



Legislation Text

File #: 2017-0275, **Version:** 1

DATE: June 20, 2017

SUBJECT:

RESOLUTION APPROVING THE AUDIT PLAN FOR FY17/18 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 15, 2017 the Audit Oversight Committee (Committee) reviewed the draft FY17/18 Audit Plan as required in BPC Policy No. 776, Port Audit Oversight Committee Policy. It is now ready for Board approval.

RECOMMENDATION:

Adopt a resolution approving the annual Audit Plan for FY 17/18.

FISCAL IMPACT:

This agenda item 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.

- A Port that the public understands and trusts.
- A thriving and modern maritime seaport.
- A vibrant waterfront destination where residents and visitors converge.
- A Port with a healthy and sustainable bay and its environment.
- A Port with a comprehensive vision for Port land and water uses integrated to regional plans.
- A Port that is a safe place to visit, work and play.
- A Port with an innovative and motivated workforce.
- A financially sustainable Port that drives job creation and regional economic vitality.

DISCUSSION:

BPC No. 35, 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 15, 2017 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 that internal controls 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 General Counsel's Office has reviewed and approved the proposed resolution as to form and legality.

Environmental Review:

The proposed Board action does not constitute a “project” under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because it will not have a potential to result in a direct or indirect physical change in the environment and is, therefore, not subject to CEQA. No further action under CEQA is required.

In addition, the proposed Board action allows for the District to implement its obligations under the Port Act and/or other laws. 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.

Finally, the proposed Board 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 Regulations. Therefore, issuance of a Coastal Development Permit or exclusion is not required.

Equal Opportunity Program:

Not applicable.

PREPARED BY:

Robert Monson
Port Auditor, Office of the Port Auditor

Attachment(s):

Attachment A: Audit Plan FY17/18 (D2#)