Internal Audit Charter

Introduction

The internal audit function was established by ordinance [Ordinance Number] on [DATE].

Purpose

The purpose of Internal Audit is to provide an independent, objective assurance and consulting activity designed to add value and improve the [Entity Name] (Entity’s) risk management efforts. It helps the Entity and its governing board accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of processes and controls designed to manage risk.

Independence

To help ensure independence and objectivity, Internal Audit reports to the Audit Committee. If a formal Audit Committee has not been established, the governing board is, by default, the Audit Committee. The Audit Committee appoints the Director of Internal Audit, who controls and supervises the Office of Internal Audit. Administratively, Internal Audit reports to the Chief Administrative Officer.

Authority

Internal Auditors are authorized, under the direction of the Director of Internal Audit, to:

* Have full, free and unrestricted access to the records, property and personnel of all Entity departments, boards and commissions, in order to conduct internal audits.
* Have access to all documents and records of organizations receiving funds originating or passed through by the Entity to ensure that adequate internal controls are in place and operating effectively, regarding the expenditure of those funds relating to the Entity.
* Have full and free access to the Audit Committee.
* Obtain the necessary assistance of personnel in departments of the [Entity type] where they perform audits, as well as other specialized services from within or outside the [Entity type].

To maintain an independent status, Internal Auditors are not authorized to:

* Perform any operational duties for the Entity or its boards and committees.
* Initiate or approve accounting policies and procedures or transactions external to the Internal Audit department.
* Direct activities of any [Entity type] employees not employed by Internal Audit department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

Scope and Responsibilities

The Internal Auditor will:

1. Develop an annual audit plan using appropriate risk-based methodology and considering risks or concerns identified by management to be submitted to the Audit Committee for approval. The annual audit plan shall include at a minimum, the following information:
   1. The scope of each proposed audit, including a summary of the nature, records, and time period covered by each audit to be conducted.
   2. Identification of the department, board, service, program, function, or policy to be audited.
   3. Each potential audit objective to be addressed.
2. Implement the annual audit plan as approved, including any requested special projects as approved by the Audit Committee.
3. Conduct investigations of alleged or suspected impropriety, fraud, misappropriation, or other misuse of [Entity type] funds, and seek advice from the [Entity type] attorney as appropriate and provide required reports to appropriate authorities.
4. Coordinate with external auditors and monitor the implementation of corrective actions recommended by external auditors as appropriate.
5. Submit reports to the Audit Committee indicating audits completed, major findings, corrective actions taken by management, and significant findings which have not been fully addressed by management.
6. Maintain a qualified, competent audit staff having the necessary knowledge, skills and disciplines to perform this function.
7. Request adequate resources necessary to accomplish audit objectives.
8. Coordinate with the State Auditor and external auditors to minimize duplication of efforts and maximize efficient audit coverage.
9. Receive, track, and report hotline complaints to the audit committee.

The Internal Auditor may:

1. Subject to the approval of the Audit Committee, conduct special reviews and programmatic reviews at the request of the governing board, finance officer, department heads, boards and committees.
2. Subject to the approval of the Audit Committee, provide assistance to departments, boards and committees for evaluation of financial controls and other audit related matters.
3. Amend the annual audit plan, subject to the approval of the Audit Committee.
4. Initiate, conduct, or expand the scope of an audit or investigation if a finding requires expansion of the scope, or if a determination has been made that fraud, abuse, or an unlawful act may have occurred.