



Association of Local Government Auditors

August 10, 2023

Mr. Mark Brown, Division Director of Internal Audit
Gwinnett County Government
75 Langley Drive
Lawrenceville, GA 30046

Dear Mr. Brown,

We have completed a peer review of the Gwinnett County Office of Internal Audit for the period of January 1, 2022 through March 31, 2023 and issued our report dated August 10, 2023. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- The Office of Internal Audit uses a Risk Control Matrix (RCM) in its audit work papers to capture the objectives, risk, controls and testing approach for all aspects of its audits. It is a concise but all-encompassing tool with an easy to follow work flow.
- The Office of Internal Audit has developed an International Professional Practices Framework (IPPF) Checklist that is included in every audit engagement. It assists in documenting each engagement's conformance with the performance standards associated with conducting audits. Each requirement on the checklist has a reference to the particular standard. This is an excellent tool.

We offer the following observations and suggestions to enhance your organization's demonstrated conformance to *International Standards for the Professional Practice of Internal Auditing* (the *Standards*):

- **Observation 1:** Standard 1110 states, "The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities." The Internal Audit Charter, under Reporting Arrangements, describes the County Administrator's relationship to the CAE as providing "day-to-day supervision." This type of oversight of the CAE by management generally runs contrary to the *Standards* which call for the internal audit activity to be independent of management.

The current holders of the CAE and County Administrator positions clearly understand the need for independence and conduct themselves accordingly.

Suggestion 1: To ensure governance works effectively regardless of the persons in these positions, we recommend the Internal Audit Charter be revised to define the relationship between the County Administrator and the CAE more clearly as just administrative oversight with full functional oversight provided by the Board of County Commissioners (BOC) through its Audit Committee.

- **Observation 2:** The Standards require a number of communications with the board of an organization. Here are some of the more significant ones:

Standard	Requirement
1010	<p>Recognizing Mandatory Guidance in the Internal Audit Charter The chief audit executive (CAE) should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the board.</p>
1110	<p>Organizational Independence The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.</p>
1110	<p>Interpretation: Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:</p> <ul style="list-style-type: none"> • Approving the internal audit charter. • Approving the risk-based internal audit plan. • Approving the internal audit budget and resource plan. • Receiving communications from the chief audit executive on the internal audit activity’s performance relative to its plan and other matters. • Approving decisions regarding the appointment and removal of the chief audit executive. • Approving the remuneration of the chief audit executive. • Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.
1111	<p>Direct Interaction with the Board The chief audit executive must communicate and interact directly with the board.</p>

The Office of Internal Audit does all of its reporting to the Audit Committee which has two County Commissioners among its seven members. But the CAE does not presently have any direct communication or interaction with the Board of County Commissioners (BOC).

The BOC approved the internal audit charter and appointed the CAE, but none of the other communications or approvals described above occur at the BOC level.

Suggestion 2: We recommend the CAE establish, at minimum, an annual report to the BOC that addresses the requirements of the *Standards*.

- **Observation 3:** Standard 2110 – **Governance** states, “The internal audit activity must assess and make appropriate recommendations to improve the organization’s governance processes for:
 - Making strategic and operational decisions.
 - Overseeing risk management and control.
 - Promoting appropriate ethics and values within the organization.
 - Ensuring effective organizational performance management and accountability.
 - Communicating risk and control information to appropriate areas of the organization.
 - Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.”

While the department is performing these assessments and making appropriate recommendations within the context of its individual audit engagements, it has not yet assessed the organization’s (County) governance processes in the areas listed above. These requirements of the *Standards* are acknowledged in the department’s Internal Audit Policies, Procedures and Guide as well as in the Internal Audit Governance Policy.

Suggestion 3: We acknowledge the department has focused on high-risk areas with its limited resources. We encourage the department to begin a phased assessment of organizational governance over the coming years.

- **Observation 4:** Standard 2120 – **Risk Management** states, “The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.”

The internal audit department has been addressing this standard in each audit engagement for the department or function being audited, but has not evaluated management’s risk assessment and risk management processes at the organizational (County) level.

Suggestion 4: We recommend the department take steps to assess risk management processes of the County as an organization. A good place to start is to determine whether organizational objectives support and align with the County’s mission and whether significant risks to the achievement of those objectives have been identified

and assessed so that appropriate risk responses can be implemented to manage those risks to a level tolerable by management and the BOC.

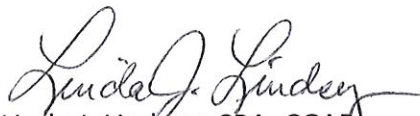
- **Observation 5:** Standard 2500.A1 states, "The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action."

The internal audit department is monitoring and reporting to the Audit Committee management's actions to address audit findings. However, the department is not performing any procedures to ensure the actions have been effectively implemented. They essentially report what management tells them they have done.

Suggestion 5: We recommend the department perform limited procedures to verify what management says has been done and to determine whether the steps management has taken to correct audit findings are effective.

We extend our thanks to you, your staff, and the other county officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,



Linda J. Lindsey, CPA, CGAR
Orange County Public Schools



Jennifer Diaz
Children's Services Council of Palm Beach County