

Internal Audit Charter

Objectives:

The Mississippi Department of Education (MDE) supports Internal Audit as an independent appraisal function to examine and evaluate the agency's activities as a service to management and stakeholders. The objectives of internal auditing are to assist the State Board of Education, the State Superintendent of Education and department management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, and information concerning the activities reviewed and by promoting effective control at reasonable cost.

Purpose:

The purpose of this internal audit charter is to define the mission, authority, and responsibilities of the internal audit function within the MDE.

Mission:

The mission of Internal Audit is to help MDE accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The internal audit function fulfills this purpose by engaging in independent, objective assurance and consulting activities that comply with professional auditing standards.

Nature of Internal Audit Activities:

Using a systematic and disciplined approach, the internal audit activity evaluates and contributes to the improvement of risk management, control, and governance processes within the department. The objective(s) of an audit will determine the scope of that particular audit and the extent to which any particular process is evaluated. The scope of internal auditing may include, but is not limited to, the following:

- Assessing various aspect(s) of the internal control structure. The internal control structure includes: the control environment; risk

assessment; control activities; information and communication; and monitoring.

- Reviewing the systems established to ensure compliance with policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports, and determining whether the organization is in compliance.
- Reviewing and appraising the economy and efficiency with which resources are employed, identifying opportunities to improve operating performance, and recommending solutions to problems where appropriate.
- Reviewing operations or programs to ascertain whether results are consistent with the established objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing processes to identify possible weaknesses and/or opportunities to streamline.
- Reviewing the reliability, integrity, and timeliness of financial and operating information, including performance measures, and the means used to identify, measure, classify, and report such information.
- Following up on actions to ensure adequate corrective action is taken and that it is effective.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing employees' actions to determine if in compliance with policies, standards, procedures, and applicable laws and regulations.
- Assisting with special investigations.

In addition to audits, Internal Audit may provide consultative services. The scope of such service is agreed to between the requesting Manager (State Superintendent of Education, Deputy State Superintendent of Educational Accountability, or Chief) and the Director of Internal Audit. Engagements that require more than 16 hours of audit effort will follow standards that apply to consulting engagements. Consulting engagements that require more than 80 hours of audit effort require approval by the Subcommittee.

Auditing Standards:

In the performance of audit work described above, the internal audit function of the MDE will generally comply with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of

Internal Auditors. If warranted by objectives established for specific audit engagements, compliance with standards issued by other authoritative bodies (e.g., the United States General Accounting Office, the American Institute of Certified Public Accountants or the Information System Audit and Control Association) may also be required.

In addition to complying with standards, Internal Audit will abide by the Code of Ethics issued by the Institute of Internal Auditors. The Code includes principles directed toward integrity, objectivity, confidentiality, and competency. As an audit function in state government, Internal Audit will also observe the principles of serving the public interest in discharging its duties. The public interest is defined as the collective well-being of the community of people and entities the auditor serves.

Authority:

Subject to the independence requirements contained in auditing standards, Internal Audit has the authority to audit all units and functions within the MDE. Internal Audit shall have full and complete access to all department records, physical properties, assets, and personnel. Internal Audit also has, within the authority conferred by public records law, contract terms and conditions, and any other operation of law, access to personnel, assets, and records under the administration of third parties that are also related to delivery of services paid for by funds provided by and/or through the MDE. The Director of Internal Audit also has authority to obtain the necessary assistance of personnel in other units within the MDE as well as services from outside the department. However, the Director of Internal Audit will collaborate with MDE executive leadership in scheduling the work of the Internal Audit Department to ensure the timelines are reasonable and acceptable by all involved. The Director of Internal Audit must follow established procedures to acquire services from outside the department through contract or other type of formal agreement.

Documents and information provided to Internal Audit shall be handled with stringent accountability for confidentiality and safekeeping, in conformance with applicable laws and rules.

Independence and Objectivity:

The Director of Internal Audit will report functionally to the Subcommittee and administratively to the Deputy State Superintendent of Educational Accountability. Department management will allow access of the Director

of Internal Audit to the State Superintendent of Education, Chiefs of MDE Offices, members of the State Board of Education, the Mississippi Office of the State Auditor, and internal audit offices in other state agencies.

Internal auditors shall have an impartial, unbiased attitude and avoid conflicts of interest. Internal auditors shall be free of all operational and management responsibilities that would impair their ability to make independent, objective evaluations of department operations. To ensure independence and objectivity, internal auditors shall have no immediate or recent (within two years) authority over, and no direct responsibility for, any activities reviewed. For areas in which an internal auditor has previously provided consultative services, the Director of Internal Audit will verify that a potential impairment to independence or objectivity does not exist before accepting the engagement. If prior consultative services subject to professional auditing standards were provided but determined to not impair independence or objectivity, the Director of Internal Audit will communicate such determination to the Subcommittee, and management of the unit or function being audited prior to commencing fieldwork. The Director of Internal Audit will inform the Subcommittee of any personal or external impairment to independence or objectivity once the impairment becomes known.

Roles and Responsibilities:

The Subcommittee, Internal Audit and Management each play a role in the internal audit function.

- The role of the Subcommittee is to enhance the department's risk management activities and assure the independence and quality of the internal audit function.
- The role of Internal Audit is to provide management independent advice regarding opportunities to reduce risk or improve department operations. This advice is typically based on work performed in accordance with professional auditing standards. In providing advice, Internal Audit will strive for a spirit of collaboration and communicate results in a way that encourages and supports MDE in accomplishing its vision, mission, and goals.
- Management's role is the critical evaluation of the information presented during the audit process (including the audit report), provision of timely feedback to confirm agreement with the information presented, resolve points of disagreement, and/or identify

points of unresolved disagreement, and the prompt development, submission and execution of a corrective action plan, as appropriate.

- The Deputy State Superintendent of Educational Accountability determines, on behalf of and in consultation with the State Superintendent of Education and/or the State Board of Education, as appropriate, the risk that the department is willing to bear and the propriety of proposed corrective action plans to address risks identified through the audit process.

Subcommittee – In accordance with State Board Policy 7-3-1.2, the Subcommittee is responsible for:

1. Approving the annual audit plan, which sets out the priorities of the internal audit unit for the following year.
2. Ensuring adequate budget and staffing resources are provided for internal audit operations.
3. Reviewing the internal and external audit reports. Discussing all matters with internal and external auditors that are required to be communicated to the Subcommittee under Generally Accepted Auditing Standards. Coordinating communication of significant audit-related issues with the State Board of Education and the State Superintendent of Education.
4. Approving internal audit policies that promote an effective system of internal controls. Reporting recommendations for approval of new policies and policy revisions to the State Board of Education.
5. Performing other duties related to this policy as requested by the State Board of Education.

Director of Internal Audit — The following activities are the responsibility of the Director of Internal Audit:

1. Assure that all MDE internal audits comply with auditing standards.
2. Develop procedures that govern the MDE internal audit process as supplemental guidance to auditing standards.
3. Periodically conduct risk assessments to facilitate audit planning.
4. Develop a risk-based audit plan that covers no more than two years. In developing the plan, consider the work of others, such as the

Mississippi Office of the State Auditor and federal auditors. Submit the plan to the Subcommittee for review and approval. Assist the Subcommittee in determining an appropriate level and source of audit resources necessary to execute the audit plan. Update the audit plan as new audit issues emerge.

5. Execute the approved audit plan. Establish audit objectives, determine scopes of work, and determine the audit procedures necessary to accomplish the audit objectives. Report periodically to the Subcommittee on the status and results of the audit plan, including significant issues and potential improvements.
6. Conduct appropriate follow-up and report the status of corrective action taken on audit findings reported by internal and external auditors. Advise the Deputy State Superintendent of Educational Accountability and the Subcommittee on risks related to the corrective action taken. Develop and administer a process to track the resolution of audit findings.
7. Remain available in an advisory role to operational management when they are subject to audit or review by an external party, such as federal auditors or the Mississippi Office of the State Auditor. However, operational management remains responsible for responding to any issues raised during the audit or review.
8. When specifically requested by management or at the discretion of the Director of Internal Audit, provide feedback on actions under consideration by management (for example, a proposed policy or procedure) from a risk management perspective.
9. Assist in the investigation of suspected fraudulent or inappropriate activities within the department and notify appropriate management and the Subcommittee of the results.
10. Act as contract administrator for audit services provided to MDE by private sector audit firms or by staff from other state agencies through an interagency agreement.

Although internal auditors may periodically attend and participate in various management meetings, an internal auditor should not participate in making decisions that affect the organization outside of the internal audit function. Such participation could create an appearance of impairment to independence.

Management – MDE management is responsible for:

1. Complying with applicable laws and regulations (includes identifying the requirements with which MDE must comply);
2. Establishing and maintaining effective internal control to help assure that: appropriate goals and objectives are met; resources are used efficiently, economically, and effectively; resources are safeguarded; laws and regulations are followed; and, reliable data are obtained, maintained, and fairly disclosed.
3. Developing and executing corrective action plans that address the risks raised in findings and recommendations included in audit reports.

Approved: 
School Performance and Accountability Subcommittee Chair

Date: 6-16-16