

City of Fayetteville, NC Internal Audit Charter

Mission

The mission of the Office of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville's operations. The Office of Internal Audit helps the City of Fayetteville's management team accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

This charter establishes the general authority and responsibility of the Office of Internal Audit.

Authority

The Office of Internal Audit shall have full, free, and unrestricted access to any and all of the City of Fayetteville's records, physical properties and personnel pertinent to carrying out any engagement. All employees are expected to assist the Office of Internal Audit in fulfilling its roles and responsibilities. The internal auditors will also have free and unrestricted access to the City Council and the Audit Committee.

Responsibility

Audit coverage will encompass, as deemed appropriate by the Internal Audit Director, independent reviews and evaluations of any and all management operations and activities to appraise:

- Measures taken to safeguard assets, including tests of existence and ownership as appropriate.
- Reliability, consistency, and integrity of financial and operating information.
- Compliance with policies, plans, standards, laws, and regulations that could have significant impact on operations.
- Economy and efficiency in the use of resources.
- Effectiveness in the accomplishment of the mission, objectives, and goals established for the City's operations and projects.
- Managing and responding to the Fraud hotline.

Independence

In performing their functions, the Internal Audit Director and Internal Audit staff has neither direct authority over, nor responsibility for, any activities reviewed. The Office of Internal Audit will not develop and install procedures, prepare records; make management decisions, or engage in any other activity that could be reasonably construed to compromise their independence. However, in connection with the complementary objectives of this audit function, Internal Audit will recommend accounting policies and procedures for approval and implementation by appropriate management. Therefore, internal audit reviews and appraisals do not in any way substitute for other activities or relieve other persons in the City of responsibilities assigned to them.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

Organization

The Internal Audit Director reports to and is accountable to the City Manager for day-to-day operations. The Internal Audit Director has full access, and is expected to use this access, to the Audit Committee for any matters deemed appropriate. The Audit Committee has oversight responsibilities of the audit function and activities, including review and approval of the annual audit plan and any revisions thereto.

Annual Audit Plan

The Internal Audit Director is required to publish an annual plan to the Audit Committee and perform the audits contained within the plan. The overall results of the audit work will be reported quarterly to the Audit Committee (who in turn report it to the City Council). Unforeseen audit requirements and management requests for investigations into matters of fraud and compliance can create the need for changes in both audit programs and the overall plans. Therefore, appropriate flexibility should be incorporated into the annual plan. The Audit Committee must approve significant deviations of the objectives contained within the audit plan.

Communication of Findings

Upon the completion of audit fieldwork, the Internal Audit Director should discuss the proposed audit findings and recommendations with the auditee at a closing conference.

The Office of Internal Audit will prepare a draft report with their proposed findings and recommendations along with a space for management's responses. The draft is then forwarded to the appropriate manager to respond and outline corrective actions to be taken. The responses are due two weeks after the receipt of the draft report. The auditee's responses will include comments, action items, and target dates which will be incorporated in the final report. The auditee's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. If no response is received, a final report will be issued with language reflecting that the department was provided with an opportunity to respond, but no timely response was received.

The final audit report will be submitted by the Internal Audit Director to appropriate levels of City management. All audit reports will be distributed to the Audit Committee as they are released, or as part of the normal distribution of audit reports. Audit findings will also be summarized and reported to the Audit Committee on a quarterly basis.

The Office of Internal Audit will be responsible for appropriate follow-up and reporting on audit findings and recommendations. All significant findings will remain open until cleared.

Annual Assessments

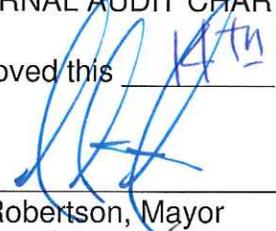
The Internal Audit Director will annually report to the City Manager, executive management and the Audit Committee on the internal audit activity's purpose, authority and responsibility, as well as performance relative to its annual audit plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues and other matters as requested by the City Manager, executive management and/or the Audit Committee.

Charter Amendments

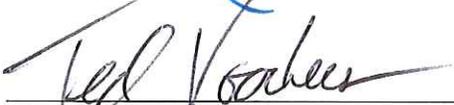
Amendments of this charter are subject to the approval of the Internal Audit Director and the Audit Committee. Amendments to the Charter may be made by a majority of the members present at the regularly scheduled meetings of the Audit Committee on seven days' notice.

CITY OF FAYETTEVILLE, NC
INTERNAL AUDIT CHARTER

Approved this 14th day of September, 2015.



Nat Robertson, Mayor



Ted Voorhees, City Manager



Elizabeth Somerindyke, Internal Audit Director