

CITY OF NORMAN'S INTERNAL AUDIT CHARTER

1. Purpose

The purpose of the Internal Audit Charter is to define the purpose, authority and responsibilities of the Office of the City Auditor and the submission of reports to the Finance Committee (Acting Audit Committee) and City Council for recommending improvements to the operations of the City and strengthen the overall governance mechanism of the City.

The purpose of the Office of the City Auditor is to strengthen the City of Norman's ("The City") ability to create, protect, and sustain value by providing City Council and Management (Department Heads, Division Managers, and Supervisors) with independent, risk-based, and objective assurance, advice, insight, and foresight, under the governance of City Council, in the effective discharge of its responsibilities. Specifically, internal audit provides independent and objective assurance on the adequacy and effectiveness of the internal control structure, the safeguarding of assets, compliance with applicable laws, regulations, City ordinances, and City policies and the achievement of City objectives. Internal Audit 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, ethical, and equitable manner.

2. Commitment to Adhering to the Global Internal Audit Standards

The City of Norman's Office of the City Auditor 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 Council and senior management regarding the Office of the City Auditor's conformance with the *Standards*, which will be assessed through a quality assurance and improvement program (QAIP).

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.

3. Mandate

The City of Norman's Office of the City Auditor mandate is found in Article V, Section 3 which states, "It shall be the City Auditor's duty to advise the Council and each member thereof, and the City Manager, of operational and financial audits relating to the efficient and economical operation of

Norman City government, and other related matters as may be required by the Council or the City Manager. The foregoing provisions shall not be deemed to prevent the City Manager, with the approval of a majority of the City Council, from employing private auditors as it is deemed necessary.”

Authority

The City of Norman’s Office of the City Auditor’s authority is created by its direct reporting relationship to the City Council. Such authority allows for unrestricted access to the City Council and Finance Committee, including private meetings without Management present.

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City Council authorizes the Office of the City Auditor to:

- Have full and unrestricted access to, and perform examination of, functions, records, information, policies, procedures, processes, personnel, and facilities relevant to performing audit engagements (assurance engagements, advisory engagements and fraud engagements), pursuant to Article V, Section 3 and Article III, Section 6 of the City of Norman Charter, of the City of Norman Charter.
- 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 appropriate personnel of the City of Norman, as well as other specialized services from within or outside the City of Norman, in order to complete internal audit services; pursuant to the mandate set forth in Article V, Section 3 and Article III, Section 6 of the City of Norman Charter,

Independence, Organizational Position, and Reporting Relationships

The City Auditor will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from Management (See Mandate Section). The City Auditor will report functionally to City Council, the Finance Committee and report administratively (day-to-day operations) to the City Manager. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the City Council, when necessary, without interference and supports the internal auditors’ ability to maintain objectivity.

The City Auditor will confirm to City Council, at least annually, the organizational independence of the Office of the City Auditor. If the governance structure does not support organizational independence, the City Auditor will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The City Auditor will disclose to the City Council and the Finance Committee any interference internal auditors’ encounter related to the scope, performance, or communication of internal audit work

and results of internal auditing, performing work, and/or communicating results. The disclosure will include communicating the implications of such interference on the Office of the City Auditor's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Internal Audit Charter

Circumstances may justify a follow-up discussion between the chief executive, City Council, and senior management on the internal audit mandate to other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the City.
- Significant changes in the City Auditor, City Council, and/or senior management.
- Significant changes to the City's strategies, objectives, risk profile, or the environment in which the City operates.
- New laws or regulations that may affect the nature and/or scope internal audit services.

4. City Council Oversight

To establish, maintain, and assure that the City of Norman's Office of the City Auditor has sufficient authority to fulfill its duties, City Council has authority to:

- Discuss with the City Auditor and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Office of the City Auditor.
- Ensure the City Auditor has unrestricted access to and communicate and interacts directly with City Council, including in private meetings without senior management present, subject to the Oklahoma Open Meetings Act (O.S. Title 25, Sections 301-314).
- Discuss with the City Auditor and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the City Auditor and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective Office of the City Auditor.
- Approve the Office of the City Auditor's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the chief audit executive to consider changes affecting the organization, such as the employment of a new City Auditor or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter annually.

- Approve the risk-based triennial internal audit plan.
- Provide input to the Office of the City Auditor's human resources administration and budgets.
- Review the Office of the City Auditor's expenses.
- Provide input to senior management on the appointment and removal of the chief audit executive, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the City Auditor's performance.
- Receive communications from the City Auditor about the Office of the City Auditor including its performance relative to its plan (Annual Update on the Triennial Audit Plan).
- Ensure a quality assurance and improvement program (QAIP) has been established and review the results annually.
- Make appropriate inquiries of senior management and the City Auditor to determine whether scope or resource limitations are inappropriate.

5. City Auditor Roles and Responsibilities

Ethics and Professionalism

The City Auditor will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality, with the following qualifications:
 - If the Office of the City Auditor 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 generally accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, the City Auditor will ensure that the Office of the City Auditor conforms with the *Standards*, even if the Office of the City Auditor also conforms with the more restrictive requirements of Government Auditing Standards issued by the Comptroller General of the United States.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.

- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

To permit the maintenance of a fully independent and objective approach, the City Auditor will ensure that the Office of the City Auditor remains free from 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 (departments, divisions, programs, functions, contracts, personnel, systems, and policies) audited. Accordingly, internal auditors will not design, implement or monitor 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 Office of the City Auditor.
- Directing the activities of any City of Norman employee not employed by the Office of the City Auditor, 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.

Managing the Office of the City Auditor

The City Auditor has the responsibility to:

- Develop a risk analysis to identify the higher risk activities of the City.
- At least triennially, develop a risk-based internal audit plan that considers the input of the City Council and senior management. Discuss the plan with the City Council and senior management and submit the plan to the City Council for review and approval.
- Submit, at least annually, to Management and City Council an update to the triennial risk-based internal audit plan for review and approval.
- Communicate to Management and City Council the impact of resource limitations on the triennial internal audit plan.
- Review and adjust the triennial internal audit plan, as necessary, in response to changes in City of Norman's business risks, operations, programs, systems, and controls.
- Communicate with City Council and senior management if there are any significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards, GAGAS and laws and/or regulations.
- 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 Office of the City Auditor collectively possess or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Ensure trends and emerging issues that could impact City of Norman are identified, considered, and communicated to City Council and senior management, 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 Office of the City Auditor.

- Ensure adherence to City of Norman’s relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to City Council and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the City Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to senior management, and if necessary escalated to the City Council.

Communication with the City Council and Senior Management

The City Auditor will report annually to City Council and senior management regarding:

- The Office of the City Auditor’s mandate.
- The triennial internal audit plan and performance relative to its plan.
- The Office of the City Auditor’s budget.
- Significant revisions to the triennial internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program (QAIP), which include the Office of the City Auditor’s conformance with The IIA’s Global Internal Audit Standards and action plans to address the Office of the City Auditor’s deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the City Council that could interfere with the achievement of City of Norman’s strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management’s responses to risk that the Office of the City Auditor determines may be unacceptable or acceptance of a risk that is beyond City of Norman’s risk appetite. This risk acceptance could be a result of funding restrictions impacting management’s ability to respond to risks toward strategic objectives.

The Office of the City Auditor may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Office of the City Auditor 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.

Quality Assurance and Improvement Program

The City Auditor will establish and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the Office of the City Auditor. The program will include an evaluation of the Office of the City Auditor'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 Office of the City Auditor and identify opportunities for improvement.

The City Auditor will communicate to City Council and senior management about the Office of the City Auditor's quality assurance and improvement program (QAIP), including the results of internal assessments (both ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every three (3) years by a qualified, independent assessor or assessment team from outside the City of Norman; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

The City's Office of the City Auditor has become a member of the Association for Local Government Auditors (ALGA), and will enlist services through ALGA to conduct the triennial external assessment.

6. Scope and Types of Internal Audit Services

Scope of Internal Audit Activities

The scope of internal audit services covers the entire breadth of the organization, including all of City of Norman's policies, procedures, processes, functions, programs, grants, contracts, activities, facilities, and personnel. The scope of internal audit activities also encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assurance and advisory services to the City Council and management on the adequacy and effectiveness of the City of Norman's governance, risk management, and control processes for the City of Norman.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the City of Norman’s strategic objectives are appropriately identified and managed.
- The actions of City of Norman’s officers, directors, employees, and contractors or other relevant parties comply with the City of Norman’s policies, procedures, 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, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, and applicable laws, regulations that could significantly impact the City of Norman.
- The integrity of information and the means used to identify, measure, analyze, classify and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

7. Occupational Fraud

City employees have a duty to report instances of suspected theft, fraud, or misuse of public funds or assets to Office of the City Auditor who will coordinate internal investigations with the appropriate officials (e.g. City Manager, City Attorney, and City Council). Other options to anonymously report instances of suspected theft, fraud, or misuse of public funds or assets is to contact the City of Norman Fraud Hotline operated by Eide Bailly at 866-912-5378.

Approved by the City Council at its meeting on December ____, 2024.

Acknowledgments/Signatures

City Auditor

Date

City Manager

Date

Mayor (Chair of Finance Committee)

Date