

State of California
Department of Water Resources
Internal Audits Office
Charter

Introduction:

The California Government Code Section, 13886.5, mandates that Internal Audit functions conduct internal engagement activities under the standards of internal auditing prescribed by the Institute of Internal Auditors (IIA). The IIA Attribute Standard, 1000, requires that the purpose, authority, and responsibility be formally defined in an Internal Audit Charter, be periodically accessed, and the results communicated to senior management of the Department of Water Resources (DWR) and the Secretary of the California Natural Resources Agency (SCNRA).

Purpose:

The Internal Audits Office (IAO) is to provide an independent, objective assurance and consulting services designed to add value and improve DWR's operations. It helps DWR accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The scope of work of the IAO is to determine whether the organization's network of governance, risk management, and control processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Significant risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Resources are acquired economically, used efficiently, and protected adequately.
- Programs, plans, and objectives are achieved.
- Employee actions are in compliance with policies, standards, procedures, applicable laws and regulations.
- Significant legislative or regulatory issues impacting DWR are recognized and addressed properly.

Consulting engagements are defined as:

- Formal consulting engagements are included in the annual audit plan and subject to written agreements with full reporting writing of recommendations to management.
- Informal consulting engagements are routine activities such as Financial Integrity and State Manager's Accountability, standing committee attendance (internal/external), nepotism survey, transparency website, and coordination of external audits; and engagements, not within the annual audit plan, requested by programs' or management (special/emergency). All these activities require summary documentation or memorandums. The engagements not included in annual audit plan must be approved by DWR management and SCNRA, and prioritized among those engagements listed on audit plan.

Authority:

In the performance of their duties, the IAO staff is authorized to:

- Have unrestricted access to all DWR's functions, records, documentation, property, and personnel relevant to the performance of audits and investigations.
- Allocate resources, set frequencies, select subjects, determine the scope of work, and apply the techniques required to accomplish set audit objectives.
- Obtain the necessary assistance of personnel within the units of DWR where an audit or investigation is being performed.

The IAO staff is not authorized to:

- Perform any operational duties for DWR programs that are not defined within its audit charter.
- Initiate or approve accounting transactions external to the IAO.
- Direct the activities or any DWR personnel not employed by the IAO, except to the extent such personnel have been appropriately assigned to an audit team or to otherwise assist the IAO.

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Responsibility:

Under the direction of the Chief, the IAO has the responsibility to:

- Develop a flexible annual audit plan using appropriate risk based methodology, including any risks or controls identified by DWR management, and submit that plan to Secretary of the California Natural Resources Agency for review and approval.
- Implement the annual audit plan as approved, including, as appropriate, any special tasks or projects requested by the DWR management and the SCNRA.
- Maintain and develop audit staff that exemplifies sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter within the constraints of the State.
- Issue periodic reports to the Deputy Director, Business Operations, (DDBO), the Chief Deputy Director, the Director and Secretary of the California Natural Resources Agency (SCNRA) summarizing results of audit activities; and update DDBO in regular periodic meetings.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the SCNRA.

Standards of Audit Practice:

Upon completion of the external peer review, the internal audit activity will meet or exceed the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

Independence and Objectivity:

The IAO staff report directly to the Chief, of IAO who, in turn, reports on an administrative level to the Deputy Director, Business Operations, the Chief Deputy Director and the Director, and at the functional level reports to (SCNRA). The IAO is organizationally and functionally independent of all entities within the DWR. Additionally, IOA will include as part of its reports a report annually on the independence of internal engagements and any unwarranted restrictions on internal engagement scope, communications, access, and resources, including personnel and externally contracted resources.

Accountability:

The Chief of IAO, in the discharge of their duties, shall be accountable to the Deputy Director, Business Operations, the Chief Deputy Director, the Director and SCNRA:

- Provide a periodic assessment on the adequacy and effectiveness of the DWR's process for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of DWR, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide periodic updates on the status and results of the annual audit work plan.

Approval date: December 2010