

# **SAN JACINTO COLLEGE DISTRICT INTERNAL AUDIT CHARTER**

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## **INTRODUCTION**

The purpose of this charter is to establish the Internal Audit position within the San Jacinto College District, by addressing the objectives, authority, scope and responsibility of Internal Audit.

## **NATURE OF INTERNAL AUDIT**

The Internal Audit function is an independent appraisal activity established within an organization to examine and evaluate its activities as a service to the organization. It functions by examining the adequacy and effectiveness of controls.

## **OBJECTIVE OF INTERNAL AUDITING**

The objective of Internal Auditing is to assist management in the effective discharge of their responsibilities. To this end, the Internal Audit function furnishes management with analyses, appraisals, recommendations, counsel, and information concerning activities reviewed to promote effective control at a reasonable cost.

## **AUTHORITY OF INTERNAL AUDIT**

Internal Audit reports administratively to the Vice Chancellor of Fiscal Affairs; however, it may report audit matters directly to the Chancellor and/or to Budget and Audit Committee of the Board of Trustees. In the performance of audits, the Internal Auditor is granted access to all college activities, records, property, and employees. The Internal Auditor will exercise discretion and ensure the safekeeping and confidentiality of audit matters.

Internal Audit is a staff function and has no direct operational responsibility for or authority over any of the activities reviewed. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited. Additionally, an Internal Audit review in no way relieves management of any assigned responsibilities.

The Internal Auditor is assigned the responsibility for carrying out an Internal Audit program as described under the section "Responsibilities of Internal Audit" of this Charter. This responsibility includes coordinating Internal Audit activities with the organization's external auditors and others to best achieve organizational and auditing objectives.

All requests for special (unscheduled) audits will be directed to the Vice Chancellor of Fiscal Affairs.

## **INDEPENDENCE**

All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

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## **RESPONSIBILITY OF INTERNAL AUDIT**

The Internal Audit function has the following responsibilities:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Chancellor and Vice Chancellor of Fiscal Affairs for submission to the Budget and Audit Committee of the Board of Trustees for review and approval.
- Maintain a professional audit staff with sufficient knowledge, skills, experience and technical competence through continuing education and active participation in professional activities.
- Examine and evaluate the adequacy and effectiveness of the College's system of internal controls, policies and procedures and systems in place to safeguard college assets.
- Evaluate the reliability and integrity of information, and the efficient and effective use of resources.
- Ensure compliance with applicable policies, procedures, laws, and regulations which could have a significant impact on College operations and reports.
- Review operations or programs to ascertain whether results are consistent with established goals and objectives and whether the operations or programs are being carried out as planned.
- Participate in or conduct evaluations, financial and management studies, special audits and fraud investigations as directed.
- Conduct follow up reviews, as needed, on audit reports issued by the San Jacinto College District Internal Audit Department and other external agencies.
- Issue periodic reports to the Vice Chancellor of Fiscal Affairs, Chancellor and Budget and Audit Committee of the Board of Trustees summarizing the status and results of audit activities.
- Consider the scope of work of the external auditors and regulatory agencies, as appropriate, to provide optimal audit coverage to the College at a reasonable overall cost.

## **AUDIT PROTOCOL**

The following are the procedures to be adhered to when carrying out the Internal Audit function:

- An annual audit plan will be established after conducting an annual risk assessment, securing input from the Chancellor and Vice Chancellor of Fiscal Affairs and obtaining approval of the plan from the Budget and Audit Committee of the Board of Trustees.
- Advance notice to each department to be audited will be provided.

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- An opening meeting with the managers of the unit being audited will be conducted to discuss the nature of the audit, length of engagement and to coordinate the timing of review by area. Internal Audit will review the proposed audit program with functional managers to ensure proper and thorough audit coverage.
- The audit program will be finalized and the audit steps performed. Findings noted during the audit will be communicated to the auditee and Vice Chancellor of Fiscal Affairs throughout the course of the audit.
- A written, draft Audit Report will be prepared by Internal Audit following the conclusion of the audit. The draft Audit Report will be submitted to the Vice Chancellor of Fiscal Affairs for review. Once desired changes are made, the draft Audit Report will be provided to the auditee for their review prior to the exit conference.
- An exit meeting will be held to discuss the written audit findings with the appropriate management in order to come to a consensus on the accuracy of the findings and the propriety of the recommendations. Any revisions agreed upon will be included in the final report. Based on the complexities of the findings noted, the auditee will have an appropriate amount of time to respond with their corrective action plans to the findings presented in the report. The auditee's corrective action plan, including a timetable for anticipated completion of action to be taken, and an explanation for any recommendations not addressed will be included in the final report.
- Copies of the final report will be distributed as appropriate.
- Management of the area receiving the report is responsible for ensuring that progress is made toward implementing their corrective action plans. If Management proposes alternative actions other than the recommendations provided by Internal Audit, then Internal Audit is responsible for determining whether the action taken is adequate to mitigate the risks associated with the initial audit findings.
- Internal Audit will perform follow-up reviews, as deemed necessary.
- Internal Audit will provide the auditee with a Post Audit Survey (i.e. customer survey) at the conclusion of the audit and will continually strive to improve the Internal Audit Department and the services provided.

### **DUE PROFESSIONAL CARE**

The Internal Auditor should use reasonable audit skill and judgment and exercise due professional care in performing every audit. The Internal Auditor is required to conduct examinations and verifications of the activity under audit to a reasonable extent, but is not required to perform detail audit testing of **all** transactions. Accordingly, the internal auditor cannot give absolute assurance that noncompliance or irregularities do not exist. Nevertheless, the possibility of material irregularities or noncompliance should be considered whenever an internal auditor undertakes an auditing assignment.

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## **FRAUD/ABUSE OF RESOURCES**

Deterrence of fraud/abuse of resources is the responsibility of management. The Internal Audit function is responsible for examining and evaluating the adequacy and the effectiveness of actions taken by management to fulfill this obligation.

Internal auditors should have sufficient knowledge to be able to identify indicators that fraud/abuse may have occurred. If sufficient control weaknesses are detected, additional tests conducted by internal auditors should include tests to identify other indicators of fraud/abuse.

Internal auditors are not expected to have knowledge equivalent to a person whose primary responsibility is to detect and investigate fraud/abuse. Also, auditing procedures alone, even when carried out with due professional care, do not guarantee fraud/abuse will be detected.

Internal Audit will assist in the investigation of fraud/abuse in order to (1) Determine if controls need to be implemented or strengthened; (2) Design audit tests to help disclose the existence of similar frauds in the future; and (3) Help meet the Internal Auditor's responsibility to maintain sufficient knowledge of fraud.

A written report will be issued at the conclusion of each investigation. It will include all findings, conclusions, recommendations, and corrective action taken.

## **AUDIT STANDARDS AND ETHICS**

The activities of Internal Audit will meet The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*. Internal Audit will also abide by generally accepted government auditing standards and applicable college district policies and procedures.

## **PERIODIC ASSESSMENT**

The Internal Auditor should periodically assess whether the purpose, authority, and responsibility, 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 Vice Chancellor of Fiscal Affairs, Chancellor and the Budget and Audit Committee of the Board of Trustees.