

Audit Services Division  
Annual Report for Fiscal Year 2020



**N.C. Department of Agriculture and Consumer Services  
Audit Services Division**

## Message from the Chief Audit Officer

Fiscal Year 2020 (FY20) was another successful and productive year for the Audit Services Division.

Within our primary services, we:

- ❖ Completed four audits, three data analytics projects, four follow-up reviews, two special projects and one special investigation, and
- ❖ Recouped \$205,287.50 for unpaid agriculture commodity<sup>1</sup> tonnage sales.



During FY20, we made significant progress against our objectives for Project Efficiency and Delivery. Key strategies implemented include purchasing and implementing Tableau Prep and Tableau Desktop analytics software, data analytics training and completion of three data analytics projects using IDEA and Tableau.

We look forward to further enhancing our skill sets and adding more value for the Department and its stakeholders in Fiscal Year 2021!

Derek Allred, CIA, CISA, CFE  
Chief Audit Officer

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<sup>1</sup> commercial feed, fertilizer, lime and seed sales in North Carolina

## Audit Services Division Overview

The Audit Services Division was established in Fiscal Year 2014. The Division's mission is:

***To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.***

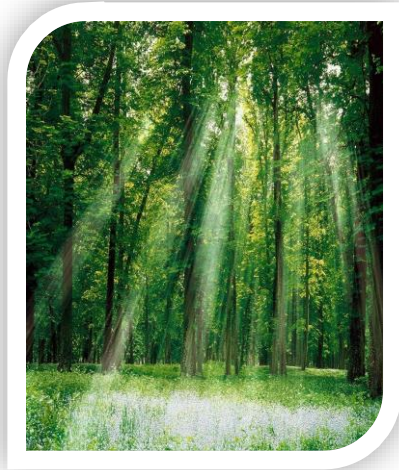
### Staffing

The Audit Services Division is comprised of the Chief Audit Officer, two<sup>2</sup> internal auditors and an external auditor.

### Certifications

Our staff hold professional audit certifications including:

- ❖ Two Certified Internal Auditors (CIA)
- ❖ One Certified Information Systems Auditor (CISA)
- ❖ One Certified Fraud Examiner (CFE)
- ❖ One Certified Public Accountant (CPA)
- ❖ Two Certified Government Auditing Professionals (CGAP)
- ❖ One Certification in Risk Management Assurance (CRMA)



### Training

Professional development helps our staff to stay current with emerging topics and best practices within our profession, which improves our ability to provide higher quality services to the Department. Individual training plans are developed and carried out for each staff member annually based on his/her knowledge, skills, abilities and needs. During FY20, audit staff received 217 hours in continuing professional education.

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<sup>2</sup> ASD positions dedicated to internal audits were reduced from four to three in FY20.

<b>Work Allocation</b>				
<b>Assurance Services</b>	<b>Consulting Services</b>	<b>External Audits</b>	<b>Follow-Up Audits/Monitoring</b>	<b>Special Investigations</b>

### **Assurance Services**

Assurance services include planned audits of strategy, operations, finance, compliance, information technology and other topics. Audits can also be integrated and include more than one of the categories presented. Assurance services are normally planned months in advance and included on our annual audit plan (work plan). This service includes the release of a formal report, which contains a summary of the area under audit and any observations as well as recommendations to mitigate identified risks.

### **Consulting Services**

Consulting services are activities in which the nature and scope are agreed upon with the client and 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 advice, facilitation and training.

### **External Audits**

Audits of manufacturers and distributors that are responsible for timely and correct payment of inspection fees and Agricultural Foundation Assessments associated with state agriculture tax laws.

### **Follow-Up Audits/Monitoring**

Follow-Up Audits/monitoring engagements are completed for any engagement observations deemed high risk to the Department.

### **Special Investigations**

Investigations result from tips reported to our office via the Office of the State Auditor, our internal fraud, waste and abuse hotline and other sources. During FY20, the Audit Services Division received and processed seven investigation tips.

## Performance Metrics

We track four measures annually to assess our performance.

### Percent of Audit Plan Delivered during the Year (Productivity)

<b>Target:</b>	75% Audit Plan Completion
<b>Actual:</b>	87% of Original Audit Plan Completed and 100% of the Revised Audit Plan Completed

Our audit plan, approved on June 24<sup>th</sup>, 2019, included 15 projects. Of the 15 projects on our original plan, we completed 13 or 87%, exceeding our target of 75%. We later revised the audit plan by cancelling two audits and adding two data analytics projects, one special project and one special investigation. We completed all the projects on our revised audit plan, exceeding our target.

### Percent of Projects Completed within Budget (Efficiency)

<b>Target:</b>	80% of Projects Completed within + or – 10% of Budgeted Hours
<b>Actual:</b>	40% of Projects Completed within + or – 10% of Budgeted Hours

Budgeted hours are the number of hours we allocate to complete each project based on our estimates. The budget overruns can be attributed to the Division's implementation of Tableau and the learning curve associated with incorporating the tool into our engagements. With additional training and experience, we expect to close the gap in FY21.

### Customer Satisfaction (Effectiveness)

<b>Target:</b>	Average Rating of 40 out of 50
<b>Actual:</b>	Average Rating of 45

At the end of each engagement, project sponsors are asked to complete a survey evaluating our audit team's work to facilitate continuous improvement. Questions on the survey address audit communication, professionalism of our staff, degree of disruption to operations and whether the project added value. For each question, responses are provided on a scale from 1 to 5 with 5 being the highest possible score. The maximum survey score is 50.

### Conformance to IIA Standards (Quality)

<b>Target:</b>	Generally Conforms
<b>Actual:</b>	Generally Conforms

Both our recent external and internal quality assurance reviews demonstrated an IIA Standards and Code of Ethics compliance result of "Generally Conforms," the highest score the Audit Services Division can achieve.

## Disclosures

The Audit Services Division adheres to IIA Standards. The following items are being disclosed in conformance with the Standards.

### Purpose

The purpose of the Audit Services Division is to support the North Carolina Department of Agriculture and Consumer Services by providing risk-based and objective assurance, advice, and insight.

The Audit Services Division is established by General Statute Chapter 143, Article 79. The Audit Services Division's responsibilities are defined by these laws. The Council of Internal Auditing has authority to set policy related to the Audit Services Division.

### Professionalism

The Audit Services Division will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Chief Audit Officer will report periodically to senior management regarding the Audit Services Division's conformance to the Code of Ethics and the Standards.

The Audit Services Division will also adhere to the requirements within General Statute Chapter 143, Article 79, the Institute of Internal Auditors' Implementation Guidance, and Supplemental Guidance as applicable to guide operations.

The Audit Services Division will adhere to the North Carolina Department of Agriculture and Consumer Services' relevant policies and procedures and the Audit Services Division's internal policies and procedures manual.

Lastly, dependent upon engagement type, the Audit Services Division will adhere to the Code of Ethics and Information System Audit and Assurance Standards issued by the Information Systems Audit and Control Association, the CFE Code of Professional Standards issued by the Association of Certified Fraud Examiners or standards of another professional organization.

### Authority

The Audit Services Division, with strict accountability for confidentiality and safeguarding records and information, is authorized ready, full, free and unrestricted access to all the North Carolina Department of Agriculture and Consumer Services' records, physical properties and personnel pertinent to carrying out any engagement. All employees are requested to assist the Audit Services Division in fulfilling its roles and responsibilities.



## **Disclosures (Continued)**

### **Responsibility**

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 and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the Department's goals and objectives.

### **Independence and Objectivity**

The Audit Services Division will remain free from interference by any element in the Department, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair the internal auditor's judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

### **Current Impairments to Independence or Objectivity**

The Audit Services Division has no current independence or objectivity impairments.

### **Resolution of Management's Acceptance of Risks**

Each engagement can potentially result in observations concerning risks to the Department. In response to high and medium level risk rated observations, audit clients normally develop management action plans to address the risks. When a management action plan is not developed and/or not implemented resulting in an unacceptable level of risk to the Department, the Chief Audit Officer must communicate the matter to Senior Management. There were no instances to report for FY20.

### **Resources**

The Audit Services Division is currently understaffed by one position. A vacant internal audit position was transferred to the Purchasing Section in August of 2019.

### **Closing Comments**

We appreciate the support provided by Senior Management during FY20 and look forward to adding more value for you in FY21.