



# Meet the City of Madison Internal Audit & Grant Unit



# Introducing you to Internal Auditing?



A word cloud centered around the words "Internal" and "Audit". The words are in various sizes and orientations, representing key concepts of internal auditing. The largest words are "Internal" and "Audit". Other prominent words include "independent", "compliance", "risk", "effective", "improve", "efficient", "assurance", "add value", and "objective".

Internal Audit

compliance

risk

independent

add value

effective

improve

efficient

assurance

objective

# What is Internal Auditing?

- Internal auditing is an independent, objective assurance and consulting activity designed to **add value and improve on organization's operations.**
- Internal audit **helps the organization to accomplish its objectives** by bringing a systematic, disciplined approach to **evaluate and improve the effectiveness of risk management, control and governance processes.**



A word cloud centered around the words "Internal Audit". The words "Internal" and "Audit" are the largest and most prominent. Other words of varying sizes and orientations surround them, including "compliance", "risk", "independent", "add value", "effective", "improve", "efficient", "assurance", and "objective".

Internal Audit

compliance  
risk  
independent  
add value  
effective  
improve  
efficient  
assurance  
objective

# Ordinances, Authority and Responsibilities

- Section 4.02(3) of the Code of Ordinances (City of Madison) establishes the Finance department's Internal Audit unit.
- The unit is empowered to internally audit any organizational unit of the City government by its approved internal audit program submitted to the Common Council through the City's Finance Committee.
- The unit shall have full access to any books, records, notes, memoranda, or other documents maintained by any organizational unit relating to its expenditures, revenues, operations, etc.
- The unit shall submit its internal audit report (with recommended internal audit resolutions) to the Finance Committee and the Common Council.

**Roles and responsibilities  
of an internal audit team**



# Our Tasks

- Performance Internal Audit: Review the City's agencies' operations to examine the efficiency and effectiveness of government programs.
- Compliance Internal Audit: Review of the City's agencies' adherence to the provisions of applicable laws, rules, and regulations.
- Manage Grants Administration: Continuously support and review the grant administration, management, and processes. We will review the efficiency and effectiveness of the grant's internal control system.
- Process Improvement Review: Review agencies' policies and procedures in line with best practices to identify areas of improvement.



# Our Tasks contd.

- Financial Review: Performs a quarterly review of the City's financial reports and control testing around financial reporting.
- Risk Assessment Reviews/Training: Performing the Enterprise (City's) Risk Assessment and training management on identifying the business risks and establishing controls.
- Continuous monitoring of the City's internal control system, e.g., performing surprise/unannounced cash count, assessing controls within the City operations, etc.
- Monitors and reports on Fraud or attempted Fraud, Waste, Abuse, and Mismanagement (FWAM) activities or incidents across the city.



# How we will Perform an Internal Audit?

## Planning

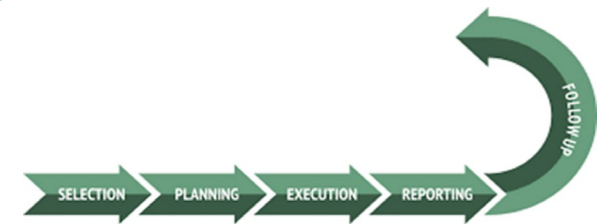
- Preliminary Research
- Risk Assessment
- Scope Identification
- Engagement Meeting
- Process Discussion
- Information Gathering
- Engagement Outline

## Fieldwork/Execution

- Execute Engagement Plan
- Walkthroughs
- Interviews
- Review of Controls
- Testing and Verification
- Document Internal Audit Observations and Conclusions

## Reporting/Follow-Up

- Draft Internal Audit Report
- Exit Meeting
- Management Responses
- Finalize Report
- Distribute Final Report
- Follow-up on recommendation implementation



# Example of a Specific Audit Test



## Testing for Completeness Tracing

The auditor should determine the prenumbered listings of purchase orders and vouchers. Additionally, the auditor should trace voucher samples to the company's purchase journal.



Management is telling the auditor:  
"All of our purchases this year were reported in our financial statements. Nothing was left out."



# Our Objectives

- The internal audits objectives shall include the following:
  - ❖ To enhance the financial health of the City and provide stewardship of the City's resources.
  - ❖ To improve the City's operations, identify cost savings activities, and assure management of the efficiency and effectiveness of government programs/activities.
  - ❖ To provide independent assurance to management on internal controls' existence, efficiency, and effectiveness through continuous monitoring and testing.
  - ❖ To provide Consulting Services to management through non-audit (advisory) engagements.
  - ❖ To support the organizational unit in the achievement of the set objectives through internal audit engagements or activities.



# Our Expectation from Management

- Collaboration. Working together, share ideas, seeing the internal audit unit as a partner in progress.
- Cooperation. Providing needed support and being involve in each phase of the audit engagement
- Timely response to internal audit requests and questions.
- Timely implementation of internal audit recommendations



# Next Steps and Expected Timeline

- Hire the Grant Writer and the Internal Audit Specialist - Friday, 30<sup>th</sup> June, 2023
- Meet with the Head of Agencies/Departments – Friday, June 2<sup>nd</sup>, 2023
- Presentation and approval of the 2023 Internal Audit plan based on the Baker Tilly Risk Assessment completed in 2020 – Wednesday, May 31<sup>st</sup>, 2023
- Meet with the Head of the agencies to be audited – September 2023
- Perform the audit – September – November 2023
- Discuss the audit report with the head of audited agency – November 2023
- Presentation of the audit report summary to the Finance Committee - December 2023
- Post the audit reports online – Dec 2023



# 2023 Proposed Internal Audit Plan

<b>Performance Audit</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Notes</b>
City of Madison Municipal Courts					Review of the City's judicial system, operations, financial recording, and procedures.
City of Madison Parks Department					Review of City's parks system and operations including its system of cash management.
City of Madison External Audit (Single Audits)					Working with the City agencies and the external auditors for the Single Audit
Enterprise Risk Assessment					Project will commence in November 2023, and will be completed in Jan 2024
<b>Internal Control Continuous Monitoring</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	
Cash Counts and Limited Cash Control Reviews					To ensure the efficiency of cash receipts controls across the City enterprise.
City-wide internal control spot check					To test the existence, and efficiency of the City's internal Control system
Grants Control Monitoring and Reporting					Monitoring and reporting the controls in the grant process
<b>Administrative</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	
Hiring of new employee (2 vacant positions)					Hiring the Grant Writer and the Internal Audit Specialist
Meeting with the Head of Agencies					Reintroducing the unit and its operations
Documenting SOPs					Documenting the procedures for all the unit processes
Year-end Employees Performance Appraisal					Review of the internal audit team performance appraisal for the year.

**Annual audit plan**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
NRSA administration												
Accounting												
Hand hygiene												
Antibiotic policy												
Disposal of sharps												
Chlorination policy												
Central processing policy												
Aseptic techniques in operating rooms												
Surveillance												

December 1, 2023

# Five Years Audit Plans

Year	Auditable Agencies
2024	Traffic Engineering
	Human Resources
	Fire
	Economic Development
	Information Technology
2025	Metro Transit
	Attorney's Office
	Planning
	Civil Rights
	Water & Sewer Utility
2026	Finance
	City of Madison Assessor's Office
	Public Health
	Parking
	Housing Authority
2027	Building Inspection
	Library
	Common Council
	City of Madison Clerk's Office
	Streets
2028	Community Development
	Police
	Engineering

## Three Year Internal Audit Plan for Risk Based Review

The City of Madison, Wisconsin, provides the following information:

Internal Audit Reviews	Current Year	Year 2	Year 3	Total Days
<b>Risk Based Reviews</b>				
Contract Management	--	--	15	15
Departmental Reviews	--	25	20	45
Estates	--	--	15	15
Finance System Implementation	50	--	--	50
Key Financial Systems	--	25	25	50
Health and Safety	15	--	--	15
Human Resources	15	--	--	15
Intellectual Property Management	15	--	--	15
Information Technology (IT) Systems	20	15	15	50
Strategic Planning	20	--	--	20
<b>Total Risk Based Days</b>	<b>135</b>	<b>65</b>	<b>60</b>	<b>260</b>

# Questions/Comments

