

# Internal Audit Function

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## Background

Ramsey County Board Resolution 2007-400 established the Internal Audit function in December of 2007. When establishing this function, it was decided Ramsey County would be best served by out-sourcing this service. In the spring of 2009, KPMG was chosen as the vendor through competitive solicitation process.

Ramsey County Board Resolution 2009-166 established the Ramsey County Audit Committee as a Standing Committee of the County Board. The Committee is made up of the Chair of the Ramsey County Board, Chair of the Budget Committee of a Whole and Chair of the Finance, Personnel and Management Committee. The Ramsey County Audit Committee approved the Ramsey County Audit Committee Charter and the Ramsey County Internal Audit Charter at its first meeting on September 9, 2009.

## Mission

Through an outsourced vendor, provide an independent appraisal function within Ramsey County and to develop and execute a comprehensive audit plan to review and evaluate the adequacy and effectiveness of Ramsey County's system of internal controls as a service to the management team, the Audit Committee and the County Board.

## Objective

To add value by providing the Audit Committee and management with analysis, recommendations, consultation and relevant information concerning the activities or areas under review.

## Duties

Manage the KPMG contract in which KPMG provides audits of county operations and activities, performs special reviews and advises the county on internal control issues. In addition, KPMG assists the county in safeguarding its resources based on sound and practical internal controls.

## Related Links

[Ramsey County Audit Committee Charter](#)

[Ramsey County Internal Audit Charter](#)

## **RAMSEY COUNTY AUDIT COMMITTEE CHARTER**

The Ramsey County Audit Committee, (hereafter "Audit Committee") was established by Resolution No. 2009-166 of the Ramsey County Board of Commissioners, (hereafter "County Board") on May 12, 2009.

### **Purpose:**

The purpose of the Audit Committee shall be to:

1. Assure that the County Board fulfills its responsibilities for the assessment of risk within the County, including but not limited to, the Ramsey County Regional Rail Authority, Housing and Redevelopment Authority, Library Board, County Sheriff and County Attorney and the adequacy of the County's internal controls, including information system controls and security.
2. Provide an avenue of communication between Management, the Internal Auditors, the County Board and appropriate elected and appointed officials, and to appraise the effectiveness of total audit services in accordance with the public interest.

### **Authority:**

It shall be the responsibility of the Audit Committee to:

1. Conduct or authorize investigations into any matters within its scope of responsibility.
2. Seek any information it requires from County employees, all of whom should be directed by the County Board to cooperate with Audit Committee requests.
3. Meet with County staff, independent auditors or outside counsel, as necessary.
4. Retain, at the County's expense, such outside counsel, experts and other advisors as the Audit Committee may deem appropriate.

### **Responsibilities:**

The Audit Committee shall have responsibilities related to the County's internal audit function as well as authority to direct the internal audit program; oversight of management's internal controls, compliance and risk assessment practices; and special investigations and whistleblower policies.

#### *County Internal Auditors*

1. Review and approved, as needed, the internal audit charter, risk assessments, annual audit plan, audit activities, staffing and organizational structure of the internal audit function.
2. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.
3. On a regular basis, review internal audit reports; significant findings and the management responses, including management's plan of action to implement recommendations and timeline for

completion; and, meet separately with the Audit Committee Chair on an as needed basis to discuss any matters that the committee or internal audit believes should be discussed privately.

#### *Internal Controls, Compliance and Risk Assessment*

The Audit Committee shall review management's assessment of the effectiveness of the County's internal controls.

#### *Special Investigations*

The Audit Committee shall request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation (for example, issues may be referred to the State Inspector General or, other investigatory organization).

Ensure that the County has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the commissioners, officers, or employees of the County or any persons having business dealings with the County or breaches of internal control.

#### *Other Audit Committee Responsibilities*

1. Report its activities to the County Board and make recommendations to the County Board, County Manager's Office and/or other Elected Officials, as circumstances require.
2. Review the Audit Committee Charter annually and seek County Board approval on any recommended changes.
3. Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the charter and request the board approval for proposed changes.

#### **Meetings:**

The Audit Committee will meet a minimum of four times a year, with the expectation that additional meetings may be needed to adequately fulfill all the obligations and duties outlined in the charter.

Members of the Audit Committee are expected to attend each committee meeting. The Audit Committee may invite other individuals, such as members of management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

Meeting agendas will be prepared for every meeting and provided to the committee members along with briefing materials five (5) business days before the scheduled Audit Committee meeting. The Audit Committee will act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent.

### **Audit Committee Composition and Terms :**

The Audit Committee shall consist of at least three (3) members of the County Board who are independent of County operations. This will comprise of the:

1. Chair of the Ramsey County Board of Commissioners
2. Chair of the Budget Committee of the Whole
3. Chair of Finance, Personnel and Management Committee

Appointed members will continue to serve until their successors have been elected and take office. The Audit Committee shall elect from its members a chair and a vice chair, each of whom will serve at its pleasure. The chair shall preside at all Audit Committee meetings. If at any meeting, the chair is not present or is unable to act, the vice chair shall preside at that meeting.

Each committee member will serve at the pleasure of the County Board, and as such, his/her appointment to the committee may be terminated at any time by a majority vote of the County Board.

### **Member Qualifications:**

The Committee shall be comprised of members who are independent of the daily management and operations of the County and collectively possess sufficient knowledge of accounting, auditing, internal control and business management. This knowledge can be demonstrated through relevant education and training, job experience, public service or professional certifications, such as Certified Public Accountant or Certified Internal Auditor.

Audit Committee members must have the ability to think objectively and independently, encourage accountability and transparency, and work cooperatively with management and Elected Officials to achieve improvements in County operations.

It is important that members appreciate and have a determination to uphold the County's culture and values, while demonstrating a thoughtful approach to the ethical issues that may be faced. Members should have a professional approach to their duties, including an appropriate commitment of time and effort. Audit Committee members must not have any material financial interest in the operations of the County.

## **RAMSEY COUNTY INTERNAL AUDIT CHARTER**

### **Purpose:**

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 Audit Committee, County 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.

### **Scope:**

The scope of Internal Audit will include all areas within the oversight of the Ramsey County Board of Commissioners including but not limited to the Ramsey County Regional Rail Authority, Housing and Redevelopment Authority, Library Board, County Sheriff and County Attorney. The approach of the Internal Audit function is to determine whether the County's network of control, governance and risk management processes, as designed and represented by management, are adequate and functioning in a manner to help ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups, if any, occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- County actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives of the County are achieved.
- Quality and continuous improvement are fostered in the County's control process.
- Significant legislative or regulatory issues impacting the County are recognized and addressed appropriately.

Opportunities for improving management control, efficiency, and the County's image may be identified during audits. They will be communicated to the appropriate level of management as well as the Audit Committee.

### **Responsibilities:**

The Internal Audit function has responsibility to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risk or control concerns identified by management, and submit that plan to the Audit Committee for review and approval, as well as periodic status updates.
- Execute the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the audit committee.

- Maintain through an outsourced provider, a professional audit program with sufficient knowledge, skills, and experience to meet the requirements of this Charter.
- Evaluate and assess significant processes, operations, and control systems that coincide with the County's development, implementation, and/or expansion activities.
- Issue periodic reports to the Audit Committee and management summarizing results of audit activities.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals (e.g. audit costs, performance survey results) and status to the Audit Committee.
- Assist in the investigation of significant suspected fraudulent activities within the County and notify management and the Audit Committee of the results.

**Independence:**

The Internal Audit function shall organize and manage Internal Audit to operate without interference or influence that might negatively affect its independent and objective judgment. The Internal Audit function shall operate as a separate program of the County and shall report functionally to the Audit Committee and administratively to the Investment / Debt Manager.

**Authority:**

The Internal Audit function is authorized to direct a broad comprehensive program of internal auditing within Ramsey County. In order to carry out their responsibilities the Internal Audit function is authorized to have full, free, and unrestricted access to all County records, property, and personnel relevant to the performance of audits. The Ramsey County Audit Committee has authority to direct the internal audit program.

**Accountability:**

The Internal Audit function shall be accountable to management and the Audit Committee to:

- Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work sections.
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate activities with other control and monitoring functions (risk management, compliance, security, legal, ethics, external audit).

### **Audit Plan:**

Internal Audit shall submit an annual audit plan to the Audit Committee for review, comment and approval prior to the beginning of each fiscal year. The plan shall be based on:

- A risk assessment of County offices and activities, which shall be performed by Internal Audit as needed and reviewed and approved by the Audit Committee;
- 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 Audit Committee and Internal Audit.

The annual audit plan may be amended during the year, following approval of the Audit Committee and notification to the Investment / Debt Manager and County Manager. If Internal Audit 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, Internal Audit 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 Audit Committee, the Investment / Debt Manager and the County Manager.
- In the case of suspected fraud or malfeasance, Internal Audit will inform the Audit Committee and cooperate with the appropriate prosecuting authority.

### **Audit Reports:**

Internal Audit shall report significant findings and any other matters in audit reports that will be reviewed with both Management and the Audit Committee. Reports will contain Management responses along with action plans and a timetable for implementation.

### **Follow-up on Audit Recommendations:**

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

### **Records:**

In compliance with IIA standards, Internal Audit shall retain for each completed audit and/or project audit work papers and other documents necessary to support findings and conclusions included in the audit report.

Generally, final issued audit reports completed 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.