

ORDINANCE NO. ____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MISSION, TEXAS, REPEALING ORDINANCE NO. 5506 IN ITS ENTIRETY AND REPLACING WITH THIS ORDINANCE; CREATING AND ESTABLISHING AN AUDIT COMMITTEE; PROVIDING FOR COMPOSITION, AUTHORITY, DUTIES, REPORTING STRUCTURE, AND LIMITATIONS; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the voters of the City of Mission approved a Charter Amendment on May 4, 2024 to establish the Office of the Internal Auditor to report to the City Council by means of an Audit Committee to provide independent oversight of the financial reporting processes, internal controls, and audit functions of the municipality; and

WHEREAS, it is necessary to implement the provisions of said Charter Amendment;

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Mission, as follows:

Section 1. Establishment of Audit Committee

Pursuant to the Charter Amendment approved by the voters on May 4, 2024 the City Council hereby establishes the Internal Audit function and the Audit Committee of the City of Mission.

Section 2. Purpose

The purpose of the Internal Audit function and Audit Committee is to provide independent oversight of the financial reporting processes, internal controls, and audit functions of the municipality, thereby enhancing the accountability and transparency of the municipality's financial operations.

Section 3. Composition

The Audit Committee shall consist of three (3) voting members.

1. One (1) member shall be a member of the City Council, appointed by majority vote of the City Council. The City Council shall also appoint one (1) alternate Council member to serve in the absence of the primary Council appointee, with full voting authority during such absence.
2. Two (2) members shall be members of the community, to be recommended by the Audit Committee Chairman and appointed and approved by the Mayor and City Council, and shall possess demonstrated experience or expertise in accounting, finance, auditing, or governmental financial management.
3. Members shall serve three-year terms and shall continue to serve until their successors are appointed.
4. Vacancies shall be filled in the same manner as original appointments for the unexpired term.
5. Two (2) members shall constitute a quorum for the transaction of business.
6. The Audit Committee Chairman may recommend to the Mayor and City Council the removal or replacement of any committee member who, in the judgment of the Chair, is not adequately performing the duties and responsibilities of the Audit Committee.

Section 4. Meetings

The Audit Committee shall meet at least once quarterly or as needed to perform its duties. All meetings of the Audit Committee shall be open to the public, except as otherwise provided by law. A majority of the members of the Audit Committee shall constitute a quorum for the transaction of business. The Audit committee shall keep minutes of its proceedings, showing the vote of each member, and shall keep records of its examinations and other official actions, all of which shall be public record.

Section 5. Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall include those as listed below. The Audit Committee shall also carry out other duties and responsibilities as may be assigned by the City Council.

1. Review the City Internal Auditor's audit plan annually.
2. Perform regular evaluations of the City's annual internal audit plan and provide suggestions and comments for the annual audit plan.
3. Review and approve the annual audit plan.
4. Perform evaluations of City audit function, ensure audits are performed in accordance with applicable standards, and make recommendations to the City Council.
5. Review financial statements, audit reports, and management letters.
6. Monitor and follow-up on reported findings to assure corrective action is taken by management.
7. Ensure compliance with applicable laws, regulations, and policies.
8. Report its findings and recommendations to the City Council and City Manager at least quarterly.
9. Make recommendations to the City Council for the selection and oversight of the external auditing firm conducting the annual financial statement audits.
10. Perform Audit functions as outlined in the City's Internal Audit Plan
11. Approving decisions regarding the appointment and removal of the Internal Auditor subject to City Council approval.

Section 6. Audit Function, Scope, and Oversight

The City Council directs the Internal Audit function and Audit Committee to oversee the City Internal Auditor's financial and performance audits of all departments, offices, boards, activities, outside agencies and programs of the City. Such audits shall be conducted in accordance with recognized government auditing standards. The goals of such audits are to independently and objectively determine whether:

1. Activities and programs being implemented have been authorized by government Charter or Code, state law, or applicable federal law or regulations, and are being conducted and funds expended in compliance with applicable laws;
2. The department, office, or outside agency is acquiring, managing, protecting, and using its resources, including public funds, personnel, property, equipment, and space, economically, efficiently, equitably, and effectively and in a manner consistent with the objectives intended by the authorizing entity or enabling legislation;
3. The entity, programs, activities, functions, or policies are effective, including the identification of any causes or inefficiencies or uneconomical practices;
4. The desired result or benefits are being achieved;
5. Financial and other reports are being provided that disclose fairly, accurately, and fully all information required by law, to ascertain the nature and scope of programs

and activities, and to establish a proper basis for evaluating the programs and activities including the collection of, accounting for, and depositing of, revenues and other resources;

6. Management has established adequate operating and administrative procedures and practices, systems or accounting internal control systems and internal management controls;
7. Indications of fraud, abuse or illegal acts are valid and need further investigation; and;
8. Any additional audit-related goals as assigned by the City Council or City Manager.

Section 6(a). Internal Auditor Reporting and Administrative Structure

The City Internal Auditor shall function under a dual reporting relationship. For purposes of audit policy, audit planning, audit results, independence, and accountability, the City Internal Auditor shall direct reporting to the City Council by means of the City's Audit Committee (as per Section 3.15 of the City of Mission Home Rule Charter). For purposes of day-to-day administration, including personnel administration, budgeting implementation, facilities, equipment, and other routine operational matters, the City Internal Auditor shall report to the City Manager.

Nothing in this section shall be construed to impair the independence of the City Internal Auditor in the performance of audit responsibilities.

Section 6(b). Limitations on Authority of Audit Committee

The Audit Committee shall have no rule-making authority, no quasi-judicial authority, and shall not have authority to enter into contracts, authorize expenditures, or otherwise obligate the City financially, except as expressly provided by this ordinance or by action of the City Council.

Section 6(c). Confidentiality

The Audit Committee and the Internal Auditor shall strictly maintain the confidentiality of all audit-related information as required by law and professional standards. This includes Texas Local Government Code §552.116, which provides that audit working papers of a local governmental entity are confidential and exempt from public disclosure, and applicable requirements of the Texas Open Meetings Act. Additionally, all audit activities shall be performed in accordance with the Institute of Internal Auditors' Code of Ethics and Professional Standards, which require that audit information be safeguarded, disclosed only with proper authority, and used solely for legitimate audit purposes.

Section 7. Audit Schedule

The audit Committee shall review and comment on the Internal Auditor's one-year audit schedule. The schedule shall include the proposed plan, and the rationale for the selections, for auditing departments, offices, boards, activities, subcontractors and outside agencies for the period. This schedule may be amended after review with the Audit Committee.

Section 8. Contract Auditors, Consultants, and Experts

The Audit Committee may recommend to the City Internal Auditor to procure services of Certified Public Accountants, qualified management consultants, or other professional

experts necessary to perform audit work, other than the City's annual audit. An Audit that is performed by contract must be conducted by persons who have no financial interests in the affairs of the City of Mission or its officers. As directed by the Audit Committee, the City Internal Auditor will coordinate and monitor auditing performed by certified public accounting firms or other organizations employed under contract by the City of Mission to assist with the audit related activities. Contracting for any recommended audit activities will follow City of Mission's normal procurement processes.

Section 9. Reporting

The Audit Committee shall require the City Internal Auditor to prepare and submit an annual report to the City Council indicating audits completed, major findings, corrective actions taken by City staff, and significant issues which have not been fully addressed by management. Any preliminary audit findings or other draft documents and work papers of the auditors or Audit Committee shall be confidential and shall not be released.

Section 10. Severability Should any section or provision of this ordinance be declared by a court of competent jurisdiction to be invalid, that decision will not affect the validity of the ordinance as a whole or any part thereof, other than the part so declared to be invalid.

Section 11. Effective Date This ordinance will be and remain in full force and effect following its passage, approval and adoption by the City Council.

Section 12. Open Meetings Compliance The City Council finds and determines that the meetings at which this ordinance was passed, approved and adopted were open to the public and that public notice of the time, place, and purpose of said meetings were duly given as required by the Texas Open Meetings Act.

Section 13. Repealer

Ordinance No. 5506 is hereby repealed in its entirety.

CONSIDERED, PASSED, AND APPROVED this 13th day of January, 2026, at a regular meeting of the City Council of the City of Mission, Texas, at which a quorum was present and which was held in accordance with Chapter 551, Texas Government Code.

Norie Gonzalez Garza, Mayor

ATTEST:

Anna Carrillo, City Secretary