

**PALM BEACH COUNTY  
BOARD OF COUNTY COMMISSIONERS**

**WORKSHOP SUMMARY**

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**Meeting Date:** 08/30/2011

**Department:** Internal Auditor's Office

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**I. EXECUTIVE BRIEF**

**Title:** Audit Committee and Internal Audit

**Summary:** At its May 17, 2011 meeting the BCC requested a workshop with the County Internal Auditor and the Audit Committee to discuss:

- The role and activities of the County Internal Auditor's Office;
- Budget issues affecting internal audit;
- Proposed revisions to the ordinances governing the internal audit function and the internal audit committee; and
- Coordination with the Inspector General to avoid duplication of services.

The attached BCC and Audit Committee workshop discussion paper provides a summary of each of those issues as well as a summary of the authority and responsibility of the audit committee and internal auditor as established by the County Charter and ordinances. Countywide (PFK)

**Background and Policy Issues:** The Audit Committee currently is responsible for reviewing and approving audit reports prior to issuance. The requirement to approve audit reports has raised some concerns with the Committee which has led the Committee to propose deleting the approval requirement from its responsibilities. The existing ordinance also requires audit reports to be sent to the BCC. The proposed revision to the ordinance specifies that the audit reports would be sent to the BCC as agenda items.

**Attachments:**

1. BCC and Audit Committee workshop discussion paper
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**Recommended by:** Joseph F. Beynon 7.27.11  
Department Director Date

**Approved By:** [Signature] 8/1/11  
County Administration Date

**II. FISCAL IMPACT ANALYSIS**

**A. Five Year Summary of Fiscal Impact:**

Fiscal Years	2010	2011	2012	2013	2014
Capital Expenditures	_____	_____	_____	_____	_____
Operating Costs	_____	_____	_____	_____	_____
External Revenues	_____	_____	_____	_____	_____
Program Income (County)	_____	_____	_____	_____	_____
In-Kind Match (County)	_____	_____	_____	_____	_____
<b>NET FISCAL IMPACT</b>	_____	_____	_____	_____	_____
<b>No. ADDITIONAL FTE POSITIONS (Cumulative)</b>	_____	_____	_____	_____	_____

Is Item Included In Current Budget? Yes \_\_\_\_\_ No \_\_\_\_\_  
 Budget Account No.: Fund \_\_\_\_\_ Department \_\_\_\_\_ Unit \_\_\_\_\_  
 Object \_\_\_\_\_ Reporting Category \_\_\_\_\_

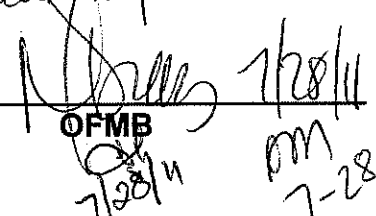
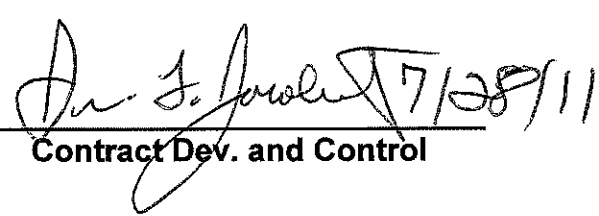
**B. Recommended Sources of Funds/Summary of Fiscal Impact:**

**C. Departmental Fiscal Review:**

**III. REVIEW COMMENTS**

**A. OFMB Fiscal and/or Contract Dev. and Control Comments:**

*\* No fiscal impact.*

\_\_\_\_\_ OFMB 7/28/11  
 \_\_\_\_\_ Contract Dev. and Control 7/28/11

**B. Legal Sufficiency:**

  
 \_\_\_\_\_  
 Assistant County Attorney

**C. Other Department Review:**

\_\_\_\_\_ Department Director

**BCC and Audit Committee Workshop**  
**Discussion Paper**  
**August 30, 2011**

**A. Role and Activities**

The Internal Auditor's Office conducts performance audits of the various departments, divisions, programs and activities reporting to the Board of County Commissioners. These audits address: effectiveness and efficiency of operations; compliance with policies and regulations; inventory and cash management systems; contract management activities; grants management and compliance; and other activities as needed. Each audit results in a report that points out deficiencies in the audited area and makes recommendations for improvement in those areas. In the two year period ending June 30, 2011 61 audit reports were issued which included some 179 separate recommendations.

The Internal Auditor's Office has provided internal audit services under contract to the Solid Waste Authority and the Health Care District in the past. While contracts authorizing these services are still in effect, no requests for services have been received from those agencies in the last year and none are expected in the next few years.

**B. Budget Issues**

The Internal Auditor's Office staff complement has been 12 positions since the early 1990's except for a short period in the late 90's when two IT audit positions were temporarily shifted to ISS. One position was eliminated in the FY 2009 budget, another in the FY 2010 budget and two more eliminations are included in the FY 2012 budget reducing the complement to 8 positions. As the number of auditors decreases, the number of audits the Office can conduct decreases resulting in less internal audit coverage of County operations. To mitigate the reduction in audit coverage the Internal Auditor and Audit Committee are developing a risk assessment model to focus limited audit resources on areas of higher risk. The model is in its early stages and will take a year or two to fully develop and refine.

**C. Ordinance Revisions**

Revisions to both ordinances have been proposed as the result of a series of discussions at Audit Committee meetings which began in October, 2010. The majority of the revisions are more administrative in nature such as clarifying language which specify that the Internal Auditor is responsible for taking certain actions and the Audit Committee is responsible for ensuring those actions take place.

The Audit Committee decided that it should no longer "approve" internal audit reports prior to issuance and that their proper role is to review the audit reports after issuance. A revision to the Audit Committee ordinance (2010-006) has been proposed to reflect that determination.

The Audit Committee Ordinance (2010-006) requires the Audit Committee to send audit reports to the BCC and have internal audit reports posted on the county's website to promote transparency. This responsibility is being transferred to the Internal Auditor and language is being added to clarify that the reports should be BCC agenda items.

**D. Coordination with Inspector General**

A new section is proposed to be added to the Internal Auditor Ordinance (2010-007) establishing coordination protocols covering referrals to the Inspector General for potential fraud, waste, abuse or wrongdoing discovered during the course of any audit; development of the annual internal audit work plan; development of the annual risk assessment; and distribution of audit reports, work plans and risk assessments.

## **E. Authority and Responsibility:**

### **1) County Internal Auditor**

County Charter Section 4.4 established the Office of the Internal Auditor and designated the county internal auditor as a direct report to the BCC serving at the pleasure of the BCC.

The Charter also established the basic responsibilities of the county internal auditor as: “Performing post-audits, performance audits, and interfacing with all external auditors for the Board of County Commissioners, the county administrator, and all other departments, divisions, and regulatory and advisory boards of county government in all financial matters relating to their official responsibilities.”

Ordinance 2010-007 Section 3 reinforces and further defines the authority and responsibilities of the county internal auditor. The Ordinance identifies the entities and activities subject to audit and describes the types of audits which may be performed as operational, compliance, performance, management and other audits. These audits are intended to provide reasonable assurance of achievement of objectives in the following areas:

- Effectiveness, efficiency and economy of operations.
- Measurement and reporting of performance goals, objectives and results.
- Reliability and integrity of operating and financial information and the means used to identify, measure, classify, and report such information.
- Compliance with applicable laws and regulations, grants and contracts, and BCC directions, policies and procedures.
- Safeguarding assets and critical information.

The Ordinance also reinforces the independence of the county internal auditor from the county administrator and establishes procedures for developing annual audit plans and distributing audit reports.

### **2) County Internal Audit Committee**

Ordinance 2010-006 establishes the purpose, authority and responsibilities of the internal audit committee.

- Purpose: To provide assistance to the BCC in fulfilling its oversight and governance responsibilities of county operations, and to provide advice and recommendations to the county internal auditor.
- Authority: To provide advice and guidance to the county internal auditor in planning and conducting audits, to advise the BCC on county internal auditor functions and activities, and to provide advice and recommendations as to assessment of significant risks and exposures. The committee is also authorized to seek and obtain information it requires from the BCC or any county employee.
- Responsibilities:
  - Review and direct internal audit function to include: organization, budget and staffing; annual plan of audits; review and approve audit reports; evaluate the performance of the internal auditor annually; and act as a selection committee in the event of a vacancy in the position.
  - Act as an advisor to the county internal auditor in identifying and assessing the county’s significant risks or exposures, assessing management’s controls to minimize those risks or exposures, and to assess compliance issues.
  - Meet at least quarterly, periodically review the internal audit ordinances for continued applicability and conduct an annual self-assessment of the committee’s performance.

Prior to adoption of Ordinances 2010-006 and 2010-007 the duties and responsibilities of the county internal auditor and the internal audit committee were defined in a series of Resolutions beginning in 1987.