

County of Santa Clara Internal Audit Division
Mission Statement and Charter
Effective: September 2021

Purpose and Mission

The purpose of Internal Audit Division (IAD) is to provide independent, objective assurance and consulting services designed to add value and improve the County of Santa Clara's (County) operations. IAD's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. IAD helps the County accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

IAD will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including:

- Core Principles for the Professional Practice of Internal Auditing,
- Code of Ethics,
- *International Standards for the Professional Practice of Internal Auditing (Standards)*, and
- Definition of Internal Auditing.

The Internal Audit Manager (i.e., Chief Audit Executive) will report periodically to senior management and to Board of Supervisors (Board) regarding IAD's conformance to the Code of Ethics and *Standards*.

Authority

The Internal Audit Manager reports administratively (i.e., day-to-day operations) to the County Executive with functional oversight provided by the Board through the Finance and Government Operations Committee.

To establish, maintain, and assure that IAD has sufficient authority to fulfill its duties, the Board will:

- Approve IAD's Charter.
- Approve the risk-based internal audit plan.
- Approve IAD's budget, resource plan and position classifications through the County's annual countywide budget process.
- Receive periodic communications from the Internal Audit Manager on IAD's performance relative to its plan and other critical matters (i.e., semi-annual workplan).
- Make appropriate inquiries of the County executive and Internal Audit Manager to determine whether there is improper scope or resource limitations, as necessary.

The Internal Audit Manager will have unrestricted access to, and communicate and interact directly with, the Board, including in private meetings without management present.

The Board authorizes IAD to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from necessary personnel of the County and other specialized services from within or outside the County to complete the engagement.

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List of Official Authority and Guidance

I. Charter of the County, ARTICLE VI. - FINANCIAL PROVISIONS, Section 602:

The Administrative Code shall provide for an audit of the accounts and records of all offices and departments:

- When requested by the Board, County Executive or Auditor-Controller.
- Upon a vacancy in any office charged with the responsibility for receipt, disbursement, or custody of cash.

A report on such audits shall be filed with the Board. The employees assigned to conduct these audits shall have full access to all accounts and records of all offices and departments.

II. County Ordinance Administrative Code:

Title A Division 15 Chapter 1 Article 3 Section 14 (b) which provides requirement for audits upon a County Officer vacating the position, mainly executive departures.

III. RULES OF THE BOARD OF SUPERVISORS CHAPTER VII, Committees Section 34 – Finance and Government Operations Committee:

(c) Review and comment on the work plan and work product of the Internal Audit staff submitted to the Committee by the County Executive.

IV. County Administrative, Fiscal and Budget, Policy, Internal Audits

This County policy provides guidelines for audits performed by IAD. It references to County Charter Section 602, states that audit reports are to be filed with the Board, and provides that IAD has full access to “all accounts and records of all offices and departments.”

Independence and Objectivity

The Internal Audit Manager will ensure that IAD remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Internal Audit Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the County or its affiliates.
- Initiating or approving transactions external to IAD.
- Directing the activities of any County employee not employed by IAD, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

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Where the Internal Audit Manager has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Internal Audit Manager will confirm to the Board, at least annually, the organizational independence of IAD. This communication is included in the annual audit plan document presented to the Finance and Government Operations Committee in June.

The Internal Audit Manager will disclose to the Board any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the County. Internal audit assessments include evaluating whether:

- Risks relating to achievement of the County's strategic objectives are appropriately identified and managed.
- Actions of the County's officers, directors, employees, and contractors follow the County's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the County.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Internal Audit Manager will report periodically to senior management and/or the Board regarding:

- IAD's purpose, authority, and responsibility.
- IAD's plan and performance relative to its plan.
- IAD's conformance with The Institute of Internal Auditor's Code of Ethics and *Standards*, and action plans to address any significant conformance issues identified.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the County.

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External Audits and Assurance: The Internal Audit Manager also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

Consulting Engagements: IAD may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided IAD does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Internal Audit Manager has the responsibility to:

- Submit, at least annually, to senior management and to the Board a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Board the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the County's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the Board any significant interim changes to the internal audit plan.
- Ensure each engagement included in the audit plan or special request from the Board, management and departments are executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow-up on engagement findings and corrective actions, and report periodically to senior management and the Board any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure IAD collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide IAD.
- Ensure IAD practices adhere to the County's relevant policies and procedures unless they conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the County Executive and Board, as appropriate.
- Ensure IAD conforms with the *Standards*.

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Quality Assurance and Improvement Program

IAD will maintain a quality assurance and improvement program that covers all aspects of their internal audit activity. The program will include an evaluation of IAD’s conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA’s Code of Ethics. The program will also assess the efficiency and effectiveness of IAD and identify opportunities for improvement.

The Internal Audit Manager will communicate to senior management and to the Board on IAD’s quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the County.

Approvals

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Robyn Rose
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Internal Audit Manager

9/27/2021
Date

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County Executive

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Chief Operating Officer

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Date