

INTERNAL AUDIT

Description

Internal Audit assists the County Manager and the Board of Supervisors by providing objective analyses, recommendations, advice and comments concerning those areas reviewed to ensure an appropriate level of control at a reasonable cost. To be effective, Internal Audit must maintain independence, and therefore reports directly to the County Manager and the County's Audit Committee. The focus of Internal Audit is on General Government, as Education has a separate internal audit function.

Internal Audit evaluates the adequacy and effectiveness of County agencies' internal controls and examines the quality of performance of their operations for improvement of accountability within the General Government. Assessing quality of performance includes appraising the reliability and integrity of financial and operating information and the means to process data; evaluating the sufficiency of compliance with significant plans, policies, procedures, laws, and regulations; ascertaining the adequacy of controls for safeguarding General Government assets and, as appropriate, verifying asset existence; and examining efficient use of General Government resources and program accomplishments.

Objectives

- Perform an annual risk assessment, identify areas of risk for audit, and conduct internal audits to evaluate controls, recommend workable improvements, and note commendable practices that can be shared with other agencies.

- Follow up on prior internal audits to determine that agreed-upon management action plans have been effectively implemented to address the risks identified during the audits.
- Assist with the County's annual external audit.
- Advise County management and the County's Audit Committee on potential improvements in operations and results through technical assistance.
- Perform requested special audits and follow up on issues raised through the fraud reporting mechanisms and recommend corrective action as required.
- Administer office activities for continuous professional education, training, and skills development, ensuring excellent quality and adherence to independent auditing with integrity.

Budget Highlights

The auditing environment has become increasingly complex and challenging as the County and its agencies implement additional technology and as regulations and accounting requirements are continuously changing. To meet these challenges and provide quality audit results, Internal Audit uses enhanced auditing software in all of its audits to better examine activity in a cost effective manner. The department pays annual software licensing costs to

Annual Fiscal Plan

<u>Description</u>	<u>FY14 Actual</u>	<u>FY15 Original</u>	<u>FY16 Approved</u>	<u>Change 15 to 16</u>
Personnel	\$ 404,691	\$ 398,888	\$ 408,001	2.3%
Operation	11,247	12,579	12,579	0.0%
Capital	0	0	0	0.0%
Total	<u>\$ 415,938</u>	<u>\$ 411,467</u>	<u>\$ 420,580</u>	<u>2.2%</u>
 Personnel Complement	 4	 4	 4	 0

Internal Audit (cont'd)

	Performance Measures			
	FY14	FY15	FY16	Change 15 to 16
Workload Measures				
Audit Projects: Audits, Follow Ups, Consults	26	26	26	0
Efficiency Measures				
General Gov't budget/audit position (mil)	\$ 144	\$ 151	\$ 151	0
General Gov't employees/audit position	981	984	984	0

maintain current versions and support for these tools. In addition, the department requires all staff to maintain professional certifications and provides annual continuing education to stay current with requirements, business risks, and the latest audit techniques. The software licensing costs as well as the continuing education costs are the two largest components of the operating budget for Internal Audit.

As the majority of the department's budget (97%) consists of personnel costs, service levels will continue at current levels on audits, special projects, and follow-ups. Internal Audit conducts an annual survey and finalizes a risk-based planning assessment to select and perform routine audits of the effectiveness of controls in a number of areas. The goal of the audit planning process is to select auditable areas of risk in each of the major operating segments each year – Administration, Community Services, Community Development, Community Operations, and Public Safety.

The fraud reporting webpage may generate additional special projects. Technical assistance will be provided to agencies as requested. The department also assists

the County's external auditors with the required annual financial and compliance audits to help control those costs.

Some of the internal audits conducted by the department in FY2014-15 include DPU expenditures, Permit Centers' money receipts and expenditures, and Recreation and Parks' reservation and enrollment system.

Internal Audit's budget of \$420,580 represents an increase of \$9,113 or 2.2 percent over the FY2014-15 approved budget. This increase is driven solely by the personnel component and reflects the full-year impact of the raise that became effective in December of 2014 as well as a partial-year 2.0 percent wage scale increase. The operating component remained flat from the previous fiscal year.

Although the operating component remained flat from the previous fiscal year, funding of \$200 was reallocated from printing and binding and office supplies to computer software to cover additional costs associated with expanded software capabilities.