AUDIT COMMITTEE
AGENDA

DATE: February 3, 2025
LOCATION: City Hall 4th Floor Conference Room
TIME: 3:00 PM

I. CALL TO ORDER – Director of Internal Audit

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)

III. ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON
   A. Chairperson - Be knowledgeable of Audit Committee functions and responsibilities, chair meetings, represent the Audit Committee before City Council or any other official body as necessary, correspond as necessary in regard to Audit Committee issues, prepare Director's annual performance evaluation, and coordinate with Human Resources to hire (or terminate) in regard to the Director's position.
   B. Vice Chairperson - Be knowledgeable of Audit Committee functions and responsibilities, fill in for or provide assistance to the Chairperson related to any of the duties listed above.

IV. FINANCIAL STATEMENT AUDIT PRESENTATION BY Crosslin

V. ADOPTION OF MINUTES
   A. October 30, 2024 Audit Committee Meeting

VI. DEPARTMENT REPORT
   A. Budget Report
   B. Update on Internal Audit Activity

VII. NEW BUSINESS
   A. None

VIII. COMMITTEE ACTION REQUIRED
   A. Crosslin Contract Renewal
   B. Review and Approval of Policy Manual Revisions
      i. Annual Risk Assessment and Audit Plan Policy
      ii. Performing Advisory Services Policy
      iii. Communication Policy

IX. CITY COUNCIL ACTION REQUIRED

A. None

X. ADJOURNMENT OF PUBLIC MEETING

XI. PUBLIC COMMENTS (5 minutes each)

XII. NEXT MEETING - **April 30, 2025 3:00 PM**

XIII. 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.

XIV. ADJOURNMENT OF EXECUTIVE SESSION

UNAPPROVED

AUDIT COMMITTEE
MINUTES

DATE: October 30, 2024
LOCATION: CITY HALL FOURTH FLOOR CONFERENCE ROOM
TIME: 3:00 PM

I. CALL TO ORDER – Chairperson
The meeting was called to order by Jennifer Thayer at 3:02 pm.

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)
Audit Committee members present: Jennifer Thayer, Patrick Wilkinson, Trey Judd
Audit Committee members absent: Karen Reynolds, Elizabeth Rankin
Quorum verified? Yes
Internal Audit attendees: Stephanie Fox, Jenn Osteen, Becca Darden, Emily Hammer

III. ADOPTION OF MINUTES: July 31, 2024 Audit Committee Meeting
   A. Patrick Wilkinson made a motion to adopt the minutes as presented. Trey Judd seconded. The motion was approved unanimously.

IV. DEPARTMENT REPORT
Stephanie presented the budget report and an update on department activity.
   A. Budget Report
   B. Update on Internal Audit Activity
   C. Discussion of Strategic Plan, Charters, and Revised Policies
   Stephanie presented the department's Strategic Plan, Charter, and Revised Policies.

V. NEW BUSINESS
   A. None

VI. COMMITTEE ACTION REQUIRED
   A. Audit Committee Candidate Consideration
   The committee reviewed qualifications for potential candidates to serve on the committee from January 2025 - December 2026. The vote for this item is recorded under City Council action required.

   B. FY 2025 Strategic Plan, Charter, and Internal Audit Policies Approval
   Trey Judd made a motion to amend the communication policy extending the time frame surrounding elections during which internal audit reports may not be issued

from 30 days prior to election day to 30 days prior to the start of early voting for that election day. Jennifer Thayer seconded. The motion was approved unanimously.

Patrick Wilkinson made a motion to approve the FY 2025 Strategic Plan, Charter, and Internal Audit Policies as amended. Trey Judd seconded. The motion was approved unanimously.

VII. CITY COUNCIL ACTION REQUIRED

A. Nomination of Audit Committee Members for January 2025 - December 2026
Trey Judd made a motion to nominate Lynn Stokes and reappoint Elizabeth Rankin to serve on the Audit Committee from January 2025 through December 2026. Jennifer Thayer seconded. The motion was approved unanimously.

VIII. ADJOURNMENT

Trey Judd made a motion to adjourn the public meeting and go into executive session. Patrick Wilkinson seconded. The public meeting was adjourned at 4:14 pm.

IX. PUBLIC COMMENT (5 minutes each)

X. NEXT MEETING - **February 3, 2025 3:00 PM**

January meeting has been rescheduled to February 3, 2025 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.

The following topics were discussed:

A. Ongoing audits and investigations
B. Hotline reports

XII. ADJOURNMENT OF EXECUTIVE SESSION

The executive session was adjourned at 4:26 pm.

CITY OF CLARKSVILLE

YEAR-TO-DATE BUDGET REPORT

FOR 2025 13

ACCOUNTS FOR: 1100 General Fund	ORIGINAL APPROP	TRANFRS/ ADJSTMTS	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
10415211 Salaries and Wages-Inter.Audit							
10415211 4111 Full-Time Employe	332,599	0	332,599	177,640.64	.00	154,958.36	53.4%
10415211 4112 Part-Time Employe	2,700	0	2,700	.00	.00	2,700.00	.0%
10415211 4113 Longevity Pay	450	0	450	450.00	.00	.00	100.0%
10415211 4211 Health Insurance	60,096	0	60,096	35,056.00	.00	25,040.00	58.3%
10415211 4212 Dental Insurance	1,680	0	1,680	966.00	.00	714.00	57.5%
10415211 4213 Life Insurance	212	0	212	122.08	.00	89.92	57.6%
10415211 4214 Disability Insura	1,432	0	1,432	763.82	.00	668.18	53.3%
10415211 4221 Social Security C	24,622	0	24,622	12,968.76	.00	11,653.24	52.7%
10415211 4231 TCRS Contribution	41,737	0	41,737	21,664.53	.00	20,072.47	51.9%
TOTAL Salaries and Wages-Inter.Audit	465,528	0	465,528	249,631.83	.00	215,896.17	53.6%
10415213 Operating Expenditures-Int.Aud							
10415213 4321 Employee Training	14,635	0	14,635	1,970.08	.00	12,664.92	13.5%
10415213 4322 Memberships & Con	1,940	0	1,940	400.00	.00	1,540.00	20.6%
10415213 4323 Employee Testing	105	0	105	102.53	.00	2.47	97.6%
10415213 4325 Software Renewals	965	0	965	308.82	.00	656.18	32.0%
10415213 4334 Accounting/Auditi	92,000	0	92,000	27,297.15	4,127.85	60,575.00	34.2%
10415213 4432 Building Repair &	0	0	0	24.96	.00	-24.96	100.0%
10415213 4442 Rental of Equipme	120	0	120	59.41	37.97	22.62	81.2%
10415213 4521 Property Insuranc	335	0	335	329.00	.00	6.00	98.2%
10415213 4523 General Liability	665	0	665	631.00	.00	34.00	94.9%
10415213 4530 Communications	375	0	375	199.37	.00	175.63	53.2%
10415213 4580 Travel	300	0	300	.00	.00	300.00	.0%
10415213 4610 General Supplies	2,100	0	2,100	425.92	.00	1,674.08	20.3%
10415213 4640 Books & Periodica	2,100	0	2,100	941.69	.00	1,158.31	44.8%
TOTAL Operating Expenditures-Int.Aud	115,640	0	115,640	32,689.93	4,165.82	78,784.25	31.9%
TOTAL General Fund	581,168	0	581,168	282,321.76	4,165.82	294,680.42	49.3%
TOTAL EXPENSES	581,168	0	581,168	282,321.76	4,165.82	294,680.42	

CITY OF CLARKSVILLE

YEAR-TO-DATE BUDGET REPORT

FOR 2025 13

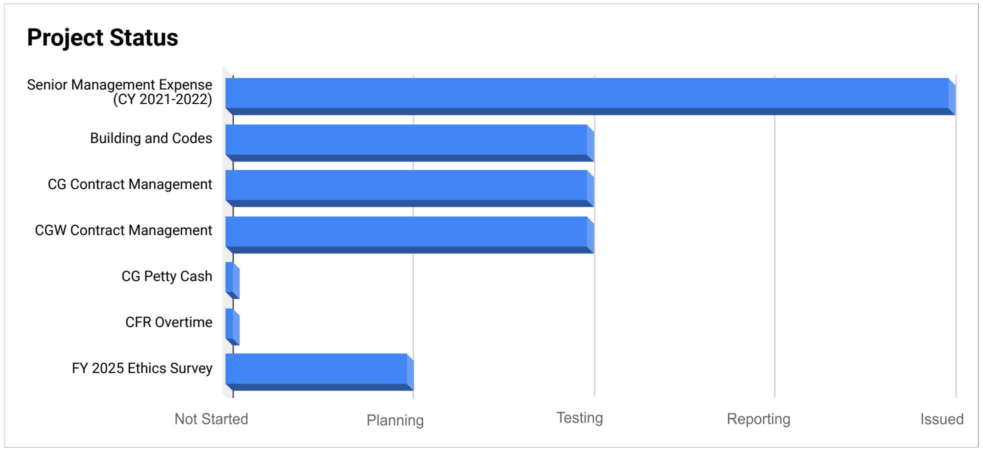
	ORIGINAL APPROP	TRANFRS/ ADJSTMTS	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
GRAND TOTAL	581,168	0	581,168	282,321.76	4,165.82	294,680.42	49.3%

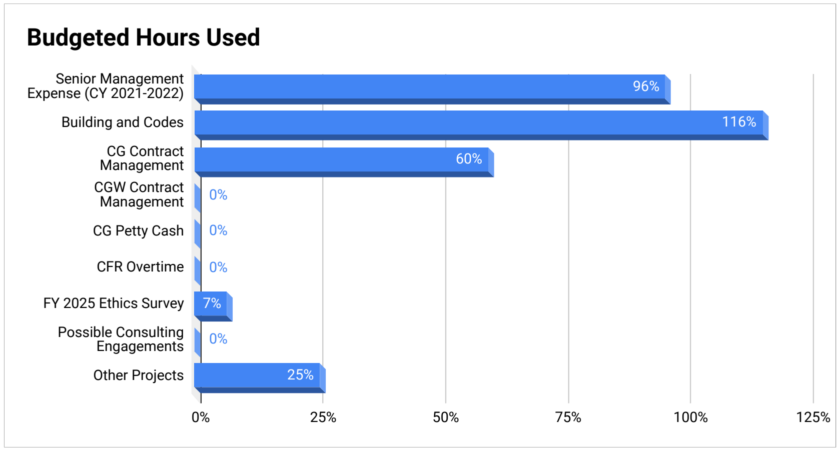
** END OF REPORT - Generated by Darden, Rebecca **

CITY OF CLARKSVILLE TENNESSEE

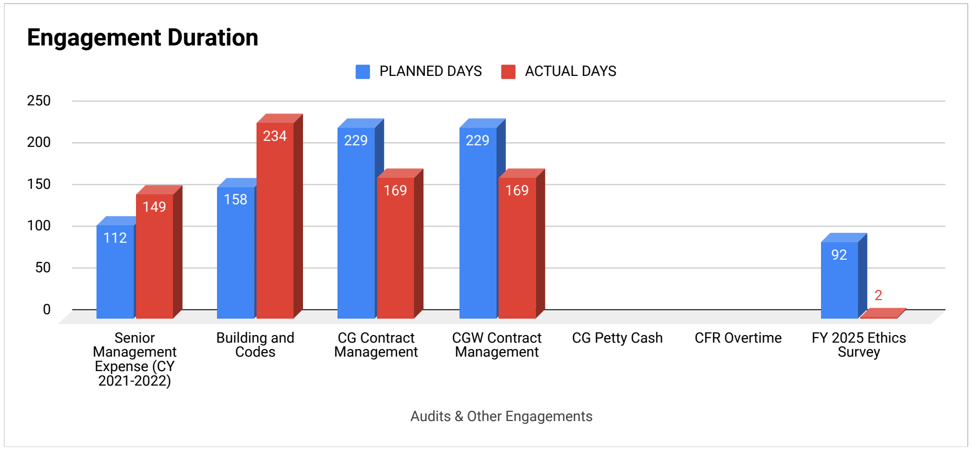
Internal Audit Department
Audit Committee Report
January 2025

Project Statistics





	FY 2025 Actual Hours	Total Project Hours	Total Budgeted Hours
Senior Management Expense (CY 2021-2022)	120.00	384.00	400.00
Building and Codes	1,070.75	1,158.00	1,000.00
CG Contract Management	299.25	299.25	500.00
CGW Contract Management	0.00	0.00	500.00
CG Petty Cash	0.00	0.00	400.00
CFR Overtime	0.00	0.00	600.00
FY 2025 Ethics Survey	19.75	19.75	300.00

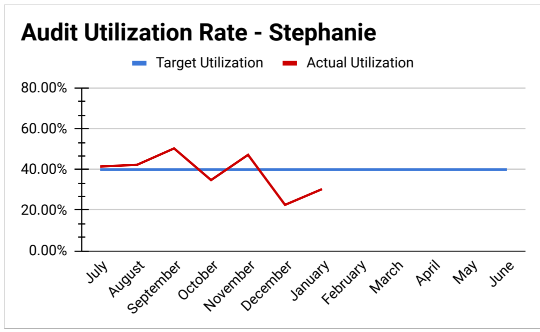


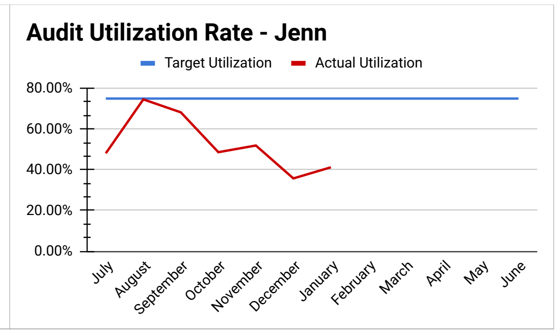
Internal Audit Department
Audit Committee Report
January 2025

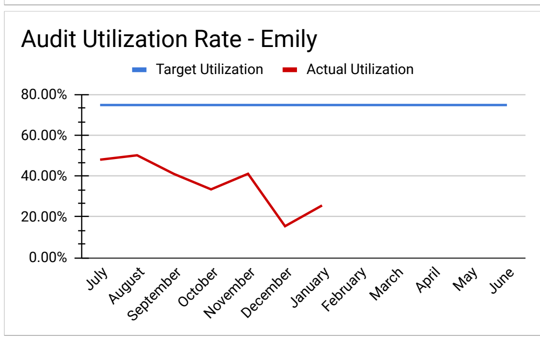
Hotline Statistics

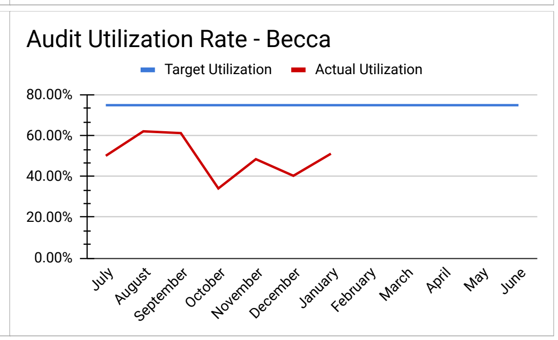
Report Status	Previously Reported	New Reports
Open		
Closed	12	6
Total Reports for FY 2025	12	6

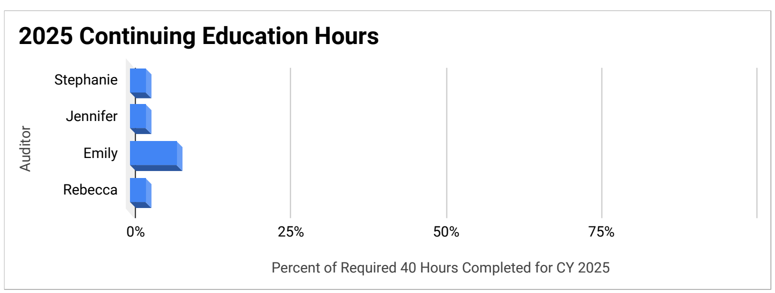
Staff Metrics











Engagement Fees

At Crosslin, we share with our customers a desire for professional fees to be commensurate with the value delivered. Through our people, commitment and drive, we strive to ensure that this equation is always balanced. We seek not to be the lowest-cost provider in the markets we serve, but rather to provide services that offer compelling value to our customers. We believe that the fees proposed are competitive for comparable services, but we do not want fees to be the sole reason on which you base your decision. Should this proposal yield materially different fee results, and you wish to engage our firm, we would appreciate the opportunity to discuss the differences with you to ensure that our proposal has considered all of the relevant facts.

Other firms may propose lower fees, but our experience, together with our reasonable fees, make Crosslin an effective choice.

Our not-to-exceed cost proposal for external auditing services for the City for fiscal year 2024 and for two-one year renewal options is as follows:

Year Ended	Clarksville City General	Clarksville Gas, Water, and Wastewater	CDE Lightband	Total
June 30, 2024	$77,000	$49,500	$47,500	$174,000
Optional Renewal				
June 30, 2025	$80,100	$51,500	$49,400	$181,000
June 30, 2026	$83,300	$53,550	$51,400	$188,250

The overall engagement fee has been allocated among City General and the City's Departments based on expected hours to be incurred in the performance of the respective engagements, which is based on our previous history with the City.

The previously mentioned fees are FIXED unless the City's activities result in changes which increase the scope of our engagement(s). In those circumstances, we would review the complexities and scope of the change (e.g., formation of entities, major structure changes, significant changes in controls processes, significant GASB pronouncements, etc.) and obtain your approval of the fee increase. The increase would correspond to the hourly rates and fees quoted previously. At this time, we do not expect any changes from the above fixed fees.

All administrative, online confirmation costs, and technology costs are included in this quotation as are all out-of-pocket expenses.

City of Clarksville
Internal Audit Manual

Policy Number	03	Review Cycle	Annual
Subject	Annual Risk Assessment and Audit Plan		

Purpose
To define the department's annual risk assessment and audit plan development process as required by Global Internal Audit Standards (the Standards). This policy demonstrates compliance with standard 9.1, 9.4, and 9.5.

Definitions
Risk assessment - The identification and analysis of risks relevant to the achievement of an organization's objectives. The significance of risks is typically assessed in terms of impact and likelihood.

Risk criteria - Categories under which risk will be scored for each audit area.

Policy
The Director will conduct a risk assessment at least annually, and develop an annual audit plan. The risk assessment will aid Internal Audit in allocating available resources to priorities that align with the City's objectives; however, other factors may also be considered in developing the final audit plan. The resulting risk based audit plan will be presented to the Audit Committee for review and approval.

The risk assessment process has been designed for simplicity and flexibility to allow alignment with changing risks. The process utilizes risk criteria and associated weights to determine whether audit areas in each department should be selected for audit in the upcoming year. The risk criteria, weighting, and audit areas are based on the professional judgment of the Director and may be modified from year to year.

The annual risk assessment will be documented, along with the associated audit plans for each fiscal year.

Procedure
<u>Annual Risk Assessment</u>
Gathering Information

The department collects information to be used in the annual risk assessment throughout the year. This occurs in a variety of ways, including:

- Standing meetings with various departments

- Attendance at council committee meetings
- From other audits or advisory engagements
- Annual internal control/risk assessment meetings with Finance and department management
- Other informal interactions with departments and senior management
- Audit Committee meetings

In addition to the sources listed above, the Director also solicits feedback from select members of City leadership and senior management. Specifically, the Director will ask the Mayor, Chief of Staff, CFO, IT Director, and City Attorney about areas of particular concern which may benefit from an audit or advisory engagement.

To complement the information sources listed above, information from outside sources is considered to identify emerging risks and other trends. Outside sources may include the Association of Local Government Auditors, the Institute of Internal Auditors, other continuing education focused on emerging risks, audit reports from other jurisdictions, and interactions with other local government internal audit departments.

Process

The formal annual risk assessment process begins with a review of the prior year's methodology to determine whether any updates are needed. The Director will review the audit universe for completeness, risk criteria considered in the prior year, and relative weights previously assigned to the risk criteria. Changes can be made to these at the Director's discretion. A summary of changes, along with finalized risk criteria definitions and weights will be documented within the risk assessment workbook.

The Director will use information gathered throughout the year to score the risk criteria for each audit area. The score for each risk criteria will be multiplied by the applicable weight. All weighted scores will then be totaled to arrive at a cumulative risk score.

Areas with the highest cumulative risk scores are typically selected for the audit plan, subject to constraints discussed below.

Audit Plan

Development

After the risk assessment is completed, the Director will prepare the annual audit plan. The audit plan should support the achievement of the City's objectives.

Available audit hours are calculated for each employee. This calculation considers days worked per year, along with time allotted for necessary administrative work. The available audit hours are then allocated among projects selected for inclusion in the audit plan.

While the audit plan normally includes projects with high cumulative risk scores, there are two other non-risk based engagements that may be included in an audit plan. These are the employee ethics survey and the senior management expense audit, which are described in the Non-Risk Based Engagement section of this policy.

The audit plan contains budgeted hours for specific projects. These include allotments for:

- Employee Ethics Survey
- Senior Management Expense (as appropriate)
- Possible advisory engagements that may arise during the year
- Hotline investigations
- Other technical assistance for departments
- Follow up or monitoring activities on prior audits
- Meeting attendance and completion of the annual risk assessment

In cases where audits have a known area or scope, these will be listed on the audit plan. However, it is permissible to list a general audit area on the plan, with the specific scope to be refined during the planning phase of the audit. In these instances, refining the scope during the engagement will allow us more flexibility to tailor the scheduled audits to current risks in the selected areas.

Knowledge, Skills, And Competencies Assessment

After a draft audit plan is compiled, the Director will assess whether the department has adequate knowledge, skills, and competencies to complete the planned engagements. Should a gap be identified, the Director will document how that gap will be addressed. Gaps may sometimes require additional training for staff, co-sourcing from another internal audit provider, or another resource. If gaps are unable to be sufficiently mitigated, this will be communicated to the Audit Committee and may result in declining the engagement.

Approval

If sufficient knowledge, skills, and competencies exist or any gaps can be appropriately addressed, the Director will present the draft audit plan to the Audit Committee for approval.

Revisions

It is possible that the audit plan will need to be updated as the year progresses. This may be due to unforeseen challenges within audits, new priorities, or changing risks. Should a change in the audit plan be warranted, it will be presented to the Audit Committee for approval.

There may be instances where surprise audits are deemed necessary for successful completion of the Internal Audit Department's mission. These are not precluded by this policy, as long as they are properly communicated to and approved by the Audit Committee.

Non-Risk Based Engagements

Employee Ethics Survey

The department performs an annual ethics survey, which is intended to gauge the awareness of the City's Code of Ethics, quality of ethics training, compliance with various laws and City policies, and the participants' perception of the City's ethical environment. Questions may change from year to year and may be targeted at different aspects of ethics within the City. The survey is anonymous, and is sent to all employees, including the Mayor and the City Council.

The results of the survey are intended first and foremost to be used for risk assessment and audit planning purposes within the Internal Audit Department. As the information may be useful for management in making improvements to the ethical environment of the City, an informational report of the results will be provided to the Mayor, Chief of Staff, City Council, and released publicly. Where appropriate, the report will also contain recommendations for improving the City's ethics related processes.

Senior Management Expense

On August 20, 2008, the Audit Committee approved a policy to require an audit of senior management expenses on a bi-annual basis. This continues to be the policy of the Internal Audit Department.

For purposes of this audit, senior management is defined as the Mayor, the Chief of Staff, department heads, and council members. The audit shall include expenses of the Mayor and Chief of Staff (or the positions that approximate those positions). The included expenses will be those charged to the Mayor's budget as well as those that have been charged to other budgets on behalf of the Mayor or Chief of Staff. The expenses of other department heads and council members will be included in the audit on a judgmental basis.

Coordination and Reliance on the Work of Other Providers

The Director is required to coordinate with internal and external providers of assurance services and consider whether to rely upon their work. Coordination of services minimizes duplication of efforts, enhances coverage of key risks, and improves the value added by providers. If the work of other providers is relied upon, the Director will document the basis for reliance and retains responsibility for the conclusions reached by the internal audit function.

Policy Revision History

Revision Date	January 30, 2025	**Revision Approval**	
Initial Date	October 25, 2024	**Initial Approval**	October 30, 2024

City of Clarksville
Internal Audit Manual

Policy Number	06	**Review Cycle**	Annual
Subject	Performing Advisory Services		

Purpose
To define the department's methodologies related to the performance of advisory engagements. This policy demonstrates compliance with Global Internal Audit Standards in Domain V: Performing Internal Audit Services, as well as standards 2.2, 3.1, 5.2, and 9.1.

Definitions
Client - the department or management team requesting the engagement.

Advisory Services - As defined by the Standards, services through which internal auditors provide advice to an organization's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of these services are subject to agreement with management. (Advisory services may also be known as consulting services.)

Policy
The Internal Audit Department will conduct advisory services in a systematic, disciplined, and consistent manner, in accordance with the Standards and department methodologies. Standard template workpapers will be used as a basic structure for all audits to ensure that work adheres to these requirements.

Advisory engagements shall be approved by the Audit Committee as part of the annual plan or as a special request developing during the fiscal year. Hours will be included in the annual audit plan for advisory engagements that might develop during the fiscal year. Engagements requiring less than 80 hours of time do not need the approval of the Audit Committee prior to commencement; however, the Audit Committee should be informed of this project at the next Audit Committee meeting. For special requests requiring 80 hours or more, the Director of Internal Audit will notify the Audit Committee about the request and suggest how the annual audit plan could be modified to accommodate the request. If the request is not of an urgent nature, the Director may recommend that it be included in the next audit plan.

Per City Code Section 6-612 Independence, "Internal auditors shall have no direct operational responsibility or authority over any of the activities they review. Additionally, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity that would normally be audited." This section limits the development, implementation of systems and procedures, and processing of transactions, but does not preclude the department from providing guidance to management on operational improvements, management of risks, or other value added services as long as management agrees to ownership of the process described in the advisory engagement documentation.

At times, other departments may ask for Internal Audit's assistance outside of a formal advisory engagement. This is frequently in the form of questions related to various topics or part of a request for input from all City departments. In these situations, the scale of the request is typically small and management is not requesting a formalized advisory engagement; however, it is important to provide timely assistance to requesting departments, as Internal Audit's input may add value to City operations. Responses to these requests are generally in the form of possible items for further consideration by the requesting department. These requests are not considered advisory engagements which are governed by this policy.

Procedure

Advisory engagements allow the Internal Audit Department to add value and provide advice outside of the audit process, while allowing management to maintain responsibility for processes and internal controls. Examples of these services may include advising on the design and implementation of new policies, processes, and systems; providing forensic services; providing training; and facilitating discussions about risks and controls. Advisory engagements typically originate by request of the Mayor, CFO, or Department Heads. They may include or encompass the areas of governance, risk management, and internal control processes as agreed upon with management requesting the engagements. The department will follow the same retention guidelines as required for all audits, as well as other requirements in the Internal Audit reporting policy as they apply (5.2).

Initial Assessment

Each advisory engagement begins with a client meeting to gather more information about the requested engagement. At this initial meeting, topics of discussion should include:

- Management's expectations of the work to be performed and how results will be communicated
- Nature and timing of the engagement
- Management's objectives and goals related to the engagement, as well as any associated risks

After this meeting, the Department will meet internally to discuss independence and objectivity related to the proposed engagement. The Internal Audit Department, and specifically auditors, may provide advisory engagements relating to operations for which they previously had responsibility, with appropriate disclosure to the client (2.2). This should be limited based on the Director of Internal Audit's judgment. Any other potential impairments to independence or objectivity must also be disclosed to the party requesting the engagement prior to accepting the engagement (2.2).

At this time, the Director and engagement team will also perform an analysis to determine whether the engagement can be accepted. The Director must assess whether the department has the knowledge, skills, or other competencies needed to perform the engagement. If the department does not possess the required skills and competence, the Director may decline or postpone the engagement, have the team or members of the team attend training to obtain the necessary skills, or obtain competent advice and assistance from a third party (3.1).

Other considerations in determining whether an engagement should be accepted include:
1. Potential impairments to independence
2. The complexity of work needed to achieve engagement objectives
3. The cost of the engagement in relation to potential benefits
4. Whether the engagement has potential to improve City operations
5. Resources necessary to perform the engagement (13.5)

Planning
If the engagement is accepted, the Department begins the planning phase and prepares a management agreement related to the engagement.

The objectives, scope, responsibilities, and deliverables of the project must be agreed upon with the engagement client and this agreement must be in writing for all engagements (Domain V Intro). The written agreement can be sent via email, provided management provides a reply indicating their agreement. The agreement must include management's understanding and agreement that Internal Audit does not assume any ownership or responsibility for the process or policy included in the scope of the engagement (Domain V Intro).

Documentation for each of these engagements will vary based on the nature of the engagement; however, there are a limited number of workpapers that are required for each engagement, and for which templates are provided.

Performing the Engagement
Work programs must be documented for each engagement; however, this documentation may vary based on the nature and complexity of the engagement (13.6). The program must be sufficient to address the agreed upon objectives and must address the risks and controls consistent with the objectives (13.3). Due to the nature of advisory services, a formal, documented risk assessment and evaluation of criteria may not be necessary depending on the engagement (13.2, 13.4). Throughout the engagement, auditors should be alert to any significant risks or control issues that are present. The auditor should keep the management team requesting the engagement and the Director of Internal Audit informed of the progress of the engagement (13.1). If auditors encounter any issues related to the scope of the engagement, they will notify the Director of Internal Audit. The department requesting the engagement and the audit team will then meet to determine if the engagement should continue. This may include a discussion of whether an audit of the area is more appropriate.

Reporting the Results of the Engagement
The Director of Internal Audit is responsible for communicating the results of the advisory engagement to the engagement client and to those in management identified for distribution of the report. The final communication must include the objectives, scope, recommendations and/or action plans (if applicable), and conclusions (15.1). The conclusion must summarize the

results relative to the engagement objectives and management objectives. The conclusion must also summarize the internal auditors' professional judgement about the overall significance of the findings (14.5). This should occur in the method specified in the management agreement.

If any issues are identified outside the scope of the engagement, these issues must be communicated to the management team. These issues can be reported in writing as part of the advisory engagement report, verbally, or written separately.

Advisory engagement reports will be distributed as agreed with management. The Audit Committee will always be included in report distributions and aware of the results of advisory engagements. Advisory engagement reports will not be posted to the City website, unless agreed upon by management in the written agreement at the beginning of the engagement. The Director will assess whether posting the results of the engagement will be beneficial for the City.

Prior to releasing any agreed upon deliverables, an engagement level quality assessment will be performed in accordance with the Department's Quality Assurance and Improvement Program Policy.

Monitoring Disposition of Results
Due to the nature of these services, the results are not monitored.

Post Engagement Risk and Future Audit Planning Considerations
Information obtained during advisory engagements, specifically those related to risk and risk management, should be incorporated into the evaluation of risk for the organization and the organization's management of risk. Information related to internal control functionality or lack of internal control within a process should be incorporated into the risk assessment process and considered for future audits (9.1 considerations).

Future consideration must also be given to potential impairments. The Internal Audit Department may provide assurance services where it had previously performed advisory services, provided the nature of the engagement did not impair objectivity of the department or individual auditors. The Director should take precautions to address any impairments including limiting the assurance engagement to those auditors not performing the advisory engagement and allowing for more than a year to pass between the advisory engagement and the assurance engagement (2.2).

Policy Revision History

Revision Date	N/A	**Revision Approval**	N/A
Initial Date	January 30, 2025	**Initial Approval**	

City of Clarksville
Internal Audit Manual

Policy Number	07	Review Cycle	Annual
Subject	Communication		

Purpose
To define the department's activities related to communication principles. This policy demonstrates compliance with standards 11.1, 11.2, 11.3, 11.4, 11.5, and 15.1.

Policy
The department strives to communicate effectively with its stakeholders. We recognize that effective communication is based on a variety of factors, including building relationships, establishing trust, and ensuring stakeholders and the City benefit from results of internal audit services. The Director will establish both formal and ongoing communications that enhance effectiveness.

Procedure
Building Relationships and Communicating with Stakeholders
The Director is responsible for developing a communication strategy that builds relationships and trust with stakeholders. This communication strategy includes both formal and informal communications.

Engagement communications are a key part of this strategy, and are discussed in more detail in policy 05. Outside of engagement communications, we strive to communicate with stakeholders on a regular basis. The combination of all of these communications helps enhance our understanding of the City and its risks, processes, and requirements. This is accomplished in the following ways.

Audit Committee Meetings
Regularly scheduled Audit Committee meetings occur quarterly, and special sessions can be called when necessary. At all regularly scheduled meetings, the Director provides updates to the committee on the department's budget, progress on the audit plan and associated metrics, and updates on hotline reports. Each meeting also includes a non-public executive session (provided for in TCA 9-3-405), where the Director and audit staff can provide additional information to the committee about ongoing audits or investigations, etc. Management is not present in this portion of the meeting.

In addition to the department reports described above, the Director includes other topics on the agenda as appropriate. Depending on the meeting, topics may include:

- The presentation of financial and compliance audit results
- Policy updates
- Annual budget approval
- Discussion of standards and the department charter
- Approval of the audit plan
- Discussion of the department's quality assurance and improvement program results
- Discussion of new committee members
- Procurement for the City's financial and compliance audit

Other Committee Meetings

Auditors are assigned committee meetings to attend on a monthly basis. This gives other departments, council members, and senior management an opportunity to see and interact with auditors outside of an audit setting. Additionally, it helps keep up to date with things that are happening in each department, which is essential for comprehensive assessment of risks. These interactions help develop trust and relationships, which prove valuable during subsequent engagements for those departments.

Standing Meetings

The Director has regularly scheduled standing meetings with other departments. The frequency of these meetings is dependent upon the specific department. Topics in these meetings may cover a variety of topics, including current issues and risks facing the department. This provides an opportunity for the Director to keep up with departmental challenges and discuss their governance, risk management, and controls. This also provides a venue for the Director to offer potential advisory services that may be useful.

Strategy and Leadership Sessions

Strategy and leadership sessions are another communication pathway in which various members of the department participate. These typically involve senior management and leadership of all City departments. These are useful for both developing trust with other departments and understanding the City's strategy for providing services to citizens.

Feedback from Stakeholders

The department also solicits feedback from departments at the end of each engagement. This helps enhance internal audit processes and further develop trust and support with stakeholders.

Effective Communication

The department strives to ensure that all communications are accurate, objective, clear, concise, constructive, complete, and timely. These characteristics are defined in the table below.

Accurate	Free from errors and distortions, faithful to the underlying facts
Objective	Fair, impartial, and unbiased, the result of a fair-minded and balanced assessment of all relevant facts and circumstances
Clear	Easily understood and logical, avoiding unnecessary technical language, providing all significant and relevant information
Concise	To the point, avoid unnecessary elaboration, superfluous detail,

	redundancy, and wordiness
Constructive	Helpful to management and the organization, lead to improvements where needed
Complete	Lack nothing that is essential to the target audience, includes all significant and relevant information and observations to support recommendations and conclusions
Timely	Opportune and expedient, allow management to take appropriate corrective action

Similar to other standards, supervision and quality assurance methodologies help ensure that communication has these characteristics. These may include coaching or review by the Director or other staff members where appropriate. Formal engagement communications go through an extensive review process within the department prior to release to management or publicly.

Communicating Results

We communicate the results of each engagement in both formal and informal ways. We strive to communicate results to management throughout each engagement. This may include written and verbal communication methods across meetings, phone calls, and emails.

All formal engagement results are communicated to management and senior management, as well as the Audit Committee. Each formal results communications will include conclusions on the engagement, where appropriate. For audits, this includes conclusions on the specific audit objectives.

Themes across multiple engagements are communicated to senior management and the Audit Committee informally in meetings; however, reports are typically not issued to communicate these themes.

The department does not issue conclusions at the department or City level. This is not required or typically expected by senior management or City leaders.

Special Considerations

The Internal Audit Department recognizes that information in our audit reports has the potential to be miscommunicated, misinterpreted, and taken out of context by the public, media, and politicians to gain political advantage. In order to protect the independence of the Internal Audit Department and to ensure that information is accurately communicated during an election season, no final internal audit reports shall be issued on a City election day for the offices of Mayor, City Council, or City Judge, nor for a period of thirty days prior to the start of early voting through the day of the election. For other elections, report release may be restricted at the discretion of the Audit Committee by majority vote.

Audit reports are a public record; however, there are exceptions outlined in Tennessee Code Annotated that may require special treatment of reports. TCA Section 10-7-504 lists various types of information which are considered confidential. If there is a question about whether the information contained in an audit report is confidential, the Director should consult with the City

Attorney to determine whether any portion of the report should be redacted prior to release. Outside of these circumstances, there are no limitations on the distribution and use of the results.

While audit reports are public records, the workpapers of local government internal audit activities are considered confidential and are not open to public inspection per TCA 10-7-504.

Errors and Omissions

In the event that errors or omissions are identified after the report is released, the Director must discuss the level of significance with the Audit Committee. If errors are determined to be significant, the Director must communicate corrected information to all parties who received the original communication. Since the audit report is a public record, this will involve working with the City's communications department to draft a press release to notify the public users of the report.

Communicating the Acceptance of Risks

In the event the Director concludes that management has accepted a level of risk that may be unacceptable to the City, the Director will bring the issue to the attention of senior management. If the matter is not resolved by senior management, the Director will elevate the issue through the City Council and Audit Committee. In accordance with this standard, it is not the Director's responsibility to resolve the risk.

Policy Revision History

Revision Date	January 30,2025	**Revision Approval**	
Initial Date	October 25, 2024	**Initial Approval**	October 30, 2024