

Purpose and Mission

The purpose of the Internal Audit Division is to provide independent, objective assurance and consulting services designed to add value and improve the County of Santa Clara's operations. The mission of the Internal Audit Division is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Division helps the County of Santa Clara 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

The Internal Audit Division 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*, and
- Definition of Internal Auditing.

The Internal Audit Manager will report periodically to senior management and to the Board of Supervisor's¹ regarding the Internal Audit Division's conformance to the Code of Ethics and the *Standards*.

Authority

The Internal Audit Manager reports to the Controller-Treasurer with oversight provided by the Board of Supervisors through the Finance and Government Operations Committee. To establish, maintain, and assure that the Internal Audit Division has sufficient authority to fulfill its duties, the Board of Supervisors will:

- Approve the Internal Audit Activity Charter (this document).
- Approve the risk-based internal audit plan.
- Approve the Internal Audit Division's budget and resource plan through the County budget process.
- Receive communications from the Internal Audit Manager on the Internal Audit Division's performance relative to its plan and other matters.
- Approve the Internal Audit Manager's position classification and pay scale through the County's budget process.
- Make appropriate inquiries of management and the Internal Audit Manager to determine whether there is inappropriate scope or resource limitations.

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

¹ For each mention of the Board of Supervisors, it should be noted that the Internal Audit Division reports to the Board of Supervisors through the Finance and Government Operations Committee.

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The Board of Supervisors authorizes the Internal Audit Division 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 the necessary personnel of the County of Santa Clara, as well as other specialized services from within or outside the County of Santa Clara, in order to complete the engagement.

Official Authority and Guidance

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 of Supervisors, the County Executive or the 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 of Supervisors. The employees assigned to conduct these audits shall have full access to all accounts and records of all offices and departments.

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.

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;

County Administrative, Fiscal and Budget, Policy, Internal Audits

This County policy provides guidelines for audits performed by the Internal Audit Division. It references to County Charter Section 602, states that audit reports are to be filed with the Board of Supervisors, 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 the Internal Audit Division 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 of Santa Clara or its affiliates.
- Initiating or approving transactions external to the Internal Audit Division.
- Directing the activities of any the County of Santa Clara employee not employed by the Internal Audit Division, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

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 of Supervisors, at least annually, the organizational independence of the Internal Audit Division.

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

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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 of Supervisors, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the County of Santa Clara. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the County of Santa Clara's strategic objectives are appropriately identified and managed.
- The actions of the County of Santa Clara's officers, directors, employees, and contractors are in compliance with the County of Santa Clara'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 of Santa Clara.
- 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 to the Board of Supervisors regarding:

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

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. The Internal Audit Division may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit Division 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.

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Responsibility

The Internal Audit Manager has the responsibility to:

- Submit, at least annually, to senior management and to the Board of Supervisors a risk-based internal audit plan for review and approval.
- Communicate to senior management and to the Board of Supervisors 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 of Santa Clara's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and to the Board of Supervisors any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is 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 to the Board of Supervisors any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Division 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 the Internal Audit Division.
- Ensure the Internal Audit Division practices adhere to the County of Santa Clara's relevant policies and procedures, unless such County policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Controller-Treasurer, senior management and the Board of Supervisors, as appropriate.
- Ensure conformance of the Internal Audit Division with the *Standards*.

PRODUCTS

The primary output is the independent analysis and recommendations necessary to assist management in improving processes. This is accomplished by the following methods of communication:

- Audit Reports - to clients.
- Management Communications (e.g. letters, memos, e-mail, presentations) - to management.
- Semi-annual Status Reports to the Finance and Government Operations Committee.
- Annual Audit Workplan to the Finance and Government Operations Committee.

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Projects

The Internal Audit Division performs a wide-range of projects. Typical projects may include:

- Audits of internal controls related to countywide business processes, especially those that are financial-related. Examples are countywide cash handling, billing and accounts receivable, and management of fixed assets.
- Audits of compliance with county policies/procedures.
- Investigations of missing cash incidents.
- Forensic accounting analysis and investigations.
- Partnering with other assurance providers, for example the County Information Security Officer, Health and Hospital System Ethics & Compliance Office, and Risk Management Department, and Controller-Treasurer Dept. Claims Unit (accounts payable).
- Participating on panels, for example: employee hiring, Request for Proposal evaluation.
- Providing training to County fiscal personnel and departments.
- Coordinating the work of contract auditors and investigators.
- Consulting projects .

Quality Assurance and Improvement Program

The Internal Audit Division will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Division. The program will include an evaluation of the Internal Audit Division'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 the Internal Audit Division and identify opportunities for improvement.

The Internal Audit Manager will communicate to senior management and to the Board of Supervisors on the Internal Audit Division'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 of Santa Clara.