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Title:	RESOLUTION APPROVING THE AUDIT PLAN FOR FY21/22 PURSUANT TO BOARD OF PORT COMMISSIONERS (BPC) POLICY NO. 035 - POWERS AND FUNCTIONS OF THE PORT AUDITOR				
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Date	Ver.	Action By	Action	Result
6/15/2021	1	Board of Port Commissioners	adopted	Pass

DATE: June 15, 2021

SUBJECT:

RESOLUTION APPROVING THE AUDIT PLAN FOR FY21/22 PURSUANT TO BOARD OF PORT COMMISSIONERS (BPC) POLICY NO. 035 - POWERS AND FUNCTIONS OF THE PORT AUDITOR

EXECUTIVE SUMMARY:

Pursuant to Board of Port Commissioners (BPC) Policy No.035, Powers and Functions of the Port Auditor, the Port Auditor is to prepare for Board approval an Audit Plan to be performed during the fiscal year. On June 8, 2021 the Audit Oversight Committee (Committee) reviewed the draft FY 21/22 Audit Plan as required in BPC Policy No. 0776, Port Audit Oversight Committee Policy. It is now ready for Board approval.

RECOMMENDATION:

Adopt a Resolution Approving the Annual Audit Plan for FY 21/22.

FISCAL IMPACT:

This agenda has no fiscal impact.

COMPASS STRATEGIC GOALS:

The proposed Audit Plan supports the Port's Strategic Goals by promoting accountability, transparency, efficiency, and effectiveness throughout the Port and by safeguarding the Port's assets. This agenda item supports the following Strategic Goal(s).

- A Port that the public understands and trusts.
- A financially sustainable Port that drives job creation and regional economic vitality.

DISCUSSION:

BPC Policy No. 035, Powers and Functions of the Port Auditor, requires the Port Auditor to prepare for approval by the Board an Audit Plan for the fiscal year. In addition, the Internal Professional Practices Framework (Red Book) of the Institute of Internal Auditors requires the establishment of a risk-based approach to determine the priorities of the Audit Plan. Using a risk-based approach, the Port Auditor completes the assessment before the beginning of each fiscal year based on the Port's audit universe, discussions with management (executive and senior), and an assessment of risk and exposures affecting the Port. The Port Auditor determines the potential audits based on a variety of risk factors such as the following:

- Financial Impact
- Compliance with Laws and Regulations
- Impact on Port's Reputation
- Control Knowledge (Adequacy of Internal Controls)
- Time Since Last Review

After the risk assessment process, the Port Auditor prioritizes projects with the highest risk scores, analyzes resources needed for the fiscal year, estimates time commitments for each project, and prepares the Audit Plan. Auditable activities with a high-risk score merely indicates their services or functions are by nature high risk activities because of such factors as having a large amount of revenues and expenditures or a high degree of public interest. A high score does not indicate an auditable activity is being managed ineffectively or not functioning properly. On June 8, 2021 the draft Audit Plan was submitted to the Committee for review and comment before Board approval. Upon review of the draft Audit Plan, the Committee directed the Port Auditor to present the Audit Plan to the Board for approval.

The Audit Plan (Attachment A) must be flexible and continually maintained to meet the highest priority needs of the Port at any given time. Audit scheduling and the number of areas reviewed may be affected by staff turnover, special projects, and unforeseen circumstances in a scheduled project. All planned audits not completed during the fiscal year are carried forward and reevaluated during the planning process for the following fiscal year.

The Audit Plan will provide visibility of the overall audit effort and will assist the Board and management in achieving the Port's strategic goals. The anticipated results will add value in the following areas:

- Assurance that revenues are accurately billed, collected, and reported
- Safeguarding of assets
- Efficiency and effectiveness of operations
- Assurance the governance, risk management, and control processes are functioning as intended
- Assurance that District programs are achieving their intended objectives in an efficient, effective, and equitable manner.

General Counsel's Comments:

The Office of the General Counsel has reviewed and approved this agenda and draft resolution, as presented, as to form and legality.

Environmental Review:

The proposed Board direction or action, including without limitation, a resolution approving the annual audit plan, does not constitute a "project" under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because no direct or indirect changes to the physical environment would occur. CEQA requires that the District adequately assess the environmental impacts of projects and reasonably foreseeable activities that may result from projects prior to the approval of the same. Any project developed as a result of Board's action or direction that requires the District or the Board's discretionary approval resulting in a physical change to the environment will be analyzed in accordance with CEQA prior to such approval. CEQA review may result in the District, in its sole and absolute discretion, requiring implementation of mitigation measures, adopting an alternative, including without limitation, a "no project alternative" or adopting a Statement of Overriding Consideration, if required. The current Board direction in no way limits the exercise of this discretion. Therefore, no further CEQA review is required.

The proposed Board action complies with Sections 21 and 35 of the Port Act, which allow the Board to pass resolutions and to do all acts necessary and convenient for the exercise of its powers. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

The proposed Board direction or action does not allow for "development," as defined in Section 30106 of the California Coastal Act, or "new development," pursuant to Section 1.a. of the District's Coastal Development Permit (CDP) Regulations because they will not result in, without limitation, a physical change, change in use or increase the intensity of uses. Therefore, issuance of a Coastal Development Permit or exclusion is not required. However, development within the District requires processing under the District's CDP Regulations. Future development, as defined in Section 30106 of the Coastal Act, will remain subject to its own independent review pursuant to the District's certified CDP Regulations, PMP, and Chapters 3 and 8 of the Coastal Act. The Board's direction or action in no way limits the exercise of the District's discretion under the District's CDP Regulations. Therefore, issuance of a CDP or exclusion is not required at this time.

Diversity, Equity, and Inclusion Program:

Not applicable.

PREPARED BY:

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Attachment(s):
Attachment A: FY21/22 Internal Audit Plan

Attachment B: FY21/22 Internal Audit Plan Presentation

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