



Minnesota Judicial Branch Policy

Policy Source:	Minnesota Judicial Council
Policy Number:	1101
Category:	Internal Control and Accountability Framework
Title:	Internal Audit Policy
Effective Date:	January 16, 2025; August 19, 2005; September 1, 2012; October 1, 2019; January 1, 2021; January 16, 2025
Revision Date(s):	December 16, 2005, November 16, 2006, July 19, 2012; July 18, 2019; December 17, 2020; January 16, 2025
Supersedes:	

Internal Audit Policy

I. POLICY STATEMENT

In exercising its stewardship and oversight responsibility for the financial and governance 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 appraisal and objective assurance and advisory engagements designed to add value and improve the operations of the Branch. Internal Audit enhances the Branch's ability to accomplish its objectives; enhances governance, risk management, controls processes, decision-making and oversight, reputation and credibility, and ability to serve the public interest.

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 risk-based 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) Provide input to Deputy State Court Administrator to support the performance evaluation.
 - 2) Approving all final decisions regarding the performance evaluation, appointment, or removal of the Audit Manager.
 - 3) 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 Audit Manager and staff of the Internal Audit Unit are authorized to:
 - 1) Have unrestricted access to all Judicial Branch records, documents, personnel, systems, applications, and physical properties as they relate to the performance of an engagement, audit, review and/or investigation.
 - 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 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, program evaluation, 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) Advisory 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.

C. Internal audit will adhere and conduct all work in accordance with the Global Internal Audit Standards.

VI. INDEPENDENCE AND OBJECTIVITY

The audit manager will ensure that the internal audit unit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, determining scope, procedures, frequency, timing, performing audit engagements, communicating results, and report content. If the audit manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the appropriate parties, including the State Court Administrator, Deputy State Court Administrator, the Chief Justice, and Audit Committee.

The audit manager must confirm to the Audit Committee the independence of the internal audit function at least annually.

Internal auditors will maintain an objective and unbiased attitude that allows them to perform engagements objectively and in a manner that no quality compromises are made. Internal auditors will have no direct operational responsibility or authority over any of the activities audited.

VII. 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) Understanding the Branch's governance, risk management, and control processes.
- 2) Developing and implementing a flexible annual audit plan using an appropriate risk-based methodology, including consideration of governance, structure, strategic and operational plans and any risks or internal control concerns identified by Audit, Judicial District Administrators and Directors (JAD) and/or Judicial Council.
- 3) Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the Branch.
- 4) Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- 5) Evaluating the effectiveness and efficiency with which resources are employed.
- 6) 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.
- 7) Monitoring and evaluating governance and risk management processes.
- 8) Performing advisory services related to governance, risk management and control as appropriate for the organization.
- 9) Ensure the engagements of the internal audit plan are executed, including the establishment of objectives and scope, the assignment of and adequately supervised resources, the documentation of programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties (management of the district/program/area audited, JAD, and Judicial Council).
- 10) Reporting at least annually and periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- 11) 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.
- 12) 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.
- 13) Review and adjust the internal audit plan, as necessary, in response to changes in risks, operations, programs, systems, and controls. Communicate to senior management and the Judicial Council any significant interim changes to the internal audit plan.

- 14) Follow up on engagement findings and corrective actions (internal and external), and report periodically to senior management and Judicial Council any corrective actions not effectively implemented.
- 15) Ensure emerging trends and successful practices in internal auditing are considered.
- 16) Reporting an annual summary of significant audit activity that occurred over the fiscal year.
- 17) Report annually on sufficiency of resources of internal audit, both in numbers and capabilities, to fulfill the internal audit mandate and achieve the internal audit plan.

VIII. COMMUNICATION

- a. Audit communications should be accurate, objective, clear, concise, constructive, complete, and timely.
- b. Communication during an audit engagement will take place prior to the engagement at an entrance meeting, continually during an engagement to keep management updated on progress and internal control weaknesses, the conclusion of work with a exit meeting.
- c. Audit results will be communicated and presented to JAD and the Audit Committee periodically and for each engagement as appropriate.
- d. Audit Manager must communicate any unacceptable levels of risk, finding patterns or trends to the Audit Committee.
- e. Disagreement on findings or recommendations should be resolved prior to the finalization of the audit report. If any disagreements cannot be resolved, the audit manager will document facts and disagreement in the audit report, and report disagreement to the Audit Committee.

IX. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Branch Audit Manager must develop, implement and maintain a quality assurance and improvement program that covers all aspects of the internal audit unit. The program will include an internal and external evaluation of the internal audit unit's conformance with the Institute of Internal Auditors' (IIA's) *Global Internal Audit Standards* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will assess the efficiency and effectiveness of the internal audit unit and identify opportunities for improvement.

The audit manager will communicate to senior management and the Audit Committee on the internal audit unit's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor from outside the Judicial Branch.

X. 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 Global Internal Audit *Standards* 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.