

# **NeighborWorks® America**

## **Internal Audit Charter**

### **Mission and Scope of Work**

The mission of the Internal Audit department is to provide independent, objective assurance designed to add value and improve the organization's operations. It helps the corporation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

The scope of work of the Internal Audit department is to determine whether the corporation's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in the prescribed manner to ensure the following:

- Corporate risks are appropriately identified and adequately managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Staff actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Corporate resources are acquired economically, used efficiently, and adequately safeguarded.
- Adequate and effective policies and practices are in place to safeguard corporate assets.
- Established goals and objectives for operations and programs are accomplished.
- Activities take into account the reliability and integrity of information.
- Significant legislative or regulatory issues impacting the corporation are recognized and addressed appropriately.
- Reviews are conducted on the Corporation's guidelines on ethical business conduct and corporate governance.
- Reviews are conducted on information technology, computer and network systems.

Opportunities for improving management control, program objectives, and the corporation's image may be identified during such audit reviews and communicated to the appropriate level of management and the Audit Committee.

## **Authority**

The Chief Audit Executive is authorized to:

- Have unrestricted access to all functions, records, reports, recommendations, physical properties and personnel.
- Have full and free access to the Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where audits are performed, as well as other specialized services from within or outside the organization.

The Chief Audit Executive is not authorized to:

- Perform any operational duties for the corporation or its affiliates.
- Initiate or approve accounting transactions external to the internal auditing function.

## **Accountability**

The Chief Audit Executive, in the discharge of his/her duties, shall be accountable to management and the Audit Committee to:

- Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work as indicated in the annual audit plan.
- Monitor and report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through its reports.
- Periodically provide information on the status and results of the annual audit plan.
- Coordinate with and provide oversight of other control and monitoring functions (corporate risk management, compliance, information systems security, corporate culture and ethics, external audit).

## **Independence**

To provide for the independence of the Internal Audit function, the Chief Audit Executive will report functionally to the Audit Committee and administratively to the President and Chief Executive Officer

## **Responsibility**

The Chief Audit Executive will have the responsibility to:

- Develop a responsive annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the audit committee for review and approval, as well as periodic updating.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit Committee.
- Obtain and maintain adequate staffing resources that would provide the required knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Implement a formal continuous quality and assurance improvement program within the Internal Audit function.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports to the audit committee and management summarizing results of audit activities.
- Follow up on management's responses to internal audit recommendations and agreed upon internal control improvements including its implementation.
- Follow up on all external auditor reports and recommendations.
- Meet with Board staff and management to assist in preparing Audit Committee meeting agendas.
- Meet with the Audit Committee at least quarterly to discuss the status of the internal audit function including significant observations and recommendations.
- Keep the Audit Committee and Board staff informed of emerging trends and successful practices in internal auditing.

(See Audit Committee Charter)

## **Management Responsibilities**

The Corporation's management will:

- Provide the Chief Audit Executive with full support and cooperation in its activities.

- Support and promote the implementation of Internal Audit's continuous quality and assurance improvement program within NeighborWorks® America and its affiliates.
- Provide the Chief Audit Executive complete access to all records, properties and personnel relative to the performance of his/her activities.
- Ensure that the Internal Audit function has an adequate budget and staffing resources.
- Provide a written response to all Internal Audit observations and recommendations, according to the timeline and procedures outlined in the Board- approved SOP.
- Promptly inform the Chief Audit Executive of significant risk events involving resources, operations, functions and activities of the Corporation, and cooperate in the investigation and reporting of these matters to the Board as required.

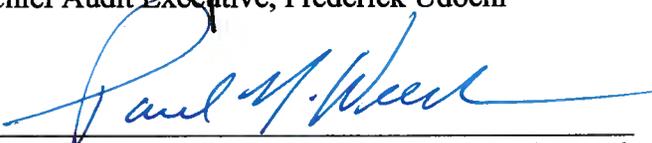
(See Board of Directors/Officers Scope of Responsibility)

#### **STANDARDS OF AUDIT PRACTICE**

The Internal Audit function will be conducted in accordance with the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.



Chief Audit Executive, Frederick Udochi



Chief Executive Officer and President, Paul Weech



Audit Committee Chair, Richard T. Metsger



Date