



## Legislation Details (With Text)

**File #:** 19-562      **Version:** 1      **Name:**  
**Type:** Consent Calendar      **Status:** Passed  
**File created:** 4/30/2019      **In control:** Council and Authorities Concurrent Meeting  
**On agenda:** 7/9/2019      **Final action:** 7/9/2019  
**Title:** Action on a Resolution adopting an Internal Audit Charter for the City Auditor's Office

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Resolution, 2. Internal Audit Charter, 3. Resolution No. 19-8730

Date	Ver.	Action By	Action	Result
7/9/2019	1	Council and Authorities Concurrent Meeting		

## REPORT TO COUNCIL

### SUBJECT

Action on a Resolution adopting an Internal Audit Charter for the City Auditor's Office

### BACKGROUND

The City Council has three appointed positions: City Manager, City Attorney and City Auditor. Historically, the duties of the appointed City Auditor were assigned to a voter elected City Clerk, commingling an elected position with no required reporting relationship to the City Council, with a City Council appointed position that has direct accountability to the City Council. Additionally, the City Auditor's duties only included auditing and approving all bills, invoices, payrolls, demands or charges against the City government before payment (City Charter, section 909).

On June 26, 2018, the City Council voted to move the position of the City Auditor to the Finance Department and assigned the responsibilities to the Assistant Finance Director. The Assistant Finance Director serves as the City Auditor and Santa Clara Stadium Authority Auditor. These actions corrected the misalignment in governance structure of an elected City Clerk serving concurrently as a Council Appointee. The City Council also voted to expand the duties of the City Auditor to perform financial, operational and performance audits for the City (Ordinance 1982). It empowered the City Auditor to conduct audits and make recommendations to strengthen accountability and improve efficiencies and effectiveness of City programs and business processes. The City Auditor is also responsible for managing the annual financial audit contracts for the City and Santa Clara Stadium Authority.

### DISCUSSION

The City does not currently have a formal Internal Audit Charter that defines the City Auditor's purpose, authority and responsibilities within the City. This is due to the absence of an internal audit function within the City. The purpose of the Internal Audit Charter, which requires the Council's approval, is to formally establish the City Auditor's position within the organization; authorize access

to records, personnel, and physical properties relevant to the performance of engagements; and define the scope of the City Auditor's activities.

California Government Code Section 1236(a) states that all city, county, city and county, and district employees who conduct audits or audit activities of those respective agencies shall conduct their work under the general and specified standards prescribed by the Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF) or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate. As a government entity that must comply with this Government Code, the City Auditor has selected to adopt the IIA's IPPF Standards for its audit function.

The attached Internal Audit Charter was developed using IIA's IPPF standards and IIA's Code of Ethics. The charter sets out the parameters that guide the internal audit function and the role of the City Auditor's Office within the City. The attached charter includes the following:

- Introduction;
- Mission;
- Scope of Work;
- Responsibility;
- Accountability;
- Independence and Objectivity;
- Authority;
- Standards for the Professional Practice of Internal Auditing; and
- Quality Assurance and Improvement Program.

The charter also included required periodic communication to the Audit Committee and City Council to report significant issues identified during the audits and to provide periodic updates on the status of the annual Audit Work Plan, audit recommendations and issues reported through the Fraud, Waste and Abuse Hotline.

### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

### **FISCAL IMPACT**

There is no fiscal impact other than staff time for preparing this report.

### **COORDINATION**

This report has been coordinated with the City Attorney's Office and City Manager's Office.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>> or at the

public information desk at any City of Santa Clara public library.

**RECOMMENDATION**

Adopt a Resolution approving the Internal Audit Charter.

Reviewed by: Linh Lam, Assistant Finance Director/City Auditor

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Resolution
2. Internal Audit Charter