

El Paso ISD Internal Audit Department Charter

Purpose and Mission

The purpose of the El Paso Independent School District's (the "District") internal audit department is to provide objective assurance and consulting services designed to add value and improve the District's operations. The mission of the internal audit department is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit department helps the District accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The Internal Audit Department will govern itself by adherence to the mandatory elements of the Institute of Internal Auditors' (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing (Standards). The chief internal auditor will report periodically to the District's Board of Trustees (the "Board") regarding the internal audit department's conformance to the Code of Ethics and the Standards. In addition, the Internal Audit Department will adhere to the District's policies and procedures.

Authority

The District's chief internal auditor reports functionally and administratively to the District's Board. The chief internal auditor will have unrestricted access to, and communicate and interact directly, with the Board, including in private meetings without management present.

To establish, maintain, and assure the District's internal audit department has sufficient authority to fulfill its duties, 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 department's performance relative to its plan and other matters;
- 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 Board authorizes the internal audit department to:

- Have full, free, and unrestricted access to all the District's functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the District, as well as other specialized services from within or outside the District, in order to complete the engagement. All employees are required to assist the internal audit department in fulfilling its roles and responsibilities.

Independence and Objectivity

The chief internal auditor will ensure that the internal audit department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief internal auditor determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will remain unbiased to allow them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others. In order to provide for the independence of the internal audit department, the department's personnel will report to and be 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 their judgment including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the District.
- Initiating or approving transactions external to the internal audit department.
- Directing the activities of any District employee not employed by the internal audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties. Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make a balanced assessment of all available and relevant facts and circumstances.

- Take necessary precautions to avoid being 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 department.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the District. Internal audit assessments include evaluating whether: Risks relating to the achievement of the District's goals and strategic objectives are appropriately identified and managed.

- The actions of the District's employees and vendors/contractors are in compliance with the District's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, plans, laws, regulations, and procedures that could significantly impact the District.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and adequately protected.
- The chief internal auditor also coordinates activities and considers relying on the work of other internal and external assurance and consulting service providers 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. The Superintendent or designee is responsible for ensuring the chief internal auditor receives copies of all external audit/reviews reports. External audit/review reports will be used for internal audit plan risk analysis purposes and to monitor the progress made by management to address high-risk findings.
- The internal audit department may perform advisory and related client service activities, the nature and scope of which will be agreed upon with the client, provided the internal audit department does not assume management responsibility.
- Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

The chief internal auditor will:

ACCOUNTING
AUDITS

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(EXHIBIT)

1. Periodically report to the Board and inform senior management regarding the internal audit department's purpose, authority, and responsibility.
2. Provide quarterly reports to the Board on the internal audit department's plan and performance relative to its plan.
3. Periodically report to the Board the internal audit department's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
4. Periodically report significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board.
5. Meet with the Board audit committee on a quarterly basis to discuss the status of the ~~internal~~ audit plan, results of audit engagements or other activities, and other matters requested by the Board.
6. Periodically report resource requirements to the Board.
7. Report to the Board and inform senior management of any response to risk (including responses to audit findings) by management that may be unacceptable to the District.

Responsibility

The chief internal auditor has the responsibility to:

1. Submit, at least annually, to the Board a risk-based ~~internal~~ internal audit plan for review and approval.
2. Communicate to the Board the impact of resource limitations on the ~~internal~~ internal audit plan.
3. Review and adjust the ~~internal~~ internal audit plan, as necessary, in response to changes in the District's business, risks, operations, programs, systems, and controls.
4. Communicate to the Board, for review and approval, any significant interim changes to the ~~internal~~ internal audit plan.
5. Ensure ~~internal~~ internal audit plan engagements executed include the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
6. Follow up on engagement findings and corrective actions, and report to the Board and senior management any corrective actions not effectively implemented or unduly delayed. The chief internal auditor will notify the Board of delayed/past due corrective action plan activities during the regularly scheduled monthly Board meetings.
7. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.

8. Ensure the internal audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
9. Ensure trends and emerging issues that could impact the District are considered and communicated to the Board and senior management as appropriate.
10. Ensure emerging trends and successful practices in internal auditing are considered.
11. Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
12. Ensure adherence to the District's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Board.
13. Establish a quality assurance and improvement program designed to enable an evaluation of the internal audit department's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics.
14. Communicate to the Board on the quality assurance and improvement program, including results of internal and external assessments.
15. Ensure conformance of the internal audit department with the Standards, with the following qualifications:
 - If the internal audit department is prohibited by law or regulation from conformance with certain parts of the Standards, the chief internal auditor will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies, the chief internal auditor will ensure the internal audit department conforms with the Standards, even if the internal audit department also conforms with the more restrictive requirements of other authoritative bodies.

Internal Audit Reports and Corrective Action Plans

Internal audit reports will be communicated in accordance with the internal audit department's policies and procedures manual. Draft internal audit reports are distributed to the Superintendent and levels of management that have functional responsibility for acting on the findings and recommendations reported. The chief internal auditor will ensure draft internal audit reports are distributed to the Board for informational purposes.

District management and leadership are responsible for developing a corrective action plan (CAP) to address findings, recommendations, and observations. Once a CAP has been submitted to and found to be adequate, the internal 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.

Finalized internal audit 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 related investigations are being performed by human resources/other departments or 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 nonfunctioning 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.

The chief internal auditor will ensure final internal audit reports are distributed to the Board, Superintendent, and management at least five working days prior to posting the report on the District's website.

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