

Office of Internal Audit

Internal Audit Charter

INTRODUCTION:

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Collin College. It assists Collin College in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, compliance, and internal control.

MISSION:

To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

ROLE:

The internal audit activity is established by the Board of Trustees of Collin College (hereafter referred to as the Board). The internal audit activity's responsibilities are defined by the Board as part of their oversight role.

CORE PRINCIPLES FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING:

Demonstrates integrity.
Demonstrates competence and due professional care.
Is objective and free from undue influence (independent).
Aligns with the strategies, objectives, and risks of the organization.
Is appropriately positioned and adequately resourced.
Demonstrates quality and continuous improvement.
Communicates effectively.
Provides risk-based assurance.
Is insightful, proactive, and future-focused.
Promotes organizational improvement.

PROFESSIONALISM:

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

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AUTHORITY:

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of Collin College's records, physical properties, and personnel pertinent to carrying out any engagement. The internal audit activity will also have free and unrestricted access to the Board and the District President (hereafter referred to as the President). All employees of Collin College are required to assist the internal audit activity in fulfilling its responsibilities.

ORGANIZATION:

The District Director of Internal Audit (hereafter referred to as the Director) will report functionally to the Board and administratively (i.e. day to day operations) to the President.

The Board will:

- Approve the internal audit charter.
- Approve the risk based internal audit plan.
- Approve the internal audit budget and resource plan.
- Receive periodic communications from the Director on the internal audit activity's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Director.
- Approve the remuneration of the Director.
- Make appropriate inquiries of management and the Director to determine whether there is inappropriate scope or resource limitations.

The Director will communicate and interact directly with the Board, including in executive sessions and between Board meetings as appropriate.

INDEPENDENCE AND OBJECTIVITY:

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

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Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Director will confirm to the Board, at least annually, the organizational independence of the internal audit activity.

RESPONSIBILITY:

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, compliance, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have an impact on the organization.
- Evaluating the means of safeguarding assets and verifying the existence of assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating 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.
- Evaluating governance processes.
- Evaluating the effectiveness of the organization's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization, if requested.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board or management.

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INTERNAL AUDIT PLAN:

At least annually, the Director will submit to the President and the Board an internal audit plan for review, with approval residing with the Board. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The Director will communicate the impact of resource limitations and significant interim changes to the President and the Board.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Board. The Director will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to the President and the Board.

REPORTING AND MONITORING:

A written report will be prepared and issued by the Director following the conclusion of each internal audit engagement and will be distributed to appropriate administrators and the Board.

The internal audit report shall include management's response in regard to the specific audit results and recommendations.

The internal audit activity will be responsible for appropriate follow-up on engagement audit results and recommendations.

The Director will periodically report to senior management and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management or the Board.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

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The Director will communicate to senior management and the Board on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

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Approved this _____ day of _____, _____.

District Director of Internal Audit

District President

Chair, Finance and Audit Committee

Secretary, Board of Trustees

Chairman, Board of Trustees