

Agency Heads & POCs,

SIG Lessons Learned Alert No. 9: The Value of Internal Audit in Annual Accountability Reports

This “lesson learned” may be more characterized as providing feedback on a potential untapped opportunity. At a recent meeting of state government internal auditors, about a third were aware of the recent dramatic changes in the Annual Accountability Report (AAR) and even less were involved in its implementation. This, in my opinion, is a missed opportunity to uniquely take advantage of internal audit’s skill set and unique role of providing independent assurance of critical information relied upon by Executive Management to operate an agency and support budget requests.

The AAR is basically a strategic plan setting forth strategic goals followed by a common sense logic model of subordinate tactical strategies with measurable objectives. In internal audit terms, this is a workflow coupled with an information system capable of reporting results (outcomes) accurately up through the chain of command so each management level can discern if their respective strategies are producing the expected results (outcomes). I have great respect for managers’ skill in managing personnel and day-to-day operations. However, their technical skills of engineering workflows and efficient information systems to produce accurate and reliable information on results is more problematic. Fortunately, this technical skill set is in the internal auditor’s “wheel house.”

At this critical time of establishing your agency’s first strategic plan under the new streamlined AAR, I am suggesting involving internal audit in a consulting role may be of great value. Additionally, having internal audit conduct annual audit testing of your AAR provides Executive Management assurance the information being supplied is accurate and reliable, which will also incentivize subordinate managers execution of the strategic plan knowing reported results will be audited on a periodic basis.

This year’s AAR format sends a clear message of connecting agency budgets to measurable results. Much like we learned in examining statewide INFOSEC, agencies capabilities vary in strategic planning and it will take time to evolve every agency’s strategic planning to where we all need to be. I can’t imagine a higher or better use of internal audit resources than consulting and providing audit assurance of AAR results.