

# **Pinal County Internal Audit Charter**

## **Purpose:**

The Pinal County Board of Supervisors (Board) hereby establishes the Pinal County Office of Internal Audit (Internal Audit). Internal Audit shall act as an independent and objective assurance and consulting activity, designed to add value and improve operations. Internal Audit shall assist the Board, Elected Officials and County Management in accomplishing their objectives by bringing a systematic and disciplined approach to evaluating the effectiveness of the County's risk management, controls, and governance processes.

## **Authority:**

Internal Audit is established by the powers granted to the Board in A.R.S. §11-251 (21) which authorizes the Board to supervise the official conduct of all County officers, ensure they faithfully perform their duties, and require them to present their books and accounts for inspection, as needed.

The Board shall appoint the Internal Audit Officer (Auditor), and the Auditor shall report, both administratively and functionally, to the Board. The Board, or a committee appointed by the Board, shall act as the County's Audit Committee to consult with the Auditor regarding establishment of the annual audit plan; audit progress and/or special needs; audit findings and recommendations; and audit follow-up.

In the performance of its duties, Internal Audit shall have access to any of the County's records, properties, information, and personnel relevant to a review. The Auditor or designee has express authority to require County Elected Officials, employees and other persons to cooperate with the Auditor or a designee conducting an investigation and disclose the employee's or other person's knowledge of information related to County operations or the operations of associated entities. The Auditor or a designee shall have the same authority as supervisors to require cooperation in conducting audit activities. Documents and information given to the Auditor or designee during a review will be handled in the same prudent and confidential manner that is required of those employees normally accountable for records.

## **Responsibilities:**

Standards: Internal Audit shall adhere to Government Auditing Standards promulgated by the Comptroller General of the United States and the International Standards for the Professional Practice of Internal Audit, as applicable in conducting its work, and shall be considered independent as defined by those standards.

Independence/Objectivity. The Auditor shall organize and manage Internal Audit to function without interference or influence that might negatively affect his/her independent and objective judgment. The Auditor shall not be involved in the political activities of the

County Government. The Auditor shall not have any material financial or other interest in the County operations under review. Internal Audit shall function as a separate office of the County Government. The Auditor shall report directly to the Board of Supervisors, both administratively and functionally.

Audit Plan. Internal Audit shall submit an annual audit plan to the Board for review, comment and approval prior to the beginning of each fiscal year.

The plan shall be based on:

- A risk assessment of all County activities, which shall be performed by Internal Audit each year prior to the completion of the annual audit plan;
- Requests from the Board, Elected Officials, the County Manager's Office, and department heads;
- Suggestions from Internal Audit staff based on their knowledge of County activities or observations made during the performance of other audits; and
- Other relevant criteria agreed to by the Board and the Auditor.

The annual audit plan shall include a block of unassigned hours (the number to be approved by the Board or the Audit Committee) which shall be used to perform special audits, investigations and projects requested by the Board, Elected Officials, County Manager, department heads, or in response to SilentWhistle Hotline tips.

The annual audit plan may be amended during the year, following approval of the Board or the Audit Committee and notification to the County Manager.

If the Auditor determines there is a serious concern regarding fraud, abuse, or illegality, or that the scope of any audit in progress should be expanded as the result of any findings, the Auditor is authorized to promptly initiate and conduct, or expand the scope of, an audit beyond that approved in the audit plan.

- Any changes made under this provision shall be promptly communicated to the Board and the Audit Committee, the County Attorney and County Manager.
- In the case of suspected fraud or malfeasance, the Auditor will inform and cooperate with the appropriate prosecuting authority.

Audit Types. The Auditor shall conduct the following types of audits, varying in scope as required:

- *Financial-related audits.* Internal Audit shall conduct financial-related audits of all County activities, designed to evaluate whether:
  - a. The audited unit is maintaining effective control over revenues, expenditures, assets and liabilities, and financial operations;
  - b. The audited unit is properly accounting for resources, liabilities and operations;

- c. The audited unit is using accounting methods and procedures that conform to established policies, practices, and guidelines
- *Compliance Audits.*
  - a. Internal Audit shall conduct compliance audits of County activities, designed to evaluate whether:
    - i. Activities are properly authorized;
    - ii. Activities required by law or policy are being carried out;
    - iii. Adequate controls exist over compliance with applicable laws and policies; and/or
    - iv. Operations actually conform to applicable laws and policies
  - b. Internal Audit shall conduct audits of contractors and vendors doing business with the County to determine whether proper procurement procedures are followed and if materials furnished, work performed, and prices charged are in accordance with the terms of the contracts involved.
- *Operational/performance audits.* Internal Audit shall conduct operational audits, designed to determine:
  - a. Whether the audited entity is managing or utilizing its resources, including public funds, personnel, property, equipment, and space in an economical, effective and efficient manner;
  - b. The causes of inefficiencies or uneconomical practices, such as problems or inadequacies in organizational structures, management information systems, internal or administrative procedures, purchasing policies and/or allocation of personnel, resources and equipment;
  - c. Whether the desired results are being achieved.
- *Special audits and expanded scope of existing approved audits.* Internal Audit shall conduct special audits, investigations, and projects when requested to do so by a County Official or in response to a SilentWhistle Hotline tip. The annual audit plan shall include a block of unassigned hours for special projects. Without prior Board approval, Internal Audit staff hours available for special projects are limited to those established in the annual audit plan.

Internal Audit shall notify the Board or the Audit Committee when audits in progress identify areas which may require the use of additional resources (County staff from other departments or outside consultants) to address serious operational problems.

Office Organization. Internal Audit shall be subject to the budgetary, personnel and administrative regulations of the Board of Supervisors. Within those parameters, the Auditor shall have the authority to appoint, employ and remove audit staff and office personnel, and to prescribe and assign their duties, scope of authority and qualifications, as he/she may deem necessary for the efficient administration of the Office of Internal Audit.

Use of Legal Counsel, Contract Audit Staff, Consultants, and Experts.

- The Auditor may at any time consult with, and obtain advice from, the County Attorney's Office.
- Within budget limitations and consistent with the Procurement Code, the Auditor may obtain the services of financial professionals, qualified management consultants, or other professional experts necessary to perform his/her duties. An assignment that is performed by contract must be conducted by persons who have no financial interests in the affairs of the governmental unit or its officers. The Auditor will coordinate and monitor auditing performed by professionals or consultants employed under contract by Pinal County.

Audit Reports.

- Each audit will result in a written report containing relevant background information, findings, and recommendations, as required by government auditing standards.
- A draft of the audit report will be forwarded to the responsible Elected Official, department head, Assistant County Manager and County Manager for review and comment regarding factual content before it is released in final form. The Auditor shall correct any verifiable errors in factual content and prepare a final draft for department response.
- The responsible Elected Official or department head shall respond in writing, specifying agreement or reasons for disagreement with the report findings and/or recommendations, along with the department's plan and timetable for implementing recommendations.
- The response must be forwarded to the Auditor within twenty-one (21) days from the date of the draft. The Auditor will include the department's response in the final audit report.
- If no response is received, the Auditor will contact the Elected Official and/or County Manager and advise him/her that no response was received. If response is not forthcoming and received within the following seven days, the Auditor may note that fact in the transmittal letter and release the final audit report at that time.
- The Auditor shall submit the final audit report to the Board or Audit Committee and shall retain a copy as a permanent record.
- The Auditor shall provide the Elected Official or responsible department head, County Manager and Assistant County Manager, with a copy of the final audit report. Additional copies will be made available, upon request.

Follow-up on Audit Recommendations. The Board or Audit Committee may request from the County Manager periodic status reports regarding actions taken to implement audit recommendations and address reported deficiencies. The Auditor may also schedule follow-up audits, with Board approval, to verify implementation of recommendations.

Records. In compliance with government auditing standards, the Auditor shall retain a complete file for each audit report and report of other examinations, investigations,

surveys, and reviews made under Board authority. The file should include audit work papers and other documents necessary to support findings and conclusions included in the audit report. Generally, audit reports and work papers retained by Internal Audit will be subject to open records requests by statute, with only infrequent exceptions that may be granted based on the best interests of the government in protecting a particular record from disclosure.

#### Quality Assurance Reviews

- The activities of Internal Audit shall be subject to quality review every three years, in accordance with applicable government auditing standards.
- The review shall be performed by a professional, independent and objective group utilizing professional government auditing guidelines.
- The purpose of the quality control review is to assure compliance with government auditing standards, assess the quality of the audit effort, and offer recommendations for improvement.
- The County shall reimburse the costs of the quality control review team from funds allocated to Internal Audit's budget.
- The Auditor shall provide the Board or Audit Committee with a copy of the review team's report.