



UNITED INDEPENDENT SCHOOL DISTRICT AGENDA ACTION ITEM

TOPIC: 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: September 17, 2014

RECOMMENDATION:

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

RATIONALE:

The charter is being amended to comply with the model charter wording as recommended by the Institute of Internal Auditors.

BUDGETARY INFORMATION:

N/A

BOARD POLICY REFERENCE AND COMPLIANCE:

Board Policy CFC Local

United Independent School District

Internal Audit Activity Charter

INTRODUCTION

Internal auditing is an independent, objective assurance and consulting activity established within the United Independent School 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.

ROLE

The internal audit activity department is established by the Board of Trustees. The internal audit activity's and its responsibilities are defined by the Board of Trustees as part of their oversight role.

PROFESSIONALISM STANDARDS

The operating practices and procedures of the internal audit activity department will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics and be in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the *Code of Ethics*, established by the Institute of Internal Auditors, as well as the district's policies and procedures. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the District's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

AUTHORITY

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is a ~~Authorization is granted for full, free, and complete unrestricted access to any and all of the district's records (either manual or electronic), physical properties, and personnel pertinent to carrying out any engagement relevant to a review. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. 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 will also~~ shall have free and unrestricted access to the Board of Trustees and the superintendent.

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.

The Board will:

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

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

INDEPENDENCE AND OBJECTIVITY

~~The~~ All internal audit activities ~~will~~ shall remain free of influence 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 ~~necessary in rendering reports.~~

Internal auditors will have no direct operational responsibility or any authority over any of the activities audited or operations that they review. Accordingly, they will They should not develop procedures, ~~nor install systems or procedures,~~ prepare records, or engage in any other activities that may impair internal auditor's judgment. ~~which would normally be audited.~~

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 Internal Auditor will confirm to the board, at least annually, the organizational independence of the internal audit activity.

RESPONSIBILITY AUDIT SCOPE

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 process, ~~and system of internal controls structure,~~ as well as ~~and~~ the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

~~This~~ It includes:

- Evaluating risk exposure relating to achievement of the organization's strategic objectives.

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

INTERNAL AUDIT PLAN

At least annually, the Internal Auditor will submit to senior management and the Board an internal audit plan for review and approval. The internal audit plan will consist of a work schedule for the next fiscal year. The Internal Auditor will communicate the impact of resource limitations and significant interim changes to senior management 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 Internal Auditor 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 senior management and the Board.

REPORTING AND MONITORING

~~A preliminary written report will be prepared and issued by the internal auditor following the conclusion of each internal audit engagement and will be distributed as to appropriate, administrative and management officials. Internal audit results will also be communicated to the Board.~~

~~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. The internal audit report may include management's response and corrective action taken or to 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 and an explanation for any corrective action that will not be implemented.~~

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

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

~~The Internal auditor 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.~~

Internal Audit Activity Charter

Submitted by:

Marta G. Stahl, CPA
Internal Auditor

Date

Approved by:

Javier Montemayor, Jr., President
Board of Trustees

Date

Approved by:

Roberto J. Santos, Superintendent

Date