



Florida Department of Financial Services Office of Inspector General



INTERNAL AUDIT CHARTER

PURPOSE AND MISSION

The purpose of the Department of Financial Services (Department) Office of Inspector General's (OIG's) Internal Audit Section is to provide independent, objective assurance and consulting services designed to add value and improve the Department's operations.¹ The mission of the Internal Audit Section is to operate with integrity in the performance of independent and objective audits, reviews, and consulting engagements that promote transparency, accountability, efficiency, and effectiveness within the Department. Additionally, the mission of the Internal Audit Section is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.²

AUTHORITY

Section 20.055, Florida Statutes (F.S.), establishes an Office of Inspector General in each state agency to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government. The Department's Inspector General serves as the chief audit executive and reports to the Agency Head. In accordance with section 20.055(6)(c), F.S., the Inspector General and staff shall have access to any records, data, and other information of the state agency he or she deems necessary to carry out his or her duties. The Inspector General may also request such information or assistance as may be necessary from the state agency or from any federal, state, or local government entity.

RESPONSIBILITY

Section 20.055, F.S., outlines the duties and responsibilities of the Inspector General to include:

- Advise in the development of performance measures, standards, and procedures for the evaluation of state agency programs.
- Assess the reliability and validity of the information provided by the state agency on performance measures and standards, and make recommendations for improvements, if necessary, before submission of such information pursuant to section 216.1827, F.S.
- Review the actions taken by the state agency to improve program performance and meet program standards and make recommendations for improvement, if necessary.
- Provide direction for, supervise, and coordinate audits, investigations, and management reviews relating to the programs and operations of the state agency.
- Conduct, supervise, or coordinate other activities carried out or financed by that state agency for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.

¹ The Institute of Internal Auditors International Professional Practices Framework (IPPF), Supplemental Guidance

² The Institute of Internal Auditors IPPF, Supplemental Guidance

- Keep the Agency Head or, for state agencies under the jurisdiction of the Governor, the Chief Inspector General informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the state agency, recommend corrective action concerning fraud, abuses, and deficiencies, and report on the progress made in implementing corrective action.
- Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.
- Review, as appropriate, rules relating to the programs and operations of such state agency and make recommendations concerning their impact.
- Ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.
- Comply with the *General Principles and Standards for Offices of Inspector General* as published and revised by the Association of Inspectors General.

Additionally, section 20.055(6), F.S., outlines the specific auditing duties and responsibilities to include, in part, that each Inspector General shall:

- Review and evaluate internal controls necessary to ensure the fiscal accountability of the state agency.
- Conduct financial, compliance, electronic data processing, and performance audits of the agency and prepare audit reports of findings.
- Determine the scope and assignments of the audits (however, the Agency Head may at any time request the Inspector General to perform an audit of a special program, function, or organizational unit).

Further, the Inspector General will discuss the mission of the Internal Audit Section and the elements of the *International Professional Practices Framework (IPPF)*, 2017 Edition, (the *Standards*) with management and will periodically review the Internal Audit charter, make changes as deemed necessary, and meet with management to review and receive approval of the Internal Audit charter.

PROFESSIONAL STANDARDS AND CODES OF ETHICS

The Office of Inspector General and its staff will adhere to appropriate professional standards and codes of ethics in fulfilling the responsibilities of the Office.

Pursuant to section 20.055(6)(a), F.S., work conducted by the Internal Audit staff shall be conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing (the Standards)* as published by The Institute of Internal Auditors, Inc., or, where appropriate, in accordance with generally accepted governmental auditing standards. All audit reports issued by Internal Audit staff shall include a statement that the audit was conducted pursuant to the appropriate standards.

Internal Audit staff within the Office of Inspector General shall also abide by the Code of Ethics published by The Institute of Internal Auditors, Inc.

Additionally, the Office of Inspector General complies with the *General Principles and Standards for Offices of Inspector General* as published and revised by the Association of Inspectors General. All Office of Inspector General staff shall also abide by the Florida Code of Ethics for Public Officers and Employees as codified in sections 112.311-112.326, F.S.

The Inspector General will report when there are changes within the Internal Audit Section to senior management regarding the Internal Audit Section's conformance to the Code of Ethics and the Standards.³

In addition to the Office of Inspector General staff adhering to appropriate professional standards and codes of ethics, Office of Inspector General staff will adhere to The Institute of Internal Auditors Core Principles for the Profession of Internal Auditing. These principles are listed below:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organization
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organizational improvement.

INDEPENDENCE AND OBJECTIVITY

In accordance with professional standards, the Office of Inspector General's activities shall be independent, and the Office of Inspector General staff shall be "free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. Internal auditors will maintain an unbiased, independent attitude and appearance in performing their work. If the Inspector General determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties."⁴

The Office of Inspector General is placed organizationally under the Chief Financial Officer. Other than the Chief Financial Officer, the Inspector General shall not be subject to supervision by any other Department employee for all Office of Inspector General activities. The Inspector General will confirm its organizational independence to the Chief Financial Officer at least annually.

The Institute of Internal Auditors IPPF, Supplemental Guidance states, "Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the [Department] or its affiliates.
- Initiating or approving transactions external to the Internal Audit Section.
- Directing the activities of any [Department] employee not employed by the Internal Audit Section, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors."

³ The Institute of Internal Auditors IPPF, Supplemental Guidance

⁴ The Institute of Internal Auditors IPPF, Supplemental Guidance

Where the Inspector General has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

In accordance with the *Standards*, Office of Inspector General staff shall refrain from assuming managerial responsibility for, or participating in, any operational duties that it might be expected to review, appraise, or render an independent opinion upon. The Office of Inspector General shall not engage in activities that could otherwise be construed to compromise its independence and objectivity. Engagements posing a conflict of interest will result in immediate review, disclosure to appropriate parties, possible recusals, and development of plans for affected individuals to ensure independence and objectivity is maintained.

DEFINITIONS OF INTERNAL AUDITING AND THE NATURE OF ASSURANCE AND CONSULTING SERVICES

The Department's Office of Inspector General's Internal Audit Section helps the Department accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The Internal Audit Section includes internal auditors and the Director of Audit, and in accordance with section 20.055, F.S., performs audits, reviews, and other audit-related activities.

Internal Auditing, as defined by The Institute of Internal Auditors, 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. The Internal Activity will perform in conformance with this definition.

The nature of the Internal Audit Section's assurance and consulting services are defined based on The Institute of Internal Auditors' IPPF, as follows:

Assurance Services are defined as 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. The term "Assurance services" is used synonymously in this document and in the Audit Section's policies and procedures with the term "Audit services."

Consulting Services are defined as 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.

INTERNAL AUDIT

Pursuant to section 20.055(4)(a), F.S., to ensure that state agency audits are performed in accordance with applicable auditing standards, the Inspector General or the Director of Audit shall possess the qualifications specified in this subsection. Audit workpapers and reports shall be public records to the extent that they do not include information which has been made confidential and exempt from the provisions of section 119.07(1), F.S.

The Internal Audit Section adds value to the Department and its stakeholders by developing auditors to provide independent, objective assurance and consulting services by:

- considering strategies, objectives, and risks; and
- striving to offer ways to enhance governance, risk management, and control processes.

The Internal Audit Section will:

- Communicate the resource requirements as well as the impact of any resource limitations to the Inspector General, who will communicate this information to the Chief Financial Officer.
- Develop long-term and annual work plans based on the findings of annual risk assessments. The plans must include a specific cybersecurity audit plan. Approved work plans may be adjusted as necessary in response to changes in risks, operations, programs, systems, and controls. Significant deviations in the approved work plan will be communicated by the Inspector General to the Chief Financial Officer for approval.
- Follow-up on engagement findings and corrective actions for periodic reporting to the Chief Financial Officer and other members of leadership, as appropriate, particularly any corrective actions not effectively implemented.
- Assess whether the information technology governance of the organization supports the Department's strategies and objectives.
- Evaluate the design, implementation, and effectiveness of the Department's ethics related objectives, programs, and activities.
- Provide consulting and related client service activities, the nature and scope of which are confirmed with the client and are intended to add value and improve the Department's governance, risk management, and control processes without the internal auditor assuming management responsibility. Governance, risk management and control issues identified during a consulting engagement will be communicated to the Chief Financial Officer.
- Keep the Inspector General informed concerning significant risk exposures and control issues, including fraud, abuses, and deficiencies; recommend corrective action concerning fraud, abuses, and deficiencies; and report on the progress made in implementing corrective action(s). The Inspector General will in turn communicate this information to the Chief Financial Officer.
- In instances where Department leadership has accepted a level of risk that may be unacceptable to the Department, discuss the matter with applicable senior leadership. If the matter is not resolved, the matter must be communicated to the Chief Financial Officer.
- Keep the Inspector General informed concerning significant risk exposures and control issues, including fraud, abuses, and deficiencies; recommend corrective action concerning fraud, abuses, and deficiencies; and report on the progress made in implementing corrective action(s). The Inspector General will in turn communicate this information to the Chief Financial Officer.
- In instances where Department leadership has accepted a level of risk that may be unacceptable to the Department, discuss the matter with applicable senior leadership. If the matter is not resolved, the matter must be communicated to the Chief Financial Officer.

- Periodically report to the Chief Financial Officer on the Internal Audit Section's purpose, authority, and responsibility (as well as performance relative to its work plan).
- Monitor the implementation of the Department's response to any audit of the Department conducted by the Auditor General pursuant to section 11.45, F.S., OPPAGA, and other external entities and report to the Chief Financial Officer on the status of corrective actions taken.
- Review, as appropriate, rules relating to the programs and operations of the Department and make recommendations concerning their impact.
- Maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Activity and communicate the results of the quality assurance and improvement program to the Chief Financial Officer. The results of internal and external assessments will be communicated upon completion of the assessment, and the results of ongoing monitoring will be communicated annually. An external assessment will be performed triennially by the Florida Auditor General's Office, as mandated by section 11.45, F.S. Should the assessments indicate a need for corrective action, the status of corrective action will be periodically reported to the Chief Financial Officer until such action has been completed or leadership accepts the risk of not taking corrective action.

APPROVAL / SIGNATURES:



Dawn E. Case, Inspector General

6/29/23

Date



Jimmy Patronis, Chief Financial Officer

6/29/23

Date