AUDIT COMMITTEE
AGENDA

DATE: July 31, 2024
LOCATION: City Hall 4th Floor Conference Room
TIME: 3:00 PM

I. CALL TO ORDER – Chairperson

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)

III. ADOPTION OF MINUTES: April 24, 2024 Audit Committee Meeting

IV. DEPARTMENT REPORT
   A. Budget Reports
      i. FY 2024 Budget Report
      ii. FY 2025 Budget Report
   B. Update on Internal Audit Activity
   C. Quality Assurance and Improvement Program - Annual Review Results
   D. Annual Report
   E. Discussion of Internal Audit Charter, Mandatory Guidance, and Organizational Independence within Red Book

V. NEW BUSINESS
   A. Discussion of Potential New Committee Members

VI. COMMITTEE ACTION REQUIRED
   A. FY 2025 Audit Plan Approval
   B. Internal Audit Charter Approval

VII. CITY COUNCIL ACTION REQUIRED
   A. None

VIII. ADJOURNMENT OF PUBLIC MEETING

IX. PUBLIC COMMENTS (5 minutes each)

X. NEXT MEETING - **October 30, 2024 at 3:00 PM**

XI. EXECUTIVE SESSION – Vote by the Committee to go into executive session.

During executive session and for the remainder of the meeting, the Audit Committee will be discussing only matters that are considered confidential under TCA Section 9-3-405 (d). These items may include:

A. Items deemed not subject to inspection under TCA Section 10-7-503 and 10-7-504
B. Current or pending litigation and pending legal controversies
C. Pending or ongoing audits or audit related investigations
D. Information protected by federal law
E. Matters involving information under TCA Section 9-3-406 where the informant has requested anonymity.

At this point in the meeting everyone other than Audit Committee members and those asked to attend by the Audit Committee to address an item related to the categories above will be asked to leave.

XII. ADJOURNMENT OF EXECUTIVE SESSION

UNAPPROVED

AUDIT COMMITTEE MINUTES

DATE: April 24, 2024
LOCATION: City Hall 4th Floor Conference Room
TIME: 3:00 PM

I. CALL TO ORDER – Chairperson
The meeting was called to order by Jennifer Thayer at 3:00 PM.

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)
Audit Committee members present: Jennifer Thayer, Patrick Wilkinson, Trey Judd, Elizabeth Rankin
Audit Committee members absent: Councilperson Karen Reynolds
Quorum verified? Yes
Internal Audit attendees: Stephanie Fox, Jenn Osteen, Rebecca Darden, Emily Hammer
Other Attendees: None

III. ADOPTION OF MINUTES
A. Trey Judd made a motion to adopt minutes for January 31, 2024, February 21, 2024, and February 27, 2024. Elizabeth Rankin seconded.
The motion was approved.

IV. DEPARTMENT REPORT
Stephanie presented the following department reports.
A. FY 2024 Budget Report
B. Update on Internal Audit Activity

V. NEW BUSINESS
A. None

VI. COMMITTEE ACTION REQUIRED
A. FY 2025 Proposed Budget Approval
Patrick Wilkinson made a motion to approve the FY 2025 Proposed Budget. Trey Judd seconded. The motion was approved.

VII. CITY COUNCIL ACTION REQUIRED
A. None

UNAPPROVED

VIII. ADJOURNMENT OF PUBLIC MEETING
Elizabeth Rankin made a motion to adjourn the public meeting and go into executive session. Trey Judd seconded. The public meeting was adjourned at 3:30 pm.

IX. PUBLIC COMMENTS (5 minutes each)

X. NEXT MEETING - **July 31, 2024 3:00 PM**

XI. EXECUTIVE SESSION – Vote by the Committee to go into executive session.

During the executive session and for the remainder of the meeting, the Audit Committee will be discussing only matters that are considered confidential under TCA Section 9-3-405 (d). These items may include:

A. Items deemed not subject to inspection under TCA Section 10-7-503 and 10-7-504
B. Current or pending litigation and pending legal controversies
C. Pending or ongoing audits or audit related investigations
D. Information protected by federal law
E. Matters involving information under TCA Section 9-3-406 where the informant has requested anonymity.

At this point in the meeting everyone other than Audit Committee members and those asked to attend by the Audit Committee to address an item related to the categories above will be asked to leave.

The following items were discussed:
Pending or ongoing audits or audit related investigations

XII. ADJOURNMENT OF EXECUTIVE SESSION
The executive session was adjourned at 3:56 pm.

CITY OF CLARKSVILLE

YEAR-TO-DATE BUDGET REPORT

FOR 2024 13

	ORIGINAL APPROP	TRANFRS/ ADJSTMTS	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
1100 General Fund							
10415211 Salaries and Wages-Inter.Audit							
10415211 4111 Full-Time Employe	304,221	-49,755	254,466	251,773.35	.00	2,692.65	98.9%
10415211 4112 Part-Time Employe	2,700	0	2,700	2,700.00	.00	.00	100.0%
10415211 4113 Longevity Pay	400	0	400	400.00	.00	.00	100.0%
10415211 4211 Health Insurance	53,820	-14,040	39,780	39,780.00	.00	.00	100.0%
10415211 4212 Dental Insurance	1,587	-414	1,173	1,173.00	.00	.00	100.0%
10415211 4213 Life Insurance	203	-54	149	148.24	.00	.76	99.5%
10415211 4214 Disability Insura	1,311	-227	1,084	1,072.36	.00	11.64	98.9%
10415211 4221 Social Security C	22,396	-3,247	19,149	18,493.12	.00	655.88	96.6%
10415211 4231 TCRS Contribution	39,642	-8,231	31,411	30,730.85	.00	680.15	97.8%
10415211 4261 On-the-Job Injury	1,001	0	1,001	1,000.50	.00	.50	100.0%
TOTAL Salaries and Wages-Inter.Audit	427,281	-75,968	351,313	347,271.42	.00	4,041.58	98.8%
10415213 Operating Expenditures-Int.Aud							
10415213 4310 Official/Administ	3,750	-467	3,283	3,282.67	.00	.33	100.0%
10415213 4321 Employee Training	12,750	0	12,750	11,211.60	.00	1,538.40	87.9%
10415213 4322 Memberships & Con	3,553	0	3,553	2,265.00	.00	1,288.00	63.7%
10415213 4323 Employee Testing	210	0	210	362.12	.00	-152.12	172.4%
10415213 4324 Software License	1,800	0	1,800	388.00	.00	1,412.00	21.6%
10415213 4325 Software Renewals	735	0	735	619.00	.00	116.00	84.2%
10415213 4334 Accounting/Auditi	99,500	-16,000	83,500	72,050.00	.00	11,450.00	86.3%
10415213 4442 Rental of Equipme	85	16	101	85.91	.00	15.09	85.1%
10415213 4521 Property Insuranc	282	0	282	291.00	.00	-9.00	103.2%
10415213 4522 Automobile Insura	363	0	363	363.00	.00	.00	100.0%
10415213 4523 General Liability	2,331	0	2,331	2,300.00	.00	31.00	98.7%
10415213 4530 Communications	275	0	275	253.74	.00	21.26	92.3%
10415213 4580 Travel	300	-300	0	.00	.00	.00	.0%
10415213 4610 General Supplies	1,450	0	1,450	3,955.66	.00	-2,505.66	272.8%
10415213 4640 Books & Periodica	1,080	0	1,080	518.40	.00	561.60	48.0%
10415213 4650 Other Equipment P	3,730	0	3,730	2,358.81	.00	1,371.19	63.2%
TOTAL Operating Expenditures-Int.Aud	132,194	-16,751	115,443	100,304.91	.00	15,138.09	86.9%
GRAND TOTAL	559,475	-92,719	466,756	447,576.33	.00	19,179.67	95.9%

** END OF REPORT - Generated by Fox, Stephanie **

CITY OF CLARKSVILLE

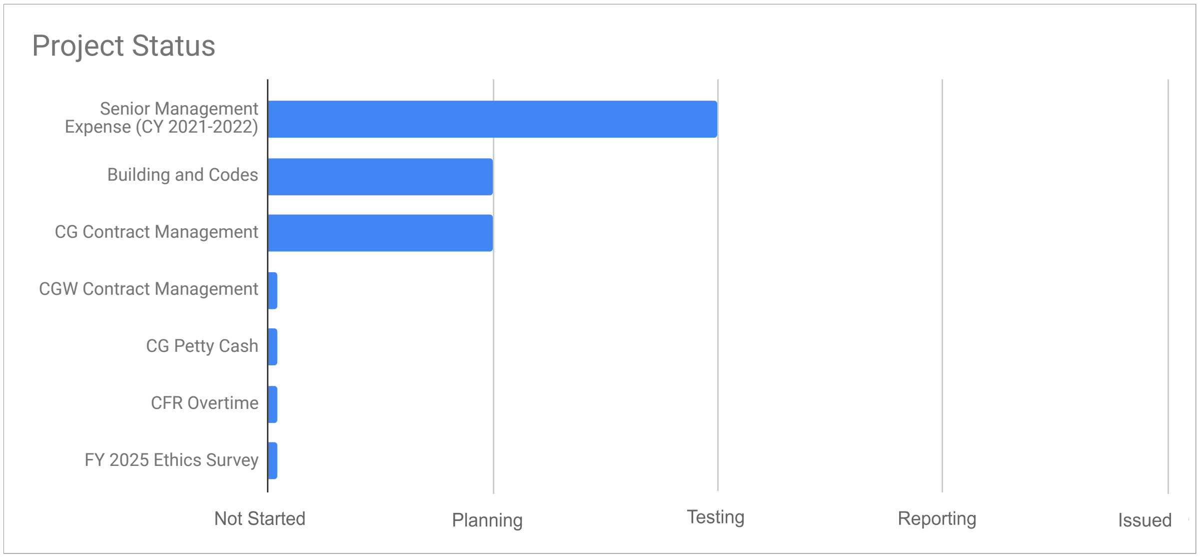
YEAR-TO-DATE BUDGET REPORT

FOR 2025 13

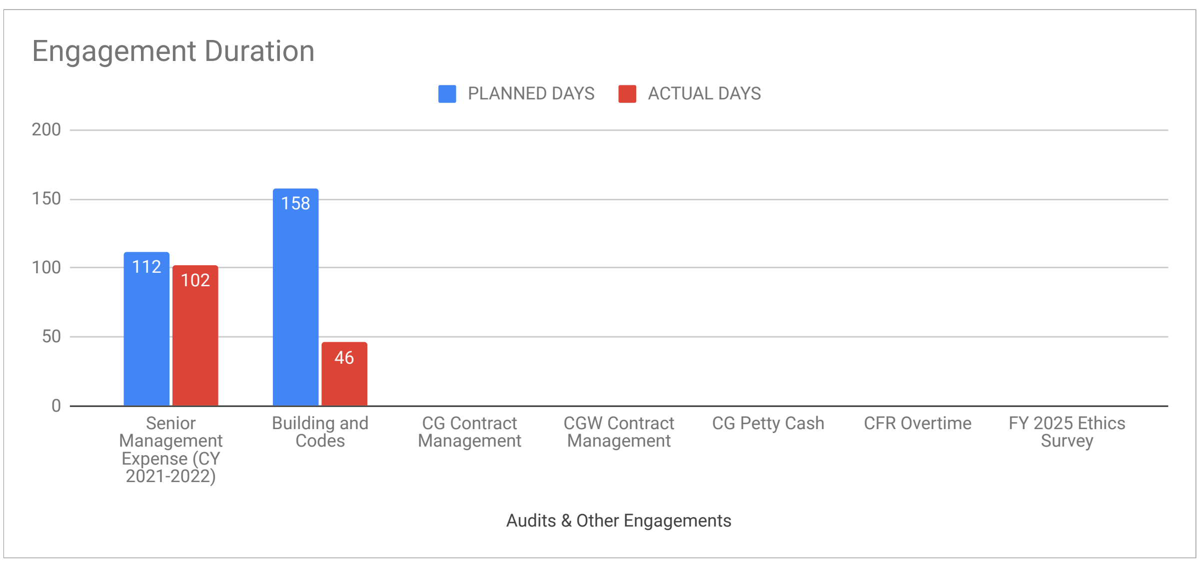
	ORIGINAL APPROP	TRANFRS/ ADJSTMTS	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
1100 General Fund							
10415211 Salaries and Wages-Inter.Audit							
10415211 4111 Full-Time Employe	332,599	0	332,599	12,148.31	.00	320,450.69	3.7%
10415211 4112 Part-Time Employe	2,700	0	2,700	.00	.00	2,700.00	.0%
10415211 4113 Longevity Pay	450	0	450	.00	.00	450.00	.0%
10415211 4211 Health Insurance	60,096	0	60,096	2,504.00	.00	57,592.00	4.2%
10415211 4212 Dental Insurance	1,680	0	1,680	69.00	.00	1,611.00	4.1%
10415211 4213 Life Insurance	212	0	212	8.72	.00	203.28	4.1%
10415211 4214 Disability Insura	1,432	0	1,432	52.24	.00	1,379.76	3.6%
10415211 4221 Social Security C	24,622	0	24,622	879.60	.00	23,742.40	3.6%
10415211 4231 TCRS Contribution	41,737	0	41,737	1,386.89	.00	40,350.11	3.3%
TOTAL Salaries and Wages-Inter.Audit	465,528	0	465,528	17,048.76	.00	448,479.24	3.7%
10415213 Operating Expenditures-Int.Aud							
10415213 4321 Employee Training	14,635	0	14,635	67.40	.00	14,567.60	.5%
10415213 4322 Memberships & Con	1,940	0	1,940	.00	.00	1,940.00	.0%
10415213 4323 Employee Testing	105	0	105	.00	.00	105.00	.0%
10415213 4325 Software Renewals	965	0	965	.00	.00	965.00	.0%
10415213 4334 Accounting/Auditi	92,000	0	92,000	.00	.00	92,000.00	.0%
10415213 4442 Rental of Equipme	120	0	120	7.69	83.57	28.74	76.1%
10415213 4521 Property Insuranc	335	0	335	.00	.00	335.00	.0%
10415213 4523 General Liability	665	0	665	.00	.00	665.00	.0%
10415213 4530 Communications	375	0	375	.00	43.57	331.43	11.6%
10415213 4580 Travel	300	0	300	.00	.00	300.00	.0%
10415213 4610 General Supplies	2,100	0	2,100	.00	.00	2,100.00	.0%
10415213 4640 Books & Periodica	2,100	0	2,100	.00	.00	2,100.00	.0%
TOTAL Operating Expenditures-Int.Aud	115,640	0	115,640	75.09	127.14	115,437.77	.2%
GRAND TOTAL	581,168	0	581,168	17,123.85	127.14	563,917.01	3.0%

** END OF REPORT - Generated by Fox, Stephanie **

Project Statistics



	FY 2025 Budgeted Hours	FY 2025 Actual Hours	Total Project Hours
Senior Management Expense (CY 2021-2022)	100.00	24.75	288.75
Building and Codes	900.00	114.00	201.25
CG Contract Management	500.00	24.50	24.50
CGW Contract Management	500.00	0.00	0.00
CG Petty Cash	400.00	0.00	0.00
CFR Overtime	600.00	0.00	0.00
FY 2025 Ethics Survey	300.00	0.00	0.00



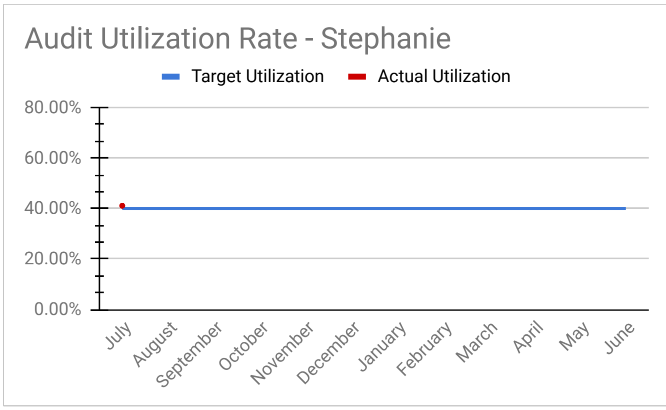
CITY OF CLARKSVILLE TENNESSEE

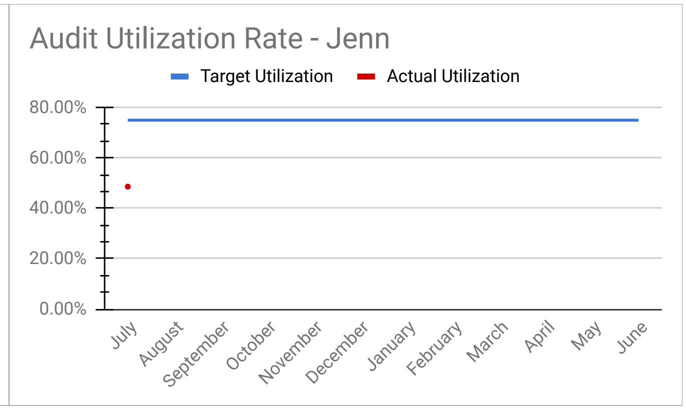
Internal Audit Department
Audit Committee Report
July 2024

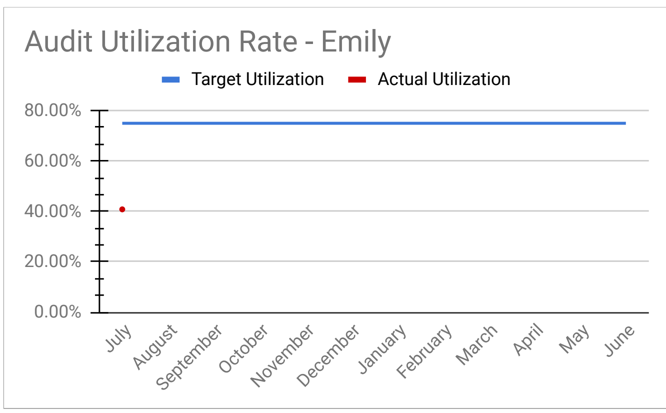
Hotline Statistics

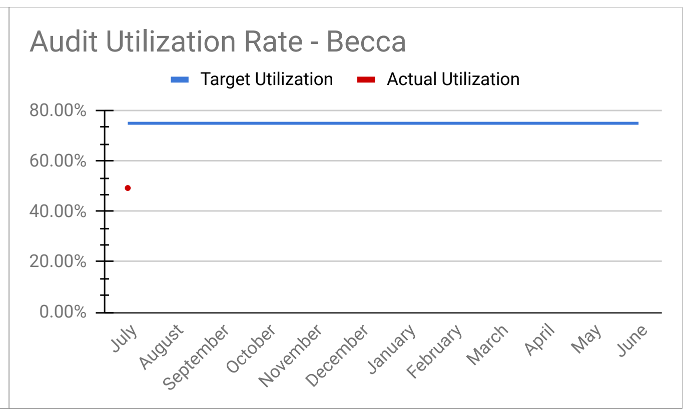
Report Status	Previously Reported	New Reports
Open		
Closed		
Total Reports for FY 2025	0	0

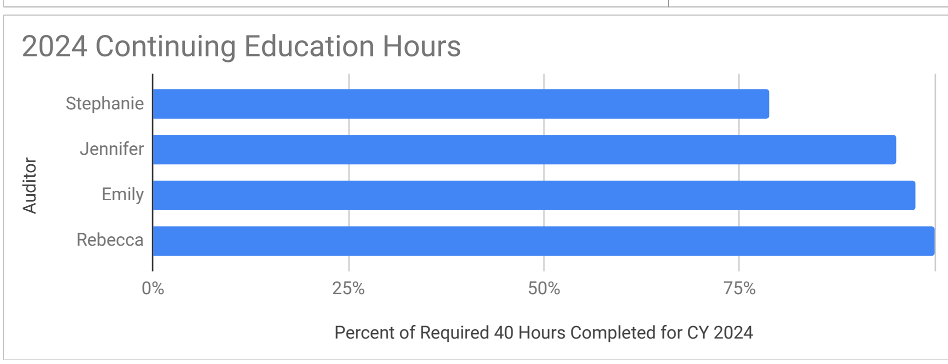
Staff Metrics











Memo

To: Audit Committee Members

From: Stephanie Fox, Director of Internal Audit

Date: July 24, 2024

Re: Reporting on the Quality Assurance and Improvement Program

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In accordance with Standard 1300 of the International Professional Practices Framework (the Standards), we maintain a quality assurance and improvement program (QAIP) within the Internal Audit department. The QAIP has three main components where quality is evaluated. These components are described in the table below.

QAIP Component	Description
(1) Ongoing Monitoring	Ongoing monitoring is performed at the conclusion of each engagement. The review is limited and is documented within the workpapers for each engagement.
(2) Periodic Self Assessment	Periodic self assessment is done each year during our department's annual quality review. Details about the scope of this review, as well as the results for FY 2024, are listed in the paragraphs below.
(3) External Assessment (Peer Review)	Peer reviews are required to be performed by qualified and independent reviewers every five years. Our most recent peer review was completed in October of 2023. The results of that review supported our conformance with the Standards. More information can be found on our website.

Results of the Annual Quality Review for FY 2024

We perform an annual quality review of our work each year. Our process uses peer review resources from the Association of Local Government Auditors to evaluate our conformance with the Standards.

Specifically, the annual quality review includes an evaluation of the department's quality control systems and engagements during the year to confirm adherence to the Standards. This involves a review of:

- The Internal Audit Charter

- Departmental policies and procedures
- Engagement specific documentation
- Continuing education records for department staff

We are happy to report the results of the FY 2024 review, which support conformance to the Standards at this time. In our evaluation, the Internal Audit Charter, policies, and procedures addressed requirements of the Standards. Additionally, engagement specific documentation reviewed showed evidence of conformance to the Standards.

CITY OF CLARKSVILLE INTERNAL AUDIT FY 2024 ANNUAL REPORT

Message from the Director

We are pleased to provide this annual report in accordance with City Code Section 6-615, which highlights our accomplishments and activities for FY 2024. The mission of the City's Internal Audit Department is to ensure public trust and promote transparency, accountability, and efficiency throughout City government. In support of this mission, we conduct audit and consulting engagements for City departments. These engagements evaluate existing City processes and provide recommendations for improving services and operations. While our main function is to conduct audits, we also manage the City's Fraud and Audit Hotline and investigate reports received there.

During FY 2024, we not only focused on improving the operations of other City departments, but also on improving our own efficiency and effectiveness. In addition to our normal audit and investigation work, we successfully underwent a peer review of our office, restructured our audit recommendations and management communications to improve client satisfaction during the audit process, and hired two new auditors. Highlights from a selection of our completed projects are shown later in this report.

FY 2025 promises to be a busy and productive year for the department as we make further enhancements to our own operations and implement revised auditing standards. We look forward to continuing our work improving the efficiency and effectiveness of City government operations.

Stephanie Fox, CPA, CIA, CMFO
Director of Internal Audit

FY 2024 Accomplishments

Below is a list of audits, investigations, and other activities completed during FY 2024. More information on these is available on our website.

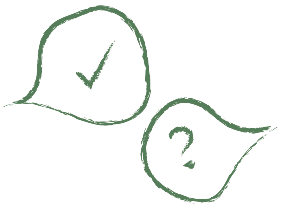
- Parking Voids and Appeals Audit
- City Hall Badge Access Control Audit
- Follow Up Assessment: Code of Ethics Audit
- 2024 Ethics Survey and Informational Report
- Successful Review of Department by External Peers
- Annual City-Wide Risk Assessment and Audit Plan Development
- Participation in Annual Risk Assessment Meetings for Each Department
- Department Annual Quality Review
- 16 Resolved Hotline Complaints
- Selection of New External Audit Firm to Perform the City's Financial and Compliance Audit

Project Highlights

Parking Voids and Appeals Audit

This audit assessed the accurate and timely processing of parking ticket appeals. We made several recommendations to improve how the City manages appeals and communicates with customers in this area.

2024 Ethics Survey and Informational Report



2024 marked our fifth annual ethics survey and accompanying informational report. There was a record participation rate at 55% of employees, a 6% increase from the previous year. Survey results showed that employees have generally positive perceptions of the City's ethical environment.

Successful Review of Department by External Peers

Our department underwent a peer review in October 2023. As part of this process, two independent and experienced auditors from other local governments reviewed our policies and audit work from October 2018 through June 2023. The results of the peer review supported our conformance with auditing standards, with no management comments from reviewers. This is the highest possible rating that can be received during a peer review and provides independent validation of the high quality of our work.

Ongoing Projects

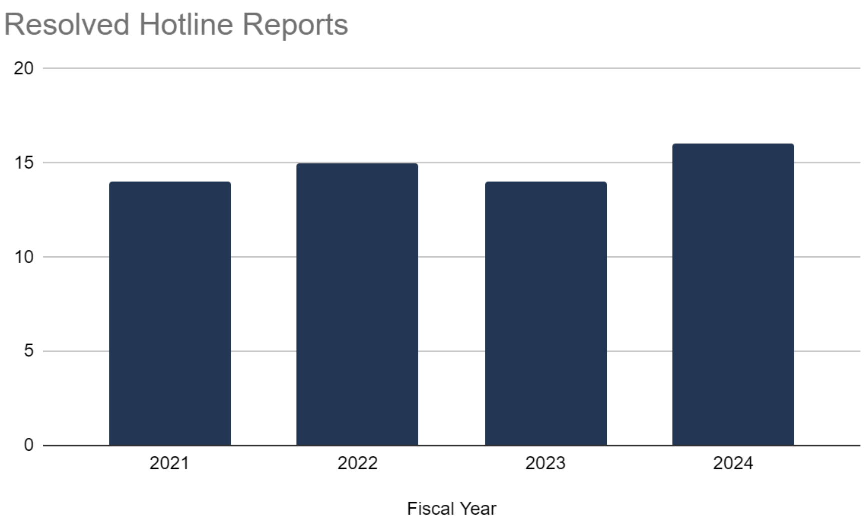
Senior Management Expense Audit (CY 2021-2022)

This audit looks at the appropriateness of expenses for the Mayor, City Council, and a selection of department heads. We anticipate this audit will be completed in August 2024.

Fraud and Audit Hotline

The Internal Audit department is also responsible for managing the City's fraud hotline. The hotline can be used by anyone to report activity by City employees or City officials that is illegal, improper, wasteful, or fraudulent. Reports are confidential and can be made on our website ([linked here]), or by calling 931-648-6166.

We received and resolved 16 hotline reports during FY 2024. As shown in the chart, this is comparable to the number of reports from prior years.



Approved FY 2025 Projects - DRAFT

We develop an audit plan to guide our work during each fiscal year. The audit plan is based on a City-wide risk assessment which looks at every department in the City. This plan is then presented to the Audit Committee for approval. For fiscal year 2025, the Audit Committee has approved the following projects.

- Building and Codes Audit
- City General Contract Management Audit
- Clarksville Gas & Water Contract Management Audit
- City General Petty Cash Audit
- Clarksville Fire Rescue Overtime Audit
- 2025 Ethics Survey
- Follow Up Assessments

Contact Us

Address: 1 Public Square, Suite 315 | Clarksville, TN 37040

Phone: 931-648-6106

Website: www.clarksvilletn.gov/275/Internal-Audit

Fraud Hotline: 931-648-6166

City of Clarksville		
Internal Audit Plan DRAFT		
For Fiscal Year Ending June 30, 2025		
Audit Name/Project	**Estimated Hours**	**Available Hours**
Audits:		
Senior Managment Expense (CY 2021-2022)	100	
Building and Codes	900	
City General Contract Management	500	
Clarksville Gas & Water Contract Management	500	
City General Petty Cash	400	
Clarksville Fire Rescue Overtime	600	
Other Projects:		
FY 2025 Ethics Survey	300	
Possible Consulting Engagements	150	
Hotline Investigations	225	
Other Technical Assistance for Departments	100	
Follow Up on Past Audits	400	
Annual Risk Assessment	150	
Total	4,325	4,400

City of Clarksville Audit Committee Charter

Purpose

The Audit Committee of the City of Clarksville is established in Article VI Section 5 of the City of Clarksville Charter (the City Charter) and Clarksville City Code (City Code) Section 6-603 to provide an independent review and oversight of the City's financial reporting processes and the City's internal controls. The Audit Committee is also to review the external auditors' reports and follow up on management's corrective action and compliance with laws, regulations, and ethics. The Audit Committee also provides oversight of the Internal Audit Department's independent appraisal function.

Authority and Responsibilities

To establish, maintain, and assure that the City of Clarksville's Internal Audit Department has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the Internal Audit Department's Charter.
- Approve the risk-based internal audit plan as described in City Code Section 6-615(a).
- Guide and direct the Director of Internal Audit.
- Approve the Internal Audit Department's budget and resource plan, subject to approval of the overall budget of the City approved by the City Council.
- Receive communications from the Director of Internal Audit on the Internal Audit Department's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Director of Internal Audit as described in the City Charter and City Code Section 6-614(f).
- Review and evaluate the performance of the Director of Internal Audit in accordance with the City Charter and City Code Section 6-614(e).
- Fix the compensation of the Director of Internal Audit within the amount appropriated therefore by the City Council as described in the City Charter.
- Make appropriate inquiries of management and the Director of Internal Audit to determine whether there are inappropriate scope or resource limitations.
- Review and select, pursuant to state law of general application, the external auditors required by the City, to include all City departments and activities, and blended component units, for financial, performance, internal, or other special audits per City Code Section 6-609. The awarding of all external audit contracts shall be at the discretion of the Audit Committee, except that discretely presented component units may select their own external auditor. No member of the Audit Committee shall be a member of any audit firm that is awarded an audit engagement.

- Review the external auditors' reports and follow up on management's corrective action and compliance with laws, regulations, and ethics in accordance with City Code Section 6-603.
- Adhere to all remaining City Code sections pertaining to the Clarksville Audit Committee not specifically listed within this Charter.

City of Clarksville Internal Audit Charter

Purpose and Mission

In accordance with the City of Clarksville's City Code (City Code) Section 6-602, the purpose of the Internal Audit Department is to assist all levels of management of the City and its component units in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed by Internal Audit and promoting effective control at reasonable cost.

The mission of the Internal Audit Department is to ensure public trust and promote transparency, accountability, and efficiency throughout City government.

In support of this mission, the Internal Audit Department will provide management and those charged with governance with assurance and consulting services concerning City operations in an objective and independent manner related to the following areas:

- Internal controls
- Operational efficiency and effectiveness
- Compliance with laws and regulations, and
- Financial integrity

The Internal Audit Department of the City of Clarksville brings a risk based, systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. This approach helps the City of Clarksville accomplish its objectives and fulfill its responsibility to be accountable to its citizens for the resources they have entrusted to the City.

Standards for the Professional Practice of Internal Auditing

As required by City Code Section 6-610 "Professional Standards", the City of Clarksville Internal Audit Department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (the Standards),* and the Definition of Internal Auditing. The Director of Internal Audit will report to senior management and the Audit Committee regarding the Internal Audit Department's conformance to the City Code of Ethics, the IPPF Code of Ethics, and the *Standards.* In addition, Internal Audit will adhere to the policies and procedures contained in the Internal Audit Department's Policies and Procedures Manual and approved by the Audit Committee.

Authority

The City of Clarksville Charter Article VI (the City Charter) establishes the existence of a Department of Internal Audit as an independent agency of the City of Clarksville government, which shall be headed by a Director of Internal Audit. The Director of Internal Audit shall be a certified public accountant meeting the requirements of City Code Section 6-614(b), and will report functionally and administratively to the City Audit Committee (Audit Committee) as required by the Charter.

Finally, both the City Charter, Article VI Section 5(e) and the City Code Section 6-611 “Authority” state that authority is granted for full, free, and unrestricted access to any and all of the City's records, physical properties, and personnel relevant to any function under review. Internal Audit's authority shall extend to all City departments, component units, and any other organization or individual that receives City funds. All employees shall assist Internal Audit in fulfilling their staff function. Internal Audit shall also have free and unrestricted access to the Mayor and the City Council.

The Director of Internal Audit will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including in meetings without management present in accordance with TCA 9-3-405(d).

Further, the Audit Committee authorizes the Internal Audit Department to:

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply audit techniques required to accomplish audit objectives, and issue reports
- Obtain assistance from the necessary personnel of the City of Clarksville and related entities as well as other specialized services from within or outside the City of Clarksville, in order to complete the engagement

Independence and Objectivity

City Code Section 6-612 “Independence” states that all audit activities shall remain free of influence by any element in the organization, including matters of audit scope, procedures, frequency, timing, or report content to permit maintenance of an independent mental attitude necessary in rendering objective reports. Internal auditors shall have no direct operational responsibility or authority over any of the activities they review. Further, internal audit activities are not considered to be part of the internal control structure of any other department.

The Director of Internal Audit will ensure that the Internal Audit Department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year
- Performing any operational duties for the City of Clarksville or related entities
- Initiating or approving transactions external to the Internal Audit Department
- Directing the activities of any City of Clarksville employee not employed by the Internal Audit Department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors

The Internal Audit Department may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined
- Make balanced assessments of all available and relevant facts and circumstances
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments

The Director of Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit Department.

The Director of Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

As stated in the City Code Section 6-613 “Audit Scope,” The scope of Internal Audit encompasses (but is not limited to) the examination and evaluation of the adequacy and effectiveness of the City's system of internal control structure and the quality of performance in carrying out assigned responsibilities to achieve the City's stated goals and objectives. These activities, known as assurance services, provide independent assessments to the Audit Committee, the Mayor, the City Council, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the City of Clarksville. Internal Audit assessments include:

- Evaluating whether risks relating to the achievement of the City of Clarksville’s strategic objectives are appropriately identified and managed
- Evaluating whether the actions of the City of Clarkville’s Governing body, directors, employees, and contractors are in compliance with the City of Clarksville’s policies, procedures, and applicable laws, regulations, and governance standards
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned
- Reviewing and appraising the economy and efficiency with which resources are employed
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and whether the organization is in compliance
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information
- Evaluating whether resources and assets are acquired economically, used efficiently, protected adequately, and, as appropriate, verifying the existence of such assets
- Reviewing specific operations at the request of the Audit Committee, Mayor, or Chief Financial Officer (also referenced as Director of Finance and Revenue), as appropriate
- Reviewing or investigating matters at the request of the Tennessee Comptroller of the Treasury
- Reviewing the quality of performance of the external auditors and the degree of coordination with Internal Audit

The Director of Internal Audit will report periodically to senior management and the Audit Committee regarding:

- The Internal Audit Department’s:
    - Internal Audit Charter
    - Independence

    - Purpose, authority, and responsibility
    - Plan and performance relative to its plan
    - Conformance with The IIA's Code of Ethics and *Standards,* and action plans to address any significant conformance issues
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee, the City Mayor, and/or the Chief Financial Officer
- Results of audit engagements or other activities
- Resource requirements
- Any response to risk by management that may be unacceptable to the City of Clarksville as determined by the Director of Internal Audit, Audit Committee, the Mayor, the Governing Body, or Chief Financial Officer

The Director of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Department may perform consulting or advisory and related client service activities, the nature and scope of which will be agreed upon with the client, provided the Internal Audit Department does not assume management responsibility. These services will be performed in accordance with the IIA's *Standards* and Internal Audit policies and procedures.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Director of Internal Audit has the responsibility to:

- Submit, at least annually, to the Audit Committee a risk-based internal audit plan for review and approval. Communicate the approved plan to senior management.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the City of Clarksville's risks, operations, programs, systems, and controls.
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.
- Submit an annual report to the City Council at the end of each fiscal year disclosing all completed audits and investigations.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the

communication of engagement results with applicable conclusions and recommendations to appropriate parties.

- Distribute the report to appropriate parties. The Director of Internal Audit is the only person who has the authority to issue an audit report.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter.
- Ensure trends and emerging issues that could impact the City of Clarksville are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Department.
- Ensure adherence to the City of Clarksville's Charter, Code, and relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.
- Ensure conformance of the Internal Audit Department with the *Standards,* unless the Internal Audit Department is prohibited by law or regulation from conformance with certain parts of the *Standards.* The Director of Internal Audit will ensure appropriate disclosures are made to senior management and the Audit Committee and will ensure conformance with all other parts of the *Standards.*
- Establish a process by which employees, taxpayers, or other citizens may confidentially report suspected illegal, improper, wasteful, or fraudulent activity in accordance with City Code Section 6-617.

Quality Assurance and Improvement Program

The Internal Audit Department will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Department. The program will include an evaluation of the Internal Audit Department's conformance with the *Standards* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit Department and identify opportunities for improvement.

The Director of Internal Audit will communicate to the Audit Committee on the Internal Audit Department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the City of Clarksville. External assessments will be communicated to the Mayor, City Council, and will be available for public inspection.

Approval/Acknowledgement

Director of Internal Audit **Date**

Audit Committee Chair **Date**

Mayor of the City of Clarksville **Date**