Proposed Internal Audit Charter Revisions

Internal Audit Department

June 18, 2026

Purpose & Overview

Purpose

To provide an overview of key proposed changes to the Internal Audit Charter, explain the underlying rationale, and outline the expected impact on Internal Audit, FOAC, and City Management.

Standards Alignment

Updated to meet new **Global Internal Audit Standards** (**GIAS**) and better align with **Generally Accepted Government Auditing Standards** (**GAGAS**)

Risk-Based Modernization

Strengthened risk-assessment approach using **P**olitical, **E**conomic, **S**ocial, **T**echnological, **L**egal and **E**nvironmental (**PESTLE**) and **Internal Control frameworks**

Governance & Oversight Enhancements

Clarified **FOAC oversight**, strengthened **independence safeguards**, and added new **accountability and transparency** requirements

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Purpose, Mission and Scope of Work

Incorporating Dual Risk Frameworks

What's Changing

- Internal Audit will now use a dual-risk assessment framework to inform:
    - Engagement planning
    - Scoping
    - Prioritization

The Two Frameworks

- PESTLE
- Internal Controls

Why We Added This

- Responds to prior Weaver recommendation
- Strengthens alignment with GIAS and leading practices
- Ensures risk-based, strategically aligned audit planning

How This Improves Our Work

- Directs audit resources to highest-value areas
- Strengthens transparency

Updated Mandate

Clarifying Authority from City Charter & Municipal Code

What's Changing

- Charter now explicitly cites:
    - FOAC's legislative oversight role
    - Creation and purpose of the Internal Audit function
    - Staffing and reporting structure
    - Council's authority to define powers and duties by ordinance
    - Relationship between FOAC, CIA, and City Manager

Why We Added This

- Ensures the Charter accurately reflects the legal basis for the Internal Audit function
- Enhances transparency around oversight, reporting lines, and governance expectations
- Response to best-practice recommendations for clearly documented authority

What This Clarification Achieves

- Reaffirms Internal Audit's authority to audit all City departments, offices, agencies, and programs
- Clearly delineates legislative vs. operational oversight
- Strengthens alignment between Internal Audit's charter, legal requirements, and governing bodies

Updated Accountability Requirements

Oversight, Resources, and Independence

What's Changing

- FOAC Meeting Schedule Management
- Annual Resource Sufficiency Assessment
- Annual Confirmation of Organizational Independence

Why We Added This

- Clarifies FOAC's oversight responsibilities regarding meeting cadence
- Aligns with GAGAS and Weaver recommendations on resource sufficiency
- Reinforces GAGAS-required annual independence confirmation

What This Improves

- Strengthens structured, predictable FOAC oversight
- Improves accountability for Internal Audit resourcing
- Reinforces professional standards and independence

Updated Independence Requirements

Strengthening Transparency & Standards Compliance

What's Changing

- The Chief Internal Auditor will now formally disclose to FOAC any:
  - Actual impairments
  - Potential impairments
  - Perceived impairments
- Applies to both the Chief Internal Auditor and all Internal Audit staff

Why We Added This

- Aligns directly with GAGAS and GIAS
- Reinforces the requirement to proactively disclose any threat to independence or objectivity
- Enhances FOAC awareness of safeguards protecting Internal Audit's credibility

What This Improves

- Strengthens transparency between Internal Audit and FOAC
- Provides an early warning mechanism for safeguarding objectivity
- Reinforces Internal Audit's integrity and its reporting

Updated Responsibilities
Strategy, Planning, and Risk Alignment

What's Changing

- Internal Audit Strategy (New Requirement)
  - Establish and maintain a mission-aligned strategy
  - Includes objectives priorities, capability needs, and performance indicators
- Risk-Based Annual Audit Plan Development
  - Required use of both PESTLE and Internal Control frameworks
  - Supports assessment of emerging/strategic risks and control-environment shifts

Why We Added These

- Aligns with Weaver recommendations for strategic planning and risk methodologies
- Ensures the Annual Audit Plan remains risk-based and aligned with City priorities
- Reinforces GAGAS expectations for structured, evidence-based planning

What This Improves

- Strengthens long-term strategic alignment with the City
- Formalizes risk-based planning practices recommended by Weaver

Updated Responsibilities

Quality, Reporting, and Governance

What's Changing

- Performance & Outcome-Based Metrics (QAIP)
  - Incorporates qualitative and outcome-based indicators
- Internal & External Quality Assessments
  - Clarifies reporting requirements to FOAC
- Audit Report Distribution & Governance Process
  - Outlines reporting steps to FOAC and Council
  - Reports must disclose any significant scope or access limitations

Why We Added These

- Aligns with GAGAS requirements for quality assurance and reporting
- Incorporates Weaver recommendations for performance measurement
- Enhances transparency to FOAC and Council

What This Improves

- Enhances accountability for audit quality and performance
- Ensures audit reports move through governance channels consistently and transparently

Non-Audit Services

Clarifying Scope, Safeguards, and Independence

What's Changing

- Clearly defines non-audit services we perform, including:
    - Conducting cybersecurity assessments
    - Administering the Clearview Sales Tax System
    - Providing advisory support on the City's Enterprise Risk Management Framework
- Establishing Independence and Safeguards
    - Evaluate and document any potential impacts on independence
    - Ensure non-audit assistance does not include operational decision-making

Why We Added These

- Separates non-audit services from core audit responsibilities for clarity
- Reinforces GAGAS and GIAS independence safeguards

What This Improves

- Greater transparency for FOAC and Council
- Clearer distinction between assurance and advisory roles
- Stronger protections for objectivity, in line with GAGAS and GIAS

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Updated Professional Standards

Revised Citations

What's Changing

- Updated Standards Reference
    - Updates citation to the GIAS
- Explicit GAGAS Compliance Statement
    - Clarifies that GAGAS governs audits where legally or professional required
- Updated Ethical Requirements
    - Updates reference to the Ethics and Professionalism domain of the GIAS

Why We Added These

- Updates terminology and references to reflect the GIAS
- Clarifies when Internal Audit must comply with GAGAS
- Strengthens transparency on ethical and professional expectations for staff

What This Improves

- Ensures the Charter reflects current professional frameworks
- Enhances clarity on applicable standards

Charter Amendments

Strengthening Oversight & Standards Alignment

What’s Changing

- Standards-Driven Updates
    - Revisions required when updates occur to:
        - GIAS
        - GAGAS
        - Other applicable professional guidance

Why We Added These

- Ensures the Charter remains current with evolving professional standards

What This Improves

- Keeps the Charter aligned with current audit standards and regulatory expectations

Organizational Governance Impact

These proposed changes materially **enhance governance maturity** by providing:

- **Stronger oversight** mechanisms
- **Greater transparency** into resource needs, risks, and limitations
- **Risk-driven** audit planning enhancements
- **Clearer role clarity** between Internal Audit, FOAC, City Council, and City Manager
- **Improved alignment** with professional standards

Requested Action

Please accept and approve the proposed revisions to the Internal Audit Charter.