

# INTERNAL AUDIT DEPARTMENT CHARTER

## Purpose and Mission

The purpose of the Metropolitan Council's Program Evaluation & Audit Department (Audit) is to provide independent, objective assurance and consulting services to add value and improve the Metropolitan Council's operations. The mission of Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Audit helps the Metropolitan Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

## Standards for the Professional Practice of Internal Auditing

Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

## Authority

The Chief Audit Executive (also referred to as the Director, Program Evaluation and Audit) 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.

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 required to accomplish audit objectives, and prepare reports.
- 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 and Objectivity

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. If the Chief Audit Executive determines that independence or objectivity may be impaired in fact or appearance, the details of 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.

Internal auditors, including the Chief Audit Executive, will have no direct operational responsibility or authority over any of the activities outside the Department. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for Metropolitan Council or its subrecipients, contractors or other affiliates.
- Initiating or approving transactions external to Audit.

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.

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 about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
- Annual affirm, in writing to the CAE, that they are free from impairments 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 of Internal Audit Activities

The scope of Audit's activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to Audit Committee, 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 and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Metropolitan Council.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- 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.

**Consulting Engagements.** Audit may perform advisory and related client service activities, the nature and scope of which will be agreed with the client 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.
- Submit to the Audit Committee, at least annually Audit's budget, expertise, and staffing levels.
- Communicate to the Audit Committee and senior management the impact of resource limitations on the internal audit plan.
- 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.
- The Chief Audit Executive will provide a report periodically to senior management and the Audit Committee regarding:
  - Audit's purpose, authority, and responsibility.

- Audit's plan and performance relative to its plan.
- Audit's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Resource requirements.
- Audit's conformance to the Code of Ethics and the Standards.
- Communicate the results of audit engagements or other activities.
- Communicate to the Audit Committee any response to risk by management that may be unacceptable to the Metropolitan Council.
- Communicate to the Audit Committee on the results of any special investigations including any evidence of fraud has been identified during internal audits and further action is required.
- Communicate to the Audit Committee results from external assurance providers including federal oversight reviews, audits, desk reviews and other relevant oversight from external sources.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure that Audit develops and maintains an internal audit strategic plan, program goals, performance measures, and/or outcomes.
- Ensure trends and emerging issues that could impact the Metropolitan Council are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide Audit's activities.
- Ensure adherence to Metropolitan Council's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and Audit Committee.
- Ensure conformance of Audit's activities with the Standards, with the following qualifications:
  - If Audit is prohibited by law or regulation from conformance with certain parts of the Standards, the chief audit executive will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.

- If the Standards are used in conjunction with requirements issued by other authoritative bodies, the chief audit executive will ensure that Audit conforms with the Standards, even if Audit also conforms with the more restrictive requirements of other authoritative bodies.

## Quality Assurance and Improvement Program

Audit will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the Audit's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The Chief Audit Executive will communicate to senior management and Audit Committee Audit's Quality Assurance and Improvement Program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Metropolitan Council.

By:   
Matthew LaTour

Its: Chief Audit Executive

Date: 10/30/19

By:   
Judy Johnson

Its: Audit Committee Chair

Date: 11/4/19

By:   
Meredith Vadis

Its: Regional Administrator

Date: 11/7/19