

**CITY OF NORMAN**  
**INTERNAL AUDIT INTERNAL CHARTER**

**1. General**

This document sets forth the purpose, authority and responsibilities of the City Auditor of the City of Norman (hereafter referred to as the City).

**2. Purpose and Mission**

The purpose of the City Auditor and Internal Audit is to assist management and staff of the City under the governance of City Council, in the effective discharge of its responsibilities by providing them and City Staff independent, objective analysis, recommendations and consulting services designed to add value and improve the City of Norman's (The City) operations. Specifically, the adequacy and effectiveness of the internal control structure, the safeguarding of assets, compliance with applicable laws, regulations and City policies and the achievement of management objectives. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Department helps the City of Norman accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

It also provides reasonable assurance to Management and City Council that the City's financial and operational controls, designed to manage the organization's risks and achieve the City's objectives, are operating in an efficient, effective and ethical manner and also assists management in improving the City's business performance.

The purpose of the Internal Audit Internal Charter is to define the scope, duties and responsibilities of the Internal Auditors and the submission of reports to the Finance Committee and City Council for recommending improvements to the operations of the City and strengthen the overall governance mechanism of the City.

**3. Definition of Internal Auditing**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

**4. Standards for the Professional Practice of Internal Auditing**

The Internal Audit Department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (the Standards)*, and the Definition of Internal Auditing. The City Auditor will report quarterly, to the City Manager and the Finance Committee, regarding the Internal Audit Department's conformance to the Code of Ethics and the *Standards*.

## 5. **Authority and Organization**

The City Auditor will report functionally to **City Council, the Finance** Committee and administratively (day-to-day operations) to the City Clerk. To establish, maintain, and assure that the City of Norman's Internal Audit Department has sufficient authority to fulfill its duties, **City Council has authority to:**

- Approve the Internal Audit Department's Internal Charter.
- Approve the risk-based internal triennial audit plan.
- Approve the Internal Audit Department's budget and resource plan.
- Receive communications from the City Auditor on the Internal Audit Department's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the City Auditor.
- Approve the remuneration (salary) of the City Auditor.
- Make appropriate inquiries of management and the City Auditor to determine whether there is inappropriate scope or resource limitations.

The City Auditor will have unrestricted access to, and communicate and interact directly with, **City Council** and **Finance** Committee, including in private meetings without management present.

City Council authorizes the Internal Audit Department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information **to determine whether the City's control, risk management and governance processes, as designed and implemented by management, are adequate and functioning.**
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance, **as it relates to audit engagements,** from the necessary personnel of the City of Norman, as well as other specialized services from within, or outside the City of Norman, in order to complete the engagement.

## 6. **Independence and Objectivity**

**To permit the maintenance of a fully independent and objective approach,** the City Auditor will ensure that the Internal Audit Department remains free from **interference by any element in the organization, ensure** all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the City Auditor determines that independence or objectivity may be impaired, in fact or appearance, the details will be disclosed to the appropriate parties.

Internal auditors will **exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.** Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a

manner that they believe their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the City of Norman or its affiliates.
- Initiating or approving transactions external to the Internal Audit Department.
- Directing the activities of any City of Norman employee not employed by the Internal Audit Department, except to the extent that such employees have been appropriately assigned to auditing teams, or to otherwise assist internal auditors.

Where the City Auditor has, or is expected to have, roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

The City Auditor will confirm to City Council, at least annually, the organizational independence of the Internal Audit Department.

The City Auditor will disclose to the **City Council and the Finance Committee** any interference, and related implications, in determining the scope of internal auditing, performing work, and/or communicating results.

## **7. Responsibilities**

### ***Scope of Internal Audit Activities***

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to City Council, the **Finance Committee**, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the City of Norman. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the City of Norman’s strategic objectives are appropriately identified and managed.
- **Develop a risk analysis to identify the higher risk activities of the City.**
- The actions of City of Norman’s officers, directors, employees, and contractors are in compliance with the City of Norman’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, and applicable laws, regulations that could significantly impact the City of Norman.
- Information and the means used to identify, measure, analyze, classify and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The City Auditor will report periodically to City management and City Council regarding:

- The Internal Audit Department’s purpose, authority, responsibility.
- The Internal Audit Department’s plan and performance relative to its plan.
- The Internal Audit Department’s conformance with The IIA’s Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the City Council.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the City of Norman.

The City Auditor also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit Department does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

### ***Responsibilities***

The City Auditor has the responsibility to:

- Submit, at least annually, to senior management and City Council an update to the triennial risk-based internal audit plan for review and approval.
- Communicate to senior management and City Council the impact of resource limitations on the internal audit plan.

- Review and adjust the internal audit plan, as necessary, in response to changes in City of Norman’s business risks, operations, programs, systems, and controls.
- Communicate to senior management and the City Council any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the City Council any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Department collectively possess or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Internal Charter.
- Ensure trends and emerging issues that could impact City of Norman are considered and communicated to senior management and City Council, as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Department.
- Ensure adherence to City of Norman’s relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Internal Charter. Any such conflicts will be resolved or otherwise communicated to senior management and the City Council.
- Ensure conformance of the Internal Audit Department with the *Standards*, with the following qualifications:
  - If the Internal Audit Department is prohibited by law or regulation from conformance with certain parts of the *Standards*, the City Auditor will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
  - If the *Standards* are used in conjunction with requirements issued by Government Auditing Standards issued by the Comptroller General of the United States, the City Auditor will ensure that the Internal Audit Department conforms with the *Standards*, even if the Internal Audit Department also conforms with the more restrictive requirements of Government Auditing Standards issued by the Comptroller General of the United States.

## **8. Quality Control and Peer Review**

The City Auditor will establish and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the Internal Audit Department. The program will include an evaluation of the Internal Audit Department’s conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA’s Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit Department and identify opportunities for improvement.

The City Auditor will communicate to senior management and City Council on the Internal Audit Department’s quality assurance and improvement program (QAIP), including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the City of Norman.

**9. Fraud**

City employees have a duty to report instances of suspected theft, fraud, or misuse of funds to Internal Audit who will coordinate internal investigations with the appropriate officials (e.g. Legal, City Council, senior management).

Approval

\_\_\_\_\_  
City Auditor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Date

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
Date