



Request for Committee Action from the Office of City Clerk

Date: October 19, 2011

To: The Hon. Diane Hofstede, Chair
Audit Committee

Subject: Audit Committee Workshop – Report

Recommendation: Receive and file the report of the workshop.

In addition, the Audit Committee should, by motion, confirm the following points or positions that were taken as part of the September 29th workshop; to-wit:

1. The Audit Committee hereby reiterates its expectation that:
 - a. As the Internal Auditor's "client," the Audit Committee is the final authority for all matters connected with the City's internal audit function, consistent with the provisions of the Minneapolis Code of Ordinances, Chapter 17 §90;
 - b. When necessary, the Internal Auditor should seek clarification about priorities, processes, timelines, audit plans and products, etc., from the Audit Committee Chair and Vice-Chair;
 - c. The audit timeframes for internal/management review are to be strictly enforced by the Internal Auditor, calling on the Audit Committee Chair when necessary, so that audit reports are complete and available to the Audit Committee a minimum of 24 hours in advance of any regular or special meeting; and
 - d. Audit Committee members may individually function as a sounding board for the Internal Auditor and provide advice or recommendations with respect to the audit function, but this does not interfere with the authority of the full Audit Committee to direct and oversee the internal audit function; and
 - e. Committee meetings are not to be cancelled unless absolutely necessary.
2. The Audit Committee hereby confirms that the following subject matters will be discussion topics for a future Audit Committee workshop, possibly to be scheduled in the first quarter of 2012:
 - a. Determining the appropriate criteria for a professional assessment of the Internal Auditor and the process for conducting the performance evaluation for that position will be the subject of a future Audit

- Committee workshop, possibly to be scheduled in the first quarter of 2012;
- b. Further review and consideration of audit processes, timelines, reports and other products will be the subject of a future Audit Committee workshop, possibly to be scheduled in the first quarter of 2012; and
 - c. Presentation by the Internal Auditor on his vision for the future of the internal audit function.
3. The Audit Committee hereby approves the preparation of a communication addressed to the Mayor and to the City Council's Ways & Means Committee with respect to the position of the Audit Committee on the proposed Fiscal Year 2012 budget appropriation for the City's internal audit function.

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Presenters in Committee: Casey Joe Carl, City Clerk

Background

On September 29, 2011, the Audit Committee conducted a workshop involving all Committee members, which was facilitated by Aimee Gourlay, JD, Director of the Mediation Center and Senior Fellow of the Dispute Resolution Institute with the School of Law at the Hamline University. Also participating in the workshop were: Magdy Mossaad, Internal Auditor; Jacob Claeys, Senior Staff Auditor; Casey Joe Carl, City Clerk; Peter Ginder, Deputy City Attorney; Susan Trammell, Assistant City Attorney; and Irene Kasper, Committee Coordinator. *[A copy of the workshop agenda is attached for reference.]*

Roles & Responsibilities

The Committee gave considerable review to the existing internal audit process, including timelines, management review and responses processes, and the submission of reports and scheduling of Committee meetings. Although no specific direction was given, the Audit Committee did agree that the Internal Auditor should establish and enforce strict review timeframes with City departments to assure all scheduled audits are ready to be presented on time for the Audit Committee. Because of their expertise in financial management, accounting, and auditing, it was also agreed that the external members of the Audit Committee would continue to act as a sounding board and would provide professional advice to the Internal Auditor outside of the regular Committee process and meetings. It was recognized, however, that this type of direct engagement on the part of some Committee members does not relieve, interfere with, or obstruct the full Committee from its rights and responsibilities to direct the internal audit function.

There was some discussion, as well, about the requisite experiences, education, and background for external members of the Audit Committee, as specified in the enabling ordinance. The Committee concurred that having such education, experience, and expertise was helpful to the Audit Committee and to the success of the internal audit function.

The Audit Committee and Internal Auditor reached consensus on a number of terms that were clarified with respect to the audit process; primary among these was the understanding that the Audit Committee itself as the "client" of the Internal Auditor. In keeping with that basic awareness, the Committee agreed that all materials for committee meetings should be submitted in final form by the Internal Auditor no less than 24 hours in advance of regular or special meetings. To that end, the Committee also indicated that the cancellation of meetings was to be avoided if at all possible, even if some disagreement over the findings and details contained in an audit report were not completely resolved by the Internal Auditor and the subject Department.

Committee Process & Auditor Evaluation

The Committee agreed to continue its review and discussions of the more detailed components of the audit process for a future workshop to be scheduled in the first quarter of 2012. Likewise, it was agreed that discussions of a formal evaluation process and related assessment criteria for the Internal Auditor would be laid over until that same time.

Internal Audit Budget & Operations

The Internal Auditor outlined several concerns with respect to the effectiveness of audit functions and departmental operations, given the proposed funding reductions submitted by the Mayor. Although those budget proposals are the responsibility of the City Council's standing Ways & Means Committee, the Audit Committee members agreed that—due to the proper oversight it exercised with respect to an independent audit function—some level of communication from the Audit Committee, through its Chair, was necessary and appropriate to express concern about the potential negative impact to the audit function. It was agreed that a letter expressing the Committee's position should be drafted for presentation to the Mayor and to the Ways & Means Committee. It was further agreed that it may be helpful if the Chair, Vice-Chair, and Internal Auditor met personally with the Mayor to address these concerns and respond to any questions the Mayor might have. Concurrently, the Audit Committee directed the Internal Auditor to prepare a presentation for its next regular meeting detailing the impact the proposed budget reductions would have on his proposed 2012 Audit Plan.

Future Vision for Internal Audit

Mr. Mossaad's planned presentation and discussion of the future of the City's internal audit function was also tabled until the next (or subsequent) Committee workshop.