

STATE OF ARKANSAS
EXECUTIVE DEPARTMENT

PROCLAMATION

EO 18-01

TO ALL TO WHOM THESE PRESENTS COME- GREETINGS:

AN EXECUTIVE ORDER AMENDING EO 04-04, AUTHORIZING THE CHIEF FISCAL OFFICER OF THIS STATE TO CREATE THE OFFICE OF INTERNAL AUDIT, WHOSE MISSION WILL BE TO EARN AND PRESERVE THE TRUST OF ARKANSAS BY PROMOTING ACCOUNTABILITY, INTEGRITY, AND EFFICIENCY IN THE OPERATION OF THE EXECUTIVE BRANCH

WHEREAS: Arkansans have a right to expect State government to be diligent in its efforts to ensure the highest level of integrity, efficiency, economy, and effectiveness in the operations of the Executive Branch of State government; and

WHEREAS: Waste, abuse, and mismanagement of taxpayer dollars undermine the indispensable trust in State government necessary for our system of governing; and

WHEREAS: There is a continuing need for an entity within the Executive Branch of State government responsible for monitoring State agency activity for instances of waste, abuse or mismanagement of State resources, thereby facilitating preservation of the trust Arkansans must have in State government; and

WHEREAS: The Internal Control Integrated Framework required by government accounting and auditing standards necessitate that the Chief Fiscal Officer of the State utilize the services of expert professional government auditors to coordinate agency risk assessment and monitor activities; and

WHEREAS: Ark. Code Ann. § 19-4-105 (Repl. 1998) directs the Chief Fiscal Officer of the State to make continuing studies and investigations of the operation of state agencies; and

NOW, THEREFORE, I, Asa Hutchinson, acting under the authority vested in me as Governor of the State of Arkansas, do hereby order:

I. AUTHORIZATION

Pursuant to Ark. Code Ann. § 19-4-105, the Chief Fiscal Officer of this State is hereby authorized to create the Office of Internal Audit, whose mission will be to earn and preserve the trust of Arkansans by promoting accountability, integrity, and efficiency in the operation of the Executive Branch. The Office of Internal Audit Administrator shall be responsible for directing the internal audit activities to fulfill this mission, and shall report to the Office of the Governor and operate administratively within the Arkansas Department of Finance and Administration.

II. PROMULGATION OF RULES AND REGULATIONS

The Department of Finance and Administration shall promulgate and implement any necessary rules, regulations, or policies to ensure compliance with the purpose and intent of this executive order. The mission of the Office of Internal Audit is to earn and preserve the trust of Arkansans by promoting accountability, integrity, and efficiency in the operation of the Executive Branch of Arkansas government.

III. INDEPENDENCE AND OBJECTIVITY

The scope and extent of audit procedures and report content of audit engagements shall be determined by the Administrator of the Office of Internal Audit in consultation with the Office of the Governor and if appropriate the Chief Fiscal Officer of the State. The

Office of Internal Audit shall conduct audits and report content in a manner that is free of interference to permit necessary independence.

Internal Auditors employed by the Office of Internal Audit will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity which may impair their objectivity and auditing judgement.

Internal Auditors employed by the Office of Internal Audit will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

The Office of Internal Audit Administrator will confirm to the Office of the Governor, at least annually, the organizational independence of the internal audit activity.

IV. SCOPE OF ACTIVITIES

The Office of Internal Audit shall be established within the Department of Finance and Administration to examine and evaluate State Government activities. The objective of the Office of Internal Audit shall be to assist management of the Executive Branch of Arkansas government by furnishing objective analyses, appraisals, and recommendations concerning the activities reviewed.

Internal auditors employed by the Office of Internal Audit will carry out the duties in accordance with the approved audit plan. Any deviations from the approved plan shall be approved by the Office of the Governor.

The scope of work shall include the examination and evaluation of the adequacy and effectiveness of state agency governance, risk management, and internal controls, as well as performance in achieving goals and objectives. This shall be accomplished by:

1. providing information and support to the Department of Finance and Administration through the performance of audit/assurance and consultation activities of state agencies as approved by Office of the Governor;
2. developing an annual audit plan using risk analysis, and input from the Chief Fiscal Officer of the State and obtaining approval from the Office of the Governor;
3. conducting special audits and consultation activities at the request of Executive-Branch agencies, subject to approval by the Office of the Governor;
4. reviewing the reliability and integrity of financial and operational information and the means used to identify, measure, classify, and report such information;
5. reviewing 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. coordinating agency risk assessment/control self-assessment activities and reviewing internal controls designed to safeguard resources and ensure achievement of financial, operational and compliance objectives; and
7. Investigating reported occurrences of fraud, embezzlement, theft, waste, abuse or mismanagement of State resources and recommending controls to prevent or detect such occurrences.

The Office of Internal Audit shall not be assigned duties or engage in any activities that they would normally be expected to review or appraise. The Office of Internal Audit shall adhere to the International Professional Practices Framework of the Institute of Internal Auditors. This framework includes mandatory guidance consisting of the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance shall be used for evaluating the effectiveness of the Office of Internal Audit's performance.

The Institute of Internal Auditor's Implementation Guides, Practice Guides; and Position Papers will also be adhered to as applicable to audit operations. In addition, the Office of

Internal Audit will adhere to relevant state policies and procedures and to the Office of Internal Audit's standard operating procedures manual.

V. REPORTING AND OTHER COMMUNICATIONS

Audit assurance services involve the internal auditor's objective assessment of evidence to provide opinions or conclusions regarding the operations, functions, processes, systems, or other subject matter of state agencies. Examples of assurance services that the Office of Internal Audit may provide are performance auditing, operational auditing, investigations, and management requested audits. The nature and scope of audit/assurance services are determined by the Office of Internal Audit Administrator. An official written audit report is required at the completion of audit/assurance services performed by the Office of Internal Audit.

Consulting services are advisory in nature and are generally performed at the specific request of an agency. Examples of consulting services include system design, analysis of internal control and/or business process design, counsel, advice, facilitation, training, participation on committees, etc. Communications relating to consulting services may be determined by the engagement client in the form of oral discussions, memorandums, letters, or a written report as needed.

When a written report is prepared by the Office of Internal Audit at the conclusion of audit/assurance engagements, it shall be distributed to the Office of the Governor, the Chief Fiscal Officer of the State, Arkansas Legislative Audit, and other appropriate parties.

VI. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Office of Internal Audit shall maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program shall include an evaluation of the Office of Internal Audits conformance with the Standards. The program also assesses the efficiency and effectiveness of the audit activities and identifies opportunities for improvement. The Office of Internal Audit Administrator shall communicate to Office of the Governor the results of ongoing internal assessments and external assessments conducted every five years or other time periods set forth in the Standards.

VII. COOPERATION OF STATE AGENCIES

Affected agencies are hereby directed to cooperate fully with the Office of Internal Audit in fulfilling the mission set forth in this executive order and are encouraged to seek assistance from the Office of Internal Audit when appropriate. The Office of Internal Audit, with strict accountability for confidentiality and safeguarding records and information is authorized full, free and unrestricted access to all records, physical properties, and personnel of agencies affected by this executive order.

VIII. OTHER STATE AGENCY INTERNAL AUDIT FUNCTIONS

Other executive branch state agencies under control of the Governor that have an existing internal audit function or create an internal audit function shall also adhere to the International Professional Practices Framework of the Institute of Internal Auditors. In addition, the Chief Audit Executive of each agency shall comply with all requests of the DFA Office of Internal Audit Administrator to include providing copies of annual internal audit plans, copies of all reports and correspondence with their respective agencies on a quarterly basis, and copies of external quality assurance reviews. All activities of other state agency internal audit functions shall be reported to the DFA Office of Internal Audit for consideration of further review by the Office of the Governor.

Other state agency internal audit functions shall report functionally to an audit committee of their governing boards. If a governing board does not exist, the internal audit function shall report to the highest authority in the agency charged with governance of the state agency. In addition, the Chief Audit Executive shall have free and unrestricted access to the DFA Office of Internal Audit Administrator.

Other state agency internal audit functions shall obtain an external quality assurance review in compliance with the Standards every five years or other time periods set forth in the Standards. The initial external quality assurance review shall be obtained no later than June 30, 2019.

IX. APPLICATION

This order shall apply to every agency, board, commission, department, division, institution, and other offices of State government located within the Executive Branch of government and under the control of the Governor.

This order shall not apply to the members of the Legislature, or to any employees of, or positions in, the Legislative Branch of Arkansas State government; the Justices of the Arkansas Supreme Court, Judges of the Arkansas Court of Appeals, Judges of the Inferior Courts, or to any employee of or position in, the Judicial Branch of Arkansas State government; elective officers of the State, or any employee of the Lieutenant Governor, Attorney General, Secretary of State, State Auditor, Land Commissioner, State Treasurer; employees of the Arkansas Highway and Transportation Department, or the Arkansas Game and Fish Commission. However, any agency, department, board, commission, or office of State government within the Executive Branch exempted as herein above stated may voluntarily agree to be covered by the provisions of this order.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Great Seal of the State of Arkansas to be affixed this 3rd day of January in the year of our Lord 2018.



Asa Hutchinson, Governor



Attest:



Mark Martin, Secretary Of State