

**CHARTER OF THE  
SONOMA COUNTY INTERNAL AUDIT FUNCTION  
JANUARY 15, 2013**

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**I. Introduction**

- A. The Institute of Internal Auditors (IIA) defines internal auditing as "an independent objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
- B. This charter formalizes the responsibilities, reporting lines, and protocols of Internal Audit within the structure of the County of Sonoma and the various independent agencies and special districts whose governing boards are comprised of the five members of the Sonoma County Board of Supervisors (County and Special Districts). It establishes Internal Audit objectives and provides for uninhibited and complete authority to fulfill its objectives, with procedures to address obstacles and issues.
- C. The vision of Internal Audit is to be strategic partners in the achievement of operational outcomes of the County and Special Districts through excellence in audit and evaluation services.
- D. The mission of Internal Audit is to enable the County and Special Districts to efficiently and effectively achieve their strategic objectives and enhance their accountability to the residents of Sonoma County.
- E. Internal Audit's values reflect its collective principles and ethics, guide its operational activities and strategic direction, and demonstrate its commitment to fairness, respect, and professionalism. Internal Audit:
  - 1. Promotes and upholds both the Standards and the Code of Ethics produced by the IIA and published in the *Professional Practices Framework*;
  - 2. Is committed to the provision of value-added services, continuous improvement and the ongoing development of employee knowledge, skill sets, and competencies;
  - 3. Upholds the highest levels of integrity, objectivity, and professionalism;
  - 4. Cultivates diversity and inclusivity in the workplace, promotes collegiality and team spirit in our interactions, and encourages an open and respectful exchange of opinions and ideas;
  - 5. Recognizes that the staff team is Internal Audit's most important resource; and
  - 6. Encourages and celebrates innovation, excellence, and the valued contributions of our employees.

**II. Purpose**

- A. The Sonoma County Board of Supervisors (BOS), County Administrator's Office (CAO), Auditor-Controller-Treasurer-Tax Collector (ACTTC), and County department heads and agency directors are collectively responsible for the effective and efficient administration of the County of Sonoma and the Special Districts. This responsibility encompasses the requirements for sound

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financial management, adequate reporting, maintaining an effective system of internal controls, compliance with applicable rules and regulations, and maintaining the highest standards of ethical conduct. Together they are responsible for attaining the County's and Special Districts' missions. To aid in fulfilling these responsibilities, Internal Audit has been established within the ACTTC Office. The ACTTC may, in his discretion, establish and determine the composition of an Audit Advisory Committee to inform his judgment and assist him in carrying out the purposes of this Charter.

- B. Internal Audit supports the continuous improvement of programs, policies, and initiatives at the County of Sonoma and the Special Districts and contributes to the achievement of departmental objectives by providing timely and objective information, assurance, and advice to the CAO, the BOS, any Audit Advisory Committee established by the ACTTC, and departmental and special district management.
- C. The Internal Audit function, as part of the ACTTC Office, is guided by the Vision, Mission, and Value statements of that office.

**III. Independence and Objectivity**

- A. The Internal Audit function must be independent to retain objectivity. The independence of the Internal Audit function allows internal auditors to make assessments impartially and without bias while avoiding conflicts of interest. Auditor independence is also essential for the citizens and management of the County to receive an unbiased account of the results of internal audit work.
- B. To ensure independence, the Internal Audit Manager reports organizationally to the elected ACTTC, while the Audit Advisory Committee provides guidance to Internal Audit.
- C. Internal auditors use rigorous approaches and methods in their engagements to retain objectivity. Internal auditors neither subordinate their own assessments to those of others, nor place themselves in situations where they would be unable to make objective professional assessments.

**IV. Authority**

- A. The internal audit function is enabled to complete its mission by Sonoma County Board of Supervisors Resolution 92-0888; the California Government Code Sections 1236, 25250, 26881, 26883, and 26920; the California Welfare and Institution Code Section 275; the US Government Accountability Office's (GAO) Yellow Book Section 3.3; and the IIA Standards on Independence.

**V. Access and Confidentiality**

- A. Except where prohibited by law, the Internal Audit Manager and staff are granted authority for full, free, and unrestricted access to all of the organization's functions, records, files, information systems, personnel, contractors, physical properties, and any other item relevant to the function, process, or division under review. In addition, internal auditors shall be granted access to vendor records as provided for by the County's and Special Districts' standard contract language related to records maintenance and County access to records.

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- B. Documents and information presented to Internal Audit shall be handled in the same prudent and confidential manner as by those employees normally accountable for them. The Internal Audit Manager shall be ultimately responsible for handling and safeguarding of any information deemed to be confidential under state or federal law.

**VI. Professional Standards**

Internal Audit uses the following standards in the completion of their audits:

- A. The Standards and Code of Ethics produced by the IIA and published in the *Professional Practices Framework*;
- B. The Standards and Principles produced by the Government Accountability Office (GAO) and published in the *Government Auditing Standards*; and
- C. The professional and ethical standards issued by the American Institute of Certified Public Accountants (AICPA).

**VII. Objectives**

- A. Auditing Services: The primary objective of internal auditing services is to provide independent assurance to County officers and management that the assets of the County and Special Districts are safeguarded, operating efficiency is enhanced, and compliance with prescribed laws and the policies of the County and Special Districts is maintained. Included in the objective is an independent assessment of the County's and Special Districts' risk awareness and its system of internal controls to manage risks.
- B. Consulting and Advisory Services: Internal Audit objectives for the consulting and advisory services are to provide management with assessments and advice for improving processes that will advance the goals and objectives of the organization. In particular, the objectives are to provide the assessments and advice on the front-end of projects so that risks may be identified and managed and that internal controls may be designed.

**VIII. Scope**

The scope of Internal Audit work shall include, but not be limited to, determining whether:

- A. Programs are operating within the highest fiduciary standards and are directed toward the requirements defined in federal, state, and local laws, regulations, government ordinances and rules, and the policies and procedures of the organization;
- B. Programs and processes are consistent with industry best practices, using the best public and private examples as benchmarks;
- C. Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately;
- D. Significant financial, managerial, and operating information is accurate, reliable, and timely;

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- E. Resources are economically acquired, efficiently used, and adequately protected;
- F. Existing policies and procedures are appropriate and updated;
- G. Operations, processes, and programs are consistent with established missions, objectives, and goals and are being carried out as planned;
- H. Risks within and outside the organization are appropriately identified and managed;
- I. Quality service and continuous improvement are fostered in the organization's control process;
- J. Contractors, including third-party administrators, are meeting contract requirements in conformance with applicable laws, regulations, policies, procedures, and best practices; and
- K. Operations, processes, or programs are reviewed if recommended by the ACTTC or management.

**IX. Roles and Responsibilities**

The responsibility of Internal Audit is to serve the County and Special Districts in a manner that is consistent with the Standards for the Professional Practice of Internal Auditing and with professional standards of conduct in the Code of Ethics of the IIA. In addition, when appropriate and necessary and depending on the type of audit being conducted, Internal Audit follows the ethical and professional standards promulgated by the AIPCA and by the GAO.

The following roles and responsibilities are necessary to enable Internal Audit to successfully achieve its mission and objectives:

- A. The Board of Supervisors:
  - 1. Ensures the internal audit capacity is appropriate to the needs of the County and Special Districts; and
  - 2. Except where prohibited by law, ensures that the internal auditors, for the purpose of carrying out assigned responsibilities, are given full access to departmental records, databases, workplaces, and employees, and have the right to obtain information and explanations from departmental employees.
- B. The County Administrator's Office for County Departments or the District Executive Manager for County Special Districts:
  - 1. Ensures that managers prepare action plans that adequately address the recommendations and findings arising from internal audits, and that the action plans are effectively implemented.
- C. The Auditor-Controller-Treasurer-Tax Collector (ACTTC):

According to statute, the ACTTC is responsible for prescribing and exercising general supervision, including the ability to review departmental and countywide internal controls,

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over the accounting forms and the method of keeping the accounts of all offices, departments, and institutions under the control of the Board of Supervisors. To these ends, the ACTTC will:

1. Provide administrative oversight and support to the internal audit function;
2. Direct unscheduled assignments on an as-needed basis;
3. Ensure that organizational independence is retained for the function within the ACTTC Office; and
4. Recommend the resources that are necessary for Internal Audit to complete its mission.

D. Executive Management:

1. Ensures that their managers draft action plans that adequately address the recommendations and findings arising from internal audits;
2. Ensures that action plans are effectively implemented; and
3. Provides evidence demonstrating implementation to Internal Audit.

E. Managers of programs and functions being audited:

1. Support their executive management in preparing and implementing management action plans in response to audit recommendations; and
2. Ensure that management action plans include timeframes and identify responsibilities and accountabilities.

F. The Internal Audit Manager:

1. Establishes appropriate policies and procedures to guide the Internal Audit function, ensuring that all applicable professional standards are followed;
2. Establishes risk-based audit plans, in coordination with other internal and external providers of assurance and consulting activities, to set out priorities and the Internal Audit function that are consistent with its objectives;
3. Communicates the plan of engagements and resource requirements for the Internal Audit function, including significant interim changes and the impact of resource limitations;
4. Ensures that internal auditing engagements are completed in a timely manner and that reports are published and provided to the ACTTC, the CAO, the Board of Supervisors, and others as directed by ACTTC;
5. Ensures that internal auditors have appropriate professional qualifications and skills and the opportunity to obtain sufficient training and development to maintain and develop their internal auditing competence;

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6. Develops and maintains a quality assurance and improvement program that covers all aspects of the Internal Audit function, is continually monitored for effectiveness, and provides for an external review of the Internal Audit function at least every three years;
7. Informs, in a timely manner, the CAO and the ACTTC of issues of risk, control, or management practices that may be of significance to the County or Special Districts; and
8. Ensures that management action plans in response to audit recommendations are adequate and implemented in a timely manner as determined by audit follow-up procedures.