



**WEST VIRGINIA DIVISION OF ADMINISTRATIVE SERVICES
AGENCY POLICY STATEMENT**

SUBJECT: INTERNAL AUDIT UNIT

INDEX NUMBER: 142.00

EFFECTIVE DATE: October 17, 2022

PURPOSE: To establish and maintain an Internal Audit Unit program, to provide a level of assurance that processes and internal controls are operating as designed, ensure the Division's objectives are met, and comply with the requirements of applicable law, rule, and policy.

REFERENCE: West Virginia Code §15A-2-1, et seq. Division Policy Statement 140.00 "*Internal Controls Program*" and 141.00 "*Internal Audit Committee.*" Definitions from the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA).

RESPONSIBILITY: The Internal Auditor is delegated the authority to issue a Unit Manual, staff notices, and other written instructions related to the Internal Audit Unit program.

CANCELLATION: Any previous written or verbal instruction on this subject.

APPLICABILITY: All employees. This Policy Statement is available for general distribution and is not exempt from Freedom of Information Act requests.

DEFINITIONS:

Independence: The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Objectivity: An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

Conflict of Interest: Any relationship that is, or appears to be, not in the best interest of the Division or a customer agency. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

POLICY:

- I. Purpose:** The Internal Audit Unit (hereinafter "IAU") is created under the Director's statutory powers and duties as set forth in West Virginia Code §15A-2-2. The IAU's purpose is to provide a level of assurance that processes and internal controls are

operating as designed, ensure the Division's objectives are met, and comply with the requirements of applicable law, rule, and policy.

II. Role:

- A. The IAU provides a level of independent and objective assurance services designed to add value and improve the agency's operations. IAU helps the agency accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- B. Internal Consultations: From time-to-time another Division unit or section may seek to engage the IAU to perform an internal consulting engagement. There may be occasions when the IAU's knowledge, or one of their previously completed audits, means they have useful information which may take another unit or section some time to obtain resulting in a lengthier engagement time and higher cost to the Division.
 - 1) The IAU may be able on a case-by-case basis to offer consultation services to other units or sections of the Division while maintaining an acceptable degree of independence from the Division's daily operations to prevent conflicts of interest. The arbiter of whether a conflict of interest exists should be the Internal Audit Committee – it should never be the Internal Auditor or the unit or section seeking the consultation.
 - 2) If a supervisor or manager is interested in engaging the IAU provide a consultation service a written request must be submitted by their Assistant Director to the Internal Audit Committee describing the scope of work. The IAU may only provide an internal consultant service when approved in writing by the Internal Audit Committee. For transparency, upon Committee approval, all such consulting engagements should be incorporated by the Internal Auditor into the internal audit plan at the time they occur, and a report provided to the audit committee.
- C. The Division's IAU may provide internal audit service support to another State agency at the direction of the Director, the Cabinet Secretary of the Department of Homeland Security (hereinafter DHS), or the Office of the Governor, as applicable to the circumstances involved.

III. Authority:

- A. The Internal Auditor plans and administers the IAU audit program. Duties include developing an annual internal audit plan for review and approval by the Internal Audit Committee, develops and implements a unit manual to serve as a guide for IAU employees, and supervises and directs the work of IAU employees.

- B. The IAU is authorized full, free, and unrestricted access to all Division records, physical properties, and personnel pertinent to carrying out its duties. The IAU will maintain strict accountability for confidentiality and safeguarding records and information which is obtained. All employees are required to assist the IAU in fulfilling its roles and responsibilities.
- C. To ensure objectivity, the Internal Auditor should develop Accountant/Auditor assignments to ensure potential and actual conflicts of interest are avoided.
 - 1. Audit assignments should be periodically rotated.
 - 2. Accountant/Auditors should not be assigned to provide assurance services for a business activity of the Division for which that employee had responsibility within the previous year *unless approved by the Internal Audit Committee*. This rule is to prevent “auditing your own work”.
 - 3. Accountant/Auditors should report to the Internal Auditor any situations indicating a possible conflict of interest for review by the Internal Audit Committee.

IV. Reporting:

- A. Daily, the Internal Auditor reports directly to the Division Director, except in cases where a conflict of interest may be evident in which case the Internal Auditor will report to the DHS Cabinet Secretary. See Policy Statement 102.00 *“Organizational Structure.”*
- B. The Internal Auditor’s reporting relationship to the Internal Audit Committee is set forth in Policy Statement 141.00 *“Internal Audit Committee.”*
- C. Having the Internal Auditor report directly to the Division Director and the Internal Audit Committee ensures broad audit coverage and adequate consideration of, and action on, the findings and recommendations of the internal auditors thus facilitating a degree of independence.
- D. Written audit reports shall comply with applicable auditing standards and practices and said reports will include an executive summary.

V. Standards and Practices:

Internal audits are conducted in accordance acceptable standards and practices, for example, with the Institute of Internal Auditors’ (IIA) International Professional Practices Framework (2017 Edition). The IAU’s audits will adhere to relevant laws, rules, policies, procedures, and manuals.

ATTACHMENTS: None

APPROVED SIGNATURE:


For Michael V. Coleman, Director 10/13/22
Date

Approved during 10am Meeting
10/13/22