INTERNAL AUDIT DEPARTMENT CHARTER

Purpose

The purpose of the Metropolitan Council's Program Evaluation & Audit Department (Audit) is to strengthen the Council's ability to create, protect, and sustain value by providing the Council and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal audit enhances the Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.
- Stewardship of public resources through fraud prevention

The Council's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Council.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The Metropolitan Council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The chief audit executive will report periodically to the Council through the Audit Committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

METROPOLITAN COUNCIL

Mandate

Authority

The mandate for the establishment of the Audit Committee was derived from the Bylaws of the Metropolitan Council, Article III, Section D; and the Metropolitan Council's Audit Policy (RF 5-1). Council bylaws state that the Council shall establish an audit committee to oversee the Council's audit function. The audit committee shall establish and recommend a Charter and any ancillary audit policies to the Council for its consideration. The Audit policy states that the Metropolitan Council will establish and maintain an independent internal audit program to provide independent, objective assurance and advising services with the goal of adding value and improving Council operations. The internal audit program will be implemented by Program Evaluation and Audit Department. (Policy RF 5-1)

The Chief Audit Executive will have unrestricted access to, and communicate and interact directly with, the Council and Audit Committee, including in private meetings without management present.

The Audit Committee authorizes Audit to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement or investigation, subject to accountability for confidentiality and safeguarding of records and information and the Minnesota Data Practices Act.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques and issue communications to accomplish internal audit's objectives.
- Obtain assistance from the necessary personnel of the Metropolitan Council, as well as other specialized services from within or outside the Metropolitan Council, in order to complete an engagement or investigation.

Independence, Organizational Position, and Reporting Relationships and Objectivity

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. As stated in the Audit Policy, the Chief Audit Executive will report functionally to the Audit Committee (and ultimately to the Chair and the Council) and administratively (i.e., day-to-day operations) to the Regional Administrator.

This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Council, when necessary, without interference and supports the internal auditors' ability to maintain objectivity. The chief audit executive will confirm to the Council, at least annually, the organizational independence of the internal audit function.

The Chief Audit Executive will ensure that Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. The chief audit executive will disclose to the Council any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, the Council, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the chief audit executive, Council, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.

- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the Metropolitan Council or its subrecipients, contractors or other affiliates.
- Initiating or approving transactions external to Audit.
- Directing the activities of any Council employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. The Chief Audit Executive will document and report to the Audit Committee at least annually, or when roles and/or responsibilities change, about those roles and responsibilities and safeguards in place.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

- At least annually, or as changes arise, affirm, in writing to the Chief Audit Executive, that they are free from conflicts and impairments, or other threats to objectivity for their assigned work.

The Chief Audit Executive will disclose to the Audit Committee any interference, impairments to independence or objectivity, and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope and Types of Internal Audit Activities

The scope of internal audit services covers the entire breadth of the organization, including all of the Council's activities, assets, and personnel The scope of Audit's activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assurance and advisory services to the Council, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Metropolitan Council. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Metropolitan Council's strategic objectives are appropriately identified and managed.
- The actions of the Metropolitan Council's officers, directors, employees, and contractors are in compliance with the Metropolitan Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively, efficiently, ethically and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Metropolitan Council.
- The integrity of Information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

External Audits and Assurance. The Chief Audit Executive also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. All external audit activities and the results of external audits should be reported to the Chief Audit Executive.

Advisory Engagements. Audit may perform advisory and related client service activities, the nature and scope of which may be agreed with the party requesting the service provided, that Audit does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Chief Audit Executive has the responsibility to:

- Submit to the Audit Committee, at least annually, the Internal Audit Charter for review and approval. The Chief Audit Executive should review the Charter to ensure that it is consistent with changes in the financial, risk management, and governance arrangements of the organization and reflects developments in internal audit professional practices.

- Submit to the Audit Committee, at least annually, a risk-based internal audit plan for review and approval. The Chief Audit Executive should consult senior management in the development of the audit plan and review the draft plan with senior management before approval. Review and adjust the internal audit plan, as necessary, in response to changes in Metropolitan Council's business, risks, operations, programs, systems, and controls. Communicate to the Audit Committee and senior management any significant interim changes to the internal audit plan. Communicate to the Audit Committee and senior management the impact of resource limitations on the internal audit plan. Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate. The Chief Audit Executive should submit to the Audit Committee, at least annually, Audit's budget, expertise, and staffing levels.

Communication with the Council and Senior Management

- The Chief Audit Executive will provide a report periodically to senior management and the Audit Committee regarding:
    - Audit's mandate.
    - Roles and responsibilities of the Chief Audit Executive as defined in the approved position description including any potential impairments to independence, including relevant disclosures as applicable.
    - Audit's plan and performance relative to its plan.
    - Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
    - Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee that could interfere with the achievement of the Council's strategic objectives.
    - Impediments to access to essential data systems that restrict Audit's ability to provide comprehensive assurance.
    - Results of assurance and advisory services.
    - Resource requirements.
    - Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond Council's risk appetite.
- The CAE should inform senior management of board discussions as appropriate and confirm an understanding of reporting provided by both parties to establish clarity and a lack of redundancy.

- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the Audit Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the Council; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential and knowledge of requirements of public sector agencies.

By:	______________________________ Matthew LaTour	By:	______________________________ Chai Lee
Its:	Chief Audit Executive	Its:	Audit Committee Chair
Date:	______________________________	Date:	______________________________