Internal Audit Charter

Effective as of
September 3, 2012

City of El Paso
Internal Audit Charter

MISSION AND SCOPE OF WORK

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

The scope of work of the Internal Audit Office is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.
- Opportunities for improving management control, accountability, and the organization's image may be identified during audits. These opportunities will be communicated to the appropriate level of management.

ACCOUNTABILITY

The Chief Internal Auditor (CIA), in the discharge of his/her duties, shall be accountable to the City Manager and the Financial and Audit Oversight Committee ("FAOC") to:

- Provide annually an assessment on the adequacy and effectiveness of the City of El Paso's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.

- Report significant issues related to the processes for controlling the activities of the City of El Paso, including potential improvements to those processes, and provide information concerning such issues through resolution.

- Provide quarterly updates on the status and results of the Annual Audit Plan and the sufficiency of office resources to the City Manager and Financial and Audit Oversight Committee.

- Coordinate with and provide oversight if requested of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

- Notify the appropriate regulatory, law enforcement, and legal authorities of any potential criminal audit findings after the City Manager, the Financial and Audit Oversight Committee, and the City Attorney have been notified about such pending action.

INDEPENDENCE

All Internal Audit Office shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

To provide for the independence of the internal audit activity, its personnel report to the CIA who reports functionally to the City Manager and legislatively to the Financial and Audit Oversight Committee in a manner outlined in the above section on Accountability.

RESPONSIBILITY

The CIA and staff of the internal audit activity have responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the City Manager and the Financial and Audit Oversight Committee for review and approval.

- Implement the Annual Audit Plan, as approved, including, as appropriate, any special tasks or projects requested by management and the Financial and Audit Oversight Committee.

- Issue quarterly reports to the City Manager, and Financial and Audit Oversight Committee, and City Council summarizing results of audit findings and special projects.

- Establish a system to follow-up on reported audit findings. The intent of this responsibility is to ensure that past audit findings are satisfactorily resolved.

- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.

- Report to the City Manager and the Financial and Audit Oversight Committee a regular annual report on Internal Audit Office's staffing level.

- Establish a Quality Assurance Program by which the CIA assures the quality of operations of the Internal Audit Office activities.

- Report to the City Manager and the Financial and Audit Oversight Committee the results of the Quality Assurance and Improvement "Peer Review" conducted every three (3) years.

- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, reviewing process design, training, and advisory services.

- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with the development, implementation, and/or expansion of City operations.

- Keep the City Manager and Financial and Audit Oversight Committee informed of emerging trends and successful practices in internal auditing.

- Provide copies of all Audit Reports to the entire City Council.

- Provide a report of significant measurement goals and results to the City Manager and Financial and Audit Oversight Committee.

- Assist in the investigation of significant issues, including suspected fraudulent activities, within the City of El Paso and notify the City Manager and the Financial and Audit Oversight Committee of the results.

- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the City of El Paso at a reasonable overall cost.

AUTHORITY

The CIA and staff of the Internal Audit Office are authorized to:

- Have unrestricted access to all functions, records, property, and personnel of the City of El Paso.

- Have full and unrestricted access to the Financial and Audit Oversight Committee.

- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply audit techniques required to accomplish audit objectives.

- Obtain the necessary assistance of personnel within city departments of the City of El Paso where they perform audits, as well as other specialized services from within or outside the City of El Paso.

The CIA and staff of the Internal Audit Office are not authorized to:

- Perform any operational duties for the City of El Paso or its affiliates.

- Initiate or approve accounting transactions external to the Internal Audit Office.

- Direct the activities of any City of El Paso employee not employed by the Internal Audit Office, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

City of El Paso
Internal Audit Charter

PROFESSIONAL STANDARDS

The Internal Audit Office will meet or exceed the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and the *Generally Accepted Government Auditing Standards* (GAGAS) of the United States Government Accountability Office.

The Internal Auditing Staff shall govern themselves by adherence to The Institute of Internal Auditors' "Code of Ethics" and the United States Government Accountability Offices' "Ethical Principles."

AMENDMENT OF THE CHARTER

The Chief Internal Auditor is responsible for maintenance of this Internal Audit Charter to ensure that it is reviewed annually and is revised as necessary. Any amendment is subject to review and approval by the City Manager and Financial and Audit Oversight Committee.

EXECUTIVE ENDORSEMENT OF THE INTERNAL AUDIT CHARTER

The Internal Audit Charter is the formal document that specifies the Internal Audit Office's authority and responsibilities. The charter is important to management, the activity being audited, and audit staff. Our endorsement of the Internal Audit Charter underscores the importance of the Internal Audit Office's mission. We ask for your continued cooperation as our internal auditors fulfill their important responsibility to the City of El Paso.

Susannah Byrd ____ Approval Date 10/15/12

Representative Susie Byrd
Chairperson
Financial and Audit Oversight Committee
City of El Paso

Joyce A. Wilson ____ Approval Date 10/24/12

Joyce A. Wilson
City Manager
City of El Paso

Edmundo S. Calderon ____ Acknowledged Date 10-15-2012

Edmundo S. Calderon, CIA, CGAP, CRMA
Chief Internal Auditor
City of El Paso

Last Reviewed: September 3, 2012
Last Revised: September 3, 2012