DEPARTMENT OF EDUCATION

Internal Audit Office

INTERNAL AUDIT CHARTER

I. Mission, Objectives and Scope of Work

The mission of the Department of Education's (DOE) Internal Audit Office (IA) is to provide independent, objective assurance[1] and consulting[2] services designed to add value and improve the DOE's operations. In addition, IA assists the DOE to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and contribute to the effectiveness of risk management, control, and governance processes.

The scope of work of the IA is to determine whether the DOE's network of risk management, control, and governance processes, as designed and represented by management, is adequate and effective; thus, functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance and stakeholder groups occurs as needed.
- Significant financial, managerial, regulatory and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, adequately protected, and are used for their intended purposes.
- Programs, plans, and objectives are achieved.
- Compliance with laws, regulations and policies are adhered to.
- Quality and continuous improvement are fostered in the DOE's control process.
- Significant legislative or regulatory issues impacting the DOE are recognized and addressed appropriately.

Opportunities for improving management control may be identified during the audits. They will be communicated to the appropriate level of management.

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[1] Assurance services involve an objective assessment of evidence for the purpose of providing an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter. Examples may include financial, performance, compliance, system security and due diligence engagements. (Source: International Standards for Professional Practice of Internal Auditing ("IIA Standards"))

[2] Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of which are also agreed upon with the client and which are intended to add value and improve an organization's operations. Examples include counsel, advice, facilitation, process design, and training. (Source: IIA Standards)

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II. Accountability

The Internal Audit Office shall be accountable to the Superintendent of Education (Superintendent) and to the Audit Committee (AC) of the Board of Education to:

- Report on the adequacy and effectiveness of the DOE's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the DOE, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Periodically provide information on the status and results of the annual Audit Plan and the sufficiency of internal audit office resources.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, external audit, etc.).

III. Structure and Independence

The IA serves the administrative offices and schools of the DOE. To ensure the independence and objectivity of the internal audit function:

- The IA is independent of all other departments within the DOE. The Internal Audit Director reports directly to the Superintendent and to the AC of the Board of Education.
- Internal auditors will perform their work by maintaining an impartial, unbiased attitude; and avoiding conflicts of interest. Any impairment to the independence or objectivity of the IA, in fact or in appearance, should be disclosed to the Superintendent and/or the AC.
- Internal audit activities will be free from interference in determining the scope of engagements, performing examinations, and communicating the results.

IV. Authority

The Internal Audit Director and staff of the IA are authorized to:

- Have unrestricted access to all functions, records (irrespective of physical form), property, and all employees of the DOE.
- Have full and free access to all members of the AC.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel within the respective departments of the DOE where they perform audits, as well as other specialized services from within or outside the DOE.

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The Internal Audit Director and staff of the IA are not authorized to:

- Perform any operational duties for the DOE.
- Initiate or approve accounting transactions external to the IA.
- Direct the activities of any DOE employee not employed by the IA. Exception: Activities as directed by the Superintendent thru the IA that have been previously approved by their supervisors.
- Assess the specific operations for which an internal auditor was previously responsible in the past twelve (12) months.

V. Responsibilities

Management is responsible for designing and implementing an adequate system of internal control and governance process. IA's responsibilities include reviewing the effectiveness of the internal control structure, identifying opportunities for process and control improvements that would mitigate risk exposures, monitoring compliance with laws, regulations, stipulations, policies and procedures, and recommending best practices throughout the DOE. The assurance and advisory activities of the IA do not in any way relieve the staff and management of DOE of the responsibility for complying with policies and procedures as well as implementing agreed upon action plans or recommendations.

In carrying out its responsibilities, the IA will:

A. Annually develop and execute a risk-based Audit Plan for the evaluation of critical processes that provide oversight and controls in the DOE. As necessary, update the Audit Plan to adapt and provide value-added assurance or consulting services to meet the evolving needs of the DOE. The Audit Plan, as well as updates, shall be submitted to the Superintendent and the AC for review and approval.
B. Coordinate audit activities with the State Department of Accounting and General Services (DAGS) Audit Division, the Office of the Auditor, and external auditors to ensure proper coverage and minimize duplication of efforts.
C. Report the results of assurance and advisory services, including corrective action plans and/or recommendations for improvement to the Superintendent and the AC, and the appropriate levels of management (e.g. Assistant Superintendents, Complex Area Superintendents (CAS), Superintendent's Directors, Complex Area Business Managers, and Principals).
D. Review and monitor that corrective action plans, recommendations for improvement, and correction of reported deficiencies, resulting from internal, external, or legislative audits, have been effectively implemented and addressed and reported in a summary report to be presented to the Audit Committee on a quarterly basis.
E. Conduct periodic internal audits of the non-appropriated local school funds/student activity funds.
F. Conduct special audits or reviews requested by the Superintendent and the AC, subject to the approval from the Superintendent and the AC.

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G. Administer the DOE's Fraud & Ethics Hotline.
H. Conduct fiscal reviews of allegations concerning DOE fund or asset misappropriation/misuse as requested by the CAS, Principals, Superintendent and the AC, subject to approval from the Superintendent/AC.
I. Examine the effectiveness of all levels of management in their stewardship of the DOE resources and their compliance with policies and procedures as well as laws and regulations.
J. Attend AC meetings and Superintendent's leadership meetings, at the Internal Audit Director's discretion to stay informed of all operational changes within the DOE as to provide input, where internal control considerations are involved.
K. Determine necessary staffing requirements for the internal audit office and external resource requirements, where applicable.
L. Ensure audit staff possesses adequate and sufficient technical competence and experience necessary to meet the requirements of this Charter through professional training programs.
M. Develop and maintain a Quality Assurance and Improvement Program that includes internal and external assessments in accordance with the Institute of Internal Auditors' International (IIA) Standards.

In carrying out its responsibilities, the management will:

- Provide IA with full support and cooperation at all levels of operations and complete access to all records, property, and personnel relative to the performance of their duties and responsibilities.
- Respond to corrective action plans, recommendations for improvement, and correction of reported deficiencies resulting from internal, external, and legislative audits.
- Promptly inform the IA of known or suspected cases of misuse of DOE resources or authority (e.g. tampering, fraud, theft, etc.).

VI. Standards of Practice

The IA will meet and conform to the *International Standards for the Professional Practice of Internal Auditing* (IIA Standards) and Code of Ethics.

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VII. Primary Clients

- Office of the Superintendent
- Audit Committee of the Board of Education
- Executive Management
  - Assistant Superintendents
  - Complex Area Superintendents
  - Principals
- Public Schools

	Audit Committee	Full Board
Lance A. Mizumoto, Audit Committee Chair	APR 5 2016 Date	APR 5 2016 Date
Kathryn S. Matayoshi, Superintendent of Education	MAR 10 2016 Date	
Denise Yoshida, Internal Audit Director	3/8/16 Date	