

**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 as the 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 Global Internal Audit Standards, its topical requirements, and global guidance. The City Auditor will report semi-annually to the City Council and City Manager regarding the Office of the City Auditor's conformance with the *Standards*, which will be assessed through a quality assurance and improvement program (QAIP).

3. Mandate

The City of Norman's Office of the City Auditor mandate is found in Article V, Section 3 of the City of Norman Charter 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."

4. Authority

The City of Norman's Office of the City Auditor's position is created by Article V, Section 1 of the City of Norman Charter and its authority is established by its direct reporting relationship to the City Council as outlined in Article V, Section 3 of the City of Norman Charter. Subject to the Open Meetings Act (O.S. Title 25, Sections 301-314), such authority allows for unrestricted access to the City Council and Finance Committee, including private meetings without Management present. The Office of the City Auditor may conduct formal or informal one-on-one meetings with members of City Council to discuss the management, expectations, goals, and other matters related to the operations of the Office of the City Auditor. Methods of meeting with members of City Council include one-on-one phone, web-hosted video, email, and in-person meetings.

City Council authorizes the Office of the City Auditor, with City Council's express approval by Resolution (R-2425-67), to:

- Have full and unrestricted access to, and perform examination of functions, records, information, policies, procedures, processes, employees, and facilities relevant to performing audit engagements (assurance engagements, advisory engagements and fraud engagements), pursuant to Article V, Section 3 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, pursuant to Article V, Section 3 of the City of Norman Charter.
- Obtain assistance, as it relates to audit engagements, from the appropriate employees 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 of the City of Norman Charter.

5. Independence, Organizational Position, and Reporting Relationships

The City Auditor will be positioned at a level in the City 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 and 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 the City Manager 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.

6. City Council Oversight

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

- Establish and discuss with the City Auditor and City Manager 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 City Manager present, subject to the Oklahoma Open Meetings Act (O.S. Title 25, Sections 301-314).
- Discuss with the City Auditor and City Manager other topics that should be included in the internal audit charter.
- Participate in discussions with the City Auditor and City Manager about the "essential conditions," described in Standard 8.1 of Principle 8 of 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 City Auditor 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, and approve, the Office of the City Auditor's human resources administration and budgets.
- Review and approve the Office of the City Auditor's budget and expenses.
- Provide input to City Manager on the appointment and removal of the City Auditor, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to City Manager 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 the City Manager and the City Auditor to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.

7. 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 employees. 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.

8. Occupational Fraud

City employees are encouraged 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 Ethics Hotline operated by Eide Bailly at 866-912-5378.

Approved by the City Council at its meeting on April ____, 2025.

Acknowledgments/Signatures

City Auditor

Date

City Manager

Date

Mayor (Chair of Finance Committee)

Date