

AUDIT COMMITTEE MEETING (OPEN)

AGENDA ITEM 8

ATTACHMENT 8-I

TRAINING for INTERNAL AUDIT

PRESENTED BY: Lisa Middleton

September 10, 2009

STATE
COMPENSATION
INSURANCE
FUND

Internal Audit Training Program

September 10, 2009

AC attach 8-1

Overview – Internal Audit Training

- **2009 Annual Training Budget \$240,000**
 - For 52 employees or \$4,600 per employee.
- **Major investment in staff attending state of the art training**
- **Have not seen consistent application of the training in our audit work and there is inconsistent understanding of expectations among the audit team members**
- **In April 2009, a hold was placed on all training provided by an external source**
 - Unless employee needs CPE credits for professional designations.
- **At same time, Internal Audit Management began a review of the training program for the team using the following concept:**

***Learning is 70% experience, 20% coaching/mentoring,
and 10% classroom***

Overview – 2009 Training Program

- **Initiated Investigations and Audit reviews**
 - These will become a regular feature of our management support.
- **Management has developed a staff-wide Internal Audit Training Program for the remainder of 2009**
 - Classes will be presented primarily by State Fund Internal Audit Management.
 - Training will be presented to the entire Audit team in one session to ensure consistency of message.
 - Training sessions will include substantial practical application, role play, question and answer.

2009 Training Program – Specifics

1. Effective Communication – Verbal/Nonverbal

- a) Training scheduled for July 22.
- b) Developed by Human Resources (HR) and tailored specifically to Internal Audit.
- c) Will be presented by HR.
- d) In addition to improving the effectiveness of the Audit team's communication with the audit clients and each other, the intent of the training is for I/A Management to gain an understanding of Audit Team's communication styles so that subsequent training sessions can be tailored for optimal effectiveness.
- e) Format: Some lecture, exercises, role-play.

2009 Training Program – Specifics

2. Audit 101

- a) Review of the basics of Internal Audit including all aspects of internal control and the Committee of Sponsoring Organizations (COSO) framework.
- b) Overview of annual audit planning process including risk assessment and audit plan development.
- c) Intended to level set knowledge base for Audit team.
- d) Will be developed and presented by Internal Audit management.
- e) Format: Lecture, exercises.

2009 Training Program – Specifics

3. Risk 101

- a. Explain risk from a practical standpoint (as opposed to theoretical).
 - **At both the organization and process levels.**
- b. Discuss role that Internal Audit plays in State Fund's Enterprise Risk Management (ERM) program
- c. Will be developed and presented by Internal Audit Management.
 - **Possible guest speaker from ERM program.**
- d. Format: Lecture, exercises, homework to be completed after the training (practical applications to reinforce training concepts).

2009 Training Program – Specifics

4. Revised Audit Process

- a) Review 4 components of revised Internal Audit process:
 - **Planning, Documentation, Testing, and Reporting (including Follow-up).**
 - **Revised process focuses on practical application of internal audit concepts, Internal Audit's alignment with State Fund strategic objectives as well as Audit Committee objectives, and adding value to the organization.**
- b) Will be developed and presented by Internal Audit Management.
- c) Format: Lecture, exercises.

2009 Training Program – Specifics

5. Planning/Preliminary Survey Component

- a) Includes: Research, best practices, initial scope development.
- b) Will be developed and presented by Internal Audit Management.
- c) Format: Lecture, exercises, homework to be completed after the training (practical applications to reinforce training concepts).

6. Documentation Component

- a) Includes: Process narrative development, walkthroughs, internal control identification, process-level risk assessment, finalization of scope.
- b) Will be developed and presented by Internal Audit Management.
- c) Format: Lecture, exercises, homework to be completed after the training (practical applications to reinforce training concepts).

2009 Training Program – Specifics

7. Testing Component

- a) Includes: Test plan development, sample selection, control testing, and development of issues.
- b) Will be developed and presented by Internal Audit Management.
- c) Format: Lecture, exercises, homework to be completed after the training (practical applications to reinforce training concepts).

8. Reporting Component

- a) Includes: Finalization of issues, recommendations, management action plans/implementation dates, report format.
- b) Will be developed and presented by Internal Audit Management.
- c) Format: Lecture, exercises, homework to be completed after the training (practical applications to reinforce training concepts).

2009 Training Program – Specifics

9. Communication - Written

- a) Includes: Accuracy of spelling and grammar, style, clear/concise communication of issues.
 - **Emphasis on how our written communication has significant impact on credibility.**
- b) Need to determine who best to deliver training – may want to consider external source.
- c) Format: Lecture, exercises, homework to be completed after the training (practical applications to reinforce training concepts).

Other training may be considered to meet individual team member needs, include Continuing Professional Education (CPE) requirements for professional designations.

