

FILE NUMBER: 2024-234

DATE: Tuesday, July 9, 2024

SUBJECT: FY 2025 Audit Plan

DESCRIPTION: Resolution Approving the Audit Plan for Fiscal Year 2025 Pursuant to Board of Port Commissioners' Policy No. 35 – 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 20, 2024, the Audit Oversight Committee (Committee) reviewed the draft Fiscal Year (FY) 2025 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 Audit Plan for FY 2025 pursuant to BPC Policy No. 035 – Powers and Functions of the Port Auditor.

FISCAL IMPACT:

This item has no fiscal impact.

COMPASS STRATEGIC GOALS:

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 risks 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)

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 indicate that 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-risk score does not indicate that an auditable activity is being managed ineffectively or not functioning properly. On June 20, 2024, 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 re-evaluated during the planning process for the following fiscal year.

The Audit Plan will provide visibility of the overall audit effort and 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.
- Compliance with laws, regulations, policies, and procedures.
- Assurance that Port programs are achieving their intended objectives efficiently, effectively, and equitably.

General Counsel's Comments:

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

Environmental Review:

The proposed Board action, including without limitation approving the Audit Plan for FY 2025 pursuant to BPC Policy No. 35 – Powers and Functions of the Port Auditor, does not constitute a project under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because there is not a potential to result in a direct or indirect physical change in the environment. Therefore, the proposed Board action is not subject to CEQA and no further action under CEQA is required.

The proposed Board action complies with Sections 21 and 35 of the Port Act, which allow for 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 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 an exclusion finding is not required.

Diversity, Equity, and Inclusion Program:

This agenda sheet has no direct DEI impact on District workforce or contract reporting at this time.

PREPARED BY:

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Attachment(s):
Attachment A: FY 2025 Proposed Audit Plan