



City of Riverside Internal Audit Division Governing Rules

Introduction

Internal Audit is an independent and objective assurance and consulting activity guided by a philosophy of adding value to improve the operations of the City of Riverside. It assists City Government in accomplishing its objectives through a systematic and disciplined evaluation of and improvements to the effectiveness of the organization's governance, risk management and internal controls.

Internal Audit supports the City of Riverside's strategic goals and priorities by providing information to assess and improve municipal operations, and promote credible, efficient, effective, focused, transparent and fully accountable City Government.

These governing rules provide the framework for the conduct of the Internal Audit function and have been approved by the Riverside City Council.

Reporting

Internal Audit reports administratively to the City Manager or his/her designee. Administrative reporting typically includes:

- Budgeting and management accounting;
- Human resource administration, including personnel evaluations and compensation; and
- Internal communications and information flows.

Internal Audit further reports functionally to the City Council through the Governmental Affairs Committee. The Governmental Affairs Committee provides the following functional oversight of Internal Audit:

- Approves the Internal Audit Governing Rules and any updates to it;
- Approves the Internal Audit Workplan;
- Receives communications from Internal Audit on the performance relative to its Workplan and other matters; and
- Making appropriate inquiries of management and Internal Audit to determine whether there are inappropriate scope or resource limitations.

Authority and Confidentiality

Unless prohibited by law, Internal Audit, working under the functional authority of the City Council through the Governmental Affairs Committee, is authorized full, free, and unrestricted access to any and all of the City of Riverside premises, assets, personnel, records, and other documentation and information necessary to enable Internal Audit to meet its responsibilities to carry out any engagement. All City employees are required to assist Internal Audit in fulfilling its roles and responsibilities. Internal Audit will also have free and unrestricted access to the elected officials.

All records, documentation and information accessed in the course of undertaking Internal Audit activities are to be used solely for the conduct of these activities. Internal Audit will work with strict accountability for confidentiality and safeguarding records and information. Internal Audit (including contractors and external service providers performing work on behalf of Internal Audit) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Internal Audit **is not authorized** to perform any operational duties for the organization, initiate or approve accounting transactions, and/or direct the activities of any department's employees except those who have been assigned to assist the audit team.

Independence and Objectivity

The Internal Audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content. Internal auditors must be independent in fact and appearance and free from personal, external, and organizational impairments.

Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

Internal Auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Internal Audit will confirm to the City Council through the Governmental Affairs Committee, at least annually, the organizational independence of the Internal Audit activity.

Professionalism

Internal Audit will govern itself in accordance with the Generally Accepted Government Auditing Standards (GAGAS), also known as "the Yellow Book", published by the U.S. General Accounting Office (GAO) under the authority of the Comptroller General of the United States. These standards establish clear definitions, principles and fundamental requirements related to the audit function, and for evaluating the effectiveness of Internal Audit's performance in planning, conducting, and reporting on their work. Each staff member receives an electronic copy of "the Yellow Book" and is responsible for becoming familiar with and adhering to its requirements.

Internal Audit will adhere to the City of Riverside's relevant policies and procedures, and Internal Audit's standard operating procedures manual.

Scope

The scope of Internal Auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls, along with the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on the organization;

- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- Monitoring and evaluating governance processes;
- Investigating fraud/waste/abuse HOTLINE complaints/allegations;
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization; and
- Evaluating specific operations at the request of elected officials and/or executive management, as appropriate.

Activities and Services

Performance Audits

Internal Audit conducts performance audits in accordance with Generally Accepted Government Audit Standards (GAGAS). Performance Audits determine whether City departments and programs are operating economically, efficiently, effectively and in compliance with applicable laws, rules, regulations and policies and procedures. Auditors examine, review, or perform other procedures on a broad range of subjects, such as internal controls, compliance with requirements of specified laws, regulations, rules, policies, procedures, contracts or grants, and the reliability of performance measures.

Assurance and Consulting

Internal Audit may occasionally provide the following services, provided they do not impair the auditor's independence:

- Participating in committees, task forces, or focus groups as an expert in a purely advisory, non-voting capacity to advise management on issues based on the auditor's knowledge, or to address urgent problems;
- Providing tools or methodologies, such as benchmarking studies and internal control assessments that can be used by management;
- Providing targeted and limited technical advice to management to assist them in activities, such as implementing audit recommendations, implementing and assessing internal controls, and providing information on good business practices;
- Assisting management to identify the risks of fraud and advise on the development of fraud prevention and monitoring strategies;
- Providing training related to internal controls, risk and fraud;
- Providing advice on the development of new programs and processes and/or significant changes to existing programs and processes, including the design of appropriate controls;
- Coordinating activities for the Citywide Audit Program as needed;
- Monitoring and reporting on the implementation of risk mitigation strategies; and
- Collaborating with external auditors.

Monitoring Services

Internal Audit performs ongoing monitoring of:

- Fraud, Waste and Abuse HOTLINE Administration;
- City purchase card (p-card) usage and policy compliance;
- City payroll overtime trends/tracking; and
- Citywide grant compliance.

Internal Audit Work Plan

On an annual basis, Internal Audit will prepare and submit to the City Council (through the Governmental Affairs Committee) an Internal Audit work plan for review and approval. The plan will consist of a work schedule of performance audits, internal assessments, and/or consulting engagements to be performed or in progress, monitoring and/or other Internal Audit-supported tasks or initiatives, allocated hours and resource requirements and limitations.

Internal Audit gathers and assesses information about potential risks to the City from multiple sources and prioritizes these risks. Prioritization is based on a variety of factors, including but not limited to:

- Input from elected officials, executive management, City employees, and the public;
- The likelihood and potential impacts of identified risks;
- Potential community impact;
- Timing and scheduling; and
- Audit resource availability.

Internal Audit will review and adjust the work plan as necessary in response to changes in operational or financial risks, operations, programs, systems, resource availability, controls or specific requests. Significant deviations from the approved Internal Audit Work Plan will be communicated to the City Manager and the City Council through the Governmental Affairs Committee.

Progress Reporting and Monitoring

On a quarterly basis, Internal Audit will report to the Governmental Affairs Committee on all audit activities, including but not limited to:

- Completed audits/internal assessments;
- Monitoring and other Internal Audit-supported activities in progress;
- Progress in implementing the Internal Audit Workplan; and
- Status of the implementation of agreed internal and external audit recommendations.

All final performance audit reports will be made available to the public on the Internal Audit Division's internet site after review by the Governmental Affairs Committee.

If Internal Audit becomes aware of abuse or illegal acts or indications of such acts during the course of an audit, Internal Audit shall report the irregularities to the City Council, City Manager and/or City Attorney, as appropriate, to ensure investigation and prompt resolution. If it appears that the irregularity is criminal in nature, Internal Audit shall notify the previously noted officials and the Chief of Police.

Quality Control and Assurance Program

Internal Audit continuously aims to ensure its work is performed in accordance with GAGAS. These standards provide guidelines for audit planning, fieldwork, quality control systems, staff training, and reporting of results. In addition, the standards require that external auditors periodically review Internal Audit's policies, procedures, and activities to ensure adherence to these professional standards. Internal Audit will maintain a quality control and assurance program that covers all aspects of Internal Audit.

Once every three fiscal years, independent/external auditors will conduct a peer review. The review will assess whether Internal Audit's quality control system is operating to provide reasonable assurance of compliance with GAGAS. The review also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement. The final peer review

report will be communicated to the City Manager and the City Council through the Governmental Affairs Committee.

Review of the Internal Audit Governing Rules

The Governing Rules will be reviewed annually by the Governmental Affairs Committee. Any substantive changes will be formally reviewed by the Governmental Affairs Committee for recommendation to the City Council.

Summary Review/Approval Schedule

Activity	Review Period
Confirm independence	Annually
Internal Audit workplan	Annually
Budget and staffing	Annually
Significant revisions to workplan	As needed
Workplan progress report	Quarterly
Internal Audit Governing Rules review	Annually
Internal Audit peer review	Every three fiscal years