



Internal Audit Charter

County of Sonoma Internal Audit Charter

Approved by the Board of Supervisors on March 25, 2025

Introduction

This charter formalizes the responsibilities, reporting lines, and protocols of the County of Sonoma's internal audit function 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.

Purpose and Mission

The purpose of the County of Sonoma's internal audit function is to provide independent, risk-based, and objective assurance and consulting services designed to add value and improve the County of Sonoma's operations. The vision of Internal Audit is to be a strategic partner in the achievement of operational outcomes of the County and Special Districts through excellence in audit and evaluation services. Its mission is to enable the County and Special Districts to efficiently and effectively achieve their strategic objectives and enhance accountability to the residents of Sonoma County.

The internal audit function enhances the County of Sonoma's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Commitment to Professional Standards

The County of Sonoma's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The chief audit executive will report annually to the Board of Supervisors and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Authority

The internal audit function is authorized to complete its mission by Sonoma County Board of Supervisors Resolution 92-0888. Additionally, various California state codes require or authorize the County Auditor-Controller to perform audits of the accounts and records of specific County departments, offices, and operations, including California Government Code Sections 25250, 26881, 26883, and 26920 and California Welfare and Institution Code Section 275.

The Board of Supervisors authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carry out internal audit responsibilities. This includes records of vendors/suppliers/contractors as provided for by the County's and Special Districts' standard contract language related to records maintenance and County access to records. Internal auditors are accountable for confidentiality and safeguard records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the County and Special Districts, and other specialized services from within or outside the organization to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the Audit Committee and administratively (for example, day-to-day operations) to the elected Auditor-Controller-Treasurer-Tax Collector and the Assistant Auditor-Controller-Treasurer-Tax Collector. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the Audit Committee, or to the Board of Supervisors in the absence of an Audit Committee, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the Audit Committee, or to the Board of Supervisors in the absence of an Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Objectivity

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the County or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any County employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Changes to the Mandate and Charter

Circumstances may justify a change to the internal audit function mandate or other aspects of the Internal Audit Charter. Such circumstances may include significant change in Global Internal Audit Standards, a significant reorganization, changes in the chief audit executive, Audit Committee and/or senior management, significant changes to the County's strategies, objectives, or risk profile, or new laws or regulations that affect the nature and/or scope of internal audit services. The Internal Audit Charter shall be reviewed, updated, and approved annually by the Audit Committee.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit Committee, the Auditor-Controller-Treasurer-Tax Collector, and senior management. Submit the plan to the Audit Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the County's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee and senior management and for each engagement as appropriate.

- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the County and communicate to the Board of Supervisors, Audit Committee, and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the County's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee.
- Administer the Sonoma County Fraud, Waste, and Abuse Program, including the Fraud Hotline, in accordance with the program guidelines approved by the Board of Supervisors.

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Communication with the Board of Supervisors, Audit Committee and Senior Management

A report of internal audit activities will be provided to the Board of Supervisors at least annually.

The chief audit executive will report periodically to the Audit Committee and senior management regarding:

- The internal audit plan and performance relative to its plan.
- Internal audit budget and resource requirements.
- Significant revisions to the internal audit plan and budget.
- Results of assurance and advisory services.

- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee that could interfere with the achievement of the County's strategic objectives.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the County's risk appetite.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all the County's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the County and management on the adequacy and effectiveness of governance, risk management, and control processes.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the County's strategic objectives are appropriately identified and managed, including significant legislative or regulatory issues.
- The actions of County officers, directors, management, employees, and contractors or other relevant parties comply with the County's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the County.
- The integrity of financial, managerial, and operating information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.
- Quality service and continuous improvement are fostered in the organization's control processes.
- Contractors, including third-party administrators, are meeting contractual requirements in conformance with applicable laws, regulations, policies, procedures, and best practices.