

Adopted by the Board of Supervisors on April 17, 2012; Resolution 2012-40

INTERNAL AUDIT POLICY

I. MISSION AND SCOPE OF WORK

The mission of the internal audit section of the Napa County Auditor-Controller's Office is to provide objective assurance and consulting services designed to add value and improve the County's operations. It assists the County in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and government processes.

The scope of work of the internal audit section is to determine whether the County's network of risk management, control, and government processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various government groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the County's control process.
- Significant legislative or regulatory issues impacting the County are recognized and addressed properly.
- Background and experience are to be used in other capacities, as needed, providing that no conflict arises with other areas noted above.

Opportunities for improving management control, profitability, and the County's image may be identified during audits. They will be communicated to the appropriate level of management.

II. ACCOUNTABILITY

The Chief Audit Executive (CAE), known as the Internal Audit Manager, in the discharge of his/her duties, shall be accountable to the Auditor-Controller, County Executive Officer, and the Board of Supervisors to:

- Provide an assessment on the adequacy and effectiveness of the County's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.

- Report significant issues related to the processes for controlling the activities of the County and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically to the Auditor-Controller on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with and provide oversight of other control and monitoring functions.

III. INDEPENDENCE

To provide for the independence of the internal audit section, its personnel will report to the CAE, who reports functionally and administratively to the Auditor-Controller and periodically to the Board of Supervisors in a manner outlined in the above section on Accountability. It will include as part of its reports to the Auditor-Controller a regular report on internal audit personnel.

IV. RESPONSIBILITY

The CAE and staff of the internal audit section have responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Auditor-Controller for review and approval.
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by Department Heads, the County Executive Officer, and the Board of Supervisors.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Establish a quality assurance program by which the CAE assures the operations of internal auditing activities.
- Perform consulting services, beyond internal auditing assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports to the Auditor-Controller and the County Executive Officer summarizing results of audit activities.
- Keep the Auditor-Controller and County Executive Officer informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Auditor-Controller.

- Seek management's response to findings discovered during audit, review, and other engagements pertaining to their department's activities.
- Assist in the investigation of significant suspected fraudulent activities within the County and notify the appropriate level of authority above – the Auditor-Controller, legal counsel, and/or the County Executive Officer – of the suspected fraudulent activities and the results of the investigation.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the County at a reasonable overall cost.

V. AUTHORITY

The CAE and staff of the internal audit section are authorized to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Board of Supervisors, County Executive Officer, and Auditor-Controller.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.

The CAE and staff of the internal auditing section are not authorized to:

- Perform any operational duties for the County or its affiliates.
- Initiate or approve accounting transactions external to the internal auditing department except when no other deputized manager is available to do so.
- Direct the activities of any County employee not employed by the internal audit section, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

VI. STANDARDS OF AUDIT PRACTICE

The internal audit activity will meet or exceed the *Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.

Internal Audit Manager (Chief Audit Executive)

Auditor-Controller

County Executive Officer
March 28, 2012