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City of Santa Clara

City Auditor's Office

Citywide Risk Assessment and Proposed 2024 - 2025 Audit Work Plan

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Introduction

Overview

Background

The California Government Code Section 1236 requires all cities that conduct audit activities to conduct their work under the general and specified standards prescribed by the Institute of Internal Auditors (IIA) or the Government Auditing Standards (GAO) issued by the Comptroller General of the United States, as appropriate. The internal audit function will govern itself by adherence to the mandatory elements of the International Standards for the Professional Practice of Internal Auditing (the Standards). According to the IIA Standard 2010, the head of internal audit function "must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals" and consider the input from senior management and a governing board.

The City Auditor's Office (CAO) engaged Baker Tilly US, LLP (Baker Tilly) in 2022 to conduct a citywide risk assessment and prepare an annual audit work plan for five years. The purpose of the internal audit function's risk assessment is to develop an audit plan that assigns internal audit resources to the activities that add the most value to the City of Santa Clara (the City). The risk assessment process involves identifying and measuring risks associated with the audit universe (a list of specific departments, functions, processes, programs, etc. that can be subject to an audit, i.e. auditable units). Risk is defined as "the possibility of an event or condition occurring that will have an impact on the ability of an organization to achieve its objectives."[1]

Audit Planning

This report summarizes Baker Tilly's risk assessment methodology, analysis, and results. The 2024–2025 audit plan proposed in this report is based on the results of this risk assessment. The risk assessment involved collaboration with City Council and senior leadership from 14 main departments across the organization.

In conducting the 2023 risk assessment, we performed the following:

- Updated an understanding of the City's environment, businesses, and objectives
- Met with members of City Council and the Senior Leadership Team representing the major operations and administrative functions of the City
- Reviewed key documentation such as the City Council Priority Matrix, the annual budget documents, financial statements, departmental strategic plans, and prior audit reports
- Conducted a risk assessment survey to gain additional insight from City employees
- Evaluated the results of interviews and documentation reviews and considered industry factors to identify areas of risk to the City

In developing the 2024–2025 Audit Plan, we considered the following:

- Risk assessment – Internal audit activities to target high and moderate risk areas based on the results of the risk assessment
- Adding value – Internal audit activities to add value through independent and objective analysis
- City Council – The CAO reports to the City Council and seeks input on audit priorities
- Coverage and other audits – Consideration of prior and other audits as well as pervasiveness of the process or control to ensure audit coverage and to avoid duplication of efforts
- Scheduling – Consideration of the timing of an audit and other on-going initiatives to avoid putting an undue burden on City staff that may exacerbate the risk at hand or other interrelated risks

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[1] Rick A, Wright Jr., CIA, "The Internal Auditor's Guide to Risk Assessment" The Institute of Internal Auditors Research Foundation (IIARF), 2018

Organizational Strengths

Through the risk assessment, we observed certain strengths of the City. Key strengths include:

- Dedication to the citizens and business community
- High value on financial stability and public safety
- Focus on excellence and affordability
- Highly professional and dedicated management and staff

Risk Assessment Process Considerations

The starting point of the internal auditing is to conduct a risk assessment that is the basis for determining the internal audit activities. However, it is not a one-size-fits-all process. The scope and complexity of risk assessment are affected by various factors such as the maturity level of the internal audit function's products and services, the organization's enterprise risk management (ERM) efforts, coordination with other monitoring and risk management functions, and the stakeholders' expectations. The best practice is to focus on risks related to the achievement of the organization's strategies and objectives. The internal audit risk assessment is often conducted annually, and internal auditors should monitor the environment for changes and emerging risks.

In addition to the annual macro-level risk assessment, the internal audit function is required to perform an engagement-level risk assessment when starting each audit listed in the approved audit plan. The IIA Standard 2200 states, "Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organization's strategies, objectives, and risks relevant to the engagement."

Risk assessment can also be conducted as part of risk management as one of the essential elements of organizational governance. The ERM is defined as "the culture, capabilities, and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving, and realizing value."[2]   The ERM is more than having a list of all the risks for an organization. The COSO's ERM principles covering governance to monitoring (including defining risk appetite and implementing risk responses), apply to all levels and functions of an organization although management has overall responsibility for managing risks and a governing body has an oversight role. The internal audit function may leverage ERM information, if available, for efficiency and quality of its risk assessment.

Fraud Considerations

While managing fraud risks is management's responsibility, internal auditors should consider probability of significant errors, fraud, or noncompliance in exercising due professional care, according to the IIA Standard 1220.A1. For this annual macro-level risk assessment, only general fraud schemes, including the schemes listed in the professional publication and common cyber-attacks, were considered as described in Appendix B. A comprehensive citywide fraud risk assessment is scheduled to be conducted in 2024[3], and the results will be used as the City's fraud risk baseline and considered for the future audit planning.

Like the engagement-level risk assessment described above, the IIA Standard (2210.A2) requires internal auditors to "consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives." Therefore, while we only considered general fraud schemes during this annual risk assessment, potential fraud schemes are considered in detail when an audit is commenced.

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[2] "COSO Enterprise Risk Management-Integrating with Strategy and Performance", The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2017

[3] Item #18, Audit Status Report as of September 30, 2023, File #23-1283, https://santaclara.legistar.com/LegislationDetail.aspx?ID=6411701&GUID=8514483F-4EE0-49F9-BFD0-B61222F98093&Options=&Search=

Risk Assessment Approach

Baker Tilly's risk assessment approach consisted of four phases as illustrated in the graphic below.

2023 RISK ASSESSMENT PHASES	
Planning	• Prepared risk assessment survey questions and the online survey tool. • Scheduled interviews with City Council members and Senior Leadership Team (SLT)
Information Gathering	• Reviewed the key documents such as Council Priority Matrix, the biennial budget documents, the annual comprehensive financial report, departmental strategic plans, audit reports, information on the City's website and other relevant documents. • Distributed a link to the online survey to the selected 56 City employees including SLT members who were not scheduled to be interviewed. The survey responses were downloaded in an Excel spreadsheet. • Interviewed all City Councilmembers and some of the City's managers including SLT members (11 individuals) to identify the events and conditions that may affect the achievement of City objectives • Updated the risk assessment matrix with the information gathered

Analysis	• Analyzed the survey responses
	• Scored the auditable units (listed in **Appendix A**) in the risk matrix based on the likelihood and the impact[4] of potential adverse events
	    ○ Each of the auditable units received scores for various risk factors related to the likelihood or impact (defined in **Appendix B**)
	    ○ Risk factor scores were summed to create a single score for the auditable unit
	• Identified potential internal audit activities for the auditable units with high risk scores

Reporting	• Summarized the approach and results of the risk assessment

Baker Tilly conducted the first risk assessment in 2022 by interviewing all City Council members and SLT members and reviewing key documents and data. The Year 2 risk assessment was conducted as described above to update the first risk assessment. Our risk assessment process primarily measured inherent risk (the risk before mitigating controls/factors are applied) in the City's current environment.

In Year 3, no risk assessment will be conducted in accordance with the contract. However, the existing audit plan will be evaluated based on discussions with City audit staff and amended if necessary. For the fourth year, a full risk assessment and a survey will be conducted.

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[4] Likelihood is the possibility that an event will occur. Impact is the extent to which an event might affect an organization.

Survey Results

The Baker Tilly team conducted an online risk assessment survey to gather management's insights for all City departments and received 38 responses (67.9% response rate). The survey questions are listed in **Appendix C**.
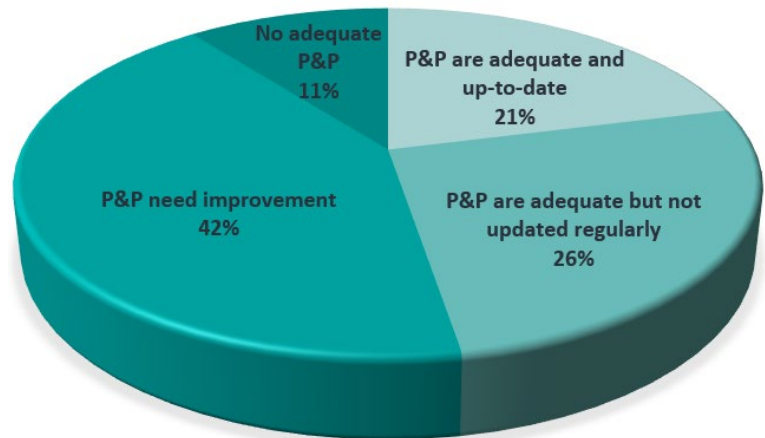
Changes over the past 12 months

All organizations are subject to changing environments that can influence risk to organizations. The COSO[5] *Internal Control – Integrated Framework*[6] highlights the influence of change in one of the 17 principles. Principle 9 states, "the organization identifies and assesses changes that could significantly impact the system of internal control." The survey participants were asked to select all significant changes for their team or department during the last 12 months.

Changes for team or department	# of Response
New/additional staff	25
New workflows or business processes	24
Change in workload	21
Unfilled positions	20
Change in compliance requirements	14
Change in organizational structure	13
New vendors and contractors	12
Change in culture	10
New or significant changes in information technology systems	10
New software	9
Change in goals/objectives/performance measures	8
Significant changes in processes or controls	6
Change in any risks previously identified for your team/department	6
Workforce reduction	5
Increased undesirable performance or instances	2
Change in compliance requirements	1
Other	1

Policies and Procedures

Policies and procedures provide a roadmap for daily operations to ensure compliance with laws and regulations, give guidance for decision-making, and establish standards and internal controls.

The survey participants were also asked to select the current state of the policies and procedures necessary to perform their job responsibilities.

Pie chart:
- No adequate P&P 11%
- P&P are adequate and up-to-date 21%
- P&P are adequate but not updated regularly 26%
- P&P need improvement 42%

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[5] The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is sponsored jointly by five major professional associations headquartered in the United States: the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), Financial Executives International (FEI), the Institute of Internal Auditors (IIA), and Institute of Management Accountants (IMA). https://www.coso.org/

[6] *Internal Control – Integrated Framework* provides principles-based guidance for designing and implementing effective internal controls. This framework has become the most widely used internal control framework in the U.S. https://www.coso.org/guidance-on-ic

Barriers to meeting goals and objectives in 2024

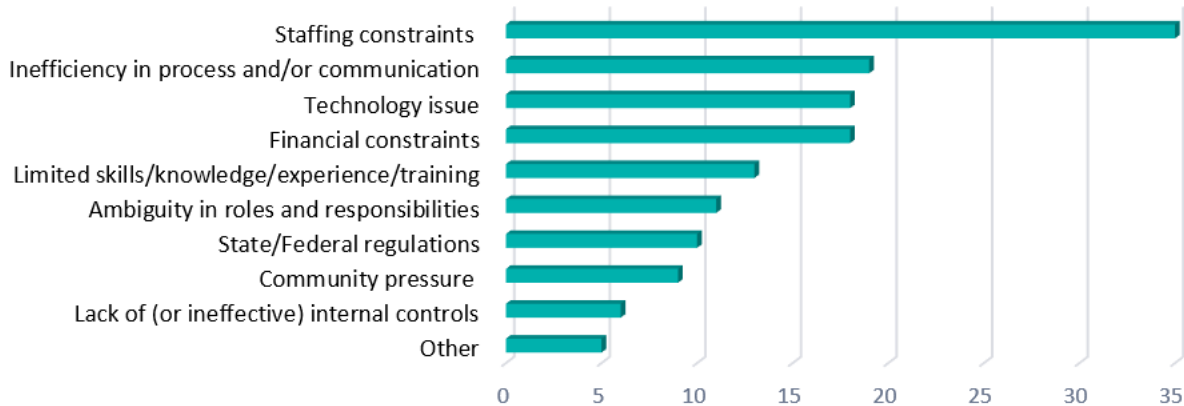The COSO *Enterprise Risk Management—Integrating with Strategy and Performance*[7] provides insight into the links between strategy, risk, and performance through 20 principles. Principle 10 states, "the organization identifies risk that impacts the performance of strategy and business objectives."

The survey participants were asked about their team/department's periodic reporting on significant goals and compliance requirements to monitor the performance. The pie chart shows the results.
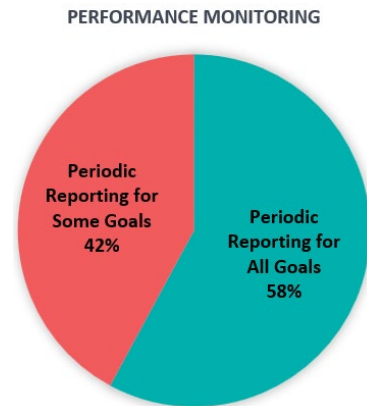
The survey participants were also asked what can possibly prevent their team/department from meeting its goals and objectives in 2024. The results are summarized below.

PERFORMANCE MONITORING

Periodic Reporting for Some Goals 42%

Periodic Reporting for All Goals 58%

Staffing constraints
Inefficiency in process and/or communication
Technology issue
Financial constraints
Limited skills/knowledge/experience/training
Ambiguity in roles and responsibilities
State/Federal regulations
Community pressure
Lack of (or ineffective) internal controls
Other

0   5   10   15   20   25   30   35

Top risk areas selected by the survey participants

Rank	Risk Area
1	Succession Planning
2	Human Capital Management
3	Reputation
4	Resource Allocation
5	Governance
6	Compliance Management
7	Economy
8	Security
9	Efficiency
10	Strategic Change
11	Procurement/Sourcing
12	Technologies
13	Communication
14	Leadership and Authority
15	Regulatory

The survey participants were asked to select and rank the top five risk areas from 31 risk areas listed in the survey. Based on the number of selection and the ranking given by them, the top 15 risk areas were identified.

For the risks they selected:

- 81.6% of the participants think the City management is aware of the risk, but more efforts are needed to help mitigate the risks.

- 10.5% of the participants think the City management is either not aware of the risks or has not developed sufficient activities to help mitigate the risks.

- 7.9% of the participants think the City management is aware of the risks and has implemented activities to help mitigate the risks.

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[7] *Enterprise Risk Management—Integrating with Strategy and Performance* addresses the need for organizations to improve their approach to managing risk to meet the demands of an evolving business environment. https://www.coso.org/guidance-erm

Risk Assessment Results

Citywide Key Risk Areas

Baker Tilly conducted interviews with members of the City Council and a few members of the Senior Leadership Team and reviewed the survey responses from the selected City employees. Baker Tilly asked them to describe the areas they view to be the top five risks facing the City overall, regardless as to whether it is specific to their area of focus/department or not. The following is a list of risk themes identified in those interviews and survey responses:

- Strategic Workforce Planning
- Resource Management
- Organizational Governance
- Compliance and Legal Risks
- Information Technology

Strategic Workforce Planning

- *Succession Planning* – As the City experienced turnover in key leadership positions in recent years, many of interviewees and survey respondents expressed a concern on the City's planning to ensure that there are highly qualified people for leadership positions for the coming years. They expect many individuals with managerial positions to retire over the next several years. A robust citywide succession planning helps the City identify, develop, and train future leaders strategically and retain qualified employees while retention and recruitment continue to be challenging.

- *Staff Development* – Human capital management is critical to the effectiveness of the City's operations. It requires investment in the workforce by enhancing employees' skills with on-going training and education and monitoring their performance regularly. On-going training should include sharing institutional knowledge through cross-training and documented policies and procedures. Regular performance monitoring against well-designed and well-defined performance measures helps the development of employees and alignment of their performance with the City's goals. Successful staff development can result in higher productivity, increased morale, and better retention rates.

Resource Management

- *Resource Allocation* – Efficient resource allocation is important for the City to operate effectively. Some survey respondents mentioned redundancies in a process and responsibilities of staff while others noted the multiple hats employees wear in order to keep up with the workload as well as inadequate resources to meet the compliance requirements. As the City continues to change its population, environment, infrastructure, services, and complexity, it needs to continue to monitor and adjust the allocation of the City's limited resources to provide an acceptable level of services to its citizens and comply with various laws and regulations. Careful strategic planning and prioritization of resource allocation is pivotal for driving economic growth and promoting social welfare.

- *Funding* – The City faces difficult budget reductions necessary to bring the budget into balance. As a result, some essential accounts, programs, and capital projects remain unfunded.

Governance

- *Leadership* – Effective local government governing body and officers must think and act strategically and collaborate with a network of community entities and institutions at the national, state, and local level. Operating in an environment where there are numerous stakeholders and key partners can strain the governance system and impair the ability to meet citizens' needs and organizational objectives. A city's reputation comes from perceptions of effective government that is affected by leadership.

Compliance/Legal

– *Compliance with Laws, Regulations, and Contracts* – The City has a complex regulatory compliance environment, in which the City must comply with numerous laws and regulations, local ordinances, contracts and grant agreements, and policies and procedures. The survey respondents noted inadequate resources to maintain compliance with changing requirements. Failure to track and update relevant laws and regulations may lead to external audit findings, fines, reputational harm and other negative outcomes.

– *Litigation – The City has been involved in multiple lawsuits and settlements in recent years.*

Information Technology

– *Cybersecurity* – Ransomware and malware attacks are growing threats facing all municipal governments. These cyberattacks may result in significant financial losses, costly service disruption, and loss of information. The City faces similar threats on a daily basis and seeks to ensure that its information security practices and controls mitigate these risks. Some survey respondents, however, mentioned inadequate resources to improve security measures.

Department Descriptions and Key Risk Areas

When identifying risks for the City, Baker Tilly considered each department and associated risks. The concerns listed by the interviewees included limited staffing and succession planning, specific accounts or programs with limited or no funding, aged infrastructure, lawsuits, and drought. Based on these concerns, departments' functions, and their inherent risks, Baker Tilly identified the auditable risk areas for each department. Below is an overview of the City's departments and their key risk areas.

City Attorney's Office

The City Attorney's Office provides hearing and trial counsel services and other legal advisory services such as review/negotiation of contracts, preparation of resolutions and ordinances, attendance to all meetings of the City Council, and response to legal inquiries.

Key Risk Areas
– Case management
– Conflict of interest monitoring

City Clerk's Office

The Elected City Clerk administers City elections. The Assistant City Clerk is responsible for various day-to-day operations, including attending and maintaining records of City Council and public meetings; complying with Records Retention Schedule; responding to Public Records Act requests, and administering campaign and disclosure laws.

Key Risk Areas
– Public Records Act compliance
– Records retention program

City Manager's Office

The City Manager's Office supports the City Council with policy decision making, provides direction and support to all City departments, and is responsible for strategic planning, citywide emergency preparedness, economic development, community outreach and engagement, property management, special projects, and implementation of Council direction. It also provides general administration for citywide programs, citywide strategic programs and initiatives (such as sustainability), convention center, and stadium operations.

Key Risk Areas
– Property management
– Convention center operation
– Stadium operation
– Business continuity plan for the City departments

Community Development Department

The Community Development Department's primary objectives are maintenance of the General Plan, proactive land use planning to meet the future needs of the community, delivery of professional services such as development review and permitting and inspection services, and administration of programs related to affordable housing.

Key Risk Areas
- Building permitting & inspection
- Housing inspection
- Development projects review
- Code enforcement
- Affordable housing program

Electric Utility Department

The Electric Utility Department (Silicon Valley Power, or SVP) owns power generation facilities, has investments in joint ventures that produce electric power, and trades power on the open market. SVP delivers electricity to the residents and businesses and provides diverse services such as dispatch services to all City departments, outdoor Wi-Fi services, dark fiber leasing service, and energy efficiency programs.

Key Risk Areas
- Power Purchase Agreements
- Safety program
- Compliance program
- Procurement and contract management
- Work Order and Asset Management
- Cybersecurity
- Construction project controls

Finance Department

The Finance Department administers the City's financial affairs. Departmental functions include budget; general accounting; financial reporting; collection of taxes, fees, special assessments, utility charges; investment; procurement; City Warehouse operations; and debt management.

Key Risk Areas
- Procurement Card Administration
- Vendor master file
- Timesheet processing
- Utility billing and collection process
- Investment management
- Warehouse/inventory management

Fire Department

The Fire Department provides fire and emergency services organized into Administration and six divisions: Field Operations (first responders providing immediate services); Emergency Medical Services (first responder medical services); Community Risk Reduction (fire prevention activities and hazardous materials regulation by providing plan review and inspection services); Training (State and Federal certification programs); Administrative (grant management, payroll processing, budget development, etc.); Office of Emergency Services (emergency preparedness activities and disaster management plans).

Key Risk Areas
- Overtime
- Field inspection services
- Training
- Emergency medical services

Human Resources Department

The Human Resources Department is responsible for Benefits, Compensation, Recruitment, Testing, Classification, Employee and Labor Relations, Equal Employment Opportunity, Workers Compensation/Safety, and Employee development. The department also negotiates the Memorandum of Understanding agreements with bargaining units.

Key Risk Areas
- Staff development and succession planning for the City departments
- Workers' Compensation and Safety
- Employee records management

Information Technology Department

The Information Technology Department's IT service provider provides most IT services including enterprise computing (City data centers and network), service desk, end-user support, application management, configuration and maintenance of over 150 applications, and security services (including security incident and event management). The City IT employees are responsible for IT governance and budget.

Key Risk Areas
- Cybersecurity Assessment
- Managed Service Provider (MSP) contract management
- Application portfolio management
- Data management

Library Department

The Library Department has three libraries throughout the City and also provides Bookmobile service. It offers physical and digital collection of books/movies/music, technology and information access, literacy instruction, and programming such as young adult activities. The Library Department establishes partnerships with community organizations to leverage resources.

Key Risk Areas
- Memorandum of Understanding with the Santa Clara Library Foundation & Friends
- Fee collection
- Purchasing

Parks and Recreation Department

The Parks and Recreation Department consists of the Parks Division (planning, development, operation, maintenance and rehabilitation of City parks); the Recreation Division (classes and programs); the Cemetery Division (maintaining 33,000 interment sites), and the Senior Nutrition Program Division (a meals program). The Department offers the public facility rentals, community services, cultural programs, and special events.

Key Risk Areas
- Park infrastructure
- Park revenue

Police Department

The Police Department is broken down into four divisions. The Field Operations Division is comprised of uniformed personnel that respond to calls for service and initiate proactive contacts. The Investigations Division, which includes the Records Unit, handle follow-up investigations and bring cases forth for criminal prosecution. The Special Operations Division oversees law enforcement services for any major event within the city, including Levi's Stadium. The Administrative Services Division encompasses the department's Training Unit, School and Community Services, and 911-Communications Center.

Key Risk Areas
- Overtime
- Body-worn cameras
- Use of force policies
- Evidence processing and storage
- Case management

Department of Public Works

The Department of Public Works is responsible for design, construction, and maintenance of the City infrastructure. The five divisions for engineering services are Administration, Traffic, Design, Land and Property Development, and Field services divisions. Operation and maintenance is provided by Facilities Services, Streets, and Fleet Management divisions.

Key Risk Areas
- Construction project controls
- The Americans with Disabilities Act (ADA) compliance
- Maintenance service requests
- Grant management
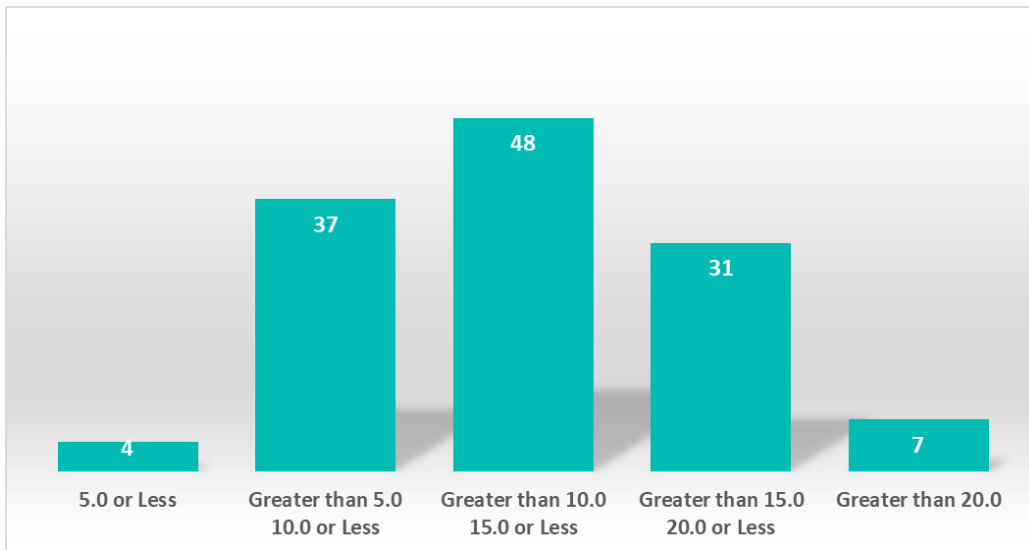
Water and Sewer Utilities Department

The Water and Sewer Utilities Department provides planning, design, construction, maintenance, and operation of the City's water distribution system, sewer collection system, and recycled water system. The City jointly owns the San Jose-Santa Clara Regional Wastewater Facility.

Key Risk Areas
- Construction project controls
- Water conservation and sustainability programs
- Rate setting practices
- Work order and asset management

Overall Risk Scoring Distribution

Baker Tilly structured the audit universe based on the department/division/program from the budget document and management's feedback, which resulted in 127 auditable units (**Appendix A**). We scored them based on the information gathered for each risk factor related to the likelihood, impact, or fraud. **Appendix B** lists the risk factors, definitions, and scoring method. The maximum score for an auditable unit is 30. The following chart shows the distribution of overall risk scoring.

4	37	48	31	7
5.0 or Less	Greater than 5.0 10.0 or Less	Greater than 10.0 15.0 or Less	Greater than 15.0 20.0 or Less	Greater than 20.0

Baker Tilly rated the auditable units as follows:

- High Risk – Scores 16 and above
- Moderate Risk – Scores more than 9 and less than 16
- Low Risk – Scores below 9

On the following page, you fill find the auditable units with a score over 14.5 based on our scoring. The list includes 29 functions rated as high risk (with a score between 16 and 30) and 13 functions rated as moderate risk (with a score between 14.5 and 16). The auditable units with the highest risks do not automatically appear in the new audit plan because some audits may have been already completed or currently being conducted[8], timing of an audit will not be ideal due to a change being/that will be implemented by a department in a coming year, and so on. In determining the audit activities to be performed in 2024 and 2025, we further reviewed specific risks and functional areas and considered risk-based priorities as well as other factors such as requirements by law or regulation, timing of activities, special projects, and requests from City Council and management. The proposed audit plan is included in the next section of this report.

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[8] As noted on page 3 of this report, scoring/rating is based on inherent risks (the risk before mitigating controls/factors are applied), which result in some audit units' repeated appearance in the top risk group unless risk scoring changes due to new events and/or a change to the conditions.

	Already audited	Included in the Proposed Audit Plan

Department	Function	Risk Area	Total Risk Score
Electric Utility	Utility Operations - Substation Maintenance	Cybersecurity / Work order and asset management / Construction project controls / Safety program	23.2
Electric Utility	Utility Operations - Transmission & Distribution	Cybersecurity / Work order and asset management / Construction project controls / Safety program	23.2
Electric Utility	Utility Operations - Generation	Cybersecurity / Work order and asset management / Construction project controls / Safety program	23.0
Police	Field Operations - General Patrol	Overtime / Body-worn camera management / Use of force policies	22.7
Electric Utility	Utility Operations - Power System Controls	Cybersecurity / Work order and asset management	22.0
Electric Utility	Utility Operations - SVP Systems Support	Cybersecurity	21.8
Fire	Field Operations	Overtime	20.1
Police	Administrative Services - Departmental Support	Evidence processing and storage	19.8
Public Works	Streets	Maintenance service requests / Grant management	19.7
Police	Investigations - Records	Case management	19.5
City Manager's Office	Convention Center	Convention center operation	19.2
Community Development	Building - Field Inspection	Building inspection process	19.1
Community Development	Building - Permit Services	Building permitting process	18.7
Parks & Recreation	Parks	Park operations (Infrastructure and revenue)	18.4
Finance	General Accounting	Payroll (including timesheet processing) / Vendor master file	18.1
City Manager's Office	Stadium Operations	Stadium operation	17.7
Public Works	Engineering - Traffic	Grant management / Administration of the Shared Mobility Permit Program	17.5
Electric Utility	Resource Planning & Engagement - Resource Management	Power Purchase Agreements / Energy wholesale trading risk management	17.3
Police	Administrative Services - Administration	Record management	17.3
Human Resources	Employee Benefits and Records - Workers' Compensation & Safety	Safety program	17.2
Information Technology	Contract Services	Cybersecurity / Managed Service Provider (MSP) contract management	17.2
Community Development	Building - Plan Review	Building permitting process	17.1
Police	Administrative Services - 911 Dispatch/Communications	911 Dispatch operations	16.8
Police	Field Operations - Traffic	Traffic enforcement	16.8
Electric Utility	Utility Operations - Electric Compliance	Compliance program	16.7
Human Resources	Recruitment, Classification and Staff Development - Selection & Classification	Citywide succession planning and staff development/ Employee records management	16.6
Library	Administration	Memorandum of Understanding (MOU) with the Santa Clara Library Foundation & Friends	16.3
Water and Sewer Utilities	Water Construction,Maintenance,Operations - Water Construction	Construction project controls	16.3
Water and Sewer Utilities	Water Construction,Maintenance,Operations - Water System Operations	Rate setting practices	16.2
Information Technology	Enterprise Services - Application Services	Application portfolio management / Data classification / Payment Card Industry Data Security Standard (PCI DSS) compliance	15.8
Police	Administrative Services - Professional Standards	Training	15.8
City Manager's Office	Citywide Strategic Programs & Initiative	Property management / Santa Clara Tourism Improvement District (SCTID)	15.7
City Manager's Office	Leadership and Management Services - Day to Day Operations	Business Continuity / Enterprise Risk Management	15.6
Finance	Purchasing	Procurement process (including procurement card administration)	15.5
Public Works	Engineering - Field Services	Construction project control / ADA Compliance	15.4
Water and Sewer Utilities	Water Engineering - Water Resources	Water conservation and sustainability programs	15.2
Community Development	Building - Code Enforcement	Code enforcement	15.1
Water and Sewer Utilities	Sewer - System Maintenance	Work order process and asset management	15.0
City Clerk's Office	Assistant City Clerk - Public Information/Legislation Records Management	Public Records Act process efficiency and effectiveness / Record management and retention program	14.8
Electric Utility	Resource Planning & Engagement - Greenhouse Gas Program	Renewable energy program	14.7
Police	Investigations - General Investigation	Case management	14.6
Finance	Municipal Services - Utility Billing Services	Utility billing and collection process	14.6

Proposed 2024 - 2025 Audit Plan

Summary

The projects included in the approved 2023-2024 audit plan were originally selected from the auditable units that were rated as High or Moderate as a result of the first risk assessment in 2022. The selection was made based on some factors such as risk rating, the pervasiveness of the process or control, the audit coverage, the timing of projects, and the value-adding activities that help the City enhance the ability to manage risks, strengthen accountability, and improve efficiency and effectiveness. Based on the CAO budget for the audit plan execution, two audits listed in the approved audit plan were initiated in 2023.

The proposed 2024-2025 audit plan was prepared by updating the 2023-2024 audit plan based on new information obtained on the listed projects and the results of the Year 2 risk assessment. The proposed audits and CAO projects for 2024 through 2025 are listed in the next page and include the following:

- Citywide processes: Succession Planning & Staff Development Review; Record Management and Retention
- Finance: Purchasing Process Review
- Compliance: Overtime Review; SVP Compliance Program Review; Review of Library Memorandum of Understanding with the Santa Clara Library Foundation & Friends
- Operations: SVP Safety Program Review; Park Operation Review
- Efficiency and effectiveness improvement: Code Enforcement Review
- Capital assets: Construction Project Control Assessment; Work Order Process and Asset Management
- CAO project: Follow-up on prior audits' corrective actions

The preliminary audit objectives are described for each audit listed. These objectives and scope of each audit activity will be further defined based on the result of an audit planning risk assessment process performed at the beginning of each activity.

The proposed 2024-2025 audit plan consists of a variety of projects for a 24-month period to provide multiple project options to adjust the timing of audits among departments and divisions. It also incorporates time for follow-up on the corrective actions identified by management for the completed audits. The completion of the audit plan depends on the availability of the budget for a contractor to execute it. The audit plan will be updated annually based on the results of an annual risk assessment. However, amendments to the approved audit plan may be proposed during a year in response to changes in the City's environment such as organizational structure, operations, risks, systems, and controls.

Proposed Audit Plan for 2024 - 2025

Department	Project Title	Preliminary Audit Objectives	Estimated Hours
Electric Utility Department Information Technology Department	Cybersecurity assessment	• Map current state security capabilities to the NIST Cybersecurity Framework and/or other industry specific frameworks and evaluate the maturity of current security processes • Identify current risks related to weaknesses in the City's cybersecurity program • Identify target state objectives utilizing the Capability Maturity Model (CMMI) and develop recommendation to meet the objectives	650
Human Resources / Citywide	Citywide succession planning and staff development	• Determine whether adequate policies and procedures are in place for developing and maintaining a citywide succession plan to ensure continuity in key positions for all departments. • Determine whether the City provides adequate personal professional development training to staff to ensure that qualified staff are prepared to assume increased responsibilities when necessary.	300
Finance Department	Purchasing	• Determine whether adequate controls are in place and working effectively to ensure that the appropriate vendors are selected in a timely manner and monitored properly to achieve desired objectives. • Determine whether procurement cards are administered to ensure that only the authorized users can make purchases in accordance with the requirements and guidelines. • Determine whether internal controls over procurement card transactions are in place and working effectively to prevent and detect errors and irregularities, including duplicate, unauthorized, or improper transactions.	450
Police Department Fire Department	Public safety personnel overtime	• Determine whether adequate policies and procedures are in place to ensure the appropriate usage of overtime for the public safety personnel. • Determine whether the overtime practices, including recording and reporting, comply with the City's policies and procedures.	360
Electric Utility Department	Safety program	• Determine whether the Electric Utility Department has adequate mechanisms in place to identify and mitigate the safety hazards at workplace. • Determine whether the Electric Utility Department's internal controls are working effectively to ensure a safe workplace.	400
Parks & Recreation Department	Park operation	• Determine whether the internal controls over the maintenance of parks are working effectively to ensure safety. • Determine whether the internal controls over fee collection are working effectively.	360
Department of Public Works	Construction project control assessment	Determine whether internal controls over construction projects are adequate and working effectively.	360
Community Development Department	Code Enforcement	Assess the efficiency and effectiveness of the code enforcement process.	350
Electric Utility Department	Compliance program	• Determine whether the Electric Utility Department had adequate mechanisms in place to keep track of all federal, state, and other compliance requirements.. • Determine whether the Electric Utility Department assess risks associated with each compliance requirement and monitor the compliance status to ensure that the requirements are met.	300
Library Department	Memorandum of Understanding (MOU) with the Santa Clara Library Foundation & Friends	Determine whether the internal controls to monitor the compliance with the MOU requirements are in place and working effectively	240
Water and Sewer Utilities Department	Work order process and asset management	Determine whether the internal controls over the work order process are adequate and working effectively.	420
City Clerk's Office	Record management and retention program	• Determine whether citywide record management and retention policies and procedures are properly established in accordance with laws and regulations. • Determine whether internal controls are working effectively to ensure compliance with the record management and retention policies and procedures.	300
Community Development Department Electric Utility Department	Follow-up on corrective actions	Follow up on previous audit reports to ensure corrective actions included in management responses in each completed audit report.	80

Appendices

Appendix A: Audit Universe

City Attorney's Office
Administration
Litigation

City Clerk's Office
Assistant City Clerk - Council/Administration Support
Assistant City Clerk - Public Information/Legislation Records Management
Assistant City Clerk - Political Reform Act
Elected City Clerk - Election

City Manager's Office
City Council Support - Policy Support for Decision Making
City Council Support - Intergovernmental Relations & Advocacy
Leadership and Management Services - Day to Day Operations
Leadership and Management Services - Strategic Planning
Leadership and Management Services - Community Outreach & Engagement
Citywide Programs
Stadium Operations
Citywide Strategic Programs & Initiative
Convention Center

Community Development Department
Planning- Development Review
Planning- Advanced Planning
Planning- Historical Preservation
Planning- Code Enforcement
Building - Plan Review
Building - Permit Services
Building - Field Inspection
Building - Code Enforcement
Housing Inspection
Housing and Community Services - Federal State Grant
Housing and Community Services - Neighborhood Conservation and Improvement Program
Housing and Community Services - Tenant Based Rental Assistance Program (Funded by HUD HOME)
Housing and Community Services - Below Market Rate Rental Program (BMR)
Housing and Community Services - Below Market Rate Purchase Program (BMP)
Housing and Community Services - Community Development Housing Successor Fund
Housing and Community Services - Housing Development Lending (Various Funds)

Electronic Utility Department
Administrative and Financial Services
Resource Planning & Engagement - Risk Management
Customer Develop. & Project Man. - Key Accounts
Customer Develop. & Project Man. - Fiber Program
Customer Develop. & Project Man. - SVP Engineering
Resource Planning & Engagement - Public Benefits
Resource Planning & Engagement - SVP Electric Vehicle Program
Resource Planning & Engagement - Greenhouse Gas Program
Resource Planning & Engagement - Resource Management
Resource Planning & Engagement – LCRE Program
Utility Operations - Electric Compliance
Utility Operations - SVP Systems Support
Utility Operations - Power System Controls
Utility Operations - Communications & Meter Technical Support
Utility Operations - Substation Maintenance
Utility Operations - Transmission & Distribution
Utility Operations - Generation

Finance Department
General Accounting
Citywide Fiscal Planning & Administration
Budget & Financial Analysis
Municipal Services - Utility Billing Services
Municipal Services - Revenue Receipt-Cashiering
Municipal Services - Business Certificate

Municipal Services - Field Service
Municipal Services – Administration
Municipal Services - Contact Center/Communication
Purchasing
Purchasing - Warehouse

Fire Department
Administration
Community Risk Reduction - Development Services
Community Risk Reduction - Non-Development Services
Community Risk Reduction - Administration/Investigation/Education
Community Risk Reduction - Certified United Program Agency (CUPA)
Emergency Medical Services
Field Operations
Office of Emergency Services
Training

Human Resources Department
Employee Benefits and Records – Compensation
Employee Benefits and Records - Workers' Compensation & Safety
Recruitment, Classification and Staff Development - Selection and Classification
Recruitment, Classification and Staff Development - Labor Relations

Information Technology Department
Enterprise Services - Application Services
Enterprise Services - IT Web Services
Enterprise Services - GIS Services
Infrastructure and Support
Contract Services
Telecommunication Services

Library Department
Administration
Adult Services
Branch Services - Mission Library
Branch Services - Northside Branch
Branch Services - Bookmobile & Mobile Library Services
Customer Services
Facilities
Technical and Technology Services
Youth Services

Parks and Recreation Department
Administration
Parks
Recreation
Cemetery

Police Department
Administrative Services - Administration
Administrative Services - Professional Standards
Administrative Services - Departmental Support
Administrative Services - Community Services
Administrative Services - 911 Dispatch/Communications
Field Operations - General Patrol
Field Operations – Traffic
Field Operations - Emergency Response/Temporary Holding Facility
Investigations - General Investigation
Investigations - Special Enforcement Team
Investigations – Records
Special Operations – General
Special Operations - Specialized Teams
Special Operations - Reserves

Department of Public Works
Engineering – Traffic
Engineering – Design
Engineering - Land and Property Development
Engineering - Field Services

Facility Services
Fleet Management
Streets

Water and Sewer Utilities Department
Recycled Water Program - System Maintenance
Recycled Water Program - Storm Pump Maintenance
Sewer - System Administration
Sewer - System Maintenance
Sewer – Operations
Sewer - San Jose-Santa Clara Water Pollution Control Plant
Sewer - Storm Pump Maintenance
Solar Utility - System Maintenance
Water Engineering - Admin Design
Water Engineering - Water Quality
Water Engineering - Water Resources
Water Construction, Maintenance, Operations - Water System Maintenance
Water Construction, Maintenance, Operations - Water Construction
Water Construction, Maintenance, Operations - Water System Operations

Appendix B: Risk Factor Definitions

Factor	Definition	Weight
Impact Factors (the effect on the organization)		
Magnitude	A measure of materiality based on pervasiveness or volume of dollars or transactions; Scores based on the budgeted expenditure amount Extreme - 5: $50M or more Material - 4: $10M or more; Less than $50M Significant - 3: $3M or more; Less than $10M Moderate - 2: $1M or more; Less than 3M Inconsequential - 1: Less than $1M Added 1 to the magnitude of the Information Technology Department due to the pervasive nature of its work	30%
Customer / Resident Experience	Negative experience by customers and residents, such as perceived or actual safety concerns and unsatisfactory services, impacts negatively on the reputation / credibility of the organization Extreme - 5: Direct impact on health and safety Material - 4: Direct impact on transparency Significant - 3: Direct impact on customer satisfaction/City's reputation Moderate - 2: Indirect impact on customer satisfaction/City's reputation Inconsequential - 1: Immaterial impact on reputation / credibility	35%
Achievement of Organizational Goals	The greater the effect that a department or process has on the organization meeting strategic objectives and goals, the greater the related risks Extreme - 5: Directly relates to the City Council Priorities Material - 4: Supports the function/process directly related to the City Council Priorities Significant - 3: Has performance/workload measures related to City Council Priorities Moderate - 2: Somewhat relates to the City Council Priorities Inconsequential - 1: Does not relate to City's City Council Priorities	35%
	HIGHEST TOTAL SCORE FOR IMPACT: 5	100%
Likelihood Factors (the probability of the risk occurring)		
Complexity	A measure of the difficulty in performing a process or function. As a process or function becomes more complex, the greater the opportunity for errors 5 - Very high complexity 4 - High complexity 3 - Medium complexity 2 - Low complexity 1 - Very low complexity	25%
Policies and Procedures	Policies and Procedures are a complete set of written instructions that guide personnel in the successful execution of their duties and the duties of the office for which they work. If the policies and procedures are adequate and up-to-date, a risk is lower 5 - No or little written P&P 4 - Some written P&P 3 - Basic P&P requiring improvements 2 - Adequate but outdated P&P 1 - Adequate and up-to-date P&P or Not Applicable	10%
Regulatory Compliance	Measures the existence of and potential noncompliance with, government regulations and other applicable laws, standards, and policies/procedures 5 - Requirements to meet more than a few laws/regulations and professional standards specific to the division's responsibilities 3 - Requirements to meet one or two laws/regulations and professional standards specific to he division's responsibilities 1 - No requirement to meet any laws/regulations or professional standards specific to he division's responsibilities	25%
Monitoring	Consider the existence of monitoring activities, including the results of last audits by Internal Auditor, External Auditor, Regulators, etc. and other known deficiencies 5 - Overall, there is no mechanism to monitor the status of performance goals/compliance requirements 3 - For only some of significant performance goals/compliance requirements, there is a periodic reporting process to ensure performance goals/compliance requirements are met 1 - For all significant performance goals/compliance requirements, there is a periodic reporting process to ensure performance goals/compliance requirements are met	10%
Specific Risks	Consider the existence of specific risk events/conditions and their significance 5 - Identified risk event(s)/condition(s) seem to significantly affect the likelihood 3 - Identified risk event(s)/condition(s) seem to have some impact on the likelihood 1 - No or very minor risk event(s)/condition(s) have been identified	30%
	HIGHEST TOTAL SCORE FOR LIKELIHOOD: 5	100%
Other Risk Factor		
Fraud Schemes	Consider the susceptibility to fraud, which is the opportunity for employees/vendors/customers/fraudsters to misappropriate resources or defraud the organization* 5 - High Risk 3 - Moderate Risk 1 - Low Risk	100%
	HIGHEST TOTAL SCORE FOR OTHER: 5	100%
	HIGHEST TOTAL SCORE 30	

* Considered fraud schemes listed in the Fraud Tree provided in the "Occupational Fraud 2022: A report to the Nations" by Association of Certified Fraud Examiners. Also considered are cyber fraud schemes.

Appendix C: Survey Questions

The City Auditor's Office is conducting the 2023 Risk Assessment to identify and prioritize risks in order to update the annual audit plan. As part of our 2023 Risk Assessment, we are conducting a survey. This survey is used primarily to collect information related to changes in operations, emerging issues and risks the City faces, and to gather your perspective on key risks faced by your department. Your candid responses would be greatly appreciated to assess the risks that prevent the City of Santa Clara from achieving its mission, goals, and objectives.

1. **Please provide your name, title, department, and email address:**
   - Name
   - Title
   - Department
     - Mayor and City Council Offices
     - City Attorney's Office
     - City Clerk's Office
     - City Manager's Office
     - Community Development
     - Electric Utility
     - Finance
     - Fire
     - Human Resources
     - Information Technology
     - Library
     - Parks and Recreation
     - Police
     - Public Works
     - Water and Sewer Utilities
   - Email address

2. **Describe any significant changes for your team or department during last 12 months. Click on all that apply.**
   - New software
   - New workflows or business processes
   - Significant changes in processes or controls
   - New or significant changes in information technology systems
   - Change in organizational structure
   - Change in culture
   - Workforce reduction
   - Unfilled positions
   - New/additional staff
   - New vendors and contractors
   - Change in workload
   - Change in compliance requirements (due to changes in policies, contracts, laws, or regulations)
   - Change in goals, objectives, or performance measures
   - Increased undesirable performance or instances (such as injuries, complaints, customer dissatisfaction, etc.)
   - Change in any risks previously identified for your team/department
   - Other (please specify)

3. **Describe the complexity of the key processes in your team or department:**
   Complexity is a measure of the difficulty in performing a process or function. As a process or function becomes more complex, the greater the opportunity for errors.
   - Very high complexity
   - High complexity

- Medium complexity
- Low complexity
- Very low complexity

Please provide any comment related to complexity, if any.

4. **Are there adequate and up-to-date documented policies and procedures to perform your job responsibilities?**
   - Yes, documented policies and procedures are adequate and up-to-date
   - Documented policies and procedures are adequate but not updated regularly
   - Documented policies and procedures need improvement
     No – Please describe how the responsibilities and requirements are communicated in a clear and consistent manner.

5. **Please select the compliance requirements with applicable Federal/State/Local laws and regulations and professional standards (e.g. CEQA, NERC, OSHA, EMT licensure/certification, California Data Privacy, HIPAA, GAAP) for each of divisions/functions of your department listed below:**
   - More than a few laws/regulations and/or professional standards specific to the division's responsibilities need to be met
   - One or two laws/regulations and/or professional standards specific to the division's responsibilities need to be met
   - No requirement to meet any laws/regulations or professional standards specific to the division's responsibilities

6. **Describe what can possibly prevent your team/department from meeting its goals and objectives in 2024. Select all that apply.**
   - Financial constraints
   - Staffing constraints
   - Limited skills, knowledge, experience, training
   - Technology issue
   - Inefficiency in process and/or communication
   - Ambiguity in roles and responsibilities
   - Lack of, or ineffective, internal controls
   - Community pressure
   - State/Federal regulations
   - Other (please specify)

7. **Describe the activities to monitor the achievement of the goals in your team or department:**
   Example – Periodic reporting, periodic meetings, spot checks by management, periodic audits by external organizations such as consultants and the Federal government, etc.
   - For all significant performance goals/compliance requirements, there is a periodic reporting process to ensure performance goals/compliance requirements are met
   - For only some of significant performance goals/compliance requirements, there is a periodic reporting process to ensure performance goals/compliance requirements are met
   - Overall, there is no mechanism to monitor the status of performance goals/compliance requirements

   Please provide comments related to monitoring the achievement of your department's goals, if any.

To help us identify potential risks, please list your team/department's Strengths, Weaknesses, Opportunities, and Threats (SWOT) for achieving its missions, goals, and objectives. Typically, strengths and weaknesses are internal aspects of team/department/organization, while opportunities and threats are found externally.

8. **Describe up to three STRENGTHS of your team or department:**
   Strengths refer to the resources or capabilities that help the team/department accomplish its mission and serve the public. These can be things like competitive advantages, available resources, engaged community, strong balance sheet, utilized technology and so on.

9. **Describe up to three WEAKNESSES of your team or department:**
Weaknesses refer to the areas where the team/department needs to improve to accomplish its mission. These can include things like deficiencies in resources and capabilities, inefficient use of available technologies, barriers or inability to collaborate among different departments, lack of effective communication, mission or direction, high levels of debt, financial or human resources constraints and so on.

10. **Describe up to three OPPORTUNITIES for your team or department:**
Opportunities are any area where the team/department can grow. They are often related to the organization's strengths. Outside factors that affect the organization in a favorable way can include things like; offering more products or services to citizens, lower costs through new technology and so on.

11. **Describe up to three THREATS for your team or department:**
Threats include the local or national economy, laws and regulations and any other external issue that can harm or affect the team/department successfully meeting goals. Common threats include things like rising costs for housing/living, increasing competition, tight labor supply, billing rates and so on.

12. Using the risks listed in the risk framework below, please select what you consider to be the top five enterprise risks to the City of Santa Clara.

Environmental (factors external to the organization)

- Reputation - The opinions and perceptions of the public and customers toward the organization.
- Regulatory - Laws and standards, which the organization must comply with in its operations.
- Citizen Demands - The effect that current citizens demands have on the decisions made by management for aligning tactical plans with the business strategy and the allocation of resources.
- Economy - The effect that current external conditions have on the decisions made by management for aligning tactical plans with the business strategy and the allocation of resources.
- Legal - The potential for an unforeseen event to cause civil or criminal litigation for the organization or its elected leaders, directors, officers, and employees.
- Technologies - The evolution of technology both within and outside of the organization's industry.

Strategy (planning and decision-making)

- Strategic Change - The ability of the organization to modify its processes in order to either align with its current strategy and business model or to achieve a different strategic goal.
- Investments - The portfolio of both intangible and tangible investments held by the organization, and the implications of these assets on the resources, financial viability, and operations of the organization. The effect on liquidity the ability of current assets to meet current liabilities when due.
- Planning and Budgeting - Details of the organization's goals and the financial management necessary to achieving those goals.
- Financial - The goals of the organization in terms of the structure of its assets and liabilities, including the financing capability based on its credit worthiness, the ability to receive credit and the use of credit lines to achieve its business objectives.
- Inter-government Relations - The relationship of the organization with other government agencies that have regulatory and oversight responsibilities and shared services or citizens.
- Compliance Management - The continuous monitoring of the organization's ability to operate within regulatory requirements and community standards.
- Resource Allocation – The process for assigning and managing assets that support the organizations strategic goals.

Organization (attributes of departments)

- Governance - The role, composition, and major activities of the governing body of the organization in providing direction and oversight for the organization
- Empowerment and Values - The ability of senior members of the organization to effectively delegate power or authority to other members of the organization.
- Communication - The methods of communication commonly used in the organization and the effectiveness of this communication on the operations of the organization.

- Ethics and Code of Conduct - The set of rules outlining the ethical practices expected of management and employees of the organization.
- Leadership and Authority - The members of the organization who hold power and their ability to exercise this power effectively.
- Organizational Structure - The configuration of units and workflows to align the behavior of the units to the higher-level goals of the organization.
- Succession Planning - The planning and processes to ensure that there are highly qualified people in key leadership positions today and in the future.
- Human Capital Management - The set of practices an organization uses for recruiting, managing, developing, and optimizing employees, including performance management (The process of creating expectations for performance, monitoring progress, and measuring the results) and training (The ability for employees to gain and develop necessary tools to ensure effective operations).
- Safety - The organization strives to provide a safe working environment by effectively mitigating the risks to the safety of its employees.

Process and Operations (functional effectiveness and policies and procedures) Externa

- Contracts - Contracts are adequately structured to address and mitigate risks.
- Efficiency - Processes are up-to-date and efficient, resulting in efficient operations and output.
- Accounting - The timely and accurate tracking of the financial position of the organization.
- Payroll - The policies, processes, and systems in place to ensure that employee compensation is reliable, timely, and accurate.
- Fraud - The organization uses internal controls to prevent and/or detect fraud.
- Procurement/Sourcing – The ability to acquire the necessary goods and services for operation and the process of vetting, selecting and managing supplier, vendors and contractors.
- Human Resources - The knowledge, skills and experiences, and resources among personnel, which allow for the execution of the organization's business plan and achievement of its critical success factors.
- Information Systems - The facilities, systems, and connectivity in place to support data processing.
- Vendor Management - The need for the organization to continuously monitor the quality and reliability of vendors it uses in the course of its business.
- Change Management - Management adapts appropriately to the evolution of the processes and operations of the organization.

Information (data governance)

- Data Integrity - Data used for making management decisions, recording information, and reporting financial activity is accurate, complete, and reliable.
- Access - The right to view or manipulate data is carefully granted and monitored to prevent the mishandling of data
- Retention - The policies used by the organization to determine document retention in terms of the form of documents, how these documents are stored, and for how long these should be maintained.
- Availability - Relevant critical information is available when needed in order to maintain the organization's critical operations and processes, including when a disaster or unplanned disruption occurs
- Privacy - Organization policies are in place to ensure the correct treatment of sensitive information held by the organization.
- Security – Any event that could result in the compromise of organizational data. (I.e. unauthorized use, loss, damage, disclosure or modification of organizational data).

13. Please use the click and drag feature to rank the five enterprise risks that you selected into a priority order, with #1 being the highest.

14. Please describe why you selected them as the top five risks.

15. How well does the City of Santa Clara manage activities to mitigate these risks?

- Well – the City management is aware of the risk and has implemented activities to help mitigate this risk

- Somewhat well – the City management is aware of this risk, but more effort/activities are needed to help mitigate this risk

- Not well – the City management is either not aware of this risk or hasn't developed sufficient activities to help mitigate this risk

16. OPTIONAL: Are there any other risks that could affect operations that were not included in the risk framework?

17. Please list any potential internal audit activities you recommend based on the risks you identified. The projects can be consultative/advisory in nature, or provide assurance:
- Advisory and related client service activities, the nature and scope of which are agreed to by the client and which are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.
- Assurance – an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization.