

PURPOSE

The mission of the Internal Audit function is to provide independent, objective assurance and consulting services designed to add value and improve the City of Fort Smith's operations. The Internal Audit Office helps the City of Fort Smith accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

INDEPENDENCE

Internal Audit reports functionally to the City of Fort Smith Elected Board Directors and administratively to the City Administrator. These reporting relationships ensure departmental independence, promote comprehensive audit coverage and assure adequate consideration of audit recommendations.

SCOPE OF WORK

Internal Audit will develop an annual audit plan based on a risk assessment of all City of Fort Smith's activities. The internal audit plan shall encompass financial, operational and compliance issues. Specifically internal audit reviews will help ensure:

- Risks are appropriately identified and managed;
- Significant financial, managerial and operating information is accurate, reliable, and timely;
- Employees' 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 with the City's control processes.
- Regulatory issues impacting the City are recognized and addressed appropriately. Opportunities for improving the City's image may be identified during audits. They will be communicated to the appropriate level of management.
- Interaction with the various governance groups occurs as needed.

In addition, Internal Audit will assist management in identifying and assessing risks in their departments and provide suggestions for improving and streamlining processes.

ACCOUNTABILITY

The Internal Auditor, in the discharge of his or her duties, shall be accountable to the Board of Directors and to the City Administrator to:

- Provide annually an assessment of the adequacy and effectiveness of the City's 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, including potential improvements to those processes.
- Provide information on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).
- Notify the appropriate regulatory, law enforcement, and legal authorities of any potential criminal audit findings after the Board of Directors, the City Administrator, and the City Attorney have been notified about such pending action.
- Operate freely of interference by anyone in the organization with the audit selection, scope, procedures, frequency, and timing.

RESPONSIBILITY

The Internal Auditor has responsibility to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Advisory Committee, Board of Directors and City Administrator for review and approval.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and/or the Board of Directors.
- Internal Audit maintains sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Issue periodic reports to the Board of Directors and to the City Administrator summarizing the status and results of audit activities, including special projects.
- Keep the Audit Advisory Committee, Board of Directors and City Administrator informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Board of Directors and City Administrator.
- Establish a system to follow-up on reported findings. The intent of this responsibility is to ensure that past audit findings are satisfactorily resolved.
- Assist in the investigation of significant suspected fraudulent activities within the city departments.
- Perform consulting services, beyond internal auditing's 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.
- Consider the scope of work of the external auditors and regulatory agencies, as appropriate, to provide optimal audit coverage to the City at a reasonable overall cost.

AUTHORITY

Internal auditing functions under policies established by the Board of Directors and the City Administrator. The Internal Auditor is authorized to:

- Have unrestricted access to all City records, facilities, properties, investigations, and personnel relevant to the department or system under review, and is free to review and appraise policies, plans, procedures and records as deemed necessary. Internal Audit shall use discretion in the review of the records and assume the confidentiality of all matters that arise. At the request of the chief of police, review of specific police investigations with limited access, may be conducted.
- Have full and unrestricted access to the Board of Directors and the City Administrator.
- Allocate his/her resources, set frequencies, select subjects, determine audit scope, and apply the applicable audit techniques required to accomplish the audit objectives.
- Obtain the necessary cooperation of personnel in departments where s/he performs audits, as well as other specialized services and third parties from within or outside the City of Fort Smith.
- While conducting an audit and in the course of employment as internal auditor, s/he will maintain strict accountability and confidentiality regarding all records, property, findings or other information relevant to the business of the department or its employees.

The Internal Auditor is **not** authorized to:

- Perform any operational duties for the City.
- Initiate or approve accounting transactions external to the Internal Audit Department.
- Direct the activities of any City employee not assigned to the Internal Audit Department except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditor.

Internal Audit shall have no direct responsibility or authority over financial, compliance or operational issues that may be subject to review. The independence of the internal audit function shall not be deemed adversely affected by determining and recommending standards of control to be applied to the development of the departments, systems and procedures being reviewed

AUDIT PLAN

An annual audit plan will be submitted to the Audit Advisory Committee, Board of Directors and City Administrator for review and approval annually. The schedule will list all departments, programs and activities planned for review within the next audit year.

STANDARDS OF AUDIT PRACTICE

Internal Audit will work under the guidance of the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and the *Generally Accepted Government Auditing Standards* (GAGAS) of the United States Government Accountability Office.

The Internal Auditor shall govern themselves by adherence to the Institute of Internal Auditors' "Code of Ethics" and the United States Government Accountability Offices' "Ethical Principles."

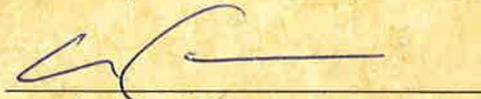
EXECUTIVE ENDORSEMENT OF THE INTERNAL AUDIT CHARTER

The Internal Audit Charter is the formal document that specifies the Internal Audit Office's authority and responsibilities. The Charter is important to management, the activity being audited, and the Internal Auditor. Our endorsement of the Internal Audit Charter underscores the importance of the Internal Audit Office's mission. We ask for your continued cooperation as our internal auditor fulfill s/he important responsibility to the City of Fort Smith.

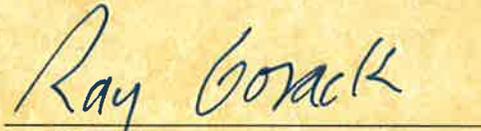
Approved by Board of Directors Resolution No. R-52-15


Sandy Sanders
Mayor

April 16, 2015
Date


Mike Lorenz
Audit Advisory Committee Chair

4-9-15
Date


Ray Gosack
City Administrator

April 16, 2015
Date


Tracey Shockley, CFE
Internal Audit

4/16/2015
Date