INTEGRITY
CONSISTENCY

EAGLE
North Carolina
Office of the State Controller

Enhancing Accountability in Government through Leadership and Education

EAGLE Training Program

Module 10 – Conclusion: EAGLE Training Program

Concepts Discussed

Today, we discussed the following concepts:

- EAGLE and its Significance
- Internal Control Overview
- Top-Down, Risk-Based Approach
- Identifying Risk – The Risk Assessment Process
- Overview of Processes and Controls
- Documentation of Processes and Controls
- Control Testing Theory and Strategy
- Agency Self-Assessment Checklist
- Fraud Concepts

Takeaways from Modules

- EAGLE and its significance:
  - EAGLE: Enhancing Accountability in Government through Leadership and Education
  - To “establish comprehensive standards, policies and procedures to ensure a strong and effective system of internal control within State government”
- Benefits:
  - Improve Risk Reporting and Disclosure
  - Increases Senior Management’s Awareness of High Risk Processes
  - Reduce Audit Findings
  - Reduce Total Operating Expenses

Takeaways from Modules (cont.)

Internal control is a process, effected by an entity's governing body, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- **Reliability of financial reporting**
- Compliance with applicable laws and regulations
- Effectiveness and efficiency of operations

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Takeaways from Modules (cont.)

- Top-Down, Risk-Based Approach:
  - Approach drives allocation of more resources to the areas of highest risk to reliable financial reporting and avoids performing excess work on the lowest risk areas.
  - Approach takes into consideration the identification and prioritization of risk in order to effectively identify and evaluate the controls that mitigate those risks within the business processes supporting financial reporting.
  - EAGLE compliance will focus on significant processes with an overall risk assessment of Moderate or High.

Takeaways from Modules (cont.)

- Identification of Risk – The Risk Assessment Process
  - Risk Assessments are performed in order to identify, understand and evaluate risk at the financial statement level. These risks are identified within the significant accounts and processes.
  - Processes may rely heavily on IT systems. As such, when evaluating how well risks are managed within a process, we need to understand the IT environment and any IT controls that are relied on to mitigate risk.

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Takeaways from Modules (cont.)

- Overview of Processes and Controls:
  - Processes are designed to achieve an organization's business strategies and objectives.
  - Controls are the activities designed to mitigate risk within a process; they help organizations achieve objectives by mitigating risks.

Takeaways from Modules (cont.)

- Documentation of Processes and Controls:
  - Processes are documented to gain an understanding of the process, to identify key risks and controls and to identify control gaps and process improvement opportunities.
  - Flow charts and narratives can be used to logically trace a process from start to finish and determine where potential risk and control points are within that process.
  - A Top-Down, Risk-Based approach first considers Entity-Level controls and then Transaction-Level controls.
  - A Risk and Control Matrix is a table that documents process risks, controls, and the type and nature of controls. It allows us to identify control gaps and unmitigated risks and assists in developing testing strategies.

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Takeaways from Modules (cont.)

- Control Testing Theory and Strategy:
  - As part of the annual assessment, each agency will need to walk through and test controls to determine the design and operating effectiveness of its internal control system.
  - When considering testing, the following should be performed:
    - Design and implement a testing strategy to determine the nature, timing and extent of control testing
    - Execute tests of controls and document in test plan and detailed workpapers
    - Conclude on results and communicate issues on the Issue Summary Log-Template.

Takeaways from Modules (cont.)

- Agency Self-Assessment:
  - Assessment tools and templates are provided to assist the State agencies with this process.
  - Results will be uploaded to the OSC's EAGLE website for review.

Takeaways from Modules (cont.)

Review of Case Study

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Moving Forward

- Training Sessions
  - Group Two – October 22, 2008
  - Remaining Agencies - Fall 2009
- Agency Assessments
  - Group One – complete assessment by July 31, 2009
  - Group Two – complete assessment by July 31, 2009
  - Remaining Agencies
    - complete ICQ by July 31, 2009
    - complete assessment by July 31, 2010

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Recommended Milestones

- Materiality calculation and risk assessment completion
  - January 15, 2009
- Process and control documentation, and performance of walkthroughs
  - April 15, 2009
- Testing operating effectiveness of controls
  - June 30, 2009
- Agency Self-Assessment completion
  - July 31, 2009

Where to go for help

- Guidance Manual

  Available on the OSC-EAGLE Website

  http://www.ncosc.net/eagle/

- OSC EAGLE Support Line

  (919) 875-HELP

  OSC.EagleSupport@lists.osc.nc.gov