



UNITED INDEPENDENT SCHOOL DISTRICT AGENDA ACTION ITEM

TOPIC: Consideration for Approval of Amended Internal Audit Dept. Charter

SUBMITTED BY: Marta G. Stahl, CPA **OF:** Internal Audit

APPROVED FOR TRANSMITTAL TO SCHOOL BOARD: _____

DATE ASSIGNED FOR BOARD CONSIDERATION: May 18, 2011

RECOMMENDATION:

It is recommended that the Board of Trustees approve the amended Internal Audit Charter as presented.

RATIONALE:

The Institute of Internal Auditors revised its "International Standards for the Professional Practice of Internal Auditing" as to the items that must be recognized in an internal audit charter. The charter is being amended to include reference to the IIA Code of Ethics and to make revisions in the language.

BUDGETARY INFORMATION:

N/A

BOARD POLICY REFERENCE AND COMPLIANCE:

Board Policy CFC Local

United Independent School District Internal Audit Charter

MISSION AND SCOPE OF WORK INTRODUCTION

Internal auditing is an independent, objective assurance and consulting activity established within the district, designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The objectives of internal auditing are to assist the board, superintendent, and management of the district in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and by promoting effective control at a reasonable cost.

AUDIT SCOPE

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's ~~system of internal control and the quality of performance in carrying out assigned responsibilities.~~ governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

It includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- 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 means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising the economy and efficiency with which resources are employed.
- 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 specific operations at the request of the Board of Trustees or management, as appropriate.~~
- ~~Monitoring and evaluating the effectiveness of the organization's risk management system.~~

RESPONSIBILITY ROLE

The internal audit department is established by the board of trustees, and its responsibilities are defined by the board of trustees. ~~Responsibilities include, but are not limited to, the following:~~

- ~~• Establishing policies for the auditing activity and directing its technical and administrative functions.~~
- ~~• Developing a flexible annual audit plan using an appropriate risk-based methodology.~~
- ~~• Examining the effectiveness of all levels of management in their stewardship of district resources and their compliance with established policies and procedures.~~
- ~~• Evaluating the economy and efficiency with which resources are employed, identify opportunities to improve operating performance, and recommend solutions to problems where appropriate.~~
- ~~• Recommending improvement of management controls designed to safeguard district resources, and ensure compliance with government laws and regulations.~~
- ~~• Authorizing the publication of reports on the results of audit examinations, including recommendations for improvement.~~
- ~~• Performing and reporting on special reviews as may be requested by the Superintendent of Schools, the Board of Trustees, or others (i.e. TEA, state auditors, school attorney, etc.).~~

AUTHORITY

Authorization is granted for full and complete unrestricted access to any of the district's records (either manual or electronic), physical properties, and personnel relevant to a review. Documents and information given to internal auditors during a periodic review will be handled in the same prudent manner as by those employees normally accountable for them.

The internal auditor shall have free and unrestricted access to the Board of Trustees and the superintendent. ~~and take directly to the superintendent matters he/she believes to be of sufficient magnitude and importance to require immediate attention.~~

INDEPENDENCE ORGANIZATION

To provide for the independence of the internal audit department, the internal auditor will report administratively to the superintendent and functionally to the board of trustees. ~~Administrative issues might include personnel issues such as leave, time and attendance, performance reviews, etc. Functional issues might include the carrying out of specific responsibilities as those mentioned in the foregoing paragraph.~~

INDEPENDENCE

All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

Internal auditors have no direct responsibility or any authority over any of the activities or operations that they review. They should not develop and nor install systems or procedures, prepare records, or engage in activities which would normally be audited reviewed by internal auditors. This does not preclude internal auditors from serving in an advisory capacity in the implementation of improvements or the establishment or re-designing of activities, policies, or information systems. Additionally, this restriction shall not prevent internal auditors from performing analysis and recommending alternative courses of action to management.

PROFESSIONAL STANDARDS

The operating practices and procedures of the internal audit department will be in accordance with the *International Standards for the Professional Practice of Internal Auditing and the Code of Ethics*, established by the Institute of Internal Auditors, as well as the district's policies and procedures.

REPORTING

A preliminary written report will be prepared and issued by the internal auditor following the conclusion of each audit and will be distributed to appropriate administrative and management officials. The manager of the activity or department receiving the internal audit report will be provided an opportunity to respond to the preliminary report. That response will indicate what actions were, or will be, taken in regard to the specific findings and recommendations in the internal audit report. If appropriate, a timetable for the anticipated completion of these actions will be included.

Subsequently, a copy of the full report with management's response will be issued to the board of trustees, superintendent and appropriate administrators responsible for the area audited.

PERIODIC ASSESSMENT

The Internal Auditor should periodically assess whether the purpose, authority, and responsibility, as defined in this charter, continue to be adequate to enable the internal auditing activity to accomplish its objectives. The result of this periodic assessment should be communicated to senior management and the Board of Directors.

Submitted by:

Marta G. Stahl, CPA
Internal Auditor

Date

Approved by:

Roberto J. Santos, Superintendent

Date

Approved by:

Pat Campos, President
Board of Trustees

Date