



INTERNAL AUDIT CHARTER

CITY OF MILWAUKEE

DRAFTED AND ISSUED

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AYCHA SIRVanci CPA, AUDIT MANAGER

INTRODUCTION

This Internal Audit Charter for the City of Milwaukee shall be the authority that dictates the activities of Internal Audit. This charter includes the following; the mission statement, authority, accountability, responsibility, and independence that Internal Audit retains within the City in order to maintain its professionalism and responsibility to better serve the City.

MISSION STATEMENT

Internal Audit provides independent, objective assurance in order to add value and improve all City operations. Internal Audit achieves its mission by providing key information to stakeholders and the public to maintain accountability; to help improve program performance and operations; to reduce costs; to facilitate decision making; to stimulate improvements; and to identify current and projected issues that may affect government programs and the people those programs serve.

SCOPE OF WORK

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the City's systems of internal controls and the quality of performance in carrying out assigned responsibilities. Internal Audit may:

- Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report information.
- Review systems established to ensure compliance with those policies, plans, procedures, laws and regulations that could have a significant impact on operations and reports, and to determine whether the organization is in compliance.
- Review the means of safeguarding assets and verify their existence.
- Appraise economy and efficiency with which resources are employed.
- Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations of programs are being carried out as planned.

The scope of work of Internal Audit is intended to determine whether the organization's strategic design, implementation, documentation and reporting of processes listed above are adequate and operating in a manner as represented by management. This should ensure the following:

- Risks are identified, communicated, documented and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operational information is accurate, relevant, reliable and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately safeguarded/maintained.
- Programs, plans and objectives are achieved as committed and/or budgeted.
- Quality and continuous improvements are fostered within the City's control processes.
- Significant legislative and regulatory issues impacting the City are identified, recognized, and addressed appropriately.

- Opportunities, identified for improving management control, accountability and the City's image, are communicated to the proper level of management.

RESPONSIBILITY

Internal Audit of the City of Milwaukee has the responsibility to:

- Develop a *flexible* annual audit plan using *appropriate* risk-based methodology, including any risk or control concerns expressed by any member of City Management, Common Council members, and/or citizens, and submit this plan to the Common Council for review. **The head of Internal Audit (Manager) shall have the final authority to select the audits planned for the coming year.**
- Implement the annual audit plan after final approval by the Audit Manager and communication to City Council and the City Comptroller. This may include any special projects requested by City Management, Common Council, and/or citizens (if determined to be appropriate by the head of Internal Audit).
- Provide periodic reports to the Common Council (as required by Charter Ordinance 3.16-5) summarizing audits completed, to be completed, and planned. Per the resolution listed, this will be completed semi-annually (twice a year).
- Provide an annual report of audit activities to Common Council summarizing the implementation status of all recommendations from current and past audits. Any and all open recommendations will be followed up on continuously and re-communicated through these reports. (Charter Ordinance 3.16-5)
- Maintain a staff with sufficient knowledge, skills, experience, and professional certifications to meet requirements of Generally Accepted Government Auditing Standards (GAGAS). This includes meeting the minimum continuing education credits as required by GAGAS.
- Establish and maintain Internal Audit's policies and procedures manual that contains specific guidelines of operations for the function which serves as a reference for design, execution, and assessment of the audit activities. These policies and procedures will reflect and be in compliance with GAGAS.
- Establish and maintain a quality assurance program. This provides reasonable assurance regarding the operations of Internal Audit in regards to compliance with GAGAS, this Charter and the Internal Audit policies and procedures manual. This includes internal and external review and reporting of periodic results in performance, along with a feedback mechanism of measurable value for assessment that will be communicated, when appropriate, to the City Comptroller and Common Council.
- Investigate alleged fraudulent activities of the City that are reported to Internal Audit directly or through the Fraud Hotline. Trend analysis of fraud reports may initiate an internal audit of the impacted City programs or agencies.

- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal coverage, avoiding duplication of effort, building professional rapport, and further developing reliance on credibility and validity of the internal audit function. This results in creating efficiencies and reducing costs.

ACCOUNTABILITY

The head of Internal Audit, the Audit Manager, shall be accountable to the City Comptroller and the Common Council of the City of Milwaukee. This will be tangible and measurable by:

- Providing an annual assessment on the adequacy and effectiveness of the City's processes for controlling its activities and managing its risks as set out in the mission statement and scope of work.
- Reporting significant issues (including unmitigated risks and control deficiencies as expressed in engagement-level assessments), recommendations, scope of work, results, conclusions, and follow-up audit activities.
- Maintaining adequate documentation to support conclusions in the form of workpaper files that can also be reviewed for efficiency, relevance to audit plan and program, future audit work, and quality assessment purposes.
- Preparing an annual audit plan and communicating planned audits for the upcoming year. The final audit plan will be ultimately decided by the head of Internal Audit after proper discussion with the City Comptroller and members of the Common Council. Furthermore, Internal Audit will provide periodic updates on the status of audits and resources involved to achieve goals (Charter Ordinance 3.16-5). See "Independence" for further detail and explanation.
- Coordinating with and providing assessments of the other control and monitoring functions.

INDEPENDENCE

Internal Audit is required to be independent in mind and in appearance in order to conduct audits and form conclusions on the audit subject matter without bias and the appearance of conflicts. In order to accomplish this requirement, auditors must be free from conflicts of interest and free from interference in how the work is conducted and reported.

For Internal Audit to be independent, the function is set up to report dually to the independently elected Comptroller and also to the independently elected City's Council members (all of Common Council). Internal Audit, when reporting its audits and activities, will primarily report and communicate to the Finance and Personnel Committee. This committee can change dependent upon the scope of the audit and which committee is most relevant for the report (Charter Ordinance 3.16-5).

Concurrently, the Audit Manager serves as the head of the Internal Audit Function fulfilling the independence requirement of the function by separating the duty from the City Comptroller. The Audit Manager will sign all official correspondence including, but not limited to final audit reports, audit announcement letters, and letters of communication to other City departments and elected officials.

AUTHORITY

In order for Internal Audit to fulfill its responsibilities, provide adequate accountability, and maintain independence, it requires the following:

- Continual unrestricted access to all functions, records, property, and personnel of the City in meeting its specific audit objectives. This includes full access to all systems that input, process, store, and report any and all information of the operations of the City which are not limited or otherwise restricted.
- Full and unrestricted access to all members of the Common Council and specifically to the designated Common Council's Finance and Personnel Committee.
- Continual, full, and unrestricted access to third parties that utilize taxpayer dollars when audits are due to suspected vendor management issues, or a general audit relating to the usage of a vendor. This can be an agency that performs work on behalf of the City, collects on behalf of the City, or acts as intermediary for the City for certain activities.
- Cooperation by any of the listed parties above to provide access to data, records and honesty in completing the audit or investigation to help achieve Internal Audit's mission.

PROFESSIONAL STANDARDS

Internal Audit of the City of Milwaukee applies and adheres to the Generally Accepted Governmental Auditing Standards and always provides appropriate disclosure of any departures that were made during specific audits.

Internal Audit fully notes and understands the duties and responsibilities outlined in Sections 1.01 through 1.15 of the Generally Accepted Governmental Auditing Standards in regards to auditing as an essential element of public control and accountability. The audits provided by Internal Audit of the City contribute to this accountability measure by aiding the decision making process for the responsible parties of management for the City.