Jefferson County Public Schools
Internal Audit Charter

INTRODUCTION:

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Jefferson County Public School District (the District). Internal auditing assists the District in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the District's governance, risk management and internal control.

ROLE:

The internal audit activity is established by the District's Board of Education (the Board). The internal audit activity's responsibilities are defined in this Internal Audit Charter and approved by the Board as part of their oversight role. The Internal Audit Charter is designed to closely resemble and comply with the "Model Internal Audit Activity Charter" of the Institute of Internal Auditors.

PROFESSIONALISM:

The internal audit activity 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*), as applicable. 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.

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, vendors, and personnel pertinent to carrying out any engagement, subject only to the following restriction: access to any individual student or to District records regarding any student shall not take place without a certified District employee present. All employees are expected to assist the internal audit activity in fulfilling its roles and responsibilities. If any request for access is denied, the internal audit activity shall notify the Superintendent. The internal audit activity will also have free and unrestricted access to the Board.

ORGANIZATION:

The internal audit activity will be led by a director (referred to herein as the Chief Audit Executive). The Chief Audit Executive may be an employee of the District or may be outsourced to an appropriate third party, as determined by the Board. If the Board determines

that the Chief Audit Executive will be an employee of the District, he or she will be appointed by the Superintendent, who shall notify the Board of the action taken. If the Board determines that the Chief Audit Executive will be outsourced to a third party, the outsourcing contract will be recommended to the Board by the Superintendent, and will be approved by the Board. The Chief Audit Executive will report functionally to the Board (or committee thereof) and administratively (i.e. day to day operations, such as access control, invoicing, administrative communications and personnel oversight) to the Superintendent, as facilitated by the Chief Financial Officer.

At a minimum, the Board will:

- Approve the Internal Audit Charter.
- Approve the annual risk-based internal audit plan.
- Approve the internal audit budget and resource plan.
- Receive communications from the Chief Audit Executive on the internal audit activity's performance relative to its plan and other matters.
- Receive communications from the Superintendent regarding the appointment, removal, remuneration/fees and performance of the Chief Audit Executive. If the Chief Audit Executive is outsourced to a third party, all final decisions regarding these matters will be approved by the Board. If the Chief Audit Executive is an employee of the District, the Board shall be notified by the Superintendent regarding all such matters.
- Make appropriate inquiries of the Superintendent, the Chief Financial Officer and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations.
- Meet at least twice annually with the Chief Audit Executive.

The Chief Audit Executive will communicate and interact directly with the Board, including in executive sessions and during Board meetings as appropriate.

INDEPENDENCE AND OBJECTIVITY:

The internal audit activity will remain free from interference by any element in the District, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. However, it is recognized that the Superintendent, the Chief Financial Officer and the Board may provide general direction and suggestions regarding the scope of work and the activities to be audited, responses and feedback regarding findings and recommendations, and may request the internal auditors to carry out special reviews or audits or consulting engagements.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls or procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment. However, this does not preclude internal auditors from making recommendations or detailed suggestions regarding changes or improvements to operations, facilitating meetings or program reviews, providing training programs for District staff, or assisting in oversight of action plan status reporting.

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

RESPONSIBILITY:

The scope of internal auditing encompasses, but is 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:

Assurance and Consulting

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, govern, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the District.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the security and privacy over data and information systems.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating 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.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the District.
- 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 specific operations at the request of the Board, the Superintendent or the Chief Financial Officer, as appropriate.

Risk Management

- Evaluating risk exposure relating to achievement of the District's strategic objectives.
- Performing and maintaining a fraud risk assessment and considering the results of the assessment in developing the annual internal audit plan.
- Monitoring and evaluating the effectiveness of the District's risk management mitigation processes.
- Consulting and/or facilitating the District's enterprise risk management program.

Investigations

- Assisting with managing the District's centralized hotline for financial frauds, human resource complaints, security incidents, ethics complaints and other concerns.
- Providing oversight of the assignment of calls to the appropriate parties for investigation and resolution.

- Reviewing the effectiveness of timely resolution and root cause analysis of calls.
- Providing summary reporting to the Superintendent and the Board on trends, concerns, actions of the District's administrators, and root cause initiatives related to hotline calls.

Assessment, Coordination and Follow-up

- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.
- Assisting with the coordination of all external assessments and reviews of the District's operations including financial, compliance, or educational.
- Maintaining a central database for assessment recommendations – internal or external.

INTERNAL AUDIT PLAN:

Annually, the Chief Audit Executive will submit to the Chief Financial Officer, the Superintendent and the Board an internal audit plan for their review and approval by the Board. 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 the Chief Financial Officer, the Superintendent 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 the Chief Financial Officer, the Superintendent and the Board. The internal audit plan will take into consideration internal audit's ability to use and rely on other assessments of the District's operations performed by internal or external parties. The Chief Audit Executive will review and adjust the internal audit plan, as necessary, in response to changes in the District's risks, operations, programs, systems, and controls. Realizing that it is expected that the internal audit plan will change over the course of the fiscal year, any significant deviation from the approved internal audit plan will be communicated to the Chief Financial Officer, the Superintendent 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. Summaries thereof or significant matters will be communicated to the Board through periodic activity reports. Every internal audit written report will contain, at a minimum, the scope of the audit, and any findings, comments and recommendations.

Internal audit reports may include the response of the administrator with responsibility for the audited area and corrective action taken or to be taken in regard to the specific findings and recommendations. The response, whether included within the original audit report or provided thereafter (i.e., within 30 days) by the administrator with responsibility for 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 response must be provided as soon as practicable, but no later than 30 days from the issuance of the internal audit report. The administrator with responsibility for the audited area will be provided with a warning notification 20 days after the issuance of the internal audit report. If the response is not

provided within 30 days, then the Chief Financial Officer and the Superintendent will be notified immediately. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations.

The Chief Audit Executive will periodically report to the Chief Financial Officer, the Superintendent and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to the internal audit plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Chief Financial Officer, the Superintendent or the Board. The Chief Audit Executive shall not report to the Chief Financial Officer or the Superintendent on any special project or investigation which the Board has requested to remain confidential, unless the Board specifically approves such reporting.

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 applied the Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The Chief Audit Executive will communicate to the Chief Financial Officer, the Superintendent 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. As part of the internal assessments the Chief Audit Executive will review the Internal Audit Charter to ensure it is still applicable and appropriate. Any proposed changes will be presented to the Board for their approval.

Internal Audit Charter

Approved this 9th day of March, 2015.

Jim Terry
Chief Audit Executive

Chairman of the Board / Audit Committee 3/13/15

Donna M. Hargens
Superintendent

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