

## Sewerage & Water Board of New Orleans Internal Audit Department Performance Audit

AD-18-0002 • August 15, 2019

### Purpose of This Report

The objective of the audit was to determine if the Sewerage & Water Board (S&WB) Internal Audit Department (Department) complied with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (professional standards), the S&WB Internal Audit Charter, and the S&WB Internal Audit Manual.

### What the OIG Found

**The Department lacked independence from management because of an improper reporting structure and lack of oversight by the S&WB Audit Committee (Audit Committee).** The Department was not independent from S&WB management because the Department did not report functionally to the Audit Committee as required by professional standards. The S&WB's former Executive Director interfered with Department operations by directing the acting Internal Audit Manager and Internal Audit staff to obtain his approval prior to conducting audits. In addition, S&WB management regularly refused to comply with Department requests for data or information.

**The Department did not develop and document an annual risk assessment as required by professional standards.** A risk assessment was needed to assess organizational risks, prioritize internal audits, and focus auditing efforts on those areas that would provide the most impact on the S&WB's operations. Professional standards required the Department to base its annual audit plan on the documented risk assessment.

**The Department released internal reports or letters without documenting an engagement plan for each audit, nor did it develop and document engagement work programs or work papers to support the results and conclusions in its work product as required by professional standards.** None of the 14 reports released by the Department during the scope period were supported by an engagement plan, or engagement work programs and work papers to support the results and conclusions. The Department also did not document evidence of engagement supervision.

**The Department did not develop and implement a quality assurance and improvement that covered all aspects of the internal audit activity, including internal and external assessments as required by professional standards.** A properly implemented quality assurance and improvement program may have revealed the instances of noncompliance with professional standards noted in the OIG's findings.

### What the OIG Recommended

#### The OIG recommended the S&WB Board of Directors:

- Restructure the organizational placement of the Department to ensure the chief audit executive of the internal audit activity reports functionally to the Audit Committee and administratively to the Executive Director.
- Amend the by-laws to allow the Board of Directors to appoint a chief audit executive and to include the terms for removal and remuneration.
- Appoint a chief audit executive, based on established qualifications and relevant employment experience.

#### The OIG also recommended the Audit Committee:

- Provide the type of governance described in the professional standards. Review and formally approve the S&WB Internal Audit Charter, the S&WB Audit Committee Charter, and all policies pertaining to the Department to determine if those policies and procedures comply with professional standards. If the Audit Committee notes instances of non-compliance with professional standards, it should revise the necessary components as appropriate.
- Obtain the collective knowledge of professional standards to fulfill its responsibilities to the Department and to ensure the Department complies with those standards.

**S&WB management generally agreed with the findings and recommendations in the audit report and initiated corrective action.**