

Policy: CCE Internal Auditing Policy and Procedures	Effective Date: July 1, 2018
Number: 710-4-011	Reviewed/Revised: July 2022
Authorized By: Jill Remington Love, Executive Director	
Authority: Utah Code 63I-5-(1-4)	

Purpose:

The Department of Cultural and Community Engagement (CCE) is committed to maintaining a work environment that is safe and empowering for employees, and that promotes the individual value of each Department employee. This Internal Auditing Policy is designed to promote this commitment.

The purpose of the internal audit activity is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.¹ Internal audit activity provides insight into the culture, policies, and procedures of CCE and verifies the internal

controls and operating effectiveness of the divisions and programs within the department.

Scope:

The internal audit activity will perform services within CCE.

The internal audit activity will be effectively managed by the Agency Internal Audit Director.² The Agency Internal Audit Director will report both administratively and functionally to the Executive Director of CCE, who is the department’s audit committee³. The duties of the audit committee can be found in 63I-5-301.

i. Authority. The internal audit activity will be authorized to access records, personnel, and physical properties relevant to the performance of engagements.

ii. Responsibility. The internal audit activity will be responsible for bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes within CCE.

Policy

1. **Utah Internal Audit Act.** CCE is an agency subject to the Utah Internal Audit Act.⁴
2. **Audit Committee.** The powers and duties of the audit committee can be found in the Internal Audit Act (63I-5-301). These include:
 - Appoint, evaluate, and, if necessary, remove the agency internal audit director;
 - Prepare and adopt formal policies that define: (i) the purpose of the agency's internal audit program; and (ii) the authority and responsibility of the agency's internal auditors;

¹ *Mission of Internal Audit*, The Institute of Internal Auditors.

² 63I-5-102(3).

³ 63I-5-302.

⁴ 63I-5-201(1)(a)

- Ensure that policies: (i) do not place limitations on the scope of the internal audit program's work; and (ii) clarify that an auditor does not have authority or responsibility for an activity that the auditor audits;
- Ensure that: (i) the audit director employs a sufficient number of professional and support staff to implement an effective internal audit program; (ii) compensation, training, job tenure, and advancement of internal auditing staff is based upon job performance; (iii) the audit director and staff collectively possess the knowledge, skills, and experience essential to the practices of the profession and are proficient in applying internal auditing standards, procedures, and techniques; (iv) the internal audit program has staff who are qualified in disciplines necessary to meet the audit responsibilities, including accounting, business management, public administration, human resource management, economics, finance, statistics, electronic data processing, or engineering; (v) internal audit staff are free of operational and management responsibilities that would impair their ability to make independent audits of any aspects of the agency's operations; (vi) the audit director and the internal audit staff have access to all personnel and records, data, and other agency information that the audit director or staff consider necessary to carry out their assigned duties; and (vii) the audit director and internal audit staff have the necessary access to the agency head, agency management, and agency staff; Utah Code Page 4
- Approve internal auditing policies proposed by the agency head or audit director;
- Review and approve the annual internal audit plan, modifications to the internal audit plan, risk assessment, and budget;
- Review internal and external audit reports, follow-up reports, and quality assurance reviews of the internal audit office; and
- Periodically meet with the agency internal audit director to discuss pertinent matters, including whether there are any restrictions on the scope of audits.

3. **Charter.** This policy constitutes CCE's internal audit charter.

4. **Mandatory Guidance.** The internal audit activity will adopt Redbook standards, which is the Mandatory Guidance established by the Institute of Internal Auditors (IIA). This includes (1) the Core Principles, (2) the International Standards for the Professional Practice of Internal Auditing (Standards), (3) the Code of Ethics, and (4) the Definition of Internal Auditing.⁵ These documents may be found on the IIA's website⁶ as well as CCE's Audit Handbook.

5. **Internal Auditor Qualifications.** Because the Internal Audit Activity follows Redbook standards, the Agency Internal Audit Director must maintain his or her status as a Certified Internal Auditor.

6. **Audit Handbook.** The internal audit activity will maintain an Audit Handbook. This handbook will contain detailed procedures for managing the internal audit activity and will be subject to continuous improvement. The handbook will not contain any policies or procedures that are not already within the scope of this document.

7. **Audit Services.** The internal audit activity may perform both assurance and consulting services as defined by the Standards. Specific procedures for performing audit services are found in the Audit Handbook.

⁵ 631-5-102(9)(c)(i).

⁶ www.theiia.org.

- 8. Monitoring Progress.** The internal audit activity will perform follow-up audits of assurance services to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.
- 9. Quality Assurance and Improvement Program.** The internal audit activity will develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The quality assurance and improvement program will include both internal and external assessments. Specific procedures for the quality assurance and improvement program audit services are found in the Audit Handbook.
- 10. Document Retention Requirements.** Engagement records will be retained 10 years after completion of the audit.
- 11. Confidentiality.** For the purposes of GRAMA, CCE is a government audit agency.⁷ Internal audit activity documentation constitute protected records.⁸ However, final audit reports are public.⁹

Definitions

- 1. Assurance Services.** This policy adopts the IIA definition of Assurance Services: “An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.”
- 2. Charter.** This policy adopts the IIA definition of Charter: “The internal audit charter is a formal document that defines the internal audit activity’s purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity’s position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.”
- 3. Consulting Services.** This policy adopts the IIA definition of Consulting Services: “Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization’s governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.”
- 4. Internal Audit Activity.** This policy adopts the IIA definition of Internal Audit Activity: “A department, division, team of consultants, or other practitioner(s) that provide independent, objective assurance and consulting services designed to add value and improve an organization’s operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.”
 - i. Compare.** The Internal Audit Act’s definition of Internal Audit Program: “an audit function that (a) is conducted by an agency, division, bureau, or office, independent of the agency, division, bureau, or office operations; (b) objectively evaluates the effectiveness of agency, division, bureau, or office governance, risk management, internal controls, and efficiency of operations; and (c) is conducted in accordance with the current International

⁷ 63G-2-103(10).

⁸ 63G-2-305(10), (16).

⁹ 63G-2-301(3)(q).

Standards for the Professional Practice of Internal Auditing, or the Government Auditing Standards, issued by the Comptroller General of the United States.”¹⁰

5. Internal Auditing. This policy adopts the IIA definition of internal auditing, which can be found on the IIA’s website. “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.”

i. Compare. The Internal Audit Act’s definition of Internal Audit: “an independent appraisal activity established within a state agency as a control system to examine and evaluate the adequacy and effectiveness of other internal control systems within the agency.”¹¹

Procedure

1. Internal Audit Activity Planning.

i. Audit Plan. The Internal Audit Activity will develop a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals.¹² This plan will be based on a documented risk assessment, undertaken at least annually. Specific procedures for the risk-based plan are found in the Audit Handbook.

ii. Communication. The Internal Audit Activity will communicate its plans and resource requirements to the audit committee for review and approval.¹³

iii. Engagement Planning. Internal auditors will develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations.¹⁴

iv. Performing the Engagement. Internal auditors will identify, analyze, evaluate, and document sufficient information to achieve the engagement objectives.¹⁵

v. Communicating Results. Internal auditors will communicate the engagement’s objectives and scope as well as applicable conclusions, recommendations, and action plans to the appropriate parties.¹⁶

vi. Monitoring Progress. Between one to three years after an assurance engagement, the Internal Audit Activity will evaluate the effectiveness of management’s responses to the engagement.¹⁷

¹⁰ 63I-5-102(9)

¹¹ 63I-5-102(8)

¹² *Standards* 2010.

¹³ *Standards* 2020.

¹⁴ *Standards* 2200-2400.

¹⁵ *Standards* 2300-2340.

¹⁶ *Standards* 2400-2450.

¹⁷ *Standards* 2500.