



Internal Audit Ordinance Review

City Auditor's Office

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What's the Purpose for an Internal Audit Charter?

To provide the City Auditor's Office with clearly defined and articulated course of action that allow the internal audit function to operate at the highest levels

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Why is an Internal Audit Charter Important?

- Provides a blueprint of how internal audit will operate
- Helps the governing body clearly signal the value it places on internal audit's independence



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What are the Vital Components of an Internal Audit Charter?

- Mission and Purpose
- Authority
- Independence and Objectivity
- Scope of Internal Audit Activities
- Responsibility
- Quality Assurance and Improvement Program



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Mission



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Enhance and protect organizational value by providing risk-based and objective: <ul style="list-style-type: none">• assurance• advice• insight	Under the direction and supervision of the City Auditor, the City Auditor's Office is a department that provides assurance to the City Council that management has established an effective system of internal control. <i>Source: Corpus Christi Code Chapter 2, Article III, Sec 2-51</i>

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Purpose



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INSTITUTE OF INTERNAL AUDITORS	CITY OF CORPUS CHRISTI
Provide independent, objective assurance and consulting services designed to: <ul style="list-style-type: none">• add value• improve operations	The City Auditor shall systematically and continuously examine the works of all city operations to identify opportunities to reduce costs, increase efficiency, quality, and effectiveness, or otherwise improve management of city programs and services. <i>Source: Corpus Christi Code Chapter 12 ½-6</i>

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Authority



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The Chief Audit Executive will report functionally to the City Council/Audit Committee/Supervisory Committee and administratively to the Chief Executive Officer.	<p>The City Auditor shall be appointed by affirmative vote of a majority of the entire membership of the City Council.</p> <p><i>Source: Corpus Christi Code Chapter 12 ½-1</i></p>

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Authority (cont'd)



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INSTITUTE OF INTERNAL AUDITORS	CITY OF CORPUS CHRISTI
The City Council/Audit Committee/Supervisory Committee will approve the internal audit charter.	<p>In 2011, the City Council authorized the establishment of the City Auditor's Office, and detailed responsibilities of the City Auditor and the internal audit function (via Chapter 12 ½ of the City's Code of Ordinances).</p> <p>City code amendments have been made as deemed necessary and as approved by a majority vote of the City Council.</p>

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Authority (cont'd)



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The City Council/Audit Committee/Supervisory Committee will approve the risk-based internal audit plan.	No less than 30 days prior to the beginning of each calendar year, the City Auditor shall submit an annual audit plan to the City Council through the Council Audit Committee for review and comment. The Council Audit Committee shall forward the plan to the City Council for City Council review and final approval. <i>Source: Corpus Christi Code Chapter 12 ½-2</i>

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Authority (cont'd)



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INSTITUTE OF INTERNAL AUDITORS	CITY OF CORPUS CHRISTI
The City Council/Audit Committee/Supervisory Committee will approve the internal audit department's budget and resource plan.	The City Auditor administers the affairs of the City Auditor's Office within the City's budget approval process. <i>Source: Corpus Christi Code Chapter 12½-2</i>

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Authority (cont'd)



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INSTITUTE OF INTERNAL AUDITORS	CITY OF CORPUS CHRISTI
<p>The City Council/Audit Committee/Supervisory Committee will approve decisions regarding the appointment, removal, and remuneration of the City Auditor.</p>	<p>The City Auditor shall be appointed by affirmative vote of a majority of the entire membership of the City Council.</p> <p>The City Auditor may be removed only by a majority of the City Council.</p> <p>The City Auditor's compensation shall be fixed by the City Council.</p> <p><i>Source: Corpus Christi Code Chapter 12½-1 & Chapter 12½-2</i></p>

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Authority (cont'd)



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INSTITUTE OF INTERNAL AUDITORS	CITY OF CORPUS CHRISTI
<p>The City Council/Audit Committee/Supervisory Committee authorizes the City Auditor to have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement.</p>	<p>All officers, employees, or agents of the City shall provide access to and furnish the City Auditor or employees in the office of the City Auditor with any and all documents...[of the types of stated].</p> <p><i>Source: Corpus Christi Code Chapter 12 ½-4</i></p>

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Independence & Objectivity



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<p>The Chief Audit Executive will ensure that the internal audit department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner.</p>	<p>The organization and administration of the [City] Auditor's Office shall be sufficiently independent to assure that no interference or influence shall adversely affect an independent and objective judgment of the auditor.</p> <p><i>Source: Corpus Christi Code Chapter 12½-2</i></p>

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Independence & Objectivity (cont'd)



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<p>The Chief Audit Executive will confirm to the Board/Audit Committee, at least annually, the organizational independence of the internal audit department.</p>	<p>The City Code establishes the City Auditor's Office, with the City Auditor being appointed by affirmative vote of a majority of the entire City Council.</p> <p>Additionally, each year, the City Auditor is required to submit an annual audit plan to the City Council through the Council Audit Committee for review and recommendation. The Council Audit Committee then forwards the plan to the City Council for review and final approval.</p>

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Scope of Internal Audit Activities



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The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments on the adequacy and effectiveness of governance, risk management, and control processes.	<p>The City Auditor is empowered to conduct performance and other work to determine whether activities, programs and systems were:</p> <ul style="list-style-type: none"> • implemented as authorized; • effective, economical, and efficient; • compliant with applicable mandates; and to: • determine whether financial and performance reports disclose information fairly, accurately, and in full. <p><i>Source: Corpus Christi Code Chapter 12½-6</i></p>

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Responsibility



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INSTITUTE OF INTERNAL AUDITORS	CITY OF CORPUS CHRISTI
<p>The Chief Audit Executive has the responsibility to:</p> <ul style="list-style-type: none"> • submit, at least annually, to senior management and the Board/Audit Committee/Supervisory Committee, a risk-based internal audit plan for review and approval. 	<p>No less than 30 days prior to the beginning of each calendar year, the City Auditor shall submit an annual audit plan to the City Council through the Council Audit Committee for review and comment. The Council Audit Committee shall forward the plan to the City Council for City Council review and final approval.</p> <p><i>Source: Corpus Christi Code Chapter 12½-2</i></p>

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Responsibility (cont'd)



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INSTITUTE OF INTERNAL AUDITORS	CITY OF CORPUS CHRISTI
<p>The Chief Audit Executive has the responsibility to:</p> <ul style="list-style-type: none"> review and adjust the internal audit plan, as necessary, in response to changes in business, risks, operations, programs, systems, and controls. 	<p>The annual audit plan may be amended during the year, following notification of the Council Audit Committee and due provision for comment with written notice of changes to the full City Council.</p> <p><i>Source: Corpus Christi Code Chapter 12½-2</i></p>

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Responsibility (cont'd)



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INSTITUTE OF INTERNAL AUDITORS	CITY OF CORPUS CHRISTI
<p>The Chief Audit Executive has the responsibility to:</p> <ul style="list-style-type: none"> ensure conformance of the City Auditor's Office with applicable auditing standards 	<p>The City Auditor will establish audit policies and procedures consistent with Government Auditing Standards, established by the Comptroller General of the United States, as well as applicable laws and regulations.</p> <p><i>Source: Corpus Christi Code Chapter 12½-1</i></p>

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Responsibility (cont'd)

INSTITUTE OF INTERNAL AUDITORS	CITY OF CORPUS CHRISTI
<p>The Chief Audit Executive has the responsibility to:</p> <ul style="list-style-type: none"> • follow-up on engagement findings and corrective actions • report periodically to senior management and the Board/Audit Committee any corrective actions not effectively implemented 	<p>The City Auditor shall ensure accountability and implementation of a continuous improvement process by an annual status report of prior audit recommendations.</p> <p>At least 6 months, but no longer than 12 months, after the transmittal of an audit report to the City Council, the City Auditor shall request a status report on actions taken by appropriate officials in response to the audit recommendations.</p> <p>The City Auditor may request additional periodic status reports, and conduct follow-up review as needed.</p> <p><i>Source: Corpus Christi Code Chapter 12½-6</i></p>



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Quality Assurance & Improvement Plan

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<p>The Chief Audit Executive will communicate to senior management and the Board/Audit Committee/Supervisory Committee on the internal audit department's quality assurance and improvement program.</p>	<p>The City Auditor's Office shall be subject to peer review not less than once every 3 years.</p> <p>A copy of the peer review report shall be furnished to each member of the City Council, after review and approval by the Council Audit Committee.</p> <p><i>Source: Corpus Christi Code Chapter 12½-7</i></p>



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How Does the City Code Compare?



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Mission & Purpose	Authority	Independence & Objectivity
✓	✓	✓

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How Does the City Code Compare?



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Scope of Internal Audit Activities	Responsibility	Quality Assurance & Improvement Program
✓	✓	✓

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Proposed Change - Audit Committee



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CURRENT ORDINANCE	PROPOSED CHANGE
<p>The audit committee will consist of four council members appointed by the Mayor at the beginning of each council term. The Mayor shall appoint one of the council members as the chairperson. The Mayor may change the membership of the audit committee at any time.</p> <p><i>Source: Corpus Christi Code Chapter 12½-3.a.</i></p>	<p>Add: Majority of members should collectively possess sufficient knowledge of audit, finance, local government, IT, law, governance, risk and control. At least one of the appointed members should possess sufficient knowledge of audit or finance. If not, appoint a member of the public to fulfill this role.</p>

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Proposed Change - Access to Records & Property



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CURRENT ORDINANCE	PROPOSED CHANGE
<p>All officers, employees, or agents of the city shall provide access to and furnish the city auditor or employees in the office of the city auditor with any and all documents including but not limited to records, books, accounts, internal or external memoranda, writings and tapes, reports, vouchers, correspondence files, CDs, computer data, bank accounts, reports, funds, money, and other information or property in their custody. Also, such officers, employees, or agents shall fully cooperate with the office of the city auditor, and make full disclosure of all known information. In addition, they shall provide access for the city auditor to inspect all property, equipment, and facilities within their custody and observe any operations for which they are responsible.</p> <p><i>Source: Corpus Christi Code Chapter 12 ½-4</i></p>	<p>All officers, employees, or agents of the city shall provide the city auditor or employees in the office of the city auditor with free and open access to and furnish the city auditor or employees in the office of the city auditor copies of information in any medium, with any and all documents including any but not limited to records, books, accounts, internal or external memoranda, writings and tapes, reports, files, vouchers, correspondence files, CDs, computer data, bank accounts, reports, funds, money, and other information or property in their custody.</p>

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Proposed Change - Access to Records & Property (cont'd)



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CURRENT ORDINANCE	PROPOSED CHANGE
<p>Also, such officers, employees, or agents shall fully cooperate with the office of the city auditor, and make full disclosure of all known information. In addition, they shall provide access for the city auditor to inspect all property, equipment, and facilities within their custody and observe any operations for which they are responsible.</p> <p><i>Source: Corpus Christi Code Chapter 12 ½-4</i></p>	<p>Also, such officers, employees, or agents shall fully cooperate with the office of the city auditor, and make full disclosure of all known information. In addition, they shall provide the city auditor or employees in the office of the city auditor with free and open access for the city auditor to inspect all property, equipment, and facilities within their custody and observe any operations for which they are responsible.</p>

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Proposed Change - Follow-Up Projects



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CURRENT ORDINANCE	PROPOSED CHANGE
<p>At least six (6) months, but no longer than twelve (12) months, after the transmittal of an audit report to the council, the City Auditor shall request a status report on actions taken by appropriate officials in response to the audit recommendations.</p> <p><i>Source: Corpus Christi Code Chapter 12½-6.c.1.</i></p>	<p>At least six (6) months, but no longer than Subsequent to management's target implementation dates or within twelve (12) months after the transmittal of an audit report to the council, occurs first in time, the City Auditor shall request a status report on actions taken by appropriate officials in response to the audit recommendations.</p>

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Proposed Change - City Auditor Vacancy

CURRENT ORDINANCE	PROPOSED CHANGE
<p>The council shall appoint an ad hoc nominating committee to recommend to the City Council, candidates for City Auditor. The committee shall consist of five (5) members.</p> <ul style="list-style-type: none">• Three members of the city council, nominated by the Council Audit Committee• One at-large City of Corpus Christi resident• The City Manager or his or her designee <p><i>Source: Corpus Christi Code Chapter 12½-8b</i></p>	<p>Replace:</p> <p>An ad hoc nominating committee, consisting of the Council Audit Committee plus the City Manager, or designee, shall recommend to the City Council candidates for City Auditor.</p>



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Questions/Comments



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