



State of North Carolina Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

October 29, 2007

MEMORANDUM

TO: Tom Newsome
Office of State Budget & Management

FROM: Robert Powell
State Controller

A handwritten signature in black ink that reads "Robert Powell".

SUBJECT: Questions and Concerns to Council

The Office of the State Controller (OSC) has received several questions / concerns that follow which regard the Internal Audit Act. Please prepare to have these items addressed at Wednesday's Council meeting.

- The Department of Revenue asked if they could go ahead and formally adopt some of the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. I responded by suggesting that the Department **not** proceed with anything formally until the Council had it's first meeting and specific direction is given to the agencies. As I prepared my response, I considered §143-739(b) of the Act which provides that internal auditors, if appropriate, must also use Government Auditing Standards issued by the Comptroller General of the United States.
- At a recent conference of university internal auditors, three concerns were conveyed to OSC staff:
 - §143-739(d) provides that a Director of Internal Auditing reports to the President of the University System. Heretofore, Directors reported to the Chancellor.
 - Provisions are not made in the Internal Audit Act to secure the confidentiality of audit workpapers. Statutes were changed in this past legislative session to remove provisions which specifically provided for the confidentiality of university internal audit workpapers. The confidentiality of audit workpapers prepared by the Office of the State Auditor and the Department of Health and Human Services remain protected by Statute.
 - §143-739(a) (1) provides that the program of internal auditing shall implement an effective system of internal control. Management is responsible for internal control not the internal audit program.

Please contact Wesley Ray at 981-5558 or wesley.ray@ncosc.net if you have any questions regarding these items.

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