



Minnesota Judicial Branch Policy

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Internal Audit Policy

I. POLICY STATEMENT

In exercising its stewardship and oversight responsibility for the financial integrity of the Judicial Branch, it is the policy of the Judicial Council to maintain an effective system of internal control to safeguard resources and to ensure financial accountability and compliance with fiscal-related regulatory requirements. This policy applies to all Judicial Branch employees and judges.

II. IMPLEMENTATION AUTHORITY

Implementation of this policy shall be the responsibility of the State Court Administrator, acting as the Judicial Council's agent. In the performance of internal audits, the State Court Administrator or designee shall have full cooperation and assistance of all judges and employees and shall have unrestricted access to all Judicial Branch records, documents, personnel, and physical properties relevant to the performance of the audit.

The Judicial Council fulfills the responsibility of an Audit Committee.

III. PURPOSE

The Internal Audit Unit will provide an independent, objective assurance and consulting/advisory activity designed to add value and improve the operations of the Branch. It helps the Branch accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes and an independent appraisal of the adequacy and the effectiveness of the Branch's system of internal controls and the quality of performance.

IV. ORGANIZATION

The Internal Audit Unit will report to the Judicial Council and the Deputy State Court Administrator.

- A. The Judicial Council is responsible for:
 - 1) Approving the internal audit activity's overall policy.
 - 2) Approving the internal audit risk assessment and related audit plan.
 - 3) Receiving communications from the Audit Manager on the results of the internal audit activities or other matters that the Audit Manager determines are necessary, including private meetings with the Audit Manager without management present.
 - 4) Making appropriate inquiries of management and the Audit Manager to determine whether there is audit scope or budgetary limitations that impede the ability of the internal audit activity to execute its responsibilities.

- B. The Chief Justice, Vice Chair of Judicial Council, and Chair of HR EOD Committee are responsible for:
 - 1) Approving all final decisions regarding the performance evaluation, appointment, or removal of the Audit Manager.
 - 2) Approving the annual compensation and salary adjustment of the Audit Manager.

- C. The Deputy State Court Administrator is responsible for:
 - 1) Budgeting and management accounting.
 - 2) Human resource administration, including personnel evaluations, compensation, appointment and removal of the Audit Manager.
 - 3) Internal communications, information flows and day to day operations of the internal audit activity.
 - 4) Administration of the internal audit activity's policies and procedures.

V. AUTHORITY

- A. The Internal Audit Manager and staff of the Internal Audit Unit are authorized to:
 - 1) Have unrestricted access to all Judicial Branch financial and administrative records, documents, personnel, and physical properties as they relate to the performance of an audit.
 - 2) Allocate departmental resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives.
 - 3) Obtain the necessary assistance of personnel in units of the Branch where they perform audits, as well as other specialized services.

- B. The Internal Audit Manager and staff of the Internal Audit Unit are authorized to perform activities in accordance with, but not limited to, the following:
 - 1) Routine internal, operational, assurance, internal control and compliance audits. These engagements consist of examinations designed to inform

interested stakeholders about the reliability and accuracy of information, compliance with Judicial Council policies, laws, and regulations, reliability of information, economy and efficiency of operations, effectiveness in meeting goals and objectives, design and effectiveness of information technology security controls, or safeguarding of assets.

- 2) Investigations of theft or fraudulent activity. These services are intended to ensure that evidence of fraud or dishonest acts are investigated professionally and promptly. Internal Auditing shall look to legal counsel for leadership on any issues that may involve criminal action or reveal potential legal exposures.
- 3) Consulting engagements related to internal auditing or internal control and professional advice. These services shall promote an understanding and implementation of state laws and rules, federal laws and regulations, Judicial Council policies and procedures, professional accounting and auditing standards, and best practices in management and organizational development.
- 4) Training services related to internal controls or internal auditing may be offered through broadly relaying or publicizing information on selected topics offering training workshops, on-site or via technology such as webinars.

VI. RESPONSIBILITIES

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, policies and procedures and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- 1) Developing and implementing a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by Judicial District Administrators and Directors (JAD) and Judicial Council.
- 2) Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the Branch.
- 3) Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- 4) Evaluating the effectiveness and efficiency with which resources are employed.
- 5) Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- 6) Monitoring and evaluating governance and risk management processes.
- 7) Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- 8) Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.

- 9) Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by management, JAD and/or the Judicial Council.
- 10) Considering the scope of work of the external auditors, as appropriate, for the purpose of providing optimal audit coverage to the Branch in an efficient manner.
- 11) Reporting an annual summary of significant audit activity that occurred and progress management has made toward implementation of internal and external recommendations post findings.

VII. EXECUTIVE LIMITATIONS

All Internal Audit Unit activities will be conducted in compliance with state statutes, Judicial Council policies, and the most recent version of the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors, including the Code of Ethics, and Definition of Internal Auditing. All internal audits of federally funded programs will be performed in accordance with Government Auditing Standards as issued by the U.S. General Accounting Office.