



DIVISION: BOARD

Policy #: GOV - 110

POLICY NAME

INTERNAL AUDIT

POLICY STATEMENT

The Newfoundland and Labrador English School District (“NLESD”) has established an Internal Audit Division to conduct independent reviews and appraisals of the NLESD’s various operations and systems of control. The reviews help to ensure that NLESD’s resources are used efficiently and effectively towards helping the NLESD achieve its mission and strategic goals, as directed by the Board. Internal Audit is intended to provide objective assurance and consulting services designed to add value and improve the organization’s operations. It will accomplish this by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, internal control, and governance processes.

BACKGROUND

The NLESD supports an internal audit function as one means of providing management and the Board with information to:

- achieve the Board’s mission and strategic goals;
 - meet their responsibilities for oversight and stewardship responsibilities;
 - foster improvement in operational efficiency and effectiveness;
 - safeguard assets;
 - comply with policies, procedures, laws and regulations; and
 - ensure accuracy of financial reporting.
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SCOPE

This policy shall apply to all operations of the NLESD including all divisions, departments, programs, functions, schools and other entities under the control of the Board.

The scope of internal auditing encompasses the examination and evaluation of:

- compliance with policy, procedures, laws, regulations and other authorities;
 - the system of internal controls;
 - the NLESD’s risk management processes;
 - specific operations, programs or entities; and
 - other special projects and consulting services as requested.
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DEFINITIONS

For the purposes of this policy the following definitions are provided:

Board

NLESD Board of Trustees and/or committees of the Board of Trustees.

Internal Control

Action taken to manage risk and increase the likelihood that goals will be achieved in an effective and efficient manner. Controls play an important role in detecting any errors and fraudulent activity while also protecting resources.

Fraudulent Activity

A deliberate or unlawful deception, misrepresentation or concealment of facts to secure advantage, benefit or gain (including benefit to NLESD) and/or to cause loss to another.

Management

The Director of Education, Associate and Assistant Directors of Education, Divisional Directors, School Principals, and any other position having divisional responsibility.

POLICY DIRECTIVES

1. General

- 1.1 This policy should be read in conjunction with the Internal Audit Activity Charter (Charter) which establishes the purpose, authority, and responsibility of the Internal Audit division.
- 1.2 Internal Audit administratively reports to the Assistant Director of Education (Finance and Business Administration) and reports functionally to the Board.
- 1.3 Internal Audit shall report at least annually to the Finance and Operations Committee of the Board on the work of the department and on whether, in carrying on the work of the department, all information and explanations were received as required. Such reporting shall include any findings considered to be of significance that should be brought to the attention of the Board, together with related management responses.

2. Roles and Responsibilities

- 2.1 The **Board** for NLESD must adhere to its duties as outlined in the *Schools Act, 1997* and the developed By-Laws. In order to fulfill the statutory and stewardship roles the Board must ensure appropriate controls are in place to achieve NLESD's objectives and strategic goals.

The Board is responsible to approve the annual Internal Audit work plan, receive executive summaries presented by the Internal Audit Division and ensure available for direct communication with the Internal Audit division as required.

- 2.2 The **CEO/Director of Education and Associate and Assistant Directors of Education** of NLESD are responsible to demonstrate a commitment to a control environment where risks are monitored and managed.

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The executive team is responsible to receive and review reports from the Internal Audit Division and ensure that audit findings are addressed as applicable.

- 2.3 The **Divisional Directors, School Principals and others with overall Divisional responsibilities** of NLESD are responsible for:
- a) ensuring cooperation is extended to the Internal Audit Division with full, free, and unrestricted access provided as required;
 - b) ensuring any required responses and updates to the Internal Audit division are submitted in a timely manner;
 - c) developing and overseeing action plans for implementing recommendations made by the Internal Audit division; and
 - d) reporting to the Internal Audit Division any areas of concern, findings, or results of any other reviews completed that are deemed significant as appropriate.
- 2.4 The **employees** of NLESD must cooperate with the Internal Audit Division by providing access to all records and members of NLESD as requested and in accordance with the mandate and objectives of the audit.
- 2.5 The **Internal Audit Division** is responsible for internal audit for all NLESD. The Division is to assist the Board in meeting its strategic goals and objectives in an effective manner as described in the Charter.

3. Authority

- 3.1 In accordance with the Charter, the Internal Audit Division is authorized to:
- a) with stringent regard for safekeeping and confidentiality, have full, free, and unrestricted access to all functions, NLESD records (both paper and electronic format), property, systems, physical assets and personnel necessary to accomplish the stated purpose. This access includes records maintained by schools, regional offices, charities, and any other NLESD entity or sub-entity;
 - b) complete an audit plan which determines the frequencies, subjects, scopes and techniques required to accomplish audit objectives;
 - c) determine the contents of Internal Audit reports or investigations summarizing the results of their work; and
 - d) conduct investigations of possible fraudulent activity and other specialized engagements as required.
- 3.2 Unless authorized by the Board, the Internal Audit Division is not authorized to:
- a) perform any operational duties for NLESD;
 - b) initiate or approve any accounting transactions external to the Internal Audit Division; and
 - c) evaluate the content and quality of teaching or curriculum materials.

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4. Independence

- 4.1 While Internal Audit is an integral component of the NLESD and operates in accordance with policies established by the Board and administered by NLESD Management, independence is essential and will be protected.
- 4.2 All Internal Audit functional activities will remain free of inappropriate and undue influence including matters of audit selection, scope, procedures, frequency, timing and report content.
- 4.3 Internal Audit has direct access to the Finance and Operations Committee of the Board.
- 4.4 Internal Audit will consult and coordinate efforts with independent or external auditors as well as with any examinations performed by government authorities to ensure proper coverage and avoid duplication of effort.
- 4.5 In order to maintain independence and objectivity, the Internal Audit function will have no direct responsibility or any authority over the activities or operations that are subject to review, nor should Internal Audit develop and install procedures, prepare records, or engage in activities that would normally be subject to review.
 - a) Internal Audit may be consulted when new systems or procedures are designed to ensure they adequately address internal controls.

5. Planning

Internal Audit will prepare an annual audit plan, using an appropriate risk-based methodology including any risks or control concerns identified by Management that is reviewed and approved by the Board.

6. Frauds, Errors and irregularities

- 6.1 Fraudulent activity by any employee is strictly prohibited.
- 6.2 Internal Audit shall be notified in all cases where the discovery of circumstances suggests a reasonable possibility that funds and/or physical assets have or are thought to have been misappropriated.
- 6.3 The NLESD Management is responsible for establishing and maintaining controls to discourage fraudulent activity. Internal Audit is responsible for examining and evaluating the adequacy and effectiveness of those controls. Internal Audit cannot be solely responsible for the detection and prevention of all errors and irregularities that may occur and audit procedures alone are not designed to guarantee the detection of fraud.

7. Standards of Professional Practice

Internal Audit will conduct activities in accordance with the Standards for the Professional Practice of Internal Auditing and Code of Ethics of the Institute of Internal Auditors as well as other professional auditing standards that may be deemed applicable.

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8. Confidentiality

All information obtained during an internal audit is deemed confidential unless otherwise instructed. Internal Audit will handle all information obtained during a review in a prudent manner. Internal Audit will not disclose information without appropriate authority unless there is a legal or professional obligation to do. All audit working papers and draft audit reports may not be released or reproduced by anyone without the express permission of Internal Audit.

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