

**CITY OF REDDING, CALIFORNIA
COUNCIL POLICY**

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INTERNAL AUDIT FUNCTION	2006-40	425	3-21-06	1 of 1

BACKGROUND

City management is responsible to the City Council for its performance. While management is primarily responsible for the City's performance and its internal controls, the City Council is ultimately responsible for ensuring that management fulfills that responsibility. The quality of the City's control environment can be improved by establishing an internal audit function. The internal audit function would help in monitoring the effectiveness of the City's policies and procedures. Implementing an internal audit function should also enhance the City's effectiveness in accomplishing its goals and objectives. The internal audit function can be provided by Finance Division personnel. The Finance Division has qualified staff who have supervised, planned and/or performed audits in the past. To assist the City Council in its responsibility to oversee management's performance, particularly relating to internal controls, the Finance Division will not only report to the City Manager, but also directly to the Audit Committee regarding its internal control procedures.

PURPOSE

It is City Council's desire to establish an internal audit function. The internal audit function would help in monitoring the effectiveness of the City's policies and procedures. Qualified personnel exist within the Finance Division to perform some of the internal audit function. To improve the City's internal control structure the Finance Division is assigned the responsibility of performing the internal audit function as workload permits. To help enhance the Division's independence, the Division will report formally to the City Manager and Audit Committee at least on an annual basis.

POLICY

It is the policy of the City Council of the City of Redding that the Finance Division will be responsible for the internal audit function of the City. Due to the limited staff time available to work on internal audit items, priorities will be set by the Finance Division as to the work to be performed. However, at least annually the Finance Division will report their internal audit priorities to the Audit Committee and the Audit Committee may approve or change those priorities. Annually, the Finance Division will also report the results of their internal audit work to the City Manager and the Audit Committee.