



INTERNAL AUDIT CHARTER

County of Santa Barbara

Auditor-Controller

County of Santa Barbara

Internal Audit Charter (Charter)

MISSION AND PURPOSE

The County of Santa Barbara (County) Internal Audit Division's mission is to provide reliable, independent, objective assurance and consulting services to County management, the Board of Supervisors, and other stakeholders. By utilizing a systematic, disciplined approach, our services will add value to and improve operations. We will provide expertise and evaluate and improve the effectiveness of controls and other processes, minimize risks, and enhance operational effectiveness for stakeholders; as well as contribute to protecting and safeguarding resources and assets.

AUTHORITY

On May 23, 1961, the Board of Supervisors (Board) adopted Resolution No. 21387 and in doing so, enacted Government Code §26883. By enacting this code section, the Board authorized the Auditor-Controller to audit the accounts and records of any department, office, board or institution under the Board's control and of any district whose funds are kept in the County treasury. The Internal Audit Division (Division) was established subsequent to Resolution No. 21387 to fulfill the auditing responsibilities assigned to the Auditor-Controller. Additional audit rights and authorities above and beyond those provided under Resolution No. 21387 may be conferred to the Auditor-Controller from time to time, through State Government Code and other statutory pronouncements. The role of the Division shall have authority under this document to provide reasonable assurance and consulting services to County management, the Board and key stakeholders consistent with the Scope of Duties and Mission and Purpose identified in this Charter, and subject to the resource constraints applicable to the Division.

SCOPE OF DUTIES

The Division's authorized duties shall encompass examination and evaluation of the adequacy and effectiveness of the County's governance, risk management, and internal controls as well as the quality of management's performance in carrying out assigned responsibilities to achieve the County's stated goals and objectives. The Division's scope of duties while accomplishing its assurance and consulting work activities may include, but shall not be limited to the following:

- Evaluating and reporting on the effectiveness of County processes related to governance, risk management and internal control,
- Periodically communicating to interested parties, the Division's purpose, authority, responsibility, and operating performance relative to its approved Annual Internal Audit Plan,
- Communicating risk exposures and internal control issues relating to achievement of the County's objectives,
- Reporting on significant risk exposures and internal control issues, including fraud risks, governance issues, and other matters needed or requested by the Board,
- Evaluating selected operating activities at the request of the Board or management,
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information,

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- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact to the County's operations,
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets,
- Evaluating the effectiveness and efficiency with which resources are employed,
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned,
- Evaluating external auditor performance and the extent to which interaction with the Division's staff was collaboratively coordinated.

PROFESSIONAL STANDARDS

The Division will comply with California Government Code §1236 which states that:

“(a) All city, county and district employees that conduct audits or that conduct audit activities of those respective agencies shall conduct their work under the general and specified standards (IPPF Standards) prescribed by the Institute of Internal Auditors or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate. The standards generally provide as follows:

- (1) That auditors should be independent of the activities they audit.
- (2) That audits should be performed with proficiency and due professional care.
- (3) That the scope of the audit should encompass the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities.
- (4) That audit work should include planning the audit, examining and evaluating information, communicating results, and following up.
- (5) That the chief auditor should properly manage the auditing department.

(b) Nothing in this section is intended to limit the rights or obligations of auditors to conduct audits and audit activities in accordance with other laws and regulations that may apply to a particular entity, as appropriate.”

ACCESS TO RECORDS

To fulfill its duty under Board Resolution No. 21387, and except where prohibited by law, the Division, with strict accountability for confidentiality and safeguarding records and information, shall have full, free, and unrestricted access to any and all records, physical properties, and personnel pertinent to carrying out any engagement. All employees of the County and its dependent agencies are required to enable the Division to fulfill its Mission and Scope of Duties.

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GOVERNANCE

The Division reports to the County Auditor-Controller. The Auditor-Controller maintains organizational independence through his/her election to the position by the citizens of the County.

To substantiate organizational and governance related support for the role of the Division, the Board shall:

- Approve the Division’s Internal Audit Charter and subsequent modifications thereto,
- Approve the Division’s risk-based Annual Internal Audit Plan,
- Approve the Division’s Budget, as part of the annual Budget approval,
- Receive communications from the Auditor-Controller on the Division’s progress relative to its Annual Internal Audit Plan and other matters,
- Make appropriate inquiries of the Auditor-Controller to determine whether any scope or resource limitations adversely impact the duties assigned to the Division in accordance with this Charter.

INDEPENDENCE AND OBJECTIVITY

The Division will remain free from interference by any element in the County, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. Where independence or objectivity is perceived to be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, install systems, prepare records, or engage in any other activity that may impair the auditor’s judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Auditor-Controller will confirm to the Board, at least annually through attestation or certification, the organizational independence of the Division’s activity.

ANNUAL INTERNAL AUDIT PLAN

Each fiscal year, the Division will prepare a risk-based Annual Internal Audit Plan (Plan) and present it to the Board for approval. The Plan will be developed using input from County management where available, and an overall prioritization approach which incorporates a risk-based methodology of potential auditable areas within the County’s operations. The Auditor-Controller will communicate to senior management and the Board, the consequence of significant resource limitations and material changes occurring during the year which may adversely impact the Division’s progress toward completing its Plan by the end of each fiscal year.

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REPORTING AND MONITORING

Consistent with its Plan, the Division is authorized under this Charter to:

- (i) engage in assurance and consulting work activities (i.e. core work activities) reflected on the approved Annual Internal Audit Plan and,
- (ii) other non-core work activities as needed by the Board and County management, in support of core work activities, and within the Definition of Internal Audit and Scope of Duties.

A written report (with any significant audit findings and subsequent audit recommendations) may be prepared and issued by the Division following the conclusion of core work activities. These written reports may be distributed to relevant stakeholders as deemed appropriate by the Auditor-Controller, and as required under Professional Standards. Where applicable, the Division shall monitor County management's progress with respect to action plans in place to address findings noted in written reports.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Division will maintain a Quality Assurance and Improvement Program (Program) that covers key aspects of the internal audit activity. The Program will include an evaluation, by a peer review group external to the County, of the Division's conformance with the Definition of Internal Auditing and the IPPF Standards and whether internal auditors apply the Code of Ethics. The Program shall also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The Auditor-Controller will communicate to the County Executive Officer and the Board on the Division's Program, including results of ongoing internal assessments and external assessments conducted at least every five years.

EFFECTIVE DATE

Approved this 5th day of June, 2018

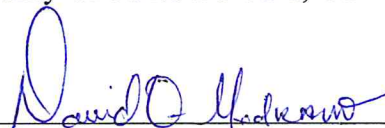


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County Executive Officer
County of Santa Barbara, California

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Chairperson-Board of Supervisors
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Theodore Fallati CPA CPFO
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