



Internal Audit Charter - Draft

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(Agenda Item 11)

Texas Municipal Retirement System

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What is an Internal Audit Charter?

Mutual agreement among the Board, senior management, and the chief audit executive on:

- The internal audit activity's position within the organization
- The scope or range of internal audit activities
- Access to records, personnel, and physical properties relevant to the performance of engagements

How was the Charter developed?

- 1 Board and Senior Management input on Internal Audit's role
- 2 Legal and professional guidance
- 3 Benchmarks against other charters

International Professional Practices Framework



Mission *“To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.”* **NEW**

10 Core Principles **NEW**

Mandatory Guidance

Definition • Standards • Code of Ethics • Core Principles

Recommended Guidance

Implementation and Supplemental Guidance

What is Internal Audit's position within TMRS?

The Director will have free, unrestricted access to the Board, Audit Committee, and Executive Director

The Director of Internal Audit reports:

- Functionally to Board's Internal Audit Committee
 - Jim Jeffers, Chair
 - Julie Oakley, Vice-chair
- Administratively to the Executive Director

Who determines the range of activities Internal Audit provides?

The Board's Internal Audit Committee defines Internal Audit's responsibilities

The Board approves the Internal Audit Plan

Internal Audit can provide a wide range of services

- Audits
- Advice and Insight
- Investigations

What access does Internal Audit have and what are the limits on responsibilities?

Internal Audit will:

- Have unrestricted access to personnel, data, and property relevant to performance of engagements
- Have access to contractors and records/files
- Obtain timely reports from management
- Be prudent with information acquired

Internal Audit will not perform operational duties or direct activities of TMRS employees unless assigned to Internal Audit.

Board Responsibilities

Board approves:

- Internal Audit Charter and amendments
- Chief audit executive appointment/dismissal, performance appraisal, and compensation adjustments
- Internal Audit Plan
- Internal Audit staffing and resource needs

Internal Audit Committee Responsibilities

Committee reviews items that require Board approval

Additional responsibilities:

- Monitor Internal Audit work plan, including ongoing engagements
- Review draft internal audit reports
- Assign investigations of suspected fraud, waste, and abuse within TMRS and monitor results

Management Responsibilities

- Implementing and maintaining a system of risk management and control
- Cooperating with internal audit staff
- Reviewing draft internal audit reports and providing timely written management responses
- Notifying the Director of contacts with external reviewers, auditors, and inspectors
- Coordinating with internal audit to respond to external audit reports
- Providing status updates to Director on prior audits

Internal Audit Responsibilities

- Establishing an Internal Audit Charter for Board review and periodically reviewing for updates
- Establishing Internal Audit policies and procedures
- Establishing a Quality Assurance Improvement Program and communicating results to Board
- Preparing annual department budget
- Conducting annual risk assessment
- Submitting an annual Internal Audit Plan
- Maintaining competent staff (if applicable)

Internal Audit Responsibilities (continued)

- Conducting engagements in plan and communicating substantial changes to Board
- Preparing written reports
- Monitoring disposition of results from prior audits
- Providing updates on activities to Board and Executive Director
- Performing investigations as requested
- Supporting TMRS staff with external audits

Next Steps

Board reviews draft charter and provides feedback

Charter will be presented at future Board meeting for potential action