

## Management Committee

Meeting date: September 11, 2019

For the Metropolitan Council meeting of September 25, 2019

**Subject:** Audit Policy 3-5 Revisions/Updates

**District(s), Member(s):** All

**Policy/Legal Reference:** Council Policy 3-5 Audit

**Staff Prepared/Presented:** Matthew LaTour, Director, (651) 602-1174

**Division/Department:** Program Evaluation and Audit

### Proposed Action

That the Metropolitan Council approve a revised to Audit Policy 3-5.

### Background

- *Council Policy 3-5 Internal Audit* was passed in 1994 and has been updated for consistency with the current *IIA Standards for the Practice of Internal Auditing*.
- The Policy was reviewed and updated. The version presented here was reviewed by the Audit Committee at its June 19, 2019 meeting.
- Council approval is required for all Council Policies and changes to those policies.

### Rationale

The Audit Policy is rewritten to better align with revised Charters for the Audit Committee and the Audit Department. Key changes include a title change from Internal Audit Policy to Audit Policy to reflect both the role of Internal Audit as auditor and coordinator of external audits. Some detail content about Audit Committee Composition and Responsibilities to Audit Committee Charter. In addition, some language was amended to be more consistent with current Institute of Internal Auditors Guidance. This Policy is also updated in the new Policy and Procedure formatting approved by a group of Council staff working to improve Policies and Procedures.

The Audit Committee requests that the Management Committee approve the policy and move it forward to the full Council with a recommendation for approval.

### Thrive Lens Analysis

The Audit Committee and Audit Department have Council-wide oversight responsibilities, and thus in a given year will conduct and review audit work that could impact all of the Thrive Outcomes and Principles.

### Funding

N/A

### Known Support / Opposition

None

# POLICY

## Audit Policy



### Policy Statement

The Metropolitan Council will establish and maintain an independent internal audit program to provide

|                         |  |                            |            |
|-------------------------|--|----------------------------|------------|
| <b>Type:</b>            | Finance & Asset Management                   | <b>Council Reference #</b> | 3-5        |
| <b>Dept or Business</b> | RA: Program Evaluation and Audit             |                            |            |
| <b>Unit Owner:</b>      |  |                            |            |
| <b>Policy Owner:</b>    | Director, Program Evaluation and Audit       | <b>Date Adopted:</b>       | 9/16/1994  |
| <b>Policy Contact:</b>  | Matthew LaTour, Program Evaluation and Audit | <b>Date Last Updated:</b>  | 04/15/2006 |

**Synopsis:** This policy establishes an Audit Committee and Audit Department for the Metropolitan Council.

independent, objective assurance and consulting services with the goal of adding value and improving Council operations. The internal audit program will be implemented by a Program Evaluation and Audit department.

### Purpose and Scope of Policy

The purpose of the Audit Policy is to establish an Audit Committee to provide structured systematic oversight of the Council's governance, risk management, and internal control practices, as provided in the Bylaws of the Metropolitan Council. In addition, this policy affirms Council support for an independent Audit Department, prescribes reporting relationships for its director, and affirms the right to access information required for the Department staff to discharge its duties.

### Implementation and Accountability

**Audit Committee.** The Audit Committee shall have a Charter that defines the Audit Committee's authority, composition, operational principles, and operating procedures. The Charter will be approved by the Council.

**Audit Committee Members.** Pursuant to the Council's *Bylaws*, the Chair of the Council will recommend to the Council for its approval, the chair, vice chair, and members of the Audit Committee.

**Audit Charter.** Under the direction of its Director, the Program Evaluation and Audit department will develop and submit to the Audit Committee for its consideration an Audit Charter that defines the purpose, mission, and authority of the internal audit program. The Charter developed for the Audit Committee's consideration must provide for adherence to applicable audit standards, independence and objectivity, scope, and responsibilities.

**Program Evaluation and Audit.** The Council's internal audit program will be implemented by a Program Evaluation and Audit department. The Director of the department will function as the chief audit executive with overall responsibility for internal audits and coordination responsibility for external audits and assurance providers when appropriate. The Director will be responsible for directing and supervising the operations and personnel of the Program Evaluation and Audit department. The Director ultimately is responsible for reporting to the Council, but the Director will report functionally to the Audit Committee and administratively (*i.e.*, on day-to-day operations) to the Regional Administrator. In consultation with the Chair of the Council and the Audit Committee, the Regional Administrator is responsible for decisions relating



to the recruitment, retention, release, performance management, and compensation of the Director consistent with the terms of the *Metropolitan Council Non-Represented Plan* (as amended from time to time).

**Discharge of Duties.** In discharging their responsibilities and fulfilling their respective duties the Audit Committee, the Director, and Program Evaluation and Audit department personnel shall, to the extent permitted by federal or state law, have unrestricted access to: (1) Council management personnel and employees; and (2) relevant information they reasonably consider necessary to discharge their respective duties, including records, data, and reports.

## Procedures

The following documents are maintained on both internal and external Council websites:

**Audit Committee Charter.** The Charter further defines the mandate; authority; composition; responsibilities; and operational principles and procedures of the Council's Audit Committee.

**Audit Department Charter.** The Charter further defines the purpose and mission; authority; independence and objectivity; scope and responsibilities of the Council's Audit Department.

## Appendix

**Keywords:** Program Evaluation, Audit, Audit Committee

## History

Date Last Reviewed: 04/15/2006

Next Content Review Year: 2020

### **Amended (Business Item 2019-208):**

October 2019 — Comprehensive Review, Revisions to align Audit Policy with the updates and splitting of the Audit Charter into separate Audit Committee and Audit Department Charters; Modified to fit revised Policy Template.

### **Reviewed:**

October 2019

## POLICY – Internal Audit Policy

|   |                               |
|---|-------------------------------|
| Section/Number: 3-5                             | Total Pages: 2                |
| Dept. Responsible: Program Evaluation and Audit | Effective Date: 9/16/1994     |
| Special Note:                                   | Last Revision Date: 4/15/2006 |
|   | Last Review Date:             |
|   | Revision No. 2                |

### I. Policy

It is the policy of the Metropolitan Council to maintain an independent Internal Audit unit to perform audits of key activities within the Council, to review the adequacy of the system of internal controls and compliance with policies, procedures, laws and regulations and to perform special assignments as requested by management and/or the Council.

### II. Purpose of policy

- Internal Audit is to provide Council members and Council staff with an ongoing objective appraisal function to assist them in effectively carrying out their various financial, compliance and programmatic responsibilities.
- Internal Auditing is one method of independent appraisal and does not replace the responsibility of Council staff units which may provide similar services or the responsibility of operating and support units to continually evaluate their control, compliance and programmatic effectiveness and efficiency.

### III. Background and reasons for policy

The Audit Committee of the Metropolitan Council approved an Internal Audit Policy on May 14, 1987. This policy was later revised and approved by the Audit Committee on September 16, 1994.

Reasons for the creation and adoption of this policy are: (i) to define the Internal Audit Unit's authority and responsibilities, (ii) to define the Internal Audit reporting relationship, and (iii) to describe the Audit Committee composition and responsibilities.

### IV. Implementation/Accountability

- (i) Authority and Responsibilities of Internal Audit: (a) develop and carry out annual and multi-year audit plans which fulfill the stated purpose of these policies, (b) coordinate all internal and external audit efforts, (c) during the course of audits and reviews, have unrestricted access to all records, assets, and personnel of the Council and its operating and support units and its contractors, consultants and vendors, (d) treat data received or viewed during the course of audits and reviews with the same degree of privacy and/or confidentiality as required to be exercised by the individuals administering or providing the data.

Internal Audit shall not have either authority or responsibility for activities which are audited or reviewed. Internal Audit shall comply with the standards for the professional practice of Internal Auditing.

(ii) Internal Audit Reporting Relationship

Internal Audit shall have indirect reporting responsibility to the Audit Committee and ultimately to the Council as a whole. The Regional Administrator shall be responsible for administrative supervision of Internal Audit.

(iii) Audit Committee Composition and Responsibilities

The Audit Committee shall consist of six voting members: three Council members and three external (not otherwise affiliated with the Council) members who have expertise in one or more of the areas of finance, auditing, information systems, organizational design/management, plant operations, or program performance. Audit Committee members shall be appointed by the Council Chair and approved by the full Council.

The Audit Committee shall: (a) approve Internal Audit’s annual and multi-year work plan, (b) be consulted regarding changes in Internal Audit duties, (c) meet at least four times during the calendar year to receive reports and provide guidance to Internal Audit, (d) be informed on 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, (f) review and accept external auditors’ audit reports, along with management’s written responses when appropriate, prior to audit report final issuance, and (g) make periodic reports to the Council and/or the appropriate standing/ad hoc committee established by the Council.

Links:

[\*Revision/Review Tracking\*](#)

| Date | Revision No. | Review Only – No changes |
|------|--------------|--------------------------|
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|      |              |                          |