

## EL PASO ISD INTERNAL AUDIT DEPARTMENT CHARTER

### DEFINITION

“Internal auditing is an independent, objective assurance and consulting activity 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.”<sup>1</sup>

### PROFESSIONALISM

The Internal Audit 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 the international standards for the professional practice of internal auditing (standards). 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 Department'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 Department will adhere to the District's relevant policies and procedures.

### ORGANIZATION

The Internal Audit Department is a vital part of the District and functions in accordance with policy CFC(LOCAL) established by the Board and appropriate state and federal law. The District's chief internal auditor reports to the District's Board. The chief internal auditor will communicate and interact directly with the Board, including ~~in executive sessions~~ **DURING** and between Board meetings, as appropriate. **THE CHIEF INTERNAL AUDITOR WILL:**

- **PROVIDE MONTHLY REPORTS ON THE INTERNAL AUDIT ACTIVITIES AND RELATED MATTERS DURING THE REGULARLY SCHEDULED BOARD MEETINGS;**
- **MEET WITH THE BOARD AUDIT COMMITTEE ON A QUARTERLY BASIS TO DISCUSS THE STATUS OF THE ANNUAL AUDIT PLAN, SPECIFIC FINDINGS/REPORTS, AND OTHER DEPARTMENT MATTERS;**
- **MEET WITH BOARD MEMBERS INDIVIDUALLY TO SEEK INPUT ON THE ANNUAL AUDIT PLAN;**
- **MEET WITH THE BOARD IN CLOSED MEETINGS IF ISSUES ARISE THAT MEET ONE OF THE EXCEPTIONS OF THE OPEN MEETINGS ACT;**
- **SUBMIT REPORTS, DESCRIBED UNDER THE SECTION AUDIT REPORTS OF THIS CHARTER, TO BOARD MEMBERS, THE SUPERINTENDENT, AND ADMINISTRATION SIMULTANEOUSLY;**

- **REPORT SIGNIFICANT RISK EXPOSURES AND CONTROL ISSUES, INCLUDING FRAUD RISKS, GOVERNANCE ISSUES, AND OTHER MATTERS NEEDED OR REQUESTED BY THE BOARD; AND**
- **NOTIFY BOARD MEMBERS IMMEDIATELY OF SUSPECTED OR SUBSTANTIATED FRAUD OR IMPROPRIETIES, INCLUDING THOSE DEFINED IN CAA(LOCAL), AS WELL AS NONCOMPLIANCE/WRONGDOING OF A NONFINANCIAL NATURE. REPORTS RELATED TO THESE MATTERS SHALL BE SUBMITTED BY THE CHIEF INTERNAL AUDITOR DIRECTLY TO BOARD MEMBERS AND TO THE SUPERINTENDENT SIMULTANEOUSLY, EXCEPT IN THOSE CASES WHERE THE SUPERINTENDENT HAS BEEN THE SUBJECT OF THE INVESTIGATION.**

The Board will:

- Approve the internal audit charter;
- Approve the risk based internal audit plan;
- Approve the internal audit budget and resource plan;
- ~~Receive communications from the chief internal auditor on the internal audit activity's performance relative to its plan and other matters during the monthly Board meetings and between meetings as appropriate;~~
- Approve decisions regarding the appointment and removal of the chief internal auditor;
- Approve the remuneration of the chief internal auditor; and
- Make appropriate inquiries of management and the chief internal auditor to determine whether there is inappropriate scope or resource limitations.

The Superintendent will provide appropriate support for the District's Internal Audit Department that includes, but is not limited to, providing:

- Budget, accounting, procurement, and information technology support;
- Human resource administration, including support in hiring personnel and providing compensation;
- Adequate working space, furniture, and equipment; and
- Administration of the District's policies and procedures, to include enforcement of time and attendance, travel, and purchasing requirements.

The Internal Audit Department operates independent of other departments and functions of the District. The organizational status and the support accorded to the Internal Audit Department by the Board are major determinants of the scope and value of the internal audit function to the District.

#### **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 the District's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board.

### **INDEPENDENCE AND OBJECTIVITY**

The internal audit activity is independent and the District's internal auditors will remain objective and exercise due professional care in performing their work. In order to provide for the independence of the internal audit department, the department's personnel will report to and are evaluated by the chief internal auditor.

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 an internal auditor's judgment.

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

### **PLANNING, COORDINATION, AND RESPONSIBILITY**

In accordance with policy CFC(LOCAL), the chief internal auditor will submit to the Board an audit plan for the Board's review and approval. The plan will consist of a risk assessment, audit work schedule, and staffing plan for the next fiscal year. The audit plan is based on a prioritization of the audit universe using a risk-based model that includes input of senior management and the Board.

The chief internal auditor will review and adjust the plan, as necessary, in response to changes in the District's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be taken to the Board for approval.

The responsibilities of the Internal Audit Department encompass, but are not limited to, the examination and evaluation of the adequacy and effectiveness of the District's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the District's stated goals and objectives. This includes:

1. Evaluating risk exposure relating to the achievement of the District's objectives.
2. Evaluating the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

3. Evaluating the systems established to ensure compliance with those policies, plans, laws, regulations, and procedures, which could have a significant impact on the District's operations. (Testing the adequacy of the control systems.)
4. Evaluating the means of safeguarding assets, and as appropriate, verifying the existence of such assets.
5. Evaluating the effectiveness and efficiency with which resources are acquired economically, used efficiently, and adequately protected.
6. Evaluating the design of manual and automated systems as an adviser on internal controls.
7. Investigating reported occurrences of fraud, embezzlement, theft, waste, and the like, and recommending controls to prevent and/or detect such occurrences (for example, hotline reports).
8. Coordinating audit efforts with external auditors in order to avoid duplication of effort, minimize audit findings, improve the effectiveness of corrective action plans, and improve communications between affected departments and personnel.
- ~~9. Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.~~
- ~~10. Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.~~
- 11.9. Evaluating specific operations at the request of the Board or administration, as appropriate.

## AUDIT REPORTS

The chief internal auditor will submit reports to the Board in accordance with policy CFC(LOCAL). Audit reports are reviewed in order to ensure that all legal aspects, if any, and ethical implications have been considered and addressed in the report. All audit reports are objective, factual, concise, constructive, complete, and timely in nature and include findings, analyses, and recommendations in sufficient detail to facilitate review and the implementation of corrective action as appropriate. Draft audit reports are communicated to data owners who can ensure that the results are given due consideration. Audit reports are distributed in a controlled manner on the basis of organizational relationships and on a "need-to-know" basis, primarily to those activities and levels of management that have functional responsibility for acting on the findings and recommendations reported.

For standard audits, after internal audit staff members have met with auditees to confirm potential findings and discuss planned recommendations, the chief internal auditor will brief the Board officers. Once a Corrective Action Plan (CAP) has been submitted and found to be adequate, then the audit report will be finalized. If in the opinion of the chief internal auditor, the approval or adequacy of a CAP is unduly delayed, the chief internal auditor will report the same to the Board. Only finalized reports will be posted on the District's website, except information that is protected under the Family Educational Rights and Privacy Act (FERPA).

Some reports may require special consideration. In cases where findings are referred to law enforcement, the report posting may be delayed. In other cases, a more generalized report will be prepared for publication. When disclosing detailed weaknesses, such as non-functioning controls, would put the District at risk until fixed, a general report would be prepared for the public and a more detailed report would be prepared for the department personnel charged with correcting the weaknesses. In either case, the chief internal auditor will work with the District's legal counsel.

Draft reports or work papers will not be posted or made available for publication.

### **CORRECTIVE ACTION/MONITORING PROGRESS**

The chief internal auditor will be responsible for appropriate follow-up on audit findings and recommendations. In finalizing the audit report, the chief internal auditor or designee will consider the auditee's response and a CAP to address findings and recommendations. The auditee's response should include an explanation for any recommendation not addressed. The auditee's CAP should include activities that address the findings (and prevent the recurrence of the non-compliance/deficiencies), a timetable illustrating status, and completion dates. Auditees who fail to provide a complete CAP are required to meet with the Superintendent and the chief internal auditor to address their concerns and/or reasons for failing to respond.

The chief internal auditor will determine the appropriate follow-up process to monitor and ensure that management actions have been effectively implemented or that the Superintendent and/or staff members have accepted the risk of not taking action and the Board has been notified of their decision. The chief internal auditor will simultaneously notify the Board, the Superintendent, and the leadership of any delayed/past due CAP activities. The chief internal auditor will notify/update the Board of delayed/past due CAP activities at the regularly scheduled Board meeting each month. CAP owners must be in attendance at the Board meeting and explain their status.

Standards for the Professional Practice of internal auditing, Institute of internal auditors:

<sup>1</sup>Definition of Internal Auditing

<sup>2</sup>Coordination 2050

This charter has been approved by the El Paso Board of Trustees/Managers and will only be modified upon a majority vote of the Board.