



SHELBY COUNTY SCHOOLS BOARD OF EDUCATION INTERNAL AUDIT CHARTER

PURPOSE

It is the policy of the Shelby County Schools (SCS) Board of Education (BOE) to provide and support an Internal Audit Division as an independent appraisal function to provide the Superintendent, BOE, Cabinet Members, School Principals, and all levels of management, with objective evaluations, appraisals, and recommendations concerning the activities formally reviewed. Internal Audit will collaborate with all levels of management and personnel to enhance the effectiveness and efficiency of all SCS operations. It is also Internal Audit's responsibility to provide the stakeholders noted above with information about the adequacy and effectiveness of the organization's system of internal control and the quality of performance.

DEFINITION OF INTERNAL AUDIT

SCS formally adopts the definition of internal audit from The International Institute of Internal Auditors as:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

MISSION OF INTERNAL AUDIT

Internal Audit's organizational mission is to assist SCS with the efficient, effective, and economical delivery high quality educational services to all students and "to enhance and protect organizational values by providing risk-based and objective assurance, advice, and insight" regarding operations, compliance, and other unspecified activities.

CODE OF ETHICS

SCS Internal Audit Division formally adopts The International Institute of Internal Auditors Code of Ethics (See attached.).

REPORTING STRUCTURE

The Internal Audit Division is established by the SCSBOE as a staff function to the Superintendent. The Chief Auditor reports functionally and administratively to the Superintendent with an informal and advisory reporting relationship to the BOE Audit Committee Chairperson.

AUTHORIZATION

The Internal Audit Charter for the Internal Audit Division of the SCS establishes written policy, guidelines, responsibility, and scope of activity within which Internal Audit is authorized to perform its duties.

Authorization is granted for full and complete access to any SCS records (either manual or electronic), physical properties, and personnel relevant to an internal review. Documents and information given to the internal auditors during a review will be handled in the same prudent manner as by those employees normally accountable for them.

Internal Audit will be afforded the opportunity to examine all contracts for services to be supplied by outside parties including construction contracts.

Internal Audit will be notified of all proposed procedures/policies or changes to existing policies and procedures for review of internal controls, when applicable.

Internal auditors have no direct responsibility or authorization over any activities or operations that they review. Internal auditors should not develop and install procedures, prepare records, or engage in activities which would normally be reviewed by Internal Audit.

Chief Auditor will ensure the Internal Audit Division complies with Government Auditing Standards (GAS) issued by the Comptroller General of the United States by developing and maintaining a quality control system.

Chief Auditor or designee will ensure the Internal Audit Division undergoes a quality control review as required by GAS.

Chief Auditor will ensure that Internal Audit staff remain competent to execute its duties.

SCOPE OF INTERNAL AUDIT ACTIVITIES

The scope of Internal Audit and its audit activities encompasses the examination and evaluation of the adequacy, efficiency, and effectiveness of SCS government's system of internal control and the quality of performance in carrying out assigned responsibilities. The scope of Internal Audit includes:

- Reviewing the reliability and integrity of financial and operating information and means used to identify, measure, classify and report such information.
- Reviewing the systems established to ensure compliance with those policies, regulations, plans, procedures, and laws that could have a significant impact on SCS operations.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

- Reviewing and appraising the economy and efficiency with which SCS government's resources are employed.
- Reviewing operations and programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Evaluating any proposed plans or actions taken to correct proposed conditions for satisfactory disposition of audit findings. If the proposed disposition is considered unsatisfactory, seeing that further discussions are held to achieve satisfactory disposition.
- Coordinating internal and external audit work to ensure adequate audit coverage and minimize duplicate efforts.
- Reviewing management letters from other audit or regulatory agencies requiring corrective action by appropriate members of management. The Chief Auditor should ensure that appropriate follow-up and corrective action have been taken within the prescribed time period.
- Providing consultation on information technology system development life cycle (which includes planning, design, development, implementation, and operations of major computer systems) to determine if:
 - (a) adequate controls are incorporated in the system's design;
 - (b) thorough system testing is performed at the appropriate stages;
 - (c) system documentation is complete and accurate;
 - (d) the needs of user organizations are met.
- Conducting periodic audits of information technology operations to determine the ongoing integrity and reliability of computer products.
- Evaluating the adequacy and effectiveness of information technology security policies, procedures, and configuration.
- Conducting special investigations in sensitive areas, such as suspicions of fraud, defalcation, or conflict-of-interest situations.
- Receiving, tracking, and investigating complaints received by the fraud, waste and abuse hotline and serve as the hotline administrator.
- Making investigative referrals to appropriate law enforcement agencies upon reasonable suspicion of any unlawful conduct by any SCS employee or official.

- Promptly reporting the results of the examinations made by the auditors and their resulting opinions and recommendations to management personnel of sufficient authority to ensure that appropriate action is taken with respect to any deficiency noted.
- Obtaining copies of all audits, monitoring visits, investigations, etc. to ensure management develops a corrective action plan to address findings and deficiencies. Monitoring corrective action plans to ensure action has been taken and report status to Chief of Staff quarterly.
- Conduct annual enterprise risk assessment and corresponding annual audit plan with mandatory priority to complete State of Tennessee mandated school compliance audit for 100 percent of SCS-operated schools.
- Upon management's written request, provide non-audit services (specialized assistance) allowable under GAS and in compliance with the conceptual framework outline in GAS.
- Submitting quarterly Internal Audit Division report to the Superintendent, BOE Audit Committee Chairperson, and Cabinet.
- Notify the Chief of Staff if:
 - 1) Any unresolved issues that were previously agreed upon by management that have not been corrected.
 - 2) Any unwarranted restrictions, interference with the auditors' duties, denial of access to employees, facilities, records, or any other activity that limits or inhibits auditors' abilities to perform duties pursuant to the Internal Audit Charter.

AUDIT APPROACH

1. Notify the Chief and/or Division Director that an audit has been scheduled and inform him/her of the timeframe in which the audit will be performed. Explain the general nature of the audit as planned and request assistance as may be required.
2. Meet with appropriate personnel to discuss further the audit objectives and requirements to develop general understanding, to provide written records, and to ascertain that the facts relating to the system or area under review are correctly understood.
3. Evaluate internal controls to determine weaknesses which may represent material exposure or which may affect operational efficiency.
4. Perform the necessary test of transactions and other detailed work to satisfy the audit requirements.

5. Meet with each appropriate supervisor and/or Division manager to review audit findings affecting his/her area to obtain feedback in response to audit findings.
6. Prepare a draft audit report which includes the objectives and scope of the audit identification and report of deficiencies (or findings) and recommendations, and an overall evaluation of the system or area reviewed.
7. Meet with the Chief and/or Division Director of the activity audited to formally discuss the contents of the draft audit report. The Chief and/or Division Director will have ten (10) business days from the meeting date to submit a written response for inclusion in the final audit report. At a minimum, the response should include any corrective action implemented or planned for each specific finding noted in the audit report. In addition, the response may include the Chief and/or Director's views on the findings and conclusions. If appropriate, a timetable for the anticipated completion of corrective actions should be included. If the Chief and/or Director chooses not to provide a written response within ten (10) days, the Chief Auditor may issue the final report without a management response.
8. Distribute concurrently the final audit report to the Superintendent, all BOE members, Chief of Staff, Division Chief and affected division management. The If a response was not included in the final audit report, the Division Chief shall respond within 30 days and forward a copy of the written response to Internal Audit. This response will, at a minimum, include any corrective action implemented or planned in regards to the specific findings and recommendations in the audit report. If appropriate, establish a timetable for the anticipated completion of specific corrective actions.
9. Conduct follow-up activity to determine the extent to which the original recommendations were implemented and whether the corrective actions resulted in the desired improvements.



Leon Pattman, CIA, CISA, CRMA, CMFO
Chief Auditor

4/18/2017

Date

APPROVAL:



Dorsey E. Hopson, II
Superintendent

4/18/2017

Date

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// PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- **Integrity**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

- **Objectivity**

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

- **Confidentiality**

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

- **Competency**

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

// RULES OF CONDUCT

1. **Integrity**

Internal Auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. **Objectivity**

Internal Auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. **Confidentiality**

Internal Auditors:

- 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. **Competency**

Internal Auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

