

Jefferson County Public Schools Internal Audit Charter

INTRODUCTION

Jefferson County Public School District's (the District) internal audit department is an independent, objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the District. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit department assists the District in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and internal control.

ROLE

The internal audit department is established by the District's Board of Education (the Board). The internal audit department's responsibility is defined by the Board as part of their oversight role. The Board has designated the Audit and Risk Management Advisory Committee (Audit Committee) to advise the Board on qualifications, independence, and performance of the internal audit department.

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' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Codes of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. This mandatory guidance constitutes principles for 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 and the internal audit department's standard operating procedures manual.

AUTHORITY

The Internal audit department, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to all of the District's records, physical properties, and personnel pertinent to carrying out any engagement. All employees requested to assist the internal audit department in fulfilling its roles and responsibilities. The internal audit department will also have free and unrestricted access to the Board and Audit Committee. Allocate resources, set frequencies, select subjects, determine scope of work, apply techniques required to accomplish audit objectives, and issue reports.

ORGANIZATION

The internal audit department, led by a director (referred to herein as the chief audit executive), will report functionally to the District's Board of Education (the Board) and administratively (i.e., day-to-day operations) to the Superintendent. To establish, maintain, and assure that the District's internal audit department has sufficient authority to fulfill its duties, the Board will:

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

The chief audit executive will communicate and interact directly with the Board and Audit Committee, including executive sessions and between Board meetings as appropriate.

INDEPENDENCE AND OBJECTIVITY

The internal audit department will remain free from interference by any element in the organizations, 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 maintain an unbiased mental attitude that allows 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.

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. Further, they will not direct the activities or any JCPS 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 balanced assessments 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 audit executive will confirm to the Board or Audit Committee, at least annually, the organizational independence of the internal audit department.

The chief audit executive will disclose to the Board any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

RESPONSIBILITIES

The scope of internal audit activities encompasses, but is not limited to, objective examinations and evaluation of the adequacy and effectiveness of the District's governance, risk management, and internal control as well as the quality of performance in carrying out assigned responsibilities to achieve the District's state goals and objectives. This includes:

- Submit, at least annually, to senior management and the Board and Audit Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Board and Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the District's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the Board and Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including 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.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Board and Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit department/activity collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact the District are considered and communicated to senior management and the Board and Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
- 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 senior management and the Board and Audit Committee.
- 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 audit executive 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 audit executive will ensure that 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 PLAN

At least annually, the chief audit executive will submit to senior management and the Board the internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The chief audit executive 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 prioritization of the audit universe using a risk-based methodology, including input of senior management and the Board. The Chief Audit Executive 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 through periodic activity reports.

REPORTING AND MONITORING

A written report will be prepared and issued by the chief audit executive or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board.

The internal audit report may include management's response and corrective action taken or to be taken regarding the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit department will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared by resolution of the issue or acceptance of the risk by the appropriate level of management – a cabinet member, the Superintendent, or the Board based on the significance of the issue.

The chief audit executive will report periodically to senior management and the Board on the internal audit department'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 and the Board.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The internal audit department will maintain a quality assurance and improvement program that covers all aspects of the internal audit department. The program will include 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. The program will also assess the efficiency and effectiveness of the internal audit department and identify opportunities for improvement.

The chief audit executive will communicate to senior management and the Board on the internal audit department's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the District.

Internal audit department Charter

Approved this _____ day of _____, _____

Chief Audit Executive

Chairman of the Board

Superintendent