

Notice of Hearing: NA
Date of Hearing: NA
Date Adopted: 07/24/06
Date Published: 07/28/06
Date Effective: 08/17/06

RESOLUTION NO. 104-06

A RESOLUTION ADOPTING THE INTERNAL AUDIT CHARTER FOR THE CITY.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF SIOUX FALLS, SD:

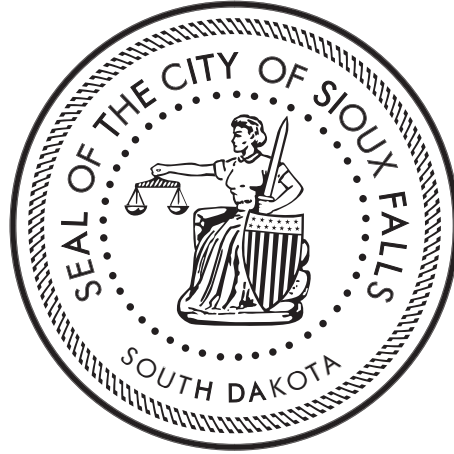
That the document attached to and part of this resolution entitled "Internal Audit Charter" is hereby approved.

That the Mayor is authorized to sign such agreement.

Date adopted: 07/24/06 .

Dave Munson
Mayor

ATTEST:
Debra A. Owen
City Clerk



INTERNAL AUDIT CHARTER

Mission

To help the City achieve the highest efficiency and effectiveness with integrity

Vision

To be a highly respected service division and a catalyst for positive change

Scope of Work

The scope of work of the internal audit activity 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.

Last Reviewed:

Last Revised:

Accountability

The Lead Internal Auditor (LIA), in the discharge of his/her duties, shall be directed by the Audit Committee with a secondary reporting responsibility to their supervisor the City Clerk. Audit reports will be reviewed by the committee and subsequently shall be submitted to the Mayor and the City Council. The LIA shall:

- Provide annually an assessment on the adequacy and effectiveness of the City of Sioux Falls' 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 Sioux Falls, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide periodic updates on the status and results of the Annual Audit Plan and the sufficiency of department resources to the Audit Committee and City Clerk.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, asset preservation, ethics, environmental, external audit).

Independence

To provide for independence of the internal audit activity, the Audit Committee shall annually develop an audit program for the ensuing year. The Lead Auditor will report to the Chair of the Audit Committee. All internal audit personnel auditing activities shall be directed by the Audit Committee. The City Clerk is their direct supervisor in all other matters.

Responsibility

The LIA has the responsibility to:

- Assist the Audit Committee in the development of a flexible Annual Audit Plan using appropriate risk-based methodology, including any risks or control concerns identified by management and submit all findings to the Audit Committee for their review.
- Implement the Annual Audit Plan, as approved, including, as appropriate, any special tasks or projects requested by the Audit Committee.
- Issue periodic reports to the Audit Committee. Audit Committee will review issue these reports and submit them to the Mayor and City Council.
- 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.
- Establish a quality assurance program by which the LIA assures the quality of operations of the Internal Audit Division's activities.

Last Reviewed:

Last Revised:

- Perform consulting services, beyond internal auditing 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 Audit Committee and City Clerk informed of emerging trends and successful practices in internal auditing.
- Provide a report of significant measurement goals and results to the Audit Committee and City Clerk.
- Assist in the investigation of significant suspected fraudulent activities within the City of Sioux Falls and notify the Audit Committee of the results. The Audit Committee will review and report such suspected activities to the Mayor and City Council.
- 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 Sioux Falls at a reasonable overall cost.

Authority

The Audit Committee will authorize the LIA and internal audit personnel to:

- Have unrestricted access to all functions, records, property, and personnel of the City of Sioux Falls to the fullest extent necessary to perform the audit plan.
- Have full and unrestricted access to the Audit Committee.
- Allocate resource, set frequencies, select subjects, determine scopes of work, and apply audit techniques required to accomplish the audit objectives.
- Implement and execute all activity proposed in the Audit Program.
- Obtain the necessary assistance of personnel within City division of the City of Sioux Falls where they perform audits, as well as other specialized services from within or outside the City of Sioux Falls.

The LIA and staff of the internal auditing division are not authorized to:

- Perform any operational duties for the City of Sioux Falls or its affiliates.
- Initiate or approve accounting transactions external to the Internal Audit Division.
- Direct the activities of any City of Sioux Falls employee not employed by the Internal Audit Division, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

Last Reviewed:

Last Revised:

Professional Standards

The internal audit activity will meet or exceed the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors.

Amendment of the Charter

The Lead 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 Audit Committee.

Executive Endorsement of the Internal Audit Charter

The Internal Audit Charter is the formal document that specifies the Internal Audit Division’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 Division function for the City of Sioux Falls’ operations. We ask for your continued cooperation as our internal auditors fulfill their important responsibility to the City of Sioux Falls.

_____ Approval Date _____
Paul T. Reiter
Chairperson
Audit Committee

_____ Approval Date _____
Dave Munson
Mayor
City of Sioux Falls

_____ Approval Date _____
Bob Jamison
City Council Chair
City of Sioux Falls

_____ Acknowledged Date _____
Lead Internal Auditor
City of Sioux Falls

Last Reviewed:
Last Revised: