



Fiscal Year 2021-22 Internal Audit Plan



OVERVIEW

The City of Carlsbad's internal auditor performs independent and objective assurance services to safeguard city resources and improve city operations. Internal audits help to mitigate risks by recommending improvements to the city's internal controls and governance, risk and compliance processes. Potential audits may include any city department, division, function, or program administered by the city.

The purpose of the annual internal audit plan (audit plan) is to outline audits and other value-added engagements the internal auditor proposes to conduct during the fiscal year. This document serves as the primary work plan to carry out the responsibilities of the internal auditor. The basis for the audit plan comes from auditor observations, inquiries of management, audit requests from the City Council and senior management, and programs or processes with inherently higher risk levels. The internal auditor's strategy in developing this plan seeks to identify, prioritize and manage audits important to city operations, programs and systems.

Currently, the Internal Audit Division is comprised of one full-time internal auditor. The audit plan considers available staff hours, level of expertise and experience, estimated size and complexity of audits, time allocated to satisfy continuing professional education requirements, time allocated to performing audit follow-up procedures, and use of external consultants/auditors.

The audit plan is a working document. During the year, causes for changes to the audit plan may include an increase or decrease in audit scope, additional or pressing audit requests, or an excessive threat to auditor independence. As such, projects initiated in the current year may carry over into the following fiscal year.

The following page identifies the list of prioritized internal audit engagements for FY 2021-22, along with their preliminary objectives. At the beginning of each engagement, the internal auditor will establish familiarity with the department, function or process identified for audit. During that initial period, audit objectives may be refined and the methodology will be established.

Fiscal Year 2021-22 Internal Audit Engagements			
Entity, Function, Program or Process to Audit	Type of Engagement	Primary Stakeholder/Audit Lead	Preliminary Objectives
Carryover from FY 2020-21			
Code Enforcement	Internal Audit	Community Development Department (Code Enforcement Division)/Internal Audit Manager	<ul style="list-style-type: none"> To assess whether the division has reliable policies and procedures to support effective code enforcement. To evaluate whether a selection of case files from the most recent three-year period adhere to applicable guidelines. To assess whether the city uses case data and metrics to provide meaningful information to management.
Transient Occupancy Tax	Agreed Upon Procedure	Various hotels as determined by the city/External audit firm	<ul style="list-style-type: none"> To determine if hotels are properly reporting and remitting occupancy taxes in compliance with city ordinance.
Procurement	Internal Audit	Various departments/Internal Audit Manager	<ul style="list-style-type: none"> To assess the city's compliance with applicable procurement guidelines. To evaluate whether the city's procurement process is effective and adhered to.
Vice Narcotics Intelligence Unit (VNIU) "Buy Fund"	Internal Audit	Police Department/Internal Audit Manager	<ul style="list-style-type: none"> To determine whether the fund was managed and accounted for in accordance with authorized policies and procedures.

New for FY 2021-22			
City of Carlsbad	Risk Assessment	Various departments/Internal Audit Manager	<ul style="list-style-type: none"> Perform a formal, citywide internal audit risk assessment to identify programs with elevated inherent risk and opportunities for improvement. Prioritize internal audit engagements for FY2022-23 based on findings.
Fraud (Ethics) Hotline	Program Evaluation & Recommendation for implementation	Administrative Services Division/Internal Audit Manager	<ul style="list-style-type: none"> Evaluate the benefits of a dedicated fraud and ethics hotline and reporting process. Present the findings and recommendations to the City Council.