



Internal Audit Policies and Procedures

Internal Audit Charter

PURPOSE

This Internal Audit Charter defines the function, authority and responsibility of the Internal Audit Department (the Department).

MISSION

Internal Auditing's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

FUNCTION

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve the Houston Community College System's (HCCS) operations. The Department helps HCCS accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

All the Department's endeavors are to be conducted in compliance with objectives and policies of HCCS; as well as, the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (IPPF) promulgated by the Institute of Internal Auditors, Inc. as follows:

- Core Principles for the Professional Practice of Internal Auditing
- Code of Ethics
- Definition of Internal Auditing
- International Standards for the Professional Practice of Internal Auditing

Periodic internal and external quality assessments and ongoing internal monitoring will be part of a quality assurance and improvement program designed to help the internal auditing activity add value.

INDEPENDENCE AND OBJECTIVITY

To provide for the independence of the Department, its personnel report to the Chief Audit Executive ("CAE"), who reports functionally to the Audit Committee of the Board of Trustees and administratively (i.e., day-to-day operations) to the Chancellor. To establish, maintain, and assure that the Department has sufficient authority to fulfill its duties, the Board Audit Committee will:

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1. Approve and recommend the Internal Audit Department Charter and Audit Committee Charter for Board approval.
2. Periodically review the Internal Audit Charter and Audit Committee Charter to ensure it encompasses any required revisions.
3. Approve and recommend the Annual Internal Audit Work Plan for Board approval.
4. Review the audit reports, audits in progress, and future audits at regularly scheduled meetings.
5. Establish a schedule of regular meetings.
6. Establish a means of direct communication between the Chairman of the Audit Committee and the Internal Audit Director.
7. Review significant observations and management action plans to address those observations in the audit reports.
8. Monitor the status of management action plans for progress on significant observations.
9. Provide input to the Chancellor for the annual evaluation of the Internal Audit Director
10. Provide input to the Board concerning the selection of the Internal Audit Director from the three (3) candidates recommended by the Chancellor.
11. Provide input to the Board concerning approval of the Chancellor's recommendation to terminate the Internal Audit Director.

The reporting relationships of the CAE enhance departmental independence, promote comprehensive audit coverage and encourage adequate consideration of audit reports and recommendations. To maintain objectivity, the CAE and the audit staff shall have no direct authority over the activities they review. In particular, Internal Audit may not develop policies and procedures for a function they might audit or direct the actions of the personnel in the performance of that function.

Internal Audit may be asked to participate in management committees or project teams, to analyze controls built into processes, development systems, or analyze security products. Because Internal Audit is not a management decision-making function, decisions to develop, adopt and implement policies or procedures as a result of an internal audit advisory service must be made by management. The performance of these audits or reviews does not relieve management of any assigned responsibilities. The internal audit activity must be independent, and internal auditors must be objective in performing their work.

AUTHORITY

The CAE will have unrestricted access to, and communicate and interact directly with

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the Audit Committee Chair, including in private meetings without management present. The Board of Trustees authorizes the Department to:

- Have full, free, and unrestricted access to all functions, activities, properties, manual and automated information systems, personnel, and non-privileged records pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from necessary HCCS personnel, as well as, other specialized services from within or outside HCCS to complete engagements.
- Require written responses to audit observations describing corrective action that will be taken to adequately resolve the deficiencies, the responsible parties, and the expected completion dates. Deficient corrective action plans will be reported to the Board of Trustees for resolution.

RESPONSIBILITIES

In accordance with Board Policy, Internal Audit is responsible for assessing the various functions and control systems within HCCS and for advising management concerning their condition. The fulfillment of this accountability includes:

- Developing a flexible risk based annual internal audit plan with input from Senior Management and the Board of Trustees as required by IIA Standard 2010. A1 and submit the audit plan to the Audit Committee for review and the Board for approval.
- Reviewing and adjusting the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls with Audit Committee review and Board approval.
- Meeting regularly with the Board Audit Committee to provide updates by reviewing audits performed, audits in progress, future audits, and sufficiency of the Department resources.
- Conducting independent and constructive audits to review effectiveness of controls, financial records, operations, or to review departmental records, the proper recording of transactions, and compliance with applicable rules, regulations, policies, and procedures, including evaluation for potential fraud and effectiveness of fraud controls.
- Analyzing data obtained for evidence of deficiencies in controls, integrity, duplication of effort, or lack of compliance with College policies and procedures.

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- Conducting audits that examine the effectiveness of the governance, risk management, and internal control processes in promoting the achievement of strategic objectives concerning all reporting, operations, safeguarding of assets, and compliance.
- Investigating allegations of fraud, waste, abuse and other wrongdoing as appropriate and in accordance with Board Policy, and coordinating such investigations as needed with Legal Counsel or the HCCS Police.
- Evaluating the design, implementation, and effectiveness of HCCS ethics-related objectives, programs, and activities.
- Assessing whether information technology governance effectively supports HCCS strategies and objectives.
- Offering Advisory services; Internal Control or Fraud training; Control Self-Assessment (CSA) services, and other audit technique workshops as warranted.
- Coordinating audit efforts with those of external financial auditors and acting as a liaison for other external auditors.
- Coordinating efforts with other control monitoring functions within HCCS (risk management, compliance, security, legal, ethics, safety and environment, police, human resources, and information technology).
- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this *Charter* and ensure that personnel in the Department have appropriate continuing education to foster advancement of technical knowledge and skills.

CHARTER REVISIONS

Any changes to this Charter require the approval of the Board Audit Committee.

Document History

- Amended September 19, 2013
- Amended October 20, 2016
- Amended August 17, 2017
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