

# INTERNAL AUDIT CHARTER

## County of Fresno

### Revisions in red

Updated 9/11/2018 5/29/2015

#### I. Mission

The mission of the ~~Fresno~~ County of Fresno Financial Reporting and Audits ~~Internal Audit~~ Division (Division) is to provide independent and proactive auditing and consulting services to the administration and departmental management of the County.

#### II. Definition of Internal Auditing

The ~~Internal—Audit—Division~~ shall follow the definition of internal auditing promulgated by the Institute of Internal Auditors (IIA), as the IIA is the internationally recognized authoritative body for internal audit standards. The definition is 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.

#### III. 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 systems and the means used to identify, measure, classify, and report such information;
- Reviewing the systems and processes established to ensure compliance with systems and processes 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 verifying the existence and safeguarding of assets.

The scope of internal auditing may also include:

- Appraising the efficiency with which 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.

#### **IV. Internal Auditor Independence**

- a. California Government Code Section 1236 requires that auditors conduct their activities under the general and specific standards prescribed by the IIA or the Government Auditing Standards issued by the Comptroller of the United States (now the U.S. Government Accountability Office).

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

It is the desire and intention of the Auditor-Controller/Treasurer-Tax Collector and the Board of Supervisors that the internal audit function shall be organized and managed to optimize auditor independence. Because the ~~Internal-Audit~~ Division is part of the Auditor-Controller/Treasurer-Tax Collector's Department, it is not an independent entity as described by professional standards. However, the Internal Audit Manager and other internal audit staff shall strive to be free of all operational and management responsibilities that would impair their independent reviews of all aspects of the County's operations. Further, the Internal Audit Manager and all internal audit staff shall file statements certifying their independence on an annual basis. **As stated in the IIA Standards Section 1110, the Internal Audit Manager must confirm to the Board, at least annually, the organizational independence of the internal audit activity.**

The Internal Audit Manager, in order to remain independent, shall make no decisions on behalf of nor mandate that any action be taken by departmental management. The ~~Internal-Audit~~ Division shall have an independent status within the organization of the County of Fresno and will not be directly involved in the day-to-day operation of the system of internal controls. The ~~Internal-Audit~~ Division shall not be directly involved in the design and implementation of internal control systems but may be consulted on the adequacy of controls.

## **V. Audit Committee**

The Audit Committee is an advisory committee to the Board of Supervisors and provides oversight to the ~~County's Internal-Audit~~ Division and external audit coverage. The Committee assists the Board of Supervisors in ensuring the independence of the internal audit function and ensuring that appropriate action is taken on audit findings. The Committee helps to promote and enhance effective internal controls for County operations, and serves as an important communication link between external auditors, internal auditors, and operating management. The Committee establishes its own bylaws to govern the makeup and responsibilities of its members.

## **VI. Organizational Reporting**

The ~~Internal-Audit~~ Division, while ultimately the responsibility of the Auditor-Controller/Treasurer-Tax Collector, shall have direct access to both the Audit Committee and the Board of Supervisors. The purpose and intent of this reporting and access relationship is to clearly establish independent reporting within the audit function.

## **VII. Responsibility and Authority**

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 IIA, as required by Government Code Section 1236.

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.

#### **VIII. 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 Chair of the Audit Committee 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.

#### **IX. Annual Audit Plan**

The ~~Internal Audit~~ Division shall be responsible for preparing an annual audit plan identifying the ~~most-productive-and~~ essential audit ~~engagements projects~~ based on the Risk Based Analysis.

#### **X. Audit Follow Up**

In accordance with the *Standards for the Professional Practice of Internal Auditing*, the ~~Internal Audit~~ Division shall establish a system to follow up on reported audit

findings. The system established should include updated comments and recommendations as appropriate.

## **XI. External Auditors**

The annual audits performed by the external auditors are an integral part of the governance of the County of Fresno. In particular, the **County Administrative Office (CAO) ~~Division~~** shall:

- Prepare the request for proposal for external audit services for the County of Fresno
- Submit the recommendation of audit contract for the approval of the Audit Committee
- Prepare the contract with the selected audit contractor for approval by the Board of Supervisors

**The Division shall:**

- Assist the CAO in the request for proposal for external audit services for the County of Fresno
- Assist the CAO in the submission of the recommendation of audit contract for the approval of the Audit Committee
- Assist the CAO in the preparation of the contract with the selected audit contractor for approval by the Board of Supervisors
- Communicate and coordinate with the external auditors to ensure that certain audit programs of the **~~Internal-Audit~~** Division are complementary to the objectives of the external auditors.

## **XII. Continuing Professional Education**

Internal auditors shall complete the minimum continuing professional education requirements as set forth by Government Auditing Standards published by the GAO. These standards require that each auditor receive 80 hours of continuing professional education every 2 years, 24 hours of which directly relate to governmental auditing,

the government environment, or the specific or unique environment in which the County operates. For further detailed information refer to the Quality Assurance and Improvement Program (refer to page 3).

### **XIII. Peer Review**

The ~~Internal-Audit~~ Division shall obtain a professional peer review in compliance with the professional standards promulgated by the IIA. Per IIA Standards, these peer reviews shall be obtained every 5 years.

### **XIV. Effective Date**

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