

**State of California
Department of Water Resources
Internal Audits Office
Charter**

Purpose/Mission:

The Internal Audits Office (IAO) provides independent assurance, consulting and investigation services designed to add value and improve the Department of Water Resources' (DWR) operations. The IAO assists DWR accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Scope:

The IAO's scope of work is to determine whether DWR's network of governance, risk management, and control processes, as designed and represented by DWR 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.

Assurance engagements are defined as:

- An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples include financial, performance, compliance, system security, and due diligence engagements.

Consulting engagements are defined as:

- Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Special investigations are defined as:

- Independent evaluations of allegations generally focused on inappropriate or improper governmental activities, including misuse of State resources, fraud, financial irregularities, significant control weaknesses and unethical behavior or actions.

As directed by the DWR Office of the Chief Counsel (OCC), a designated IAO Auditor or Special Investigator will assist OCC with investigations.

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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 DWR where an audit or investigation is being performed.
- Handle documents and information given to the IAO during a review, investigation, or audit of any type, prudently and confidentially in a manner consistent with the methods used by DWR personnel normally accountable for documents and information.

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 of 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.

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 and approved by DWR management, and submit that plan to the Secretary of the California Natural Resources Agency (CNRA) for review.
- Implement the annual audit plan as approved, including any special tasks, consulting or projects requested by DWR management and the Secretary of the CNRA.
- 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, the Chief Deputy Director, the Director and the Secretary of the CNRA summarizing the results of audit activities; and update the Deputy Director, Business Operations in regular periodic meetings.
- Assist in the investigation of significant suspected fraudulent, inappropriate or improper activities within the organization and notify DWR management, the OCC, and the Secretary of the CNRA.
- Provide required documentation to the California State Auditor's Office for California Whistleblower Protection Act investigations.

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Standards of Audit Practice:

Upon completion of an independent external peer review, the internal audit activity will meet or exceed the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Standards) and shall govern by adherence to the IIA "Code of Ethics." The IIA Standards shall govern the policies and operating procedures for the IAO. Both documents constitute an addendum to this charter. The IIA "Practice Advisories" will be adhered to as applicable. In addition, the IAO will adhere to California laws and regulations, as well as to DWR policies and procedures. The IAO will also act in accordance with guidelines established by State control agencies such as the Department of Finance and the California State Auditor's Office.

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 IAO is a direct report to the Chief Deputy Director and the Director, and at the functional level reports to the Secretary of the CNRA. The IAO is organizationally and functionally independent of all entities within the DWR. Additionally, the IAO will 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 his/her duties, shall be accountable to the Deputy Director, Business Operations, the Chief Deputy Director, the Director and the Secretary of the CNRA to:

- 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 or risks 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.