



# INTERNAL AUDIT

## KEY INFORMATION FISCAL YEAR 2019–20

### 34 Engagements Completed

28 Internal Control Audits for Clerks of Superior Court

1 Investigation

Internal Control Audit for Indigent Defense Services

Internal Control Audit for Innocence Inquiry Commission

Internal Control Audit for NCAOC

2 Consulting Engagements for NCAOC

## WHO WE ASSIST

**The Internal Audit Program has served a broad group over the years.**

Chief Justice's Commission on Professionalism

Clerk of the Supreme Court of North Carolina

Clerk of the North Carolina Court of Appeals

Clerks of Superior Court

Court Reporters

Dispute Resolution Commission

District Attorneys

Indigent Defense Services

Innocence Inquiry Commission

NCAOC



The North Carolina Administrative Office of the Courts (NCAOC) Internal Audit Program is an independent, objective assurance and consulting activity designed to add value and improve the Judicial Branch's operations. It helps the Judicial Branch accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Their scope of work includes determining whether the Judicial Branch's controls and processes, as designed and represented by management, are adequate and functioning in a manner to ensure effectiveness and efficiency of operations, safeguarding of public funds and assets, minimization of incidences of fraud, waste and abuse, and compliance with policies, procedures, laws, and regulations. All engagements conducted are categorized as either assurance or consulting services. Assurance services are defined as involving three parties: internal audit, the audit client, and a third party who requests the engagement and has the right to establish objectives, scope, and communication. Consulting services are defined as involving two parties: internal audit and the engagement client, who establishes objectives, scope, and communication.

Each member of the audit team has an impartial, unbiased attitude, discloses conflicts of interest, and is free of all operational and management responsibilities that might impair their ability to make independent, objective evaluations. They continuously monitor themselves to ensure they remain in conformance with the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors.

The Internal Audit Program operates on a calendar year and prepares an annual report summarizing their activities. For a copy of the 2019 annual report, please contact the program director at [jordan.samuel@nccourts.org](mailto:jordan.samuel@nccourts.org).

## AUDIT OPINIONS

We include audit opinions in our internal control audits in order to increase the value and clarity on the level of assurance given to our audit clients. These opinions are based on the three tier system (see chart at right) for uniformity:

These opinions have been mostly well received by audit clients and serve to provide a barometer to measure the overall control environment in comparison to other judicial groups and, at a point when the same client receives a second audit, to determine if improvement has been made. The pie chart (see pie chart at bottom right) represents the opinions given in the 31 internal control audit reports issued in the fiscal year:

All audit reports issued are public record. To request a copy of an audit report, please contact the director of Internal Audit.

## INTERNAL CONTROL EVALUATIONS

During the fiscal year, 53 internal controls were evaluated as Major Improvement Needed. Management identified action plans to correct these issues. These controls will be scheduled for follow-up testing to determine if the action plans effectively remediated the issues. In this way audit clients are held accountable and are provided assistance to correct significant issues and reduce risks.

## AUDIT CLIENT SURVEY RESULTS

An audit client survey was provided to clients receiving services following each client's engagement completion. This survey was designed as a systematic way for clients to provide feedback which could be used to improve the audit process. The survey covered many aspects of the process and provided a four-tier grading scale: Excellent (4), Good (3), Adequate (2), and Poor (1).

**The average overall rating from clients during the fiscal year was 3.7, showing excellence was achieved in the eyes of those they served.**

## Internal Controls Grading System

### Effective

Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

### Some Improvement Needed

A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

### Major Improvement Needed

Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.

