



OFFICE OF

Internal Audit

INTRODUCTION:

This Internal Audit Charter defines the function, authority and responsibility of the Office of Internal Audit at Collin College (hereafter referred to as the college).

PURPOSE AND MISSION:

The purpose of the Office of Internal Audit at the college is to provide independent, objective assurance and consulting services designed to add value and improve the college's operations. The mission of the Office of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The Office of Internal Audit helps the college accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and internal control processes.

ROLE:

The internal audit function is established by the Board of Trustees (hereafter referred to as the Board) of the college. The internal audit function's responsibilities are defined by the Board and the Finance and Audit Committee as part of their oversight role.

NOTE: References within this Charter to communications with the Board are communications that are directed through the Board's Finance and Audit Committee.

PROFESSIONALISM:

The internal audit function will govern itself by adherence to The Institute of Internal Auditors' Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal auditor(s)' performance.

In addition, the Director of Internal Audit will adhere to relevant Collin College policies and procedures and standard audit operating procedures.

AUTHORITY AND ORGANIZATION:

The Director of Internal Audit reports functionally to the Board through the Finance and Audit Committee and administratively (i.e., day-to-day operations) to the District President.

To establish, maintain, and assure that the Office of Internal Audit has sufficient authority to fulfill its duties, the Board through the Finance and Audit Committee will:

- Approve the Internal Audit Charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit budget and resource plan.
- Receive periodic communications from the Director of Internal Audit with updates regarding performance relative to the audit plan and other matters.
- Approve decisions regarding the appointment and removal of the Director of Internal Audit.
- Approve the remuneration of the Director of Internal Audit.
- Review the effectiveness of the Office of Internal Audit.
- Make appropriate inquiries of management and the Director of Internal Audit to determine whether there is inappropriate scope or resource limitations.

To the extent permitted by the Texas Open Meetings Act, the Director of Internal Audit will have unrestricted access to, and communicate and interact directly with the Board including private meetings without management present.

With strict accountability for confidentiality and safeguarding records, the Board authorizes the Office of Internal Audit to:

- Have full, free, and unrestricted access to all functions, records, property and personnel pertinent to carrying out any engagement or to stay informed of the state of operations at the college and college affiliated foundation(s).
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply techniques required to accomplish audit objectives.
- Obtain assistance from all employees and consultants of the college and its affiliated foundation(s) as well as other specialized services from within or outside the college, as needed.

INDEPENDENCE AND OBJECTIVITY:

The internal audit function will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective

mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

Internal auditors will make a balanced assessment of all the relevant facts and circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Director of Internal Audit will disclose any impairment of independence or objectivity, in fact or appearance, to the Board* any interference and related implications in determining the scope of internal audit, in performing work, and/or communicating results.

The Director of Internal Audit will confirm to the Board *, at least annually, the organizational independence of the internal audit function and its staff members.

RESPONSIBILITY:

The scope of internal audit activities encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, compliance, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Developing and executing a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by senior management, and submitting that plan to the college's Board* for review and approval.
- Communicating to the District President and the Board* the impact of resource limitations on the internal audit plan.
- Maintaining a professional audit staff with sufficient knowledge, skills, abilities, experience, and technical competence and ensure departmental staff receive adequate continuing education and are involved in professional activities to foster advancement of technical knowledge and skills.

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- Evaluating the adequacy and effectiveness of the college's system of internal controls, policies and procedures and systems in place to safeguard college assets, including verifying the existence of such assets.
- Evaluating the risk exposure relating to achievement of the college's master plan priorities and strategic plan goals.
- Evaluating the reliability and integrity of information, and the efficient and effective use of resources.
- Evaluating the systems established to ensure compliance with applicable policies, plans, procedures, laws, and regulations that could have a significant impact on the college.
- Evaluating operations or programs to ascertain whether results are consistent with established goals and objectives and whether the operations or programs are being carried out as planned.
- Coordinating efforts with those of external auditors and consultants and serving as a liaison for external auditors.
- Considering the scope of work of external auditors and regulatory agencies, as appropriate, to provide optimal audit coverage to the college at a reasonable overall cost.
- Reporting risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board's Finance and Audit Committee or management, as appropriate.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization. Such services include management requests, participation on institutional committees, financial analysis, and participation on implementation teams for information technology projects and business process improvements.
- Conducting Investigations related to allegations of fraud, waste, abuse and other wrongdoing as appropriate and in accordance with applicable college policy, and coordinating such investigations as needed with General Counsel or the college Police.

REPORTING AND MONITORING :

A written report will be prepared and issued by the Director of Internal Audit following the conclusion of each internal audit engagement and will be distributed to appropriate administrators and will also be communicated to the Board.

The internal audit report will include management's response and corrective actions taken (or to be taken) in regard to the specific audit results and recommendations,



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including a timetable for anticipated completion of action(s) to be taken and an explanation for any corrective actions that will not be implemented. The Director of Internal Audit is responsible for appropriate follow-up on engagement audit results and recommendations. Management responses must be provided within two weeks from the date the draft audit report was provided.

The Director of Internal Audit will periodically report to senior management and the Board* on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management or the Board*.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:

The internal audit function 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 department'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 Director of Internal Audit will communicate to senior management and the Board* on the internal audit department's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

Approved this 23th day of July, 2020

Director of Internal Audit

District President

Chairman, Finance and Audit Committee

Chairman, Board of Trustees