

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: Auditor-Controller

BOARD AGENDA # \*B-3

Urgent

Routine

AGENDA DATE June 2, 2009

CEO Concur with Recommendation YES  NO   
(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Acceptance of the Revised Internal Audit Charter Prepared by the Internal Audit Division of the Auditor-Controller's Office - Auditor-Controller

STAFF RECOMMENDATIONS:

Accept the revised Internal Audit Charter prepared by the Internal Audit Division of the Auditor-Controller's Office.

FISCAL IMPACT:

There is no fiscal impact associated with this item.

BOARD ACTION AS FOLLOWS:

No. 2009-354

On motion of Supervisor Chiesa, Seconded by Supervisor Grover

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Grover, Monteith, and Chairman DeMartini

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1)  Approved as recommended

2)  Denied

3)  Approved as amended

4)  Other:

MOTION:

Christine Ferraro

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

Acceptance of the Revised Internal Audit Charter Prepared by the Internal Audit Division of the Auditor-Controller's Office - Auditor-Controller

DISCUSSION:

The initial Internal Audit Charter was written in 2005 and used since then by the Internal Audit Division. In order to strengthen the Internal Audit Division's Quality Control System the Charter was revised and is being presented today for approval by the Board of Supervisors. The Internal Audit Charter describes the mission, independence and objectivity, scope and responsibilities, authority, accountability and standards of the Internal Audit function.

This Charter has been prepared to serve as a guide in the performance of internal audit duties. It defines the purpose, authority, and responsibility of the internal audit function. It does not include, nor is it intended to include, all of the division's responsibilities as they may exist from time to time.

This charter:

1. Provides a written record of formally approved policies of the Internal Audit Division of the Auditor-Controller's Office.
2. Provides a basis for the evaluation of the performance of the Internal Audit Division.
3. Serves as a basic document in the organization and administration of the Internal Audit Division.

POLICY ISSUES:

The work performed by the Internal Audit Division provides accountability to the Board of Supervisors and the public. In addition, the work performed by the Internal Audit Division is in alignment with the Board's priority of ensuring Efficient delivery of public services.

STAFFING IMPACTS:

There are no staffing impacts associated with this item.

## Stanislaus County Auditor-Controller's Office

### Internal Audit Division Charter

#### Mission of the Internal Audit Functions

The mission of the Auditor-Controller's Internal Audit Division is to provide highly reliable, independent, objective evaluations and business and financial consulting services to the Board of Supervisors and County management to assist them with their critical business and financial decisions.

We support and assist the Board of Supervisors and County management in the realization of their business goals and objectives. Our contribution to this effort is testing and reporting on the effectiveness of County internal control systems and processes. County management relies on these systems and processes for safeguarding the County's assets and resources, reasonable and prudent financial stewardship, accurate recording and reporting, and achieving the County's goals and objectives.

#### Definition of Internal Auditing

The County's Internal Audit Division shall follow the standards, policies, and operational procedures established by the Institute of Internal Auditors. This authoritative body for internationally recognized internal audit standards defines Internal Auditing as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

#### Internal Auditor Independence

Independence is the fundamental principle that guides the reporting relationship of the internal auditor. Internal auditor independence is strongly emphasized by authoritative bodies including the U.S. General Accounting Office (GAO), the Institute of Internal Auditors, the American Institute of CPAs, and the U.S. Securities and Exchange Commission. Auditor independence is essential to receive full value and creditable information from the internal audit function.

The Board established an internal audit division to optimize auditor independence. The Internal Audit Manager and other internal audit staff shall follow recognized professional auditing standards and be free of County operational and management responsibilities that would conflict with the standards.

#### Objective and Scope

The objective of internal auditing is to assist the Board of Supervisors and County management in the effective discharge of their fiduciary responsibilities. To this end, internal auditing furnishes them with audits, analyses, evaluations, recommendations,

counsel, and information concerning the activities reviewed. The audit objective includes promoting effective internal control at reasonable costs.

The scope of internal auditing encompasses the examination and evaluation of the adequacy of the County's system of internal control. The scope of internal auditing will include:

- Reviewing the reliability and integrity of financial and business information systems and the means used to identify, measure, classify, and report such information;
- Reviewing the systems and processes established to ensure compliance with those policies, plans, procedures, laws, and regulations that are fundamental to the operation of the County and could have a significant impact on operations and financial reports and disclosures;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;

The scope of internal auditing may include:

- Appraising the economy and efficiency with how management employs resources and reviewing operations and programs to determine whether results are consistent with established objectives and goals, and if operations or programs are being carried out as planned.

### Responsibility and Authority

Various California State codes require or authorize the Auditor-Controller to perform audits of the accounts and records of specific county departments, offices and operations. Specifically, Government Code Section 26883 grants the Board of Supervisors the power to require that the County Auditor-Controller shall audit the accounts and records of any department, office, board or institution under its control and of any district whose funds are kept in the County Treasury.

On Board Resolution Number 80-1873 and 2001-724, the Board granted the above-mentioned authority to the Auditor-Controller through their approval of the Internal Audit Division.

The responsibility of the Internal Audit Division is to serve the County in a manner that is consistent with the Standards for the Professional Practice of Internal Auditing and with professional standards of conduct in the Code of Ethics of the Institute of Internal Auditors, Inc., as required by Government Code Section 1236. In addition when appropriate and necessary and depending on the type of audit being conducted, the Internal Audit Division follows the ethical and professional standards promulgated by the American Institute of Certified Public Accountants (AICPA) and by the Government Accounting Office (GAO). In this context, the Internal Audit Division is responsible for:

- Establishing policies for auditing and directing its technical and administrative functions;

- Developing and executing a comprehensive audit program for the evaluation of internal controls established over County financial and business activities;
- Assisting management in their stewardship of County resources and their compliance with established policies and procedures;
- Recommending improvements in the internal controls designed to safeguard County resources and to help ensure compliance with government laws and regulations;
- Reviewing procedures and accounting records for their completeness and accuracy to accomplish and report on intended objectives;
- Publishing reports on the results of audit examinations including recommendations for improvements in the internal control processes;
- Appraising the adequacy of actions taken by operating management to correct reported deficient conditions; and
- Conducting special examinations and financial analyses.

#### Internal Auditor Access to Information and Personnel

Except where prohibited by law, the Internal Audit Manager and staff of the internal audit division shall have complete and unrestricted access to all of the County's financial records, files, information systems, personnel, and properties. The Internal Audit Manager shall promptly report in writing to the Auditor-Controller whenever significant barriers or resistance to access to information and personnel occurs. To protect legally confidential information, no internal audit report shall directly reference or quote confidential information that is protected.

Upon initiation of an audit involving potential or suspected fraud, the Internal Audit Manager shall consult with the County's Chief Counsel for legal advice and coordination of efforts. In addition, per Government Code Section 26883, the District Attorney's office will be notified of any such occurrences.

#### Annual Audit Plan

The Internal Audit Manager shall be responsible for preparing an annual audit plan identifying the most productive and essential audit projects.

#### Audit Follow Up

In accordance with *Standards for the Professional Practice of Internal Auditing*, the Internal Audit Manager shall establish a system to follow up on reported audit findings. The system established should include updated comments and recommendations as appropriate.

#### Effective Date

This charter and the policies therein become effective upon adoption by the Board of Supervisors of the County of Stanislaus.