality Control:

The Audit Director is responsible for quality control of working papers and adherence to Government Auditing Standards. The Audit Director performs or assigns reviews of working papers using the Quality Control Checklist (see [Appendix I](#)). In addition, the auditor corrects any quality control deficiencies identified.

The Audit Director reviews the working papers to determine whether they are relevant, have a helpful purpose, evidence the audit work performed, and sufficiently support the fieldwork findings. The Audit Director provides review comments on workpapers. The auditor reviews all points to ensure that all points have been resolved with the working papers.

Preparation of the Audit Report:

As indicated on the Finding Development Sheet, only significant audit findings are to be included in the discussion draft report. The audit comments should support the audit objectives and show evidence of discussion with the client. The Internal Audit Manager is responsible for preparing the written draft of the audit report for review.

Potential Audit Areas:

During an audit project, the auditor is responsible for identifying those areas outside the audit scope but may warrant consideration for audits. These potential audit areas should be documented in the working papers using the Potential Audit Areas form (see [Appendix J](#)). If no areas are identified in the Audit, the in-charge auditor should indicate “No potential audit areas” or “None” on the form and include this form in the working papers.

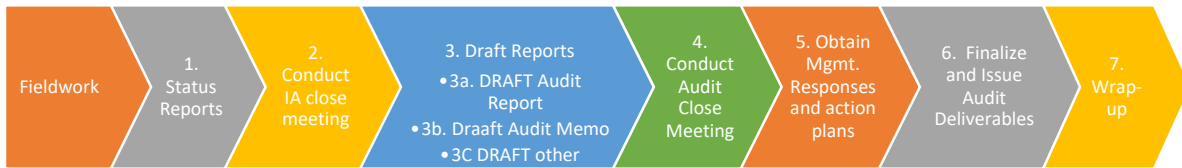
Outputs/Deliverables

The fieldwork phase should produce:

1. Comments and Recommendations: Every audit procedure performed should result in a comment either positive or negative, and many will result in a recommendation.
2. Conclusion and Opinion: Audit procedures are performed to accomplish our audit objectives for the Audit. We should reach an overall conclusion or opinion concerning the audit objectives.
3. Independent Review Sheet: All review points must be cleared by the auditor.
4. Quality Control Checklist: A checklist to be used by the Internal Audit Manager or assigned staff reviewing the work and working papers for the Fieldwork Phase. The auditor must clear all quality review points.
5. Draft Audit Report: A draft report with references to supporting working papers must be generated at the end of the fieldwork.
6. Potential Audit Areas: List all potential audit areas. The in-charge auditor completes this workpaper by the end of fieldwork.

Communicating Results – Reporting – Standard 2400

Internal Auditors must communicate the results of each engagement to the appropriate parties. Therefore, internal auditors must consider the criteria for communicating, the quality of the communications, and the dissemination of results as a whole before communicating results. Refer to the diagram for an overview of the communication phase.



After each project, the Director of Internal Audit will issue a written report addressed to the Commissioner, communicating the engagement’s results. The Director of Internal Audit is responsible for reviewing and approving the final engagement communication before issuance and deciding to whom and how it will be disseminated.

1. Establish Audit Communication Protocol (2400)

Audit communications must be accurate, objective, clear, concise, constructive, complete, and timely. Audit status reports are used as a communication tool to summarize audit progress at a point in time and are distributed to management for transparency purposes. During the audit kick-off meeting, a communication and distribution protocol should be discussed and established with the auditee (e.g., bi-weekly in-person meetings, bi-weekly email status updates, monthly calls, etc.). This includes obtaining agreement on the status report frequency, format, and recipients and the attendees of the status meetings, as applicable. Status reports include the following information:

- Status/phase of the Audit (i.e., Planning, Fieldwork, or Reporting)
- Audit activities completed and planned per frequency established
- Outstanding requests or open items to be provided by the auditee or auditee’s team
- Preliminary observations noted since the previous status report and any updates on previously discussed observations (i.e., observation description, root cause, contact person, date of discovery, observation category, and next steps)
- Record of Discussion (RoD) from the status meeting. The RoD will be blank with original status report distribution then updated and re-distributed post-status report meeting to capture any commitments and critical discussion points from the meeting.

Status reports are to be prepared by the Internal Auditor and reviewed by the Internal Audit Manager or the Director before distribution. Management should be sufficiently informed of preliminary observations and should not be taken by surprise. The purpose of audit status meetings is to meet with the key stakeholders of the engagement throughout the Audit to discuss observations identified and value-added recommendations. If preliminary observations have been identified and confirmed with the auditee, the auditor should encourage management to draft their management responses.

Internal IA team meetings will be held before the first status report meeting and before the final status report meeting. The status report should be leveraged to guide the internal team discussion, particularly around progress made or roadblocks encountered, outstanding documentation requests and the potential need for escalation, and observations identified. Additional internal IA team meetings should also be coordinated in between at the discretion of the audit team.

The final status meeting with the auditee should always be conducted in-person or via video conference calls.

A status report template can be leveraged for status report creation (see [Appendix K](#)).

2. Conduct Internal Close Meeting

Similar to the meetings conducted in the Planning and Fieldwork phases, the engagement team should meet internally to discuss the audit results before drafting the audit deliverable. In addition, appropriate wording of

any observations and related priority ratings and next steps in the Audit should be discussed and agreed upon with the IA Director.

3. Prepare draft audit deliverable and determine issue priority ratings (IPPF 2410, 2420, 2430, & 2440)

Once the audit work has been completed, the engagement team should draft the audit deliverable based on the appropriate format. This draft deliverable should also include any observations, issue priority ratings, and any management action plans provided by management (if applicable). The audit observations should also be documented within the electronic work paper tool (eWP tool) and reflected in the audit work papers accordingly.

Two deliverables can be used to communicate the audit results, (a) an audit report or (b) an audit memo.

- a. Audit Report: A traditional audit deliverable or complete reporting package used when the engagement team audits an end-to-end process or system. It is multi-page in length and should include the following content:
 - Cover sheet
 - Table of contents
 - Background and objective
 - Audit scope and approach
 - Statement of responsibility
 - Summary of observations
 - Detailed observations (including risk, root cause, recommendation, priority rating, and management action plan)
 - Appendix A: Issue Rating Scale

An audit report template exists for team use (see [Appendix L](#))

- b. Audit Memo: Under certain circumstances, a condensed audit report will be issued at the discretion of the Internal Audit Director. Generally, audit memos are utilized to document the results of targeted analysis or an investigation. In these instances, a memo summarizing the audit results is sufficient. Therefore, each memo should include the following:
 - Background and objective
 - Audit scope and approach
 - Audit procedures
 - Observations (including themes and/or root causes)
 - Conclusion

An audit memo template also exists for team use (see [Appendix M](#)).

Other reporting options *may* be used based on the circumstances of the Audit (e.g., a one-page Executive Summary). All alternative reporting options require prior approval of the Internal Audit Director.

All audit deliverables require proper IA management approval before sending the draft report or memo to the auditee before the closing audit meeting.

4. Conduct Audit Closing Meeting

The next step is to formally meet with the Division Leaders and stakeholders of the engagement. The discussion during this meeting will involve the final results and observations noted during the engagement. The engagement team will also communicate their recommendations to remediate any observations. A draft of the audit deliverable must be sent to the closing meeting attendees before this meeting, as the points covered in the draft deliverable will be used to guide the discussion. If applicable, the auditor should ensure that

management understands their responsibility in providing their management action plans promptly before the closing meeting, as they must be incorporated into the final audit deliverable.

5. Obtain Management Responses and Finalize Audit Deliverable (IPPF 2450)

Management responses are required for each observation noted in the audit report. The management response should include who will remediate the finding and what actions will be taken. In addition to the management response, a date for remediation should be documented. In some cases, a larger project, multiple projects, research, and/or decisions must be made to fully remediate the observation. It is appropriate for the management response and remediation date to be tied to the next action item in these cases. The observations will be tracked in the Audit Observation Tracker (see [Appendix N](#)) or within the eWP tool (once implemented).

Upon receiving management’s action plans, the auditor must incorporate them into the audit deliverable. The auditor should re-review the audit deliverable and attach any necessary documents before submitting it to the Internal Audit Director for approval and issuance. The audit team should consult with IA management to confirm who will distribute the final deliverable and the deliverable recipients. The distribution list for audit deliverables may vary by Audit. The auditor should maintain and include support of the audit deliverable distribution email within the work paper file to evidence the deliverable recipients and date issued.

Monitoring Progress – Standard 2500

A system has been established and is maintained to monitor the disposition of engagement results communicated to management. The Internal Audit Division follows up on reported findings. Internal Audit attempts to follow up within six months after an Internal Audit report is issued. However, various factors can affect the actual follow-up date. The purpose of the follow-up is to determine whether (1) adequate corrective actions have been implemented to correct the findings or (2) senior management has assumed the risk of not taking corrective action on the reported findings.

The IA Division considers the following factors in determining the procedures to be employed in the follow-up:

- The significance of the reported finding
- The degree of effort and cost needed to correct the reported condition
- The risks that may occur if the corrective action fail
- The complexity of the corrective action
- The period involved

IA continues to follow the auditee’s progress toward implementing appropriate improvements until it is determined that sufficient corrective action occurs for all significant deficiencies addressed in an Internal Audit report. All findings and the associated corrective plans should be added to the Audit Observation Tracker after all audits. This document is used to facilitate IA’s follow-up procedures (see [Appendix N](#)).

Acceptance of Risk – Standard 2600

As previously described in the monitoring progress section, if management’s response indicates they will not take corrective action, the Director of Internal Audit will determine if the level of risk is acceptable. Suppose the Director of Internal Audit concludes that management has accepted a level of risk that may be unacceptable to the organization. In that case, the matter will be discussed with senior management and obtain an explanation. If the matter has not been resolved, the Director of Internal Audit and senior management will communicate the matter to the Commissioner.

Significant risks that the Director of Internal Audit judges to be beyond an acceptable risk level may include:

- Those that may harm the Department’s reputation
- Those that could harm people
- Those that would result in significant regulatory fines, limitations on business conduct, or other financial or contractual penalties
- Material misstatements
- Fraud or illegal acts
- Significant impediments to achieving the Departments strategic objectives

Wrap-Up

When performing engagements, the Internal Audit staff will analyze sufficient, reliable, relevant, and valuable information to achieve the engagement’s objectives. Conclusions and engagement results will be based on appropriate analyses and evaluations and documented in the working papers.

1. Distribute Client Satisfaction Survey

Once the final deliverable has been distributed, the IA Director sends a survey to the audit stakeholders to gain performance feedback. These surveys provide insight into the performance of the audit team members, how stakeholders view IA, and how the Department can improve on future audits. Currently, the IA Director leverages Microsoft Forms or Survey Monkey to solicit feedback; however, there is potential for the survey to be automated in the eWP tool (when implemented) (see [Appendix O](#)).

2. Finalize audit work papers

When preparing to finalize audit work papers and the audit file, auditors should review the data privacy retention policy to determine what is considered sensitive information. Suppose there is sensitive material deemed unnecessary to support the conclusions and results of the audit. In that case, it should be redacted from the audit file immediately following the close of the audit. All documents stored on the shared drive should be removed, and documents necessary to support the audit’s conclusions should be included in the workpapers. Additionally, the auditor should ensure that any observations have been entered and coaching notes or review comments are cleared.

3. Issue follow-up and audit closure

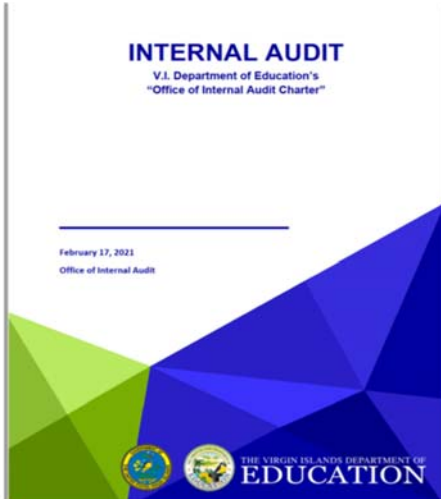
The audit team should obtain remediation updates or evidence on relevant observations from management, if applicable at the time of deliverable distribution.

Appendices-Templates

All IA templates can be found on the Internal Audit shared drive; please see a member of Internal Audit’s leadership team for further assistance.

[Appendix A: Internal Audit Charter](#)

Please see a member of the Internal Audit leadership team to obtain the most current Charter.



Appendix B: Annual Independence Statement

**VIDE Internal Audit
Annual Independence Statement**

Auditor: _____

Position: _____

Internal auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgments essential to the proper conduct of audits. It is achieved through organizational structure and objectivity.

We expect our auditors to maintain independence of mental attitude in the conduct of all assigned work; to be objective, fair, and impartial; and to conduct themselves so that clients and third parties will see our office in this way. Therefore, each staff member must promptly notify the Audit Director, or higher, in writing concerning any situation that would impair the Auditor’s or the Division’s independence. If an IA member has any doubt about whether a situation may constitute impairment, he or she should resolve the question in favor of disclosure.

Examples of Personal Impairment

Official, professional, personal, or financial relationships that might cause the auditor to limit the extent of the inquiry, to limit disclosure, or to weaken or slant audit findings in any way (includes relatives employed by the client organization). Preconceived ideas toward individuals, groups, organizations, or objectives of a particular program could create bias when auditing. Previous responsibility for decision-making or managing an entity that would affect current operations of the entity of the program being audited. Financial interest, direct or substantial indirect, in the audited entity or program. Offer or application for a position with the client during the preceding year (note: an offer of or intention to apply for a position with the client once the audit is in progress must also be reported)*.

* Details may be communicated to the Audit Director separately by confidential memorandum.

Identify audit areas that may be affected by the above situations:

Possible Personal Impairments to My Independence

I have reviewed my personal situation concerning VIDE and related institutions. I am not aware of any circumstances that might impair my ability to be independent on any audit or that might lead others to question it, except as indicated above or on attached pages.

Responsibility to Update This Disclosure

I understand that I am also responsible for submitting written notifications timely, in the event any other circumstance arises during this year that might impair or appear to impair my independence concerning any audit.

Print Name: _____

Signature: _____ Date: _____

Appendix C: Conflict of Interest Statement Template

Conflict of Interest and Ethics Compliance Statement

It is essential internal auditors be objective and impartial to maintain confidence in the integrity of the VIDE. Therefore, please answer all questions, providing a detailed explanation of any “No” answers in the “comments” section at the bottom.

1. I have read, understand, and comply with the Code of Ethics as the Institute of Internal Auditors defines.	Yes	No
2. I possess the knowledge, skills, and other competencies required to perform the engagement.	Yes	No
3. I practice due professional care in the performance of my assigned duties	Yes	No
4. I am free from personal or external impairments of independence with the activity under review.	Yes	No
5. I maintain the confidentiality of all personnel, student, fiscal, and other applicable information	Yes	No
6. I did not have any previous authority or responsibility for the entity or program within the past year that would affect the current operations of the entity being audited?	Yes	No
7. I enhance my knowledge, skills, and other competencies through continuing professional development.	Yes	No

Comments:

Print Name: _____

Signature

Date

[Appendix D: IIA Code of Ethics](#)

The Code of Ethics states the principles and expectations governing the behavior of individuals and organizations. It describes the minimum requirements for conduct and behavioral expectations rather than specific activities.

Introduction to the Code of Ethics

The purpose of The Institute’s Code of Ethics is to promote an ethical culture in the profession 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.

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management, and control.

For the complete Code, visit The Institute of Internal Auditors [site](#).

[Appendix E: Planning Memo Template](#)

The planning memo is used to document the objective, scope, and other important background information.

[Appendix F: Kick-Off Meeting Template](#)

This template should be used to facilitate each Internal Audit engagement.

[Appendix G: Test of Design / Walkthrough Template](#)

A walkthrough aims to trace a transaction from origination through the Department’s information systems until reflected/recorded in the ERP. Walkthroughs provide evidence to:

- Confirm understanding of the process flow of transactions;
- Confirm understanding of the design of controls;
- Confirm that the understanding of the process is complete by determining whether all points in the process at which misstatements related to each relevant financial statement assertion that could occur have been identified;
- Evaluate the effectiveness of the design of controls; and
- Confirm whether controls have been placed in operation.

Appendix H: Finding Development Template

The in-charge auditor and the assigned audit staff should complete a Finding Development Sheet whenever the auditor identifies a possible (a) opportunity for operational improvement, (b) discrepancy, (c) error, (d) irregularity, (e) weakness (f) illegal act, or (g) deviation from internal control standards, regulations, laws, or policies.

The Finding Development Form is used to document each of the five elements outlined below:

1. Issue - Statement of condition/what is incorrect.
2. Condition - The condition attribute describes what the internal auditor found through observation, questions, analysis, verification, and investigation. The condition is the heart of the finding. It is a story of what the auditor saw. The information gathered should be sufficient, competent, and relevant. It must be representative of the total population or system under review, or, in an isolated instance, it should be a significant defect.
3. Criteria - what should exist or what is required).
 - The criteria are the standard we use in judging the condition. Many observations stand or fall on criteria. In an audit, the goals of efficiency, economy, and effectiveness are implied. All resources should be used with a minimum of waste to accomplish some sanctioned purpose. To see how efficient, economical, and effective an operation is, auditors must have measurement standards.
 - Standards may already exist. On the other hand, management may not have established standards. In that case, the internal auditor will to assert one that is reasonable. There is no place for subjectivity in the practice of professional Auditing.
 - Procedures and practices are closely related to criteria and conditions and refer to established ways of meeting goals and standards. Procedures are management’s instructions (criteria), usually in writing. Practices are the way things are being done (condition), right or wrong. Procedures may contribute to an unsatisfactory condition, or practices may violate an adequate procedure. In developing audit observations, auditors should seek to determine what the procedures are or should be and what practices are being followed.
 - Internal auditors should consider whether or not:
 - Established procedures or existing practices are designed to attain desired goals.
 - Established procedures are being followed. However, often the root of the problem is the failure to follow adequate procedures.
 - Procedures and practices are complete. But do they include all steps required to get the job done economically and efficiently?
 - The existence or absence of procedures and practices is the reason why corrective action is needed.
4. Effect - The risk or exposure encountered because of the condition.
 - While the legitimacy of an audit finding may stand or fall on criteria, the attention that the audit finding gets after it is reported depends mainly on its significance. Significance is judged by effect. The element needed to convince the auditee and

higher management that the undesirable condition, if permitted to continue, will cause severe harm and cost more than the action needed to correct the problem.

- Efficiency, economy, and effectiveness are valuable measures of effect and frequently can be stated in quantitative terms such as dollars, time, number of procedures and processes, or transactions. Where past effects cannot be ascertained, potential future effects may be presented. Sometimes, effects are intangible but of paramount significance.
- In economy and efficiency audit observations, the effect is usually measured in dollars. Ineffectiveness audit observations; the effect is usually the inability to accomplish some desired or mandated result. The effect is the convincer. It is indispensable in any audit finding. If it is not adequately presented to management, the chances are slim that corrective action will be taken.

5. Cause - The reason for the difference between the expected and actual conditions.

- The underlying cause explains why standards were deviated from, why goals were not met, and why objectives were not attained. The identification of the cause is essential to the cure. When we know why something happened, we more readily consider preventing it or continuing it, as the case may be. Unless it is known, we risk recommending corrective action that may address only the symptom and not the disease.
- Every deficiency audit finding can be traceable to a departure from what is expected. Only when causes are known and the departures identified can the problem be resolved. Seek input from the auditee in determining the cause of the audit finding. Determining causes may be an exercise in problem-solving. Specify the problem with particularity and get responses to:
 - What is the deviation?
 - Where is the deviation?
 - When did it occur?
 - How did it occur?

Recommendation: The actions which the auditor feels would correct the problem areas and improve operations supported by sufficient, reliable, relevant, and valuable information presented in the workpaper.

Constructive recommendations are dependent on the cause. In all cases, the relationship between the stated cause and the audit recommendation should be clear and logical so that both attributes are presented harmoniously. If it is not possible to recommend a specific or better way to achieve corrective action, a more general recommendation or suggested approach to the problem is appropriate.

The recommendation should be achievable and practical; that is, it should be attainable within the limits of existing resources and not cost more than it is worth. Finally, a good recommendation should not be ambiguous. It should indicate who should do what to correct the deficiency.

Internal Audit templates can be found on the Internal Audit shared drive; please see a member of the Internal Audit's leadership team for further assistance.

[Appendix I: Quality Control Checklist Template](#)

This checklist is used when reviewing the work and workpapers of others during the fieldwork phase. All quality review points must be cleared.

[Appendix J: Potential Audit Area](#)

During an audit project, the in-charge auditor is responsible for identifying those areas outside the scope of the audit but may warrant consideration for audits. These potential audit areas should be documented in the working papers using the Potential Audit Areas form.

If no areas are identified in the audit, the in-charge auditor should indicate “No potential audit areas” or “None” on the form and include this form in the working papers.

[Appendix K: Status Report Template](#)

On a timeframe agreed upon or at the request of IA management, status reports are utilized to provide updates.

[Appendix L: Audit Report Template](#)

Experience shows that report writing is often the most challenging part of an audit for auditors. The audit report template provides an outline and guidelines to follow.

[Appendix M: Audit Memorandum Template](#)

Under certain circumstances, a condensed audit report can be issued at the discretion of the Internal Audit Director. Generally, audit memos are utilized to document the results of targeted analysis or an investigation. In these instances, a memo summarizing the audit results is sufficient. This template provides an outline and guidelines to follow.

[Appendix N: Audit Observation Tracker](#)

All findings and the associated corrective plans should be added to the Audit Observation Tracker after all audits. This document is used to facilitate IA’s follow-up procedures.

[Appendix O: Client Satisfaction Survey](#)

Once an audit report has been issued, a satisfaction survey is sent to the manager responsible for the area/process/ division that was audited.

The purpose of the questionnaire is to help us provide the best possible service. Within five days after an audit report is issued, the satisfaction survey should be sent to management responsible for the auditable area.

The Internal Audit Manager is responsible for sending the survey electronically and will maintain a log of any outstanding surveys and any follow-up action necessary.