

INTERNAL AUDIT CHARTER

INTRODUCTION AND PURPOSE

International Standards for the Professional Practice of Internal Auditing (the “Standards”) as issued by the Institute of Internal Auditors (“IIA”) requires that an Audit Organization define its mission, scope, authority, responsibility, and accountability of the Internal Audit function using a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes, and incorporating a Code of Ethics of the IIA by adopting an Internal Audit Charter. The Internal Audit Charter is the commitment by all relevant parties to support and execute these activities correlated to items specified within this document and as expressed in Chapter 468 of the Acts of 2008 and the City of Springfield Ordinance, Article III, Sections 67-11 through 67-18.

MISSION STATEMENT

The mission of the Office of Internal Audit (“OIA”) is to promote accountability and integrity in City government by providing independent and objective reviews and assessments of the City’s departments, programs, and services to improve the efficiency of procedures and effectiveness of operations and to prevent and detect waste, fraud, and abuse.

INDEPENDENCE

To help ensure independence and objectivity, the Office of Internal Audit reports functionally to the Audit Committee, which consists of three City Council members. Administratively, the Office of Internal Audit reports to the Mayor.

SCOPE OF WORK

The scope of the Office of Internal Audit’s authority includes any operation under the direction of the Mayor, City management, Audit Committee, the City’s Retirement Board, the Superintendent of Springfield Public Schools (“School”), School Committee, and School Administration.

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the City’s system of internal control and the quality of performance in carrying out assigned responsibilities. The scope of internal auditing includes, but is not limited to:

- Review of the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Review of the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have significant impact on operations and reports, and determining whether the City is in compliance. In cases where compliance may be in question, suggest ways to remediate.
- Review of the methods of safeguarding assets, and as appropriate, verifying the existence of such assets.
- Appraisal of the economy, efficiency and effectiveness with which resources are employed, as well as, management’s operational control within and outside the scope of financial statements.
- Review operations and /or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as approved and/or planned.

- Perform consulting services, the nature and scope of which are advisory related and intended to improve the City's governance, risk management, and control processes.
- Perform special reviews and/or investigations as requested by the Mayor, City management, Audit Committee, School Superintendent, School Committee, and School Administration and/or received through the City's Fraud Hotline.

AUTHORITY

Chapter 468 of the Acts of 2008 authorizes the Director of Internal Audit to examine the records of the City and its departments to prevent and detect waste, fraud and abuse and to improve the efficiency, effectiveness and quality of public services provided in and by the City. In accordance with this legislation, all offices and employees of officers, boards, commissions, agencies, and other units of City government are required to comply with requests for information or access to systems and records by the Office of Internal Audit.

The Internal Audit Staff under the direction of the Director of Internal Audit are authorized to:

- Have access to all activities, records, property and personnel of the City.
- Allocate audit resources, set audit frequencies, select audit subjects, determine scope of work, and apply the techniques require to accomplish audit/investigative objectives.
- Obtain the necessary assistance of personnel with the City, as well as other specialized services from within and outside the City.

To maintain an independent status, Internal Audit personnel are not authorized to:

- Perform any operations duties for the City or its boards and commissions.
- Initiate or approve accounting policies and procedures or transactions external to the Office of Internal Audit.
- Direct activities of any City employees not employed by the Office of Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

RESPONSIBILITY

The Office of Internal Audit has responsibility to:

- Present the Office of Internal Audit's annual goals by January 31st of each year.
- Develop a flexible Annual Audit Plan using appropriate risk-based methodology, including any risk or control concerns identified by City management and/or Audit Committee and submit that plan to the Mayor and Audit Committee for review and approval on or before March 30th of each year.
- Implement the Annual Audit Plan, as approved.
- Revise the Annual Audit Plan, as necessary, to initiate additional or alternate audits and/or changes in priorities during the year. Any revisions to the Annual Audit Plan will be submitted to the Mayor and Audit Committee for review and approval.
- Provide periodic reports to the Mayor, City management, and Audit Committee summarizing the results of each engagement that identify audit findings, recommendations, City management responses, and significant findings which have not been fully addressed by City management.

- Establish a system to follow-up on reported audit issues to ensure that past audit issues are satisfactorily resolved. The follow-up system shall track all significant issues to their final resolution.
- Maintain a staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of The Standards.
- Upon request, perform consulting services, beyond the OIA's assurance services, to assist City management in meeting its objectives.
- Maintain the City's Fraud Hotline, conduct investigations of alleged or suspected impropriety, fraud, misappropriation, or other misuse of City funds communicated through the Fraud Hotline or directly by City management, and provide required reports to appropriate authorities.
- Ensure that an independent external audit of the City financial statements is conducted on an annual basis.
- Coordinate with external auditors and monitor the implementation of corrective actions recommended by external auditors as appropriate.
- Coordinate with external auditors to minimize duplication of efforts and maximize efficient audit coverage.

PROFESSIONAL STANDARDS

The Office of Internal Audit voluntarily follows the Standards which provide a framework for conducting audits with competence, integrity, objectivity, and independence.

AMENDMENT OF THE INTERNAL AUDIT CHARTER

The Director of Internal Audit is responsible for maintaining the Charter of the Office of Internal Audit to ensure that it is reviewed, updated, or revised as necessary. Any amendment or revision is to be approved by the Director of Internal Audit and the Audit Committee.