

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 Louisiana Community and Technical College System (LCTCS). The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. It assists the LCTCS in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

ROLE:

The internal audit activity is established by the Board of Supervisors, and its responsibilities are defined by the Audit Committee as part of their oversight function.

PROFESSIONAL STANDARDS:

The internal audit activity shall govern itself by adherence to the mandatory guidance of the Institute of Internal Auditor's International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing: the Definition of Internal Auditing, the Code of Ethics and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. These documents shall constitute the operating procedures for the activity and the measure for evaluating the effectiveness of the internal audit activity's performance. They are, by reference, made a part of this charter.

The Institute of Internal Auditors' Practice Advisories, Practice Guides and Position Papers will be adhered to as applicable. In addition, the internal audit activity will adhere to LCTCS policies and procedures and internal audit activity's Policies and Procedures Manual.

AUTHORITY:

Authority is granted for full, free, and unrestricted access to any and all of LCTCS records, physical properties, and personnel relevant to any function under review. Authority is granted to the Chief Audit Executive to allocate resources, set frequencies, select subjects, determine scopes of work and apply techniques required to accomplish audit objectives and issue reports. All employees are requested to assist the internal audit activity in fulfilling their function. The internal audit activity shall also have free and unrestricted access to the Chairman of the Board of Supervisors and the Audit Committee.

Documents and information given to the internal audit activity during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.

ORGANIZATION:

The Chief Audit Executive shall report administratively (i.e. day to day activities) to the President and functionally to the Audit Committee of The Board of Supervisors.

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.

Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined and will disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties. 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. Internal auditors will not subordinate their judgement on audit matters to others.

AUDIT SCOPE:

The scope of internal auditing encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board, the Audit Committee, senior management and others stakeholders on the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

It includes:

- Evaluating risk exposure to achievement of the organization's strategic objectives.
- Reviewing and evaluating the actions of LCTCS officers, directors, employees and contractors for compliance with LCTCS policies, procedures and applicable laws, regulations and governance standards.

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the organization is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising the economy and efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out effectively and efficiently.
- Monitoring and evaluating the effectiveness of the organization's risk management system.
- Monitoring and evaluating governance processes.
- Reviewing the quality of performance of other audit functions and the degree of coordination with internal audit.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization
- Reviewing specific operations at the request of the President, Chancellors, Audit Committee, Finance Committee or Board of Supervisors, as appropriate.

AUDIT PLANNING AND REPORTING:

The chief audit executive shall:

- Annually submit to the President and the Audit Committee, for review and approval, a summary of the proposed risk-based audit work schedule, staffing plan, and budget for the following fiscal year.
- Review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems and controls.
- Communicate to the President and Audit Committee through periodic activity reports, any significant deviation from the formally approved work schedule.
- Prepare a written report following the conclusion of each audit to be distributed as appropriate.
 - A copy of each audit report and a summarization will be forwarded to the President, the Chairman of the Audit Committee, and the appropriate Chancellor.
 - The Chief Audit Executive may include in the audit report the auditee's response and corrective action taken or to be taken in regard to the specific findings and recommendations.

- Management’s response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed.
- In cases where a response is not included within the audit report, management of the audited area should respond, in writing, within thirty days of publication to Internal Auditing and those on the distribution list.
- Be responsible for appropriate follow-up on audit findings and recommendations.
 - All significant findings will remain in an open issues file until cleared by the Chief Audit Executive or the Audit Committee.
- Confirm to the board, at least annually:
 - The organizational independence of the internal audit activity.
 - The adequacy of the purpose, authority, and responsibility granted by the Audit Charter.
 - Any scope limitations or other restrictions preventing internal audit from performing its duties.
 - The internal audit activity’s performance relative to its plan.
 - The internal audit activity’s conformance to the IIA’s Code of Ethics and Standards and any actions necessary to address conformance issues.
 - Significant risks exposures and control issues.
 - Deficiencies in resources, staffing and training that may impair internal audit’s ability to perform its duties.

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 Audit Executive will communicate to senior management and the Audit Committee on the internal audit activity’s quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified assessor or assessment team from outside LCTCS.

CHARTER OF INTERNAL AUDITING ACTIVITY

Approved this _____ day of _____.

Chair of the Board of Supervisors

Chair of the Audit Committee

Chief Audit Executive

President