



Board of Education of Harford County
Office of Internal Audit

Office of Internal Audit's Charter

INTRODUCTION:

The International Standards for the Professional Practice of Internal Auditing (Standard) Attribute Standards 1000 – Purpose, Authority, and Responsibility, states “The Internal Audit Charter is a formal document that defines the internal audit activity’s purpose, authority, and responsibility. It establishes the internal audit activity’s position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the Internal Audit Charter resides with the Board.”

PURPOSE:

The Office of Internal Audit (Office) provides independent, objective assurance and auditing, and investigative services designed to add value, improve internal controls and strengthen Harford County Public Schools’ operations. The Chief Auditor plans, organizes, and performs a variety of internal financial, compliance, and operational audits with an independent evaluation of risk, compliance and functional efficiency and effectiveness. The Internal Audit Office adheres to the International Standards for the Professional Practices of Internal Auditing (Standard), professional’s code of ethics and the confidentiality of information.

AUTHORITY:

Board Policy: Office of Internal Audit establishes the authority of the Office of Internal Audit (Office) within Harford County Public Schools (HCPS). The internal audit activity, with strict accountability for confidentiality and safeguarding of records and information, is authorized full, free, and unrestricted access to any and all HCPS and Board of Education’s records, physical properties, and personnel pertinent to carrying out any engagement, except where prohibited by law. All employees are requested to work cooperatively to assist the internal audit activity in fulfilling its roles and responsibilities. The Office has the authority to conduct financial, compliance, operational and performance audits of any office funded by HCPS. Upon death, resignation or removal of a department head, principal or custodian of student activity fund, the Chief Auditor shall cause an audit and investigation to be made of any accounts maintained by that individual.

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PROFESSIONALISM:

All internal audit activity will be governed 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 and United States Government Accountability Office's Government Auditing Standards (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 activity's performance.

ORGANIZATION:

The Office of Internal Audit shall function as an independent office; a position which reports directly to the Board of Education of Harford County. The Office of Internal Audit shall be independent of the school system administration and is functionally subject to the authority of the Board of Education. For purposes of leave and other operational matters, the Chief Auditor shall report to the Assistant Superintendent of Business Services.

The Board or its designee, will:

- Approve the internal audit charter.
- Approve the risk based internal audit plan.
- Approve the internal audit budget.
- Receive communications from the Chief Auditor on the internal audit activity's performance relative to its plan and other matters.
- Appoint, replace or dismiss the Chief Auditor.
- Evaluate the performance of the Chief Auditor on an annual basis.

INDEPENDENCE AND OBJECTIVITY:

The Office of Internal Audit's independence and objectivity means that its activities are conducted in a manner free from conditions that compromise its ability to carry out its responsibilities in an unbiased manner, consistent with applicable professional standards.

This independence relates to matters of audit selection, scope, procedures, report content or other matters that fall under the position responsibilities.

The Chief Auditor will have no direct operational responsibility or authority over any of the activities audited. Accordingly, the Chief Auditor will not implement internal controls,

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develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditors' independence and/or objectivity.

The 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 Auditor 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 organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Developing and executing a risk-based annual audit plan that outlines the activities for the year and submit the annual audit plan to the Board of Education for approval.
- Developing and maintaining communication with peers, administrators, managers and their direct reports, external auditors, federal, state and local agencies, external audit firms and other associated personnel, ensuring all potential audit activities are identified, assessed for risk, and considered in the annual audit plan.
- Providing objective evaluations of Harford County Public Schools' operations to assist management in accomplishing their assigned responsibilities, and to ensure the propriety of HCPS operations.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets. Determine if the Harford County Public Schools are acquiring, managing, protecting and using its resources economically, efficiently, and effectively and in a manner consistent with the objectives intended by the authorizing entity or enabling legislation.
- Conducting performance audits to determine the efficiency and effectiveness of the various programs, activities, and functions of Harford County Public Schools.

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- Communicating audit results and recommendations for improvement to the supervisors and officials of the organization audited.
- Preparing formal audit reports of findings, outlining discrepancies and recommended corrective actions and issue the final report to the Board of Education, Superintendent and the Audit Committee.
- Periodically evaluate the corrective action, associated with an audit finding(s), planned by management to determine if recommendations have been implemented.
- Conduct special examinations, as necessary, with the approval of the Board of Education, including any allegations of fraud, abuse or illegal acts.
- Provides advisory and consultative services to the Board, school system leadership, schools, offices and external agencies.
- Provides input related to system best practices as well as proposed policies and procedures, ensuring that all managerial and accounting controls are properly considered.
- Meets at least quarterly with the Board of Education's Audit Committee to provide updates to the performance of the annual audit plan and results of audits conducted.
- Presents Annual Audit Plan and results of audits to the Board of Education and others, as necessary.
- Administers and monitors the HCPS hotline for fraud, waste and abuse; receiving and assigning calls for investigation, documenting work performed and communicating results to the Board of Education's Audit Committee on a regular basis.
- Further investigate any allegations of fraud, abuse or illegal acts that the office becomes aware of.
- Provides information to the external auditors, as deemed necessary.
- Advises the Assistant Superintendent of Business Services, the Board of Education, and Superintendent of Schools on matters related to the Internal Audit Office.
- Maintains confidentiality of information.

INTERNAL AUDIT PLAN:

At least annually, the Chief Auditor will submit to the Board of Education an internal audit plan for review and approval.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Board. The Chief Auditor 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

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deviation from the approved internal audit plan will be communicated to senior management and the Board of Education through periodic activity reports.

REPORTING AND MONITORING:

The Chief Auditor will submit each audit report with management's responses to the Board of Education and the Superintendent.

The Chief Auditor will periodically report to the Board and the Superintendent on the internal audit activity'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 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 apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Auditor will communicate to the Superintendent and the Board of Education on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every three years.

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