

METROPOLITAN COUNCIL INTERNAL AUDIT CHARTER

A. AUDIT COMMITTEE

PURPOSE:

The Metropolitan Council has established a special committee of the Council to be called the Metropolitan Council Audit Committee. The purpose of the Committee is to assist the Metropolitan Council in fulfilling its oversight responsibility for the integrity of the Council's financial and operational results, compliance with legal and regulatory requirements, and the performance of internal audit and external auditors.

AUTHORITY:

The Audit Committee has authority to conduct or authorize special audits and investigations into any matters within its scope of responsibility. It is empowered to:

- Approve the Chief Audit Executive's Audit Plan.
- Resolve any disagreements between management and the internal/external auditors regarding financial or operational control and reporting.
- Review and accept external auditors' reports along with management's written responses when appropriate.
- Obtain information from employees or external parties as part of its review. Council employees are directed to cooperate with Audit Committee requests.
- Meet with Council employees, external auditors, legal counsel, or others as necessary.
- Be consulted regarding changes in the Chief Audit Executive's duties.
- Be informed of all matters that impair the conduct of an audit or review. However, where feasible such matters shall be first brought to the attention of the Regional Administrator for resolution before communicating them to the Audit Committee.
- Make periodic reports to the Council or appropriate standing committee established by the Council.

RESPONSIBILITIES:

Financial and Operational Review Oversight

Review significant accounting, operational and reporting issues and understand their impact on the financial and operating results on the Metropolitan Council's system of internal control.

Review the results of internal audits and reviews with management and the Chief Audit Executive.

Review and discuss the annual audited financial statement results with management, the external auditors and the Chief Audit Executive.

Internal Control

Evaluate the effectiveness of the Council's internal control system, including information technology security and control.

Understand the scope of internal and external auditors' review of internal control over financial and operational reporting and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

Review with the Chief Audit Executive and management the audit plan, activities, staffing and organizational structure of Internal Audit.

Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive.

Review the effectiveness of the internal audit function including compliance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.

COMPOSITION:

The Audit Committee shall consist of six voting members. Three shall be Council members and three shall be external members with expertise in such areas as finance, accounting, auditing, information systems, management, operations or program performance. The Audit Committee will meet at least four times a year and at the call of the Committee Chair. Audit Committee members shall be appointed by the Council Chair and approved by the full Council.

B. INTERNAL AUDIT

PURPOSE:

The purpose of the Program Evaluation and Audit Division is to provide independent, objective evaluations, audits, investigations, and consultative services to the Metropolitan Council, its management and staff. Program Evaluation and Audit will help the Council achieve its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

REPORTING:

The Chief Audit Executive is responsible for managing and directing internal audit activities. The Chief Audit Executive reports to the Metropolitan Council Regional Administrator for administrative purposes and to the Council's Regional Administrator and the Council's Audit Committee for audit purposes.

RESPONSIBILITIES:

Internal Audit shall help determine whether the Council's risk assessment, control and governance processes, as designed and implemented by management, are 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 operational information is accurate, reliable and timely.
- Employees' actions are in compliance with policies, standard 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 Council's control processes.
- Significant legislative or regulatory issues affecting the Council are recognized and addressed.
- A flexible annual audit plan is developed using appropriate risk-based methodology, including any risks or control concerns identified by management and the plan is submitted to the Audit Committee for review and approval.
- The annual audit plan is implemented, including, as appropriate, any special tasks or projects requested by management and the Audit Committee.
- A professional audit staff is maintained with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- A quality assurance program is established by which the Chief Audit Executive assures the effective operation of internal auditing activities.
- Significant merging or consolidating of functions and new or changing services, processes, operations and control processes coincident with their development, implementation or expansion are evaluated and assessed.

- Internal and external audit activities are coordinated to prevent duplication and ensure proper coverage.
- Follow-up is performed to monitor and ensure that management actions have been effectively implemented or that management has accepted the risk of not taking action.
- Conduct and manage internal investigations requested by the Regional Administrator and senior management and to provide results for the Regional Administrator's decision and action.
- Periodic reporting to the Audit Committee and management summarizing results of audit activities.
- The Audit Committee is kept informed of emerging trends and successful practices in internal auditing.
- The Audit Committee is provided a list of significant measurement goals and results.
- Significant suspected fraudulent activities within the Council are investigated and management and the Audit Committee are notified of the results.
- Provide assurances as to the adequacy of internal controls and procedures, and the efficiency and effectiveness of operations.

AUTHORITY:

Internal Audit shall not have either authority or responsibility for activities which are audited or reviewed. Internal Audit shall have the following authority:

- Unrestricted access to all Council functions, records, property and personnel.
- Full and free access to the Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the Council where they perform audits, as well as other specialized services from within or outside the organization.
- Review the effectiveness of the system for monitoring compliance with laws and regulations, and the results of management's investigation and follow-up including recommendations to management instances for disciplinary action for noncompliance.
- Establish procedures for the receipt, retention and treatment of complaints received regarding accounting, operations, internal controls or other audit matters.
- Review the findings and recommendations of examinations by regulatory agencies.
- Review the process of communicating the code of conduct to Council personnel and to monitor compliance with the code through audits.
- Obtain regular updates from management and legal counsel regarding compliance matters.
- Regularly provide reports to the Council about the Audit Committee. Review results of external and internal audits of the Council together with management written responses.
- Provide an open avenue of communication among the Chief Audit Executive, the external auditors and the Council.
- Discuss major policies with respect to risk assessment with management.
- Perform other activities related to this Charter as requested by management and the Council.
- Provide feedback to the Audit Committee on their oversight responsibilities.
- Consulting services, beyond internal audit assurance services, may be performed to assist management in meeting its objectives.