

# Volusia County Internal Audit Guidelines

## Purpose

The purpose of the Internal Audit Department (“Department”) is to strengthen Volusia County’s ability to create, protect, and sustain value by providing the County Council and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit Department enhances Volusia County’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.

Volusia County’s Internal Audit Department is most effective when:

- Internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors (IIA) Global Internal Auditing Standards, which are set in the public interest.
- Internal auditors are free from undue influence and committed to making objective assessments.

## Commitment to Adhering to the Global Internal Audit Standards

The Volusia County Internal Audit Department 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 (“Standards”). The Director will report periodically to the County Council and the County Manager regarding the Department’s conformance with the Standards, which will be assessed through a quality assurance and improvement program.

## Mandate and Authority

The Department was established by the County Council by Ordinance 2018-21 and codified in section 2-113(j), Code of Ordinances, County of Volusia (“Code”). The County Council defines the Department’s responsibilities as part of its oversight role.

The County Manager authorizes the Department to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the Department’s objectives.
- Obtain assistance from the necessary personnel of the County and other specialized services from within or outside the County to complete internal audit services.

## **Independence, Organizational Position, and Reporting Relationships**

The Director will be positioned at a level in the County that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the Department's independence. The Director will report functionally to the County Council and administratively (for example, day-to-day operations) to the County Manager. This supports the internal auditor's ability to maintain objectivity.

The Director will confirm the organizational independence of the Department to the County Manager and the County Council, at least annually. If the governance structure does not support organizational independence, the Director will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Director will disclose to the County Council and County Manager 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 Department's effectiveness and ability to fulfill its mandate.

## **Changes to the Audit Ordinance and Audit Guidelines**

Circumstances may justify a follow-up discussion between the Director, the County Council, and the County Manager on the internal audit ordinance or other aspects of these Guidelines. Such circumstances may include, but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the County.
- Significant changes in the Director, County Council, and/or County Manager.
- Significant changes to the County's strategies, objectives, risk profile, or the environment in which the County operates.
- New laws or regulations that may impact the nature and/or scope of internal audit services.

## **Oversight and Managing the Internal Audit Department**

### **County Manager Responsibilities**

The County Manager has administrative responsibility for the Department. Those responsibilities include, but are not limited to:

- Participate in discussions with the County Council and Director and provide input on expectations for the Department that the Council should consider when establishing its operations.
- Support and champion the Department throughout the County and promote the authority granted in these Guidelines, including unrestricted access to data, records, information, personnel, and physical properties.
- Position the Department at a level within the County enabling it to perform its services and responsibilities without interference.

- Recognize the Director's direct access to the County Council.
- Select and bring forward for confirmation the Director, based on the Director's qualifications, experience, competencies, performance, and remuneration.
- Engage with the County Council to provide the Department with sufficient resources to fulfill these Guidelines and achieve the audit plan. If any issues of insufficient resources are raised, the County Manager will work with the County Council and Director to remedy the situation.
- Provide input on the Department's performance objectives and its accomplishments.

## Internal Audit Roles and Responsibilities

### Ethics and Professionalism

The Director will ensure that audit staff:

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

### Objectivity

The Director will ensure that the Department 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 Director determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to the County Manager.

The Director will ensure that the Department maintains 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 in appearance.

Audit staff will have no direct operational responsibility or authority over any of the activities they review. Accordingly, 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 except for emergency tasks not subject to an audit.
- Initiating or approving transactions external to the Department.

- Directing the activities of any County employee who is not employed by the Department, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal audit staff will:

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

### **Managing the Internal Audit Department**

The Director has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the County Council and the County Manager. Discuss and submit the plan with the County Council and the County Manager for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the County Manager.
- Review and adjust the internal audit plan, as necessary, in response to County operations, risks, programs, systems, and controls changes.
- Communicate with the County Council and County Manager if there are significant interim changes to the audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards, laws, and regulations.
- Follow up on engagement findings, confirm the implementation of recommendations or action plans, and communicate the results to the County Council and County Manager.
- Identify and consider trends and emerging issues that could impact the County and communicate to the County Manager as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the Department.
- Ensure adherence to the County's relevant policies and procedures Any conflicts will be resolved or documented and communicated to the County Manager and the County Council.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If an appropriate level of coordination cannot be achieved, the issue must be communicated to the County Manager and, if necessary, escalated to the County Council.

## Communication with the County Council and County Manager

All completed and final audit reports developed pursuant to the audit plan shall be submitted simultaneously to the County Council and County Manager. The report will include management's response and corrective action taken or to be taken regarding the specific findings and recommendations.

The Director will report periodically to the County Council and County Manager regarding:

- The Department's mandate.
- The internal audit plan and performance relative to its plan.
- The Department's annual budget through the County's prescribed budget process.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Department's conformance with the Global Internal Audit Standards and action plans to address any deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the County Council that could interfere with the achievement of the County's strategic objectives.
- Results of any assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the Director 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 all departments, offices, boards, agencies, contracts, grants, and any other operation or program under the direction or responsibility of the County Council, including functions for which the County Council provides financial support. The scope does not include the County Constitutional Offices such as the Sheriff, Property Appraiser, Supervisor of Elections, Clerk of Court, or Tax Collector. However, the County Constitutional Officers may voluntarily request audit services from the County, at which time the Director would consult with the County Manager and County Council prior to undertaking any such services.

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 Council and County Manager on the adequacy and effectiveness of the County's governance, risk management, and control process.

Internal audits shall include, but are not limited to, operational, compliance, and forensic audits. These engagements may include evaluating whether:

- Risks relating to the achievement of the County's strategic objectives are appropriately identified and managed.
- The actions of managers, employees, contractors, or other relevant parties comply with the County's policies, procedures, and applicable laws, regulations, and governance standards.

Should any identified actions result in the risk of non-compliance with a law, the Director will consult with the County Attorney and County Manager.

- 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 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.

The nature and scope of advisory services may be agreed upon with the party requesting the service, provided the Department 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 County Council and County Manager.

## **Quality Assurance and Improvement Program**

The Director will develop, implement, and maintain a quality assurance and improvement program covering all Department functions. The program will include external and internal assessments of the Department's conformance with the Standards and performance measurement to assess the internal audit function's progress toward achieving its objectives and promoting 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 Department's deficiencies and any opportunities for improvement.

Each year, the Director will communicate with the County Council and County Manager about the Department's quality assurance and improvement program, including the results of these assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of Volusia County in accordance with the Global Internal Audit Standards.