

Enhancing Accountability and Transparency

The Value of Internal Audit

The Importance of Internal Audit in Municipal Governance



What is Internal Audit?

- 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.
- Objectives:
 - Ensure compliance
 - Mitigate risks
 - Improve operations
 - Enhance accountability



Key Functions of Internal Audit

- Conducting risk assessments
- Developing audit plans
 - Risk-Based Triennial Audit Plan
- Performing audits and reviews
- Reporting findings and recommendations
- Monitoring implementation of corrective actions



Benefits of Internal Audit

- Enhanced accountability: Ensures compliance with laws, regulations, and policies
- Improved financial management: Identifies inefficiencies, reduces waste, and enhances fiscal responsibility
- Effective risk management: Identifies and mitigates risks to protect municipal assets and reputation
- Transparency and trust: Provides assurance to stakeholders and the public that municipal operations are conducted with integrity and efficiency



Internal Audit Process

- Overview of the internal audit process:
 - Planning: Identifying audit objectives, scope, and resources
 - Fieldwork: Gathering evidence, testing controls, and assessing risks
 - Reporting: Documenting findings, conclusions, and recommendations
 - Follow-up: Monitoring implementation of corrective actions



Establishing Governance for Internal Audit

- Importance of governance in ensuring the effectiveness and independence of internal audit
 - Governance provides the necessary structure, policies, and procedures to ensure the effectiveness, independence, and reliability of the City's internal audit function.
 - Establishing robust governance mechanisms is essential for establishing and maintaining the integrity and trustworthiness of the internal audit function within the City.
 - Lack of governance diminishes the credibility and value of Internal Audit and its auditing reports.
- Components of governance:
 - Internal audit charter: Defines purpose, authority, and responsibilities
 - Audit committee: Provides oversight and guidance
 - Policies and procedures: Establish standards for audit activities
 - Code of ethics: Ensures integrity, objectivity, and professionalism



Why Governance Matters

- Ensures independence: Prevents undue influence and bias in audit activities
- Enhances credibility: Demonstrates commitment to transparency and accountability
- Improves effectiveness: Provides clear roles, responsibilities, and processes for internal audit
- Aligns with best practices: Reflects industry standards and regulatory requirements for internal auditing (IIA Standards, GAGAS, COSO – Framework on IC)



Case Studies: Success Stories

- Examples of municipalities that have benefited from establishing governance for internal audit
 - Oklahoma State Auditor (1907)
 - Audit shows Oklahoma likely misspent millions in federal relief funds
 - Improper oversight by state officials led to more than \$29 million in federal funds being misspent that may have to be repaid to the federal government, Oklahoma Auditor & Inspector Cindy Byrd said Tuesday.
 - City of Tulsa Office of the City Auditor (Created 1909)
 - Implemented ThirdLine to detect fraud, waste, and abuse before it leaves the City's door (Integrates with the Tyler Munis Enterprise Resource Planning (ERP) system).
 - In 'significant' findings, city auditor points to gaps in Tulsa's \$87.8 million COVID relief fund accountability
 - A report released by Tulsa City Auditor Cathy Criswell states the Sheriff's Office is overcharging the city of Tulsa for inmate housing and a private company should take over the operations of the county jail (\$7.6 million is unaccounted for).
 - Oklahoma City Office of the City Auditor (Created 1975)
 - OCPD employee's discovery of missing property rooms funds leads to City audit
 - The department's former chief requested the audit after an employee discovered the property room was missing \$26,000.



Overcoming Challenges

- Common challenges in establishing governance for internal audit:
 - Resistance to change
 - Resource constraints
 - Lack of awareness or understanding
- Strategies for overcoming challenges:
 - Education and awareness-building
 - Collaboration and stakeholder engagement
 - Prioritization of resources and support from leadership



Conclusion

- Summary of key points:
 - Internal audit enhances accountability, transparency, and effectiveness in municipal governance
 - Establishing governance is essential for ensuring the independence and credibility of internal audit
- Call to action: Encourage city council to support the establishment of governance for internal audit to promote good governance and serve the best interests of constituents.



Q&A?



Contact Information

Shaakira Calnick

Shaakira.Calnick@gmail.com

405-833-5393

OR

Employees and Norman citizens are encouraged to call Eide Bailly, a regional Certified Public Accounting firm, at 866-912-5378 or email at www.eidebailly.com/hotline to report improper activities. (Report Tips and Remain Anonymous)

OR

You may still report them to your supervisor.

