Judicial Council of California . Administrative Office of the Courts

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REPORT TO THE JUDICIAL COUNCIL

For business meeting on: June 24, 2011

Title
Judicial Branch Administration: Presentation of Audit Reports for Judicial Council Acceptance

Rules, Forms, Standards, or Statutes Affected
None

Recommended by
Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch
Hon. William R. McGuiness, Chair

Administrative Office of the Courts
John A. Judnick, Senior Manager
Internal Audit Services (IAS)
Finance Division

Agenda Item Type
Action Required

Effective Date
June 24, 2011

Date of Report
June 1, 2011

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Executive Summary

The Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch (A&E) recommends that the Judicial Council accept the two audit reports which pertain to the Superior Courts of San Francisco and Tehama Counties. This complies with the policy approved by the Judicial Council on August 27, 2010, which specifies Judicial Council acceptance of audit reports as the last step to finalization of the reports, prior to their placement on the California public website to facilitate public access. Acceptance and publication of these reports will enhance accountability and provide the courts with information to minimize financial, compliance, and operational risk.

Recommendation

The Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch and the Administrative Office of the Courts recommend that the Judicial Council, effective June 24, 2011, accept the following two "pending" audit reports (Attachments A and B):

1. Audit report dated May 2010 entitled: *Audit of the Superior Court of California, County of San Francisco;* and
2. Audit report dated June 2010 entitled: *Audit of the Superior Court of California, County of Tehama.*

This acceptance will result in the removal of the "pending" watermark, and the audit reports will then be placed on the California Courts public website.

Previous Council Action

The Judicial Council at its August 27, 2010, business meeting approved the following two recommendations that established a new process for review and acceptance of audit reports:

1. Audit reports will be submitted through the Executive and Planning Committee to the Judicial Council. Audit reports will not be considered "final audit reports" until formally accepted by the council.
2. All final audit reports will be placed on the California Courts public website to facilitate public access. This procedure will apply to all reports accepted by the Judicial Council after approval of this recommendation.

Rationale for Recommendation

Council acceptance of audit reports submitted by the Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch through the Executive and Planning Committee is consistent with the council's policy for such matters (described under "Previous Council Action") and with its responsibility under Government Code section 77009(h), which states that "[t]he Judicial Council or its representatives may perform audits, reviews, and investigations of superior court operations and records wherever they may be located."

Comments, Alternatives Considered, and Policy Implications

Comments and policy implications

The process established for 'finalizing' an audit report involves extensive reviews and discussions with the entity being audited. The process has been thoroughly discussed with judicial branch leadership. This review and discussion process additionally allows, at any point in the process, for the entity (trial courts generally) to request an additional review of the draft audit report by the Chief Deputy Director prior to the audit report being placed in a pending status and presented to the Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch (A&E) for review and discussion. At that point in the review process,

additional comments from A&E could result in further discussions with the entity being audited before the committee recommends submission of the report to the council for acceptance.

A&E had various comments and questions that, in some cases, required additional analysis or discussions with the trial courts whose audit reports are attached to this report. The comments and questions were addressed by Internal Audit Services and the results provided to A&E.

Additionally, the Judicial Council, in December 2009, adopted rule 10.500 of the California Rules of Court, effective January 1, 2010, that provides for public access to nondeliberative or nonadjudicative court records. Final audit reports are among the judicial administrative records that are subject to public access unless an exemption from disclosure is applicable. The exemptions under rule 10.500(f) include records whose disclosure would compromise the security of a judicial branch entity or the safety of judicial branch personnel. As a result, information considered to be of a confidential or sensitive nature that would compromise the security of the court or the safety of judicial branch personnel is omitted from audit reports. In accordance with auditing standards, disclosure of the omissions is included in the applicable reports.

Alternatives

No alternatives were considered as the recommendation is consistent with approved council policy and with the provisions of Government Code section 77009(h).

Implementation Requirements, Costs, and Operational Impacts

The proposed recommendation imposes no specific implementation requirements or costs, other than the requirement to disclose the attached audit reports through online publication.

Relevant Strategic Plan Goals and Operational Plan Objectives

The recommendation contained in this report pertains to the activities of Internal Audit Services (IAS) and the role it plays in the judicial branch as an independent appraisal entity. IAS's role as an evaluator is important for both the strategic and operational plans of the judicial branch. Specifically, IAS plays an important role as evaluator under strategic goal II, Independence and Accountability, specifically Goal II.B.4, by helping to establish fiscal and operational accountability standards for the branch to ensure the achievement of and adherence to these standards. Additionally, IAS has an important role in fulfilling several of the objectives of the operational plan related to Goal II because its work pertains to the requirement that the branch maintain the highest standards of accountability for its use of public resources and adherence to its statutory and constitutional mandates. Part of the role and responsibility of IAS also relates to Objective II.B.4 because the audit reports it produces help to measure and regularly report branch performance.

Attachments

1. Attachment A: Audit report dated May 2010 entitled: *Audit of the Superior Court of California, County of San Francisco*
2. Attachment B: Audit report dated June 2010 entitled: *Audit of the Superior Court of California, County of Tehama*