



ALGA

Association of Local Government Auditors

Functional vs. Administrative Oversight

ALGA's Mission

ALGA empowers our local government auditing community through excellence in advocacy, education, communication, and collaboration to protect and enhance the public good while embracing diversity, equity, and inclusiveness.

Contact Us

449 Lewis Hargett Circle
Suite 290
Lexington, KY 40503

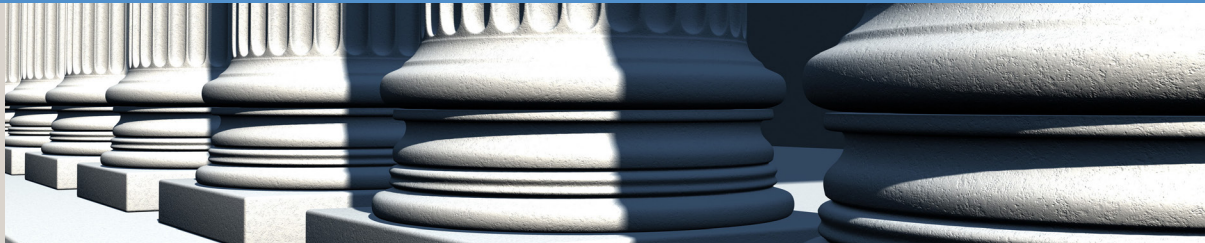
(859) 276-0686

algaonline.org

ALGA Advocacy Committee

The Advocacy Committee promotes independent performance auditing throughout the local government community by providing professional resources and support that demonstrate the value of independent performance auditing.

For more information on how ALGA's Advocacy Committee can assist your organization, see the **Support for ALGA Members** page.



What distinguishes “functional” from “administrative” reporting?

Enabling legislation sometimes states that the audit function reports functionally to the governing body and administratively to the chief executive. What does this mean?

Functional reporting refers to designating the governing body as responsible for activities that set the direction of the audit function, which could include:

- Approving the audit charter
- Approving the annual audit plan
- Approving budget and resources devoted to the audit function
- Receiving communications from the chief audit executive on the audit function's performance relative to its plan
- Making decisions regarding the appointment and removal of the chief audit executive
- Approving the remuneration of the chief audit executive
- Conducting the chief audit executive's annual performance appraisal

Having the chief audit executive report functionally to the governing body or an audit committee ensures independence because the audit function is outside the reporting line of the entities under audit.

Administrative reporting refers to designating the executive (or other party) as responsible for activities that allow day-to-day operations, which could include:

- Approving routine transactions such as a chief audit executive's requests for leave
- Approving the chief audit executive's timecard (if used)
- Approving financial transactions as part of an established workflow and organizational policy, such as purchase orders exceeding a certain amount

Care must be taken to ensure that administrative oversight does not interfere with the audit function's ability to fulfill its mandate. One way of achieving this separation is to designate responsibility for administrative oversight to a board officer, such as a board secretary or clerk, who does not report to the chief executive.