

Richmond City Schools
School Board Audit Services
Guidelines, Protocols and Processes

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Preface

This reference is the documentation by which the Richmond City School Board Audit Services department provides guidance to its staff to perform their functions correctly, effectively and efficiently. It documents the approved guidelines, protocols, and processes for performing Richmond City School Board Audit Services.

This is not intended to be an exhaustive litany of steps, procedures and protocols. An experienced auditor is expected to know the nuances of the engagement process and an inexperienced auditor is expected make inquires to obtain a thorough understanding of the engagement process

The guidelines, protocols and processes outlined herein will be updated as material changes in engagement processes and procedures occur. Therefore, this reference does not need to be updated on a yearly basis, only as material process and procedures change within the Richmond City School Board Audit Services department or within the Institute of Internal Auditors Professional Practices Framework. School Board Audit Services will make every effort to update this guideline on a yearly basis, however, it is not required, only when material changes in have occurred.

These guidelines will be reviewed as part of the external five-year quality assurance review and any updates, edits or changes will take place at that interval.

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01.0 Overview

Definition of Auditing

Auditing is an on-site verification activity, such as inspection or examination, of a process or quality system, to ensure compliance to requirements. An audit can apply to an entire organization, or it might be specific to a function, process, or production step. There are Financial, Operational, Compliance, IT and Performance audits.

Internal versus External Audit

Internal audit is one of the areas of an organization that ensures independent review and unbiased analysis of internal processes, systems and procedures with the goal to add value and improve organization.

In contrast, External Audit is a verification of the company's financial statements conducted by independent or external auditors to certify said statements to ensure the credibility of such financial data for various external stakeholders.

Both functions come together under a sub-committee of the board called the Audit Committee.

These functions, External and Internal Audit are responsible to the Audit Committee, the Audit Committee is in turn responsible to the Richmond City School Board.

Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It accomplishes this by bringing a systematic, disciplined approach to evaluate and enhance the effectiveness, efficiency and economics of the risk management, control, and governance processes.

It is paramount that Internal Audit not only "add value" but be perceived as "adding value".

Mission Statement

To enhance and protect Richmond City School's value by providing stakeholders with risk-based, independent, objective, and reliable, assurance, advice, and insight.

Vision

To be viewed as a value added and integral part of the Richmond City School system in protecting, assisting, and enhancing the organization.

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Values

Integrity. Objectivity. Confidentiality. Competence.

Our work is conducted and managed in accordance with The Institute of Internal Auditors' (IIA's) International Standards for the Professional Practice of Internal Auditors, which include the core principles for the professional practice of internal auditing, the definition of internal auditing, Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards).

To fully comply with the Standards, School Board Audit Services conduct a quality assurance and improvement program that includes both internal and external assessments no less than every five years, start date 01 January 2024 to ensure our Value proposition.

The School Board Audit Services office reports both functionally and administratively to the Richmond City School Board.

Objective

To enhance and protect the Richmond City School system. We will achieve our objective by providing independent auditing, advisory, and investigative services to assist management in balancing operational efficiency with risk identification, assessment, and control.

To help the Richmond City Schools accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness, efficiency and economics of risk management, control, and governance processes. To partner, collaborate, and work in unison with management to enhance assurance and accountability at all levels of the Richmond City School community.

Scope

Our scope of work is all those academic, non-academic, operational, and non-operational areas under the direction and control of the Richmond City School Board.

The Institute of Internal Auditors

It is the intent of the Richmond City School Board that the internal audit function be conducted in a manner consistent with the pronouncements and standards of the Institute of Internal Auditors. The Richmond City School Board Audit Services department will act and perform their work in accordance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing and abide by both the Richmond City Schools Code of Ethics and the Institute of Internal Auditors Code of Ethics.

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The current International Standards for the Professional Practice of Internal Auditing and the Code of Ethics can be found on the Institute of Internal Auditors Webpage.

The link as of this writing: <https://www.theiia.org/>

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02.0 Operating Areas

Internal Audit Charter

The School Board Audit Services department will be guided by the principles and philosophies found within the Internal Audit Charter. The charter identifies the purpose, authority, and responsibility of Internal Audit Services. Whereas this document provides more operational guidance. The Internal Audit Charter will be updated as needed and affirmed by the Audit Committee on a yearly basis.

Internal Auditing

Internal Auditors shall assess the various functions and control systems throughout all areas of the Richmond City School system. This includes, but not limited to academic, non-academic, operational, non-operational, systems, functions, processes, procedures, etc . . . Accordingly, the School board Audit Services department will advise the Superintendent, the Audit Committee and the School Board of any material issues which may impact the Richmond City School system. The Internal Audit Charter further identifies the purpose, scope, authority, and responsibility of the School Board Audit Services department.

School Board Audit Services personnel report to the Chief Audit Executive, who reports functionally and administratively to the Audit Committee Chair of the Richmond City School Board. The Audit Committee is responsible the Richmond City School Board.

An internal audit offers risk management and evaluates the effectiveness of many different aspects of the organization. The department does so by offering various type of Internal Audits. Those types are Financial, Operational, Compliance, Performance, and, IT engagements. As well as investigations regarding fraud, waste and abuse and any ad hoc audit requested.

Those engagement types are defined as follows;

- a) Financial/Controls Audits
Addresses questions of accounting, recording, and reporting of financial transactions, as well as reviewing the adequacy of internal controls.
- b) Operational Audits
Examine the use of department resources to evaluate whether those resources are utilized in the most efficient and effective way to fulfill the department's mission and objectives. An operational audit may include elements of a compliance audit, a financial audit, and an information systems audit.
- c) Compliance Audits

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Determine if departments adhere to federal, state, and city rules, regulations, policies, and procedures.

d) Performance Audit

A performance audit is an independent assessment of an entity's operations to determine if specific programs or functions are working as intended to achieve stated goals.

e) Information Technology (IT) Audits

Address the internal control environment of automated information processing systems and how these systems are used. IT Audits typically evaluate system input, output and processing controls, backup and recovery plans, and system security, as well as computer facility reviews. IT audits may focus on not only assessing existing systems, but performing real-time system assessments on system upgrades or implementations.

f) Special Investigations

Performed when appropriate. These audit activities focus on alleged violations of federal and state laws and of university policies and regulations. Internal theft, misuse of university assets, hotline allegations, and conflicts of interest are examples of investigative audits.

Fraud, Waste and Abuse Alerts

The following are operational guidelines regarding Fraud, Waste and Abuse Alerts:

- a) The School Board Audit Services department shall conduct full and complete investigations of all alleged illegal, fraudulent or wrongful acts and shall establish procedures for the conduct of such investigations. The School Board Audit Service department shall advise the Superintendent when it requires the cooperation and/or resources of other departments to complete its investigations and shall secure such cooperation and/or resources through the Superintendent. Reports of all investigations shall be made to the Audit Committee, the Superintendent and the School Board.

The Richmond City School Board mandates that any employee who suspects that an illegal, fraudulent or wrongful act has been committed shall immediately notify his immediate supervisor or the School Board Audit Services department or file a complaint via the Fraud/Waste/Abuse Hot Line or Email account.

- b) The School Board Audit Services department shall establish and maintain a fraud, waste and abuse alert system for individuals to report fraud, waste and abuse of Richmond Public Schools resources. The School Board Audit Services department shall maintain an informative log of issues reported and resolved. All investigative activity resulting from the use of the hotline and from the email account shall be reported to the Audit Committee, the Superintendent and the Richmond City School Board.

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Fraud, Waste and Abuse Hotline Procedures

Fraud, Waste and Abuse shall be defined as below.

a) Fraud:

“Fraud” is any activity that relies on deception in order to achieve a gain. Fraud becomes a crime when it is a “knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment” (Black’s Law Dictionary). If you act in a manner in order to deprive a person or organization of their money or property, you’re committing fraud.

b) Waste:

“Waste” is defined as the thoughtless or careless expenditure, mismanagement, or abuse of resources to the detriment (or potential detriment) of the U.S. government. Waste also includes incurring unnecessary costs resulting from inefficient or ineffective practices, systems, or controls.

c) Abuse:

“Abuse” is defined as excessive or improper use of a thing, or to use something in a manner contrary to the natural or legal rules for its use. Abuse can occur in financial or non-financial settings.

School Board Audit Services will triage alerts based on the above definitions. Alerts not falling into any of these categories will be forwarded to an appropriate department if warranted. Should insufficient information be provided, the alert will be summarily closed without further action. If there is sufficient information provided the alert will be moved forward an appropriate manner.

Internal Audit will record the information received from the caller on an Investigation/Compliant Report form or a log. The complainant will be advised that their complainant has been received and will be appropriately acted upon.

School Board Audit Services will manage each alert timely, appropriately, and every effort will be made to resolve the Alert.

The following information, as best as possible, should be obtained:

- a) Assign the alert a reference number (fiscal year & sequential number). Example, the first call for 1996 would be 9601.
- b) Obtain the complainant’s name (optional), record the time and date of call.
- c) Listen to the complainant describe the situation, take notes, ask questions.
- d) Repeat, confirm with the complainant material information offered.

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- e) Check to ensure the information reported was not previously reported.
- f) Ask the complainant if the information has been previously reported and investigated by another individual, department or agency.
- g) When discussing the situation with the complainant try to get the following information:
 - **Name?** Individual, department, agency or company name
 - **Who?** Ask caller the person involved full name, job title, work location and supervisor
 - **What?** Describe what has happen
 - **When?** Describe when the situation occurred
 - **Where?** Describe where the situation occurred
 - **Number?** How often did this occur
 - **Amount?** The dollar amount of the transaction
 - **Documentation?** Ask for any and all documentation to support the allegation
 - **Description?** Get a description of the person, place or thing involved
 - **How?** How does the complainant know about this situation? Do others also know about this?
 - **Prior Investigations?** Has this situation been reported to others? If so what was the outcome?
 - **Evidence?** If the complainant has evidence such as picture, etc.
 - **Review?** Look at your notes before hanging up to ensure that you have covered all questions
- Alerts are to be fully researched and resolved in no more that 15 to 20 business days. Exceptions can be requested and approved by the Chief Executive Auditor.
- h) Requests for information are subject to the Freedom of Information Act guidelines and will be managed collaboratively with the Clerk of the Richmond City School Board.
- i) All incoming information from a caller will be considered confidential unless advised to the contrary by an appropriate authority.
- j) Alert cases will only be discussed with those who have a “need to know” as determined by the Chief Audit Executive.

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Alert Management

The School Board Audit Services group will manage and resolve all alerts pertaining to Fraud, Waste and Abuse as defined above. Alerts not pertaining to those defined areas will be forwarded to an appropriate authority. Alerts filed that lack sufficient actionable information will be closed upon receipt.

Should an Alert be forwarded, School Board Audit Services department will obtain acknowledgement of receipt of the alert. Alerts must be referred directly to a named responsible person.

Examples of Alert Disposition.

- a) If the complainant's concern involves a personnel matter (e.g. discrimination, bias, job hiring or promotion) refer them to the Human Resources Department.
- b) If the complainant's concern involves a complaint about a teacher, principal etc., in a particular school, refer them to the Assistant Superintendent of Secondary or Elementary Education.
- c) If the complainant's concern involves a complaint from a student and/or a parent about a particular problem in a school, refer them to the Executive Assistant to the Superintendent.
- d) If the complainant's concern involves a Richmond Public School employee's fraudulent workers compensation claim, School Board Audit Services will manage the alert. If the complainant's concern involves their own worker's compensation claim, they should be referred to the Department of Finance (804) 780-7820 or the Virginia Worker's Compensation Commission (804) 367-8600
- e) If the complainant's concerns do not pertain to any type of Richmond Public Schools business, but involves a criminal matter refer the complainant to the appropriate authority.
- f) If the complainant's concerns do pertain to Richmond Public Schools and involves a criminal matter refer the caller to the Chief of Safety and Security.

Alert - Logging and Reporting

Alerts received are to be tracked, investigated and brought to a final resolution. The below form can be used or Alerts can be tracked via an Excel based log.

At year end Alerts are to be summarized and reported to the Audit Committee and Senior Management.

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The Alert line voice mail will always be activated. Voice mail messages and emailed alerts will be logged and treated as previously noted.

This Alert Investigation form can be completed as well. The previously mentioned log is the primary recording document.

INVESTIGATION/COMPLAINT REPORT FORM

Date_____Time_____

School/Department_____

Case Number_____

Description of Complaint_____

Information about the person involved:

Name	Job Title
Job Location	Supervisor's Name

Additional Information

When did the incident occur?

Where did the incident occur?

How often did this occur?

Do you know the dollar value of the transaction?

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Do you have any type of documentation?

Do you have a description of the person, place or thing?

How do you know about this situation?

Do others also know about this?

Has the situation been reported to others?

If so what was the outcome?

Will the call be handled by Internal Audit? _____Yes _____No

If no, the call was forwarded to?

Auditor/Investigator:

(Print Name) _____ ("E" Signature) /s/ _____

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03.0 Operating Practices

Relations with Management

While maintaining its Independence and Objectivity School Board Audit Services work will be conducted in a highly professional, polished and constructive manner. School Board Audit Services will collaborate and be sensitive to management needs, wants and expectations.

The assistance of division personnel will be solicited in the planning and performance of an assignment. A spirit of participative teamwork between the auditor and those audited will be adhered to. This attitude shall not alter the act that internal auditing personnel will have full and unfettered access to all records, personnel, properties, and any other sources of information needed in the performance of an approved engagement. When necessary, special arrangements will be made for the examination of confidential or classified information. School Board Audit Services will only work on engagements that have been assigned and approved by the Richmond City School Board.

The Lead Auditor, prior to the start of each engagement, will advise the appropriate management of the engagement and follow the engagement administration and protocols later defined in this document.

Reports for Management and the Audit Committee

The Chief Audit Executive will prepare periodic status reports which will be distributed to members of the Audit Committee and Management summarizing the results of engagement activities.

The reports to be prepared may, not mandated, may include the following:

- a. ANNUAL AUDIT PLANS
Department goals and objectives.
Summary of annual audit program.
- b. AUDIT COVERAGE
Status of accomplishment of goals and objectives.
Status of progress toward completing audit program.
Summary of audits completed.
Audits in progress.
Summary of results of significant audits.
Summary of significant deficiencies disclosed.
Special requests by management.
- c. ANNUAL BUDGET
Cost of audits.

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Summary of internal and external audit costs.

- d. AUDIT PERSONNEL
 - Audit department staffing.
 - Training and development activities

Review, Acknowledgment and Response to Internal Reports

It is an objective of School Board Audit Services to reach agreement with affected personnel concerning the correctness of the facts surrounding engagement findings prior to distribution of the final report. It is the rare exception that unagreed to findings be included in the Final report. On every occasion School Board Audit Services will work with customers to seek the best solution to deficiencies noted during an engagement. Contentious issues can be escalated by either party to an appropriate authority.

School Board Audit Services will not accept or recognize decisions from management delegates or those not qualified as a meaningful, authoritative decision maker as determined by the Chief Audit Executive.

After the Chief Audit Executive is satisfied that the audit report is appropriate for the circumstances, final distribution of the report is made. Copies of the report are issued to the appropriate levels of management. The final audit report is posted on Internal Audit Services website.

Responses (action taken or planned and the estimated date of implementation) to recommendations are to be included in the final report. The auditor and the Chief Audit Executive will work with Senior Management and sincerely strive for a mutually agreeable response to audit findings. It would be the rare exception, not the norm, that mutually aggregable responses not be reached.

The Chief Audit Executive is ultimately responsible for evaluating management responses. School Board Audit Services will work with the auditee to resolve any inadequate response. School Board Audit Services Audit will advise both the Audit Committee and the School Board of ineffective and or inefficient management action plans. Final resolution would then rest with the Audit Committee Chair and or the Richmond City School Board Chair. They follow their own protocols for decision making.

Relations with External Auditors

The Audit Committee of the School Board oversees the work of the external auditors. The Director of Budget and Financial Reporting is the primary management official responsible for coordinating the external audit relationship. An attitude of cooperation and collaboration best describes the relationship of School Board Audit Services with all external auditors, regulators, consultants, etc .

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Coordination of engagement activities with the external assessors principally involves checking and working with each other to insure: (1) maximum audit coverage is obtained (2) there is an exchange of information, and (3) a minimum duplication of effort and expense on routine phases of audit work.

Ongoing, direct communication between the Chief Audit Executive and external assessors is maintained to foster coordination of engagement work.

School Board Audit Services work product sharing is subject to the Richmond City School Board's authorization. Internal or external work product sharing is carefully performed to ensure proper safeguarding, confidentiality and interpretation of engagement results. Supplemental discussion is conducted as needed. The Chief Audit Executive receives copies of all external audit management letters which are subsequently used for use in developing the Annual Audit Plan and Risk Analysis.

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04.0 Staffing and Personnel Protocols

Professional Certification, Organizations, and Meetings

Professional development through certification, membership, and participation in professional organizations is encouraged. School Board Audit Services funds are available and budgeted to support this activity. Funds will be budgeted for membership in professional organizations and attending staff development seminars.

To increase the professionalism and credibility of the audit staff, the School Board Audit Services promotes and encourages auditor participation in the following professional certifications: CIA, CGAP, CPA, CISA, and CFE. The department will allow staff members time to study and sit for any of the certification examinations.

Performance Appraisals

It is beneficial to both management and staff to evaluate performance on a continuing basis or as needed and required. The School Board Audit Services department will follow performance evaluation practices as outlined by Human Resources.

Staff Rotation Operational Guideline

School Board Audit Services will have an effective program to rotate staff between all types of engagements performed by the Department. This guideline covers all Staff levels. The Chief Audit Executive is responsible for ensuring and monitoring the adequacy of staff rotation within the Department. The objective is to provide adequate diversity of assignments and cross-training to minimize any effect of turnover within the Department. It also provides the opportunity for senior auditors to supervise staff on a variety of projects.

Job Descriptions

The Chief Audit Executive will maintain on file in Human Resources current job descriptions for an Auditor I, II and III, an Audit Manager, an Audit Director and a Chief Audit Executive.

Job descriptions are to be reviewed and reaffirmed no less than every five years, in parallel the five-year Quality Assurance Review.

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05.0 ENGAGEMENT PROCESS

Preface

In some manner, shape or form an idea for an audit engagement comes about and it is communicated to Senior Management, School Board Audit Services, the Audit Committee or the Richmond City School Board.

That notion is vetted by Senior Management, School Board Audit Services, the Audit Committee and or the Richmond City School Board. If deemed to have merit, the notions is more fully and deeply vetted via a quantitative and or a qualitative risk assessment process.

If the concept is found to have enough merit via the risk assessment process and further vetting by Senior Management, School Board Audit Services, the Audit Committee or the Richmond City School Board it is chosen as a possible selection on a menu of possible engagements for the Annual Audit Plan which is later approved by the Richmond City School Board.

The concept must indeed present some type of material risk or threat to the organization or the organizations goals, targets and objectives which would warrant assurance efforts by the School Board Audit Services department.

Once the concept is approved by the Richmond City School Board, it is then scheduled on the Annual Audit Plan, the below engagement process advances.

The following is not intended to be an exhaustive litany of engagement steps. An experienced auditor is expected to know the nuances of the process and an inexperienced auditor is expected make inquires to obtain a thorough understanding of the process.

Generally, the audit process unfolds and consists of approximately these steps, phases, stages, areas, etc . . .

Steps in the Engagement Process

a) Preliminary Survey and Planning

The purpose of the preliminary survey is to obtain background information and establish a practical working knowledge of departmental objectives and procedures; be aware of available files and records; and applicable laws, rules, and regulations. This information will be used to develop the audit plan and audit program.

b) Notification

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An engagement memo will be sent to management of the area to be audited. The memo will indicate the audit scope and objectives, anticipated timing of the audit fieldwork, the auditors assigned to the audit, and the target date for audit completion.

c) Entrance Conference

An entrance conference is held with Internal Audit and management as well as any other key employees who may be involved in the audit to facilitate the beginning of fieldwork and address any questions or concerns regarding the engagement.

d) Fieldwork

The objective of fieldwork is to document Internal Audit's understanding of internal controls; perform risk assessment procedures, including consideration of fraud risks and perform tests of controls and tests of transactions.

School Board Audit Services will regularly communicate with management regarding any issues or concerns that may arise through this process. Emerging issues are to be immediately brought to the Auditee's attention and vetted. All issues, findings, concerns are to be discussed with the Auditee well before final reporting. Agreement is to be reached on the merit of an issue well prior to the reporting phase.

e) Draft Audit Report for Discussion

A draft report will be submitted to management for review and allow for management to provide a response to any noted observations.

f) Exit Conference

The purpose of the exit conference is to formally present the engagement findings to management, discuss planned corrective actions, and address any questions or concerns. No new issue or concerns will be presented at the Exit Conference, that is to be done during Fieldwork when issues emerge.

g) Final Audit Report

Once management's responses have been received, they will be incorporated into the final report. The final report will then be presented at the next planned Audit Committee meeting where management may be invited to present plans for corrective action to the Committee members.

Audit reports are public record although their distribution is limited to select management and School Board officials. Final reports are posted on the Internal Audit Webpage.

06.0 ENGAGEMENT ADMINISTRATION AND PROTOCOLS

Preface

The following offers a deeper overview of the aforementioned Engagement Process. This is not meant to be an all-inclusive litany or an exhausting series of procedural steps. An experienced auditor is expected know the nuances of an audit engagement and a novice auditor is expected to make inquiries to gain an understanding of how the audit process unfolds in more detail and what is expected of the auditor.

Briefly, the Annual Audit Plan is developed and approved. Auditors are then assigned an audit engagement. The engagement generally unfolds within these four major areas: "Pre-Planning / Planning" "Fieldwork / Testing", "Wrap-Up / Reporting" and "Follow-Up".

During the Planning stage information is gathered from the auditee on the entity or process to be audited. Meetings and an Entrance Conference are held to obtain this information. After information is gathered a risk assessment is performed on that data. High risk controls and processes are then selected to be tested so School Board Audit Services can provide assurance to management that the controls are working effectively and efficiently. This plan of tests is outlined in an Engagement Plan or Audit Test Program or Audit Plan Memorandum. The plan details the areas to be tested, the type of test to be performed, the sampling methods, test conclusion, workpaper reference, etc . . .

Developing and executing the tests generally occur during the Field Work / Testing phase.

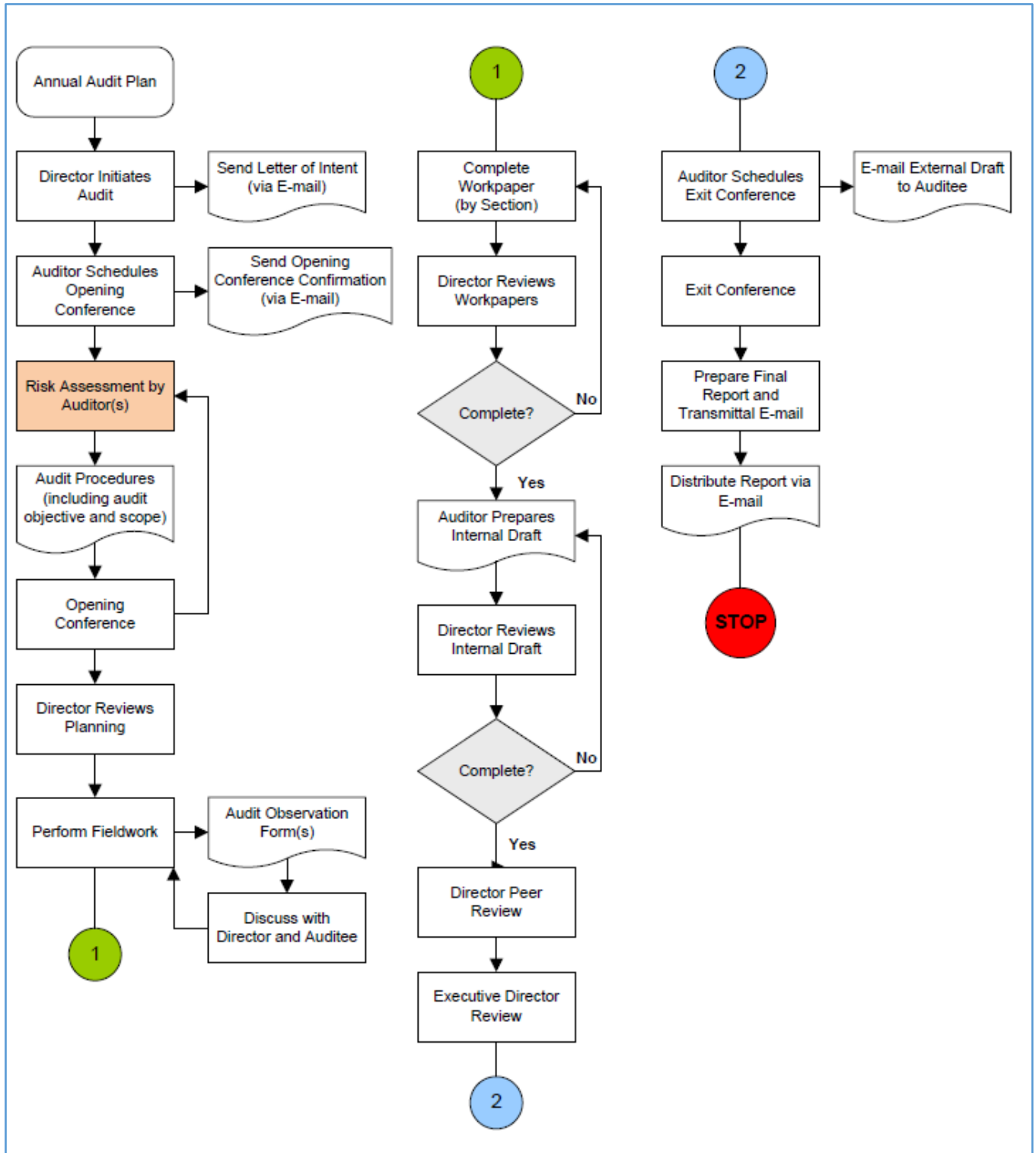
The results of audit testing are reported in the Reporting / Wrap Up phase.

After the auditee has had time to take corrective action, School Board Audit Services will validate that those actions are in place during the Follow Up phase.

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Audit Process Flowchart

The below flowchart offers a general view the standard audit engagement process.



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Annual Audit Plan (Milestone)

Annually, a risk-based audit plan is developed by the Chief Audit Executive and submitted to the Richmond City School Board for approval.

The annual risk assessment is performed to establish a Risk-Based Annual Audit plan. The risk assessment can be qualitative, quantitative or a mix of both. Generally, Annual Audit Plans are heavily impacted by qualitative input from the Board, Management and Audit Services.

The plan determines the annual priorities of the internal audit activity. Those activities are to be consistent with the School Boards goals, targets and objectives. All members of School Board Audit Services will participate in the annual audit planning process. Development of the plan considers the School System's Strategic Framework, risk management framework, management's judgment of risks, and input from senior management.

Basically, the Annual Audit Plan is what everyone wants to collectively review as the issue has been vetted and is perceived to be some type of material risk to the organization.

The plans auditable universe is all those areas under responsibility of the Richmond City School Board.

The plan should include:

- a) Audits of major systems of internal controls throughout the School system. Those systems would include but not be limited to:
 - Administrative Support Services
 - Budgeting, Accounting, and Reporting
 - Purchasing, Contracting, and Leasing
 - Expenditure and P Card Control
 - Personnel and Payroll
 - Property, Equipment, and Inventories
 - Revenues and Receivables
 - Cash and Local Funds
 - Grant/Research Administration
 - Information Technology
 - Facilities
- b) Audits of grants received or made to determine that the grants are monitored, administered, and accounted for in accordance with applicable laws and regulations.
- c) Review of the design of major new information technology systems and major modifications to existing systems before installation to determine whether the systems provide for adequate audit trails and accountability.

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- d) Special audits of operations, procedures, programs, information technology systems, and activities as directed by the Audit Committee Chair and or the School Board Chair.

The Risk Categories found and assessed within the Plan are;

- a) Financial - Financial risks deal with the internal controls over and reporting of financial transactions, including assets, liabilities, revenues, and expenditures.
- b) Compliance - Compliance risks deal with the adequacy of a unit's system of internal controls to ensure compliance with applicable laws, regulations, and policies.
- c) Operational - Operational risks deal with the unit's ability to use its resources in an effective and efficient way.
- d) Reputational - Reputational risks deal with issues that may not be significant from a financial, compliance, or operational perspective, but could have a potentially negative public perception impact.
- e) Health and Safety - Safety risks include events, situations, or other circumstances that have the potential to cause harm to individual(s), including students, employees, and the public.
- f) Strategic Risk - A possible source of loss that might arise from the pursuit of an unsuccessful business plan or organization wide initiative(s).

Key Elements of The Annual Audit Plan Development Process

- a) Define the Audit Universe - The audit universe is multi-dimensional. It considers:
 - Units - all banner organizations
 - Business processes
 - Compliance topical areas
 - Strategic risks identified through the Enterprise Risk Management process
 - Other current and emerging issues
- b) Review the System's Strategic Framework, including current business plans and strategies
- c) Identify and summarize the key risks across the System.
 - Perform data analytics on all Banner orgs to translate selected risk areas into measurable risk factors, and rank by risk
 - Identify key stakeholders and meet to discuss their plans, issues and risks in achieving their business objectives

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- Review the System's Strategic Framework, including strategic risks as identified through an Enterprise Risk Management process
 - Review and coordinate with efforts of the School system Compliance personal
 - Consider other factors such as:
 - ❖ External audit findings
 - ❖ Federal funding source audit plans
 - ❖ Higher education industry issues
 - ❖ Other regulatory or standards changes
 - ❖ Length of time since previous audit
- d) Develop an audit plan based on assessed risks. The plan is comprised of:
- Planned audits
 - Allocation of hours for follow-up
 - Reserved hours for special projects, investigations, and other unplanned projects
 - Staff time obligations
 - Misc. / Other time obligations
- e) Map the key risks into the audit plan to determine if:
- The issues are already appropriately covered by the planned program. In doing so, consider where the focus within existing audits could or should change
 - New audits need to be developed to focus on the issues and risks identified and add these audits to the audit plan
- f) Review the audit plan with those charged with governance.
- Discuss the expectations of senior management, the School Board, and other stakeholders for internal audit opinions and other conclusions
 - Solicit their input as to whether they believe the audit plan appropriately covers material risks.

Finally, obtain the needed School Board approval prior to 01 January YYYY for the respective plan year. Execution of the Annual Audit Plan would generally, begin within the first two weeks of January.

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Preplanning and Planning (Milestone)

Below are the expected engagement administrative processes and protocols which may be found during most Preplanning and Planning phases of an engagement.

Audit Engagement Plan

After the Annual Audit Plan is approved by the Audit Committee, School Board Audit Services works with management to “fit the plan” to the school system, then publishes the Annual Audit Plan. Once that has been completed, the School Board Audit Services department is to move expeditiously in completing the Annual Audit plan in a timely manner. Exceptions and changes to the plan are expected, revisions to the Annual Audit plan are approved by the Audit Committee.

School Board Audit Services is to develop a Risk-Based Engagement Plan that provides assurance to management and the board that efficient and effective controls are in place to thwart off material threats to the Richmond City School Board’s goals, targets and objectives.

The final methodology to develop the Risk-Based Engagement plan is left to the Chief Audit Executive. The methodology employed will fall in line with current industry sophisticated practices and techniques.

Simply, the Annual Audit Plan is made up of Engagements that are to be executed within a respective year. The Engagement Plan is the methods and procedures by which an engagement is to be performed.

Engagement Budgets

All audit engagements are subject to time and financial budgeting. Budget adjustments should be pursued as needed and quickly. Engagements are to have enough time and financial resources to meet the stated objective. At the discretion of the Chief Audit Executive, engagements objectives that can’t be meet due to insufficient resources will not be undertaken or an engagement will be suspended until it can fully budgeted.

Budget revisions are to be prepared by the auditor, and approved or disapproved by the Chief Audit Executive. The request to revise the budget must include an explanation for the change and the revised budget.

Project Time Budget

A project time budget allots the time, in hours, needed for the performance of the engagement. audit.

Project time can be budgeted by activity. For example:

- a) Pre-Planning / Planning

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- b) Field Work / Testing
- c) Wrap Up / Reporting
- d) Follow Up

Or,

- a) Planning-initial planning, preliminary survey
- b) Audit Program
- c) Field Work-allocated to the various segments of the audit project
- d) Chief Auditor Review.
- e) Report Writing and Editing
- f) Auditor Review
- g) Follow Up

This categorical breakdown enables the auditor to control the audit work in process. It is essential that time be carefully utilized to achieve maximum audit effectiveness. All engagements are subject to Time Budget in some manner shape or form.

Financial Budgets

Financial Budgets are to be developed when expenditures related to an approved Engagement will be incurred. For example, hotel, meal, toll, mileage, etc . . . Expenses are to be parallel to the School Board Expense policies

Budget Preparation and Approval

An Engagement Time and Financial budget is prepared by the Lead Auditor and approved by the Chief Audit Executive.

Budget Revisions

Although budget controls are necessary for effective time and financial management of the engagement, the controls should not be so rigid as to stifle audit creativity or hinder the uncovering of material information. Budget controls should be sufficiently flexible to permit the adoption of

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new audit procedures or changes in the scope of the existing audit project. Again, revisions to the project Time and Financial budget should be documented, a new budget developed and approved.

Internal Audit Survey Procedures and Techniques

As part of the information gathering process during the Preplanning / Planning phase, Auditors employ various techniques to obtain information on the entity, system, process, procedure(s) to be audited

The techniques discussed here should not be considered all-inclusive. Auditors should use only those techniques necessary for the specific program or activity to be surveyed.

Auditors should constantly strive to develop new and more effective techniques. In selecting the best method for surveying an activity, the auditor should use the techniques which will produce the best result considering effectiveness and efficiency.

a) Interviewing / Inquiry

The survey includes the use of interviews in each major functional area. Interviews must be planned, keeping in mind that the purpose of the survey is to disclose problem areas.

The interview is a data gathering technique aimed at obtaining quantitative and qualitative information. It can be used to elicit facts/opinions of the persons involved in a program regarding its context, implementation, results or impact.

b) Comparative Analysis

This involves comparing data, sometimes from various sources, to identify unusual situations or deviations. It is a valuable technique available to the auditor. If the data is computerized, it is generally possible to program the computer to make comparative analyses.

c) Flow Charting

This means using a diagrammatic network to chart steps that must be completed before a project or activity can be concluded successfully. This technique can be particularly useful to the auditor in identifying possible bottlenecks in operations.

d) Analytical Review

This involves comparing results such as income, expenses, etc., for the same entity from period to period. It also can be used when evaluating changes in results that are dependent or affected by other factors. For example, if the number of employees increased from the last period, the payroll costs should also go up in addition to the normal increase due to raises, inflation, etc.

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e) Exploratory Sampling

The exploratory sampling method uses random sampling as a tool available for use in conjunction with many audit tests normally employed for fiscal, compliance, and management audits.

Three criteria must be met to use this tool:

- ❖ The number of items in the population to be tested (cases, contracts, practices, etc.) can be determined.
- ❖ A random number system can be applied to select the items for audit tests.
- ❖ A minimum acceptable error rate can be established. For example, if the actual error rate found after testing is at, or less than, the value established as the standard, the auditor may conclude that further testing is not necessary. Generally, if the minimum acceptable error rate is exceeded, the testing will be extended upon conclusion of the survey phase. While this method can be applied to small populations of items, applying this method to larger populations will produce better cost effectiveness.

f) Visual Observations

Requires you to observe a process or activity. If internal auditors walk around with their eyes open, they'll be able to note any irregularities that may point towards some form of fraud. The observer has no direct contact with the subject matter and must rely on his/her observations for evidence, so this type of audit cannot typically produce conclusive results which means it should not usually be used alone but instead combined with other types, like examination for example.

g) Examination

Looks at whether work was performed following company policies and regulations set out by an organization's audit policy. It is a very broad audit method and can include any number of audit techniques depending on the situation, such as interviewing staff or visiting different departments to see if their procedures are being followed correctly or not.

h) Inspection of Assets

Examines whether work was performed following policies (in this case ones related to physical property) or not but it relies on a thorough inspection of various types of assets which includes looking at things like buildings/grounds, IT equipment, vehicles, etc. Inspecting these items allows auditors to spot anything that doesn't match up - such as missing data files on an employee computer- resulting in the suspicious activity being found much earlier than if you were using inquiry audit alone!

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i) Recalculation / Re-Performance

Recalculating numbers is one audit technique that is used to audit financial statements. This audit method can be used for both internal and external audits - the purpose of which is to confirm numbers being reported on an audit statement are in line with what was done or not, particularly when large amounts of money have been either gained or lost by a company.

j) Confirmations

Used to confirm that the financial statements have been prepared following audit standards, which includes examining whether they're correct and accurate. The confirmation audit can be either formal or informal; it's usually a series of questions asked by the auditor to ensure he/she has all the information needed for this type of audit.

k) Scanning

This is the process of quickly but carefully scrutinizing a ledger account, document, or any other record for questionable, unusual, or improper items. Scanning will be used in the internal audit process whenever it is determined that this process has a reasonable chance of adding value

l) Tracing and Vouching

Tracing is starting with the source document and locate the transaction in the financial statements. Vouching is starting financial statements and follow the transaction details to the source document.

m) Outline of Process Step

Simply creating a list of steps in process and reviewing for exceptions, efficiency and effectiveness

n) Process Walkthrough

Process walkthroughs are step-by-step demonstrations or explanations of a process or task conducted by the process or task owner in the presence of the internal auditor.

Audit Entrance Conference

To ensure meaningful communication with the Auditee, an Entrance Conferences will be held.

After completing the preliminary planning stages of the audit assignment, and prior to commencing the audit field work, the auditor should confer with management and key supervisory personnel. The entrance conference provides the opportunity to begin building good relationships.

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Points that should be discussed during the opening conference include:

- a) **Scope and Objectives**
Review the basic scope and objectives planned for the audit. Outline the general audit work plan. Emphasize that the purpose of the audit is to assist management by providing analysis, appraisals, recommendations, and information concerning the activities reviewed.
- b) **Audit findings**
Explain how audit findings will be handled, e.g., resolution of minor findings, the discussion of all findings on a current basis to permit the audit customer to take timely corrective action, the exit conference at the completion of the field work, the review of the report draft, and the distribution of the formal audit report. Discuss current status of prior audit findings.
- c) **Audit Progress**
Establish a clear understanding with the auditee regarding keeping their personnel advised of the audit progress and findings. Determine the frequency of progress updates and management levels to be apprised of audit progress and findings.
- d) **Audit Customer Input**
Ask for suggestions of problem areas where the auditors can be of assistance to management. (Careful consideration must be given to any suggestions and requests to ensure that there is need of audit attention. Do not become involved in functional or operating activities.)
- e) **Cooperative Administration**
Inquire about working hours, access to records, available work area for participating auditors, the audit customer's various work deadline requirements, and any other information which will help schedule the audit activities to fit into the office routine with minimal disruption to the audit customer's personnel
- f) **Introduction and Tour**
Arrange to meet other personnel that the auditor will be working with during the audit. Also arrange for a familiarization tour of the physical facilities. Effective communication at the beginning of the audit field work can significantly influence the atmosphere in which the entire audit is conducted. It can mean the difference between active cooperation and open hostility. It serves the auditor careful attention and best efforts.

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Audit Program

The audit program should be prepared after the completion of the preliminary survey.

The audit program is a detailed plan for the work to be performed during the audit. A well-constructed program is essential to completing the audit project in an efficient manner.

A well-constructed program provides:

- a) A systematic plan for each phase of the work that can be communicated to all audit personnel concerned.
- b) A means of self-control for the audit staff assigned.
- c) A means by which the audit supervisor/manager can review and compare performance with approved plans.
- d) Assistance in training inexperienced staff members and acquainting them with the scope, objectives, and work steps of an audit.
- e) The basis for a summary record of work actually performed.
- f) An aide to supervisor/manager making possible a reduction in the amount of direct supervisory effort needed.
- g) Assistance in familiarizing successive audit staff with the nature of work previously carried out.

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Field Work / Testing (Milestone)

Preface

The Field Work, Testing, Controls Evaluation, etc . . . phase of the audit process begins with the finalization of the audit program and ends with the Closing Conference.

The extent of the tests performed are those found in the approved Audit Test Program. This phase is heavily dependent upon the discretion and judgment of the Auditors assigned. The materiality of the amounts involved and the relative risk of the existence of errors or other irregularities will be weighed heavily when considering and planning audit tests.

Field work guidelines, protocols and processes objectives:

- a) Execute the approved audit program effectively and efficiently.
- b) Prepare audit workpapers which detail the necessary audit work accomplished to satisfy each step of the audit program;
- c) Prepare a Draft Final Audit Report;
- d) Obtain management responses to preliminary findings, where appropriate; and
- e) Hold the Closing Conference.

Procedures utilized for the accomplishment of the audit program will vary based on the scope and objectives of the engagement. Some procedures that will regularly be employed during this phase include a review of internal controls operational efficiency and effectiveness.

Draft or Preliminary audit findings are written statements of conditions noted during the audit.

Draft or Preliminary Findings

Deficiencies and findings noted during the audit will be classified as reportable or non-reportable.

Reportable findings will be included in the Final Audit Report.

Non-reportable findings will not be included in the Final Audit Report, but may or may not be discussed briefly during the Closing Conference.

The category of any deficiency or finding may change as additional information becomes available or at the will of the Auditor who created the finding.

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Processing of Draft Preliminary Findings

If deficiencies are identified during the audit, they will be discussed with the auditee as the issue emerges, upon discovery, to verify the facts before any audit reports are drafted. If these discussions confirm that a deficiency exists, the Auditor will write a Draft or a Preliminary finding. All findings will be considered Draft or Preliminary unless (and until) they are included in the Final Audit Report.

Exit Conference

To ensure meaningful communication with the Auditee, an Exit Conference will be held.

The purpose of this procedure is to define certain events which should take place prior to and during the exit conference.

During the audit:

- a) Discuss all aspects of a potential audit finding with the person performing the function.
- b) Fully develop all audit findings using the "Audit Finding Data Sheet" or some other means.
- c) Discuss fully developed audit findings and recommendations with the responsible department head. Also discuss any items requiring follow-up and document the audit customer's position.

The Auditor discusses all audit findings, proposed exemptions and results with the Chief Audit Executive before the exit conference is held.

Prior to the exit conference, a presentation strategy should be developed. Related issues may be combined, and a presentation sequence should be developed. Avoid initial points which establish a tone of audit customer disagreement. Findings should be grouped into categories and presented as such.

Those groups are:

- a) Reportable Items receive top management visibility.
- b) Memo Comments less serious issues which will be communicated orally or by informal memo to audit customer supervisory personnel.

Exit conferences should be held prior to the last day of fieldwork or in the early morning of the last day of field work to provide time for any audit customer requested follow-up.

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The purpose of the exit conference is to inform management of the organization audited. The audit results, the reporting process, reach agreement on findings, and learn of corrective action measures planned or taken to correct any deficiencies disclosed by the audit.

The Chief Audit Executive should review the audit objectives, scope, and reporting process before discussing the audit findings. Audit findings and recommendations are to be discussed by the individual who developed the audit findings or audited that area.

Consideration should also be given to noting any commendable practices or procedures observed.

One audit employee should be assigned to document all discussion during the meeting.

The Closing Conference of each audit will be scheduled as close as practical to the last day of fieldwork. During the Closing Conference the Auditor will present the Draft or Preliminary findings to the auditee, and he will seek the auditee's input where appropriate.

Field Work, Testing, Controls Evaluation, etc . . . is concluded at the end of the Exit Conference.

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Wrap Up and Reporting (Milestone)

Preface

The phase of the audit process, after Fieldwork / Testing, is Wrap-Up and Reporting.

During this phase audit findings are fully developed and reported. Only findings that are material in nature and scope are reported. "Reportable findings" are material. Materiality is information, or data that impacts management's decision making. Materiality does not necessarily mean a certain dollar amount or a certain percentage of something. It is information that aids management, if it is helpful to management, it is material. It is data that makes a significant difference in managements actions.

Final Audit Findings

As a result of testing and evaluation of the entity, process or systems being audited, findings are developed and if material in nature and scope are reported to management and the Audit Committee.

Attributes of a Well-Developed Audit Finding

The elements of a well-developed Audit Findings are;

a) **STATEMENT OF CONDITION**

The condition identifies the nature and extent of the find or unsatisfactory condition. It often answers the question: "What was wrong?" Normally, a clear and accurate statement of condition evolves from the auditor's comparison or results with appropriate evaluation criteria.

b) **CRITERIA**

This attribute establishes the legitimacy of the finding by identifying the evaluation criteria, and answers the question: "By what standards was it judged?" In financial and compliance audits, criteria could be accuracy, materiality, consistency, or compliance with applicable accounting principles and legal or regulatory requirements. In audits of efficiency, economy, and program results (effectiveness), criteria might be defined in mission, operation, or function statements; performance, production, and cost standards; contractual agreements; program objectives; operational guidelines, procedures, and other command media; or other external sources of authoritative criteria.

c) **EFFECT**

This attribute identifies the real or potential impact of the condition and answers the question: "What effect did it have?"

The significance of a condition is usually judged by its effect. In operational audits, reduction in efficiency and economy, or not attaining program objectives (effectiveness), are appropriate measures of effect. These are frequently expressed in quantitative terms; e.g.,

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dollars, number of personnel, units of production, quantities of material, number of transactions, or elapsed time. If the real effect cannot be determined, potential or intangible effects can sometimes be useful in showing the significance of the condition.

d) CAUSE

The fourth attribute identifies the underlying reasons for unsatisfactory conditions or findings, and answers the question: "Why did it happen?"

If the condition has persisted for a long period of time or is intensifying, the contributing causes for these characteristics of the condition should also be described.

Identification of the cause of an unsatisfactory condition or finding is a prerequisite to making meaningful recommendations for corrective action. The cause may be quite obvious or may be identified by deductive reasoning if the audit recommendation points out a specific and practical way to correct the condition. However, failure to identify the cause in a finding may also mean the cause was not determined because of limitation or defects in audit work, or was omitted to avoid direct confrontation with responsible officials.

e) RECOMMENDATIONS

This final attribute identifies suggested remedial action and answers the question: "What should be done?"

The relationship between the audit recommendation and the underlying cause of the condition should be clear and logical. If a relationship exists, the recommended action will most likely be feasible and appropriately directed.

Recommendations in the audit report should state precisely what needs to be changed or fixed. How the change will be made is the customer's responsibility. More generalized recommendations (e.g., greater attention be given, controls be re-emphasized, a study be made, or consideration be given) should not be used in the audit report, but they are sometimes appropriate in summary reports to direct top management's attention to compliance-type findings disclosed in several areas.

Unless benefits of taking the recommended action are obvious, they should be stated. The cost of implementing and maintaining recommendations should always be compared to risk.

Recommendations should be directed to a responsible individual capable of taking action.

f) RESPONSIBILITY

Specifically determine who is responsible for enacting the corrective action plan

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Summary

Well-written audit findings include: the nature of the findings, the criteria used to determine the existence of the condition; the cause of the condition; the significance of its impact; and what the auditors think should be done to correct the situation. Fully developed findings containing each of these five attributes are easily understood and convey impact and significance to appropriate management officials.

Each finding should be supported by an Audit Finding Data Sheet filed in the working paper.

Audit Finding Data Sheet

To easily compile and write Audit Findings, the following reference is offered.

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AUDIT FINDING DATA SHEET

Project Title: Project #: _____

W.P. Ref: _____

Prepared by: _____

Date: _____

Reviewed by: _____

Date: _____

DISCUSSION OF ADVERSE CONDITION - Include a statement of the deviation, supporting facts and test results, and the effect of the condition (reasons to change, violated standards). State the cause of the deviation, if appropriate, and address why the deviation is a finding (i.e., not in compliance with written procedure, etc.)

CONDITION:

Condition reviewed with:

RECOMMENDATION - How can the situation be best corrected, based on acceptable criteria as agreed by affected personnel?

Recommendation reviewed with:

REACTION - State if affected personnel agree or disagree with the finding and the recommendation. If there is disagreement, indicate the position taken by the audit customer.

EXIT CONFERENCE - Show final disposition, open issues, sensitive verbiage, initial response, items for background section.

CHECK ONE:

To be included in final report? Yes / No

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Not to be included in final report. (State reason below.) _____

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Reports - Memorandums - Notices - Letters

To define the format of the School Board Audit Services' reports, memorandums, letters, etc . . . This provides guidance regarding report writing and report characteristics. The quality of our findings and how our findings are reported significantly affect perceptions about School Board Audit Services.

The format audit reports will generally be as follows:

a) Cover Letter on District Letterhead

The cover letter of the report will include the following:

- The date of the report, who the report is addressed to, and the title or subject of the audit.
- A brief description of the objective of the audit and, when applicable, the time period covered.

b) Executive Summary

c) Objective and Scope

d) Preface and Background Information

e) Findings and Recommendations - Management's response will be included after each finding and recommendation.

f) Conclusion and Acknowledgements

Reports are the auditor's opportunity to get management's undivided attention. Reports are circulated to the highest levels of management.

They are also an important tool in evaluating the auditor as well as the function/organization audited. While a well written and well thought out report will never make up for substandard field work, an excellent report will highlight the auditor's accomplishments. On the other hand, skillful, creative and constructive audit efforts will be voided by a poorly written report.

All reports should incorporate the following seven characteristics.

a) Accuracy

All reports must be supported with facts. It is extremely important that the credibility of the department and each auditor be maintained at the highest level by factual, unbiased and objective reporting.

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- b) Clarity
All reports must be understandable and clear. It is very important that our reports do not require interpretation or oral comment to fill in the gaps. The report should stand by itself.
- c) Quantification
All comments must be quantified to the maximum extent possible to identify the seriousness and impact of the points made. Examples of quantification are dollar amounts, number of test exceptions and scope of testing.
- d) Conciseness / Succinct
All reports must be to the point. This does not necessarily mean short.
- e) Fairness
All reports should maintain a diplomatic balance with respect to the sensibilities of all readers. Emphasis should be on improvement, not on criticism of people or the past.
- f) Timeliness
All reports must be issued in a timely manner upon completion of the assignment. The goal is within two weeks.
- g) Resolution
All reports must cite the who, how and when of remedial action. Without specific responses and assignment of responsibility, effectiveness is lost.

A report that is accurate, clear, concise, fair, timely and includes specific resolution(s), will be well received.

Departmental guidelines concerning the preparation and distribution of reports follow:

- a) A draft report should generally be provided to the management of the location/department audited before the review meeting date.
- b) All drafts which are distributed should be dated and all in attendance at the review meeting should have the same draft.
- c) All draft reports distributed to management should be spell checked and checked for grammar. Since this may be management's first complete exposure to all findings, it is important to present a professional looking product.
- d) Final reports will be distributed to Finance/Audit Committee, Superintendent, the applicable management personnel with direct responsibility for the facility, function or department audited. Additional distribution to higher level management personnel will be determined by the Chief Audit Executive.

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If you have carefully prepared Audit Finding Data Sheets or used some other means during the progress of the audit, it will be easy to draft the report.

Not everyone who will read the report will be as familiar with the subject matter as you are. Accordingly, you should write so that your reports do not require interpretation or oral explanation.

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Audit Work Paper (Protocol)

Work papers serve both as tools to aid the auditor in performing the work, and as written evidence of the work done to support the auditor's report.

Information or evidence included in work papers should be sufficient, reliable, relevant, and useful to provide a sound basis for audit findings and recommendations.

These attributes are defined herewith:

- a) Sufficient
Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor.

- b) Reliable
Reliable information is reliable and the best attainable through the use of appropriate audit techniques.

- c) Relevant
Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement

- d) Useful
Useful information helps the organization meet its goals.

In addition to serving as a reference for the preparer when called upon to report findings or answer questions, other individuals may find it necessary to use the work papers.

For example;

- a) Audit management will use the papers to review the quality of the audit project and to evaluate the audit staff assigned to the work.

- b) The management whose unit is being audited may use details included in the work papers to help implement corrective action to a problem or refute the assertion that a problem exists.

- c) Upper management or other individuals who may have requested the audit require timely reports. Well-organized work papers help to accomplish this goal.

- d) External auditors review the work performed by the Department and evaluate the effect that its activities had on the Organization's system of internal control.

- e) In fulfilling their public responsibility, certain regulatory agencies monitor Organization operations, and the Department's work papers may be subjected to their review. Solid work

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paper documentation is essential for questions from these and other potential outside reviewers.

Qualities of Good Work Papers (Protocol)

Workpapers are to be complete, concise, uniform and neat.

Those attributes defined;

- a) Complete
Work papers must be able to "stand alone." This means that all questions must be answered, all points raised by the reviewer must be cleared, and a logical, well-thought-out conclusion must be reached for each audit segment.
- b) Concise
Work papers must be confined to those that serve a useful purpose.
- c) Uniform
All work papers should be of uniform size and appearance. Smaller papers should be fastened to standard work papers, and larger papers should be folded to conform to size restrictions.
- d) Neat
Work papers should not be crowded. Allow for enough space on each schedule so that all pertinent information can be included in a logical and orderly manner. At the same time, keep work papers economical. Forms and procedures should be included only when relevant to the audit or to an audit recommendation. Also, try to avoid unnecessary listing and scheduling. All schedules should have a purpose which relates to the audit procedures or recommendations.

Work Paper Techniques and Attributes

Workpaper are to encompass and possess the following techniques and attributes;

- a) Descriptive Headings
All work papers should include the audit stamp, title of the audit, audit project number, title of the work paper, preparer's initials, date prepared, source of information, and purpose of the work paper.
- b) Tick marks
The auditor makes frequent use of a variety of symbols to indicate work that has been done. These symbols are commonly referred to as tick marks. As these tick marks have no special

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or uniform meaning in them, an explanation of each tick mark should be made on the schedule on which it appears.

c) Cross-referencing

Cross referencing within work papers should be complete and accurate. Work papers should be cross-referenced to the Audit Findings. Audit Findings should be cross-referenced to the exit conference memo and/or the audit report, to indicate final disposition of the item. Cross-referencing should be done in the margins of audit report drafts. These references readily provide direct access to the working papers.

d) Indexing

The system of indexing audit work papers should be simple, yet leave room for flexibility. A capital letter should be used to identify each segment of the audit, and Arabic numerals used to identify schedules within the segments.

e) Carry forward

The auditor should make full use of the work papers developed in the prior audit. Flow charts, system descriptions, and other data may still be valid. Those papers which remain useful should be made a part of the current working papers. They should be updated with current information, renumbered, referenced, and initialed and dated by the current auditor.

Types of Work Papers

All work papers should be maintained electronically and correctly posted to the Audit Services "P" drive. Audit Services is paperless, with the rare approved exception that paper files will be maintained.

a. Schedules and Analyses

Schedules and analyses are useful for identifying statistical trends, verifying the accuracy of data, developing projections or estimations, and determining if tasks or records have been properly completed. Each record review, data schedule, or analyses should include the following items:

- An explanation of its purpose (reference audit step).
- The methodology used to select the sample, make the calculation, etc.
- The criteria used to evaluate the data.
- The source of data and time frame considered.
- A summary of the results of the analyses.
- The auditor's conclusion.

b. Documents

Copies or actual samples of various documents can be used as examples, for clarification, and as physical evidence to support a conclusion or prove the existence of a problem. These documents can be memos, reports, computer printouts, procedures, forms, invoices, flow

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charts, contracts, or any of numerous other items. Any copied document should serve a useful audit purpose.

The following suggestions are offered for preparation of work papers using documents rather than the auditor's notes:

- Indicate both the person and/or file that the document came from.
- Copy and insert only that portion of the report, memo, procedure, etc., which is needed for purposes of explanation or as documentation of a potential finding. Do not include the entire document in the work papers unless absolutely necessary.
- Fully explain the terms and notations found on the document, as well as its use. This is especially true when including maps, engineering drawings, or flow charts in the papers. These explanations may be made on an attached preceding page or on the face of the document itself.
- Each document should be cross-referenced either to the page or separate analysis where it was discussed.
- No document should be included in the work papers without an explanation of why it was included.
- Documents larger than 8-1/2" x 11" should be reduced when practicable.

c. Process Write-ups and Flow charts

In many audits, it is necessary to describe systems or processes followed by the audit customer. Describe such procedures or processes through the use of write-ups or flow charts or some combination of the two. The choice of which method to use will depend on the relative efficiency of the method in relation to the complexities of the system being described.

Write-ups are often easier to use, and should be used, if the system or process can be described clearly and concisely. However, when write-ups would be lengthy, and description of related control points is difficult to integrate in the narrative, flow charting (or a combination of write-ups and flow charting) is an appropriate alternative. Flow charts conveniently describe complex relationships because they reduce narrative explanations to a picture of the system. They are concise and may be easier to analyze than written descriptions.

d. Interviews

Most verbal information is obtained through formal interviews conducted either in person or by telephone. Formal interviews are most desirable because the interviewers know they are providing input to the audit; however, impromptu interviews, or even casual discussions can often provide important information. Any verbal information which is likely to support a conclusion in the audit work papers should be documented. Interviews are useful in identifying problem areas, obtaining general knowledge of the audit subject, collecting data not in a documented form, and documenting the audit customer's opinions, assessments,

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or rationale for actions. Interview notes should contain only the facts presented by the person interviewed, and not include any of the auditor's opinions.

In preparing interview workpapers consider the following suggestions:

- Be sure to include the name and position title of all persons from whom information was obtained. This includes data gathered during casual conversations.
- Indicate when and where the meeting occurred.
- Organize notes by topic wherever possible.
- Identify sources of information quoted by interviewee.

e. Observations

What the auditor observes can serve the same purposes as interviews. If observations can be used to support any conclusions, then they should be documented. They are especially useful for physical verifications.

Observations used as supporting documentation should generally include the following items:

- Time and date of the observation.
- Where the observation was made?
- Who accompanied the auditor during the observation?
- What was observed? When testing is involved, the work papers should include the sample selections and the basis of the sample.

f. Findings

All audit findings should be documented in the work papers. Unfavorable findings must be summarized on an Audit Finding Data Sheet (or some other means) whether or not the issue is included in the audit report. All findings should be documented and immediately reviewed with the auditee upon the auditor discovering the situation.

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Audit Work Paper Review (Milestone)

An important part of the School Board Audit Services department quality control and assurance program is a timely and thorough review of work papers by the Chief Audit Executive.

Audit work paper review is performed to evaluate the adequacy of audit work performed and to determine if the predetermined audit objectives have been met. The term "audit work paper" in this context applies to both hard copy audit work papers and to paperless work papers stored in computer readable form.

Audit work papers must be a set of stand-alone documents from which the reader will be able to identify the actions taken by the auditor(s) to satisfy the objectives of the detailed audit program and prepare the final audit report. A clear audit trail must exist.

Documentation of work paper review is the responsibility of the Chief Audit Executive.

The Chief Audit Executive will be responsible for periodic review of work papers during the course of the engagement or soon after the engagement. If during, the review should take place as each segment of the audit program is completed.

Principal areas in the review process is to ensure:

- a. Adequate documentation for all findings with cross-references to specific supporting work paper(s). An Audit Finding Data Sheet, or some document, should support each finding.
- b. Required prescribed disciplines in preparing each recommendation to ensure thoroughness in including all elements of a finding and to reflect professionalism in the construction of the findings.
- c. Consistency in the numbering scheme for maintaining the audit trail.
- d. Notes of any audit program steps which remain open.
- e. Pertinent work papers/schedules with source of data, basis for selecting sample data, tick mark legend, and conclusion. Also, all pertinent work sheets/schedules should be cross-referenced to specific audit program step(s) and to the applicable Audit Finding Data Sheet if they support an audit finding.
- f. Necessary cross-referencing to ensure there is a complete tie-in to all work paper pages for a complete audit trail.

In addition to those matters listed above, the Chief Audit Executive should also be alert to the following:

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a) Accuracy

The auditor must always keep in mind that the report must be completely factual. Every statement, every figure, and every reference must be based on hard evidence. Statements of fact must carry assurance that the auditor personally observed or validated every fact stated in the report.

b) Clarity

Clarity means conveying to the reader what was in the auditor's mind when the report was written. Lack of clarity in the mind of the auditor is the prime impediment to clear writing. If the auditor does not have a firm grasp of the subject, then writing should not begin until more field work or research is performed.

c) Conciseness

Conciseness means cutting out what is superfluous and eliminating what is irrelevant and immaterial. The words, sentences, and paragraphs that do not help the auditor get across the central theme of the report should not be included in the report.

d) Tone

In order for the report to have proper tone, it should be courteous. The auditor needs to consider the report's effect upon the area that is being reviewed. The report should always avoid the use of slang words and technical terms that would not be familiar to all individuals receiving the report.

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Security and Control of Work Papers (Protocol)

Preface

Audit workpapers are to be retained in a safe secure environment and per the required time.

Physical Control

Work papers are the auditors' property and should be kept under their control. The auditors should know exactly where the work papers are during the conduct of the audit. When not in use, they should be kept in a locked file or otherwise secured so they are not readily available to persons unauthorized to use them.

Storage

The most recent set of work papers for each project is kept in the Department's central electronic files.

The list of work papers sent to record storage should be maintained by the office associate. A destruction date should be placed on each carton sent to storage.

Retention

Again, workpapers must be retained in accordance with the Records Retention Schedule issued by the State Library of Virginia. If there are questions regarding the retention schedule, the district's Record Manager should be consulted.

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Audit Report Follow Up (Milestone)

The last phase of the audit process is ensuring that agreed upon Corrective Action Plans and Management Action Plans have indeed been put in place and are effective and efficient. That responsibility rests with School Board Audit Services.

Corrective Action Plans are those procedures that management will execute to correct an established process that has gone afoul for some reason.

Management Action Plans are those procedures that management will newly put in place to correct a process risk that has gone afoul and unmitigated.

Being an integral part of the internal audit process, follow up should be scheduled along with the other steps necessary to perform the audit. Specific follow up activity depends on the results of the audit and can be carried out at the time the report draft is reviewed with concerned management personnel or after the issuance of the report.

Follow up activities may generally be broken down into three areas:

a) Casual

This is the most basic form of follow-up and may be satisfied by review of the audit customer's procedures or an informal telephone conversation. Memo correspondence may also be used. This is usually applicable to the less critical findings.

b) Limited

Limited follow up typically involves more audit customer interaction. This may include actually verifying procedures or transactions and in most cases is not accomplished through memos or telephone conversations with the audit customer.

c) Detailed

Detailed follow up is usually more time-consuming and can include substantial audit customer involvement. Verifying procedures and audit trails as well as substantiating account balances and computerized records are examples. The more critical audit findings usually require detailed follow up.

Follow up scheduling can begin when management action is confirmed by acceptance of an audit recommendation or when management elects to accept the risk of not implementing the recommendation.

Based on the risk and exposure involved, as well as the degree of difficulty in achieving the recommended action, follow up activity should be scheduled to monitor the situation or confirm completion of the changes which were planned.

07.0 ENGAGEMENT QUALITY ASSURANCE and QUALITY CONTROLS

Preface

Quality assurance is the guidelines, policies, and procedures to make a high-quality product and avoid defects. In contrast, quality control is the product's actual review during production or soon after to ensure it is created to the highest standards.

Quality Assurance and Quality Control Protocols

As part of quality assurance and control the School Board Audit Services department program will:

- a) Review workpapers for thoroughness and accuracy soon after the close of an engagement.
- b) Seek feedback from Auditee's on the effectiveness and efficiency of the engagement product.
- c) Every two years, try to perform a self-assessed quality assurance review per guidelines and protocols found within the Institute of Internal Auditors Professional Practices Framework.
- d) Every five years undergo an independent, review of the department's work product, its systems, practices and procedures to ensure that the department is in accordance with the Institute of Internal Auditors Professional Practices Framework.

Engagement reviews serve the following purposes:

- a) Identify the degree of departmental compliance with the general and specific Standards for the Professional Practice of Internal Auditing.
- b) Ensure that audit operations follow organizational and departmental operational guidelines and procedures.
- c) Provide insights into the level of audit effectiveness and efficiency.
- d) Provide recommendations for improving the internal audit function.

Objectives of the Internal Review

The Chief Auditor will determine what the objectives of the internal review will be.

Such objectives may include:

- a) Determining compliance with the Standards.

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- b) Determining compliance with organizational and departmental operational guidelines and procedures.
- c) Determining the level of audit effectiveness and efficiency.
- d) Identifying and suggesting areas for improvement.

Survey of Audit Customers

An important aspect of an internal review deals with management's perception of the internal audit department's performance. To determine that, a questionnaire is sent to the Auditee of each engagement for that year at the close of the respective engagement.

At the end of the yearly audit cycle the results are compiled and shared with the Audit Committee. If needed, corrective action plans or initiatives are put in place. The Chief Audit Executive is responsible for the execution of the corrective action plan(s) as outlined by the Audit Committee.

The surveys are distributed after the respective Audit Report is finalized and distributed.

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Sample Customer Survey:

The below is a sample Audit Customer Survey. This form may be used or another means may be developed and use. Any format must elicit constructive feedback from the Auditee

AUDIT CUSTOMER SURVEY

Please rate Internal Audit Services in the following areas. A rating covering work performed over the prior 12 months is requested. If you cannot respond to a question, simply draw a line through it. Please circle only one number per response.

Evaluation Criteria	Ver y Go od	Go od	Fair	Poor
PROFESSIONAL PROFICIENCY				
1. Technical proficiency of auditors	4	3	2	1
2. Professionalism of auditors	4	3	2	1
3. Auditor knowledge of your business activity/success factors	4	3	2	1
4. Quality of relationship and rapport between auditors and department	4	3	2	1
SCOPE OF WORK				
5. Selection of important operation areas for audit	4	3	2	1
6. Pre-audit notification to you of audit purpose and scope	4	3	2	1
7. Inclusion of your suggestions for audit areas	4	3	2	1
PERFORMANCE OF AUDIT WORK				
8. Feedback to you of emerging issues during audits	4	3	2	1
9. Duration of audits	4	3	2	1
10. Timeliness of audit reports	4	3	2	1

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11.	Accuracy of audit findings	4	3	2	1
12.	Value of audit recommendations	4	3	2	1
13.	Clarity of written audit reports	4	3	2	1
14.	Usefulness of audits in improving operations and control	4	3	2	1
15.	Internal audit follow-up on corrective action	4	3	2	1

MANAGEMENT OF INTERNAL AUDIT SERVICES

- | | | | | | |
|-----|---|---|---|---|---|
| 16. | Your understanding of Internal Audit Services purpose | 4 | 3 | 2 | 1 |
| 17. | Effectiveness of Internal Audit Services' management. | 4 | 3 | 2 | 1 |
18. What are the greatest strengths of Internal Audit Services?
19. Do you have and suggestions about how the work of Internal Audit Services could be improved?
20. Additional comments.

Name / Signature (optional) _____

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08.0 INDEPENDENCE and OBJECTIVITY

Preface

School Board Audit Services must be independent and objective in their work. Independence and objectivity are mindsets relating to the way engagement work is performed. School Board Audit Services is very much part of the organization and it will act and compose itself in the same manner, shape and form as any other department in the Richmond City School system. School Board Audit Services is part of the entire organization and it is to conduct itself accordingly.

Standards

Per IIA Standard 1100 - Independence and Objectivity:

“The internal audit activity must be independent, and internal auditors must be objective in performing their work. Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.” They must have no authority over or responsibility for the activities they audit. ”

“Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made.”

School Board Audit Services’ organizational independence is demonstrated through the Organization Chart and Internal Audit Charter.

To maintain objectivity, staff members will not be assigned audits involving the following instances:

- a) Any situation that involves a member of the auditor's immediate family.
- b) Any activity that the auditor previously performed or supervised unless a reasonable period has elapsed.
- c) Any other situation in which a conflict of interest or bias is present or may reasonably be inferred.

If through your actions or state of mind your audit objectivity is or can be inferred to be impaired, notify audit management immediately.

Independence and Objectivity Statement

To assist in recognizing potential or perceived areas of conflict of interest, all Auditors will complete the attached “Auditor Independence and Objectivity” statement on the first day of employment

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and thereafter upon review and approval of the Annual Audit Plan. Below is the blank statement form.

AUDITOR INDEPENDENCE AND OBJECTIVITY

To assist in recognizing potential or perceived areas of conflict of interest or objectivity impairment, please complete the following questionnaire, sign, and give to your appropriate Senior Manager for their signature.

This document is to be kept on file within the Richmond City School Board Audit Services office with other like staff documents.

Condition(s) where you feel your Independence may be compromised:

Condition(s) where you feel your objectivity could be impaired or inferred impaired:

Condition(s) where you feel you may have some other ethical or moral conflict in performing this engagement.

Employee Signature Date /s/ _____

Employee Name Printed: _____

Reviewed By:

Chief Audit Executive Signature: /s/Doug Graeff

Chief Audit Executive Printed Name: Doug Graeff

Date: 03 June 2024

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09.0 Record of Edits, Changes and Amendments

Document # / Date	New Number	Change made by	Brief description of changes made
#20240603 / 03 June 2024	None -Initial Document	N/A	N/A

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10.0 GLOSSARY

Add Value - Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.

Adequate Control - Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

Assurance Services - An objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Board - A board is an organization's governing body, such as a board of directors, supervisory board, head of an agency or legislative body, board of governors or trustees of a nonprofit organization, or any other designated body of the organization, including the audit committee, to whom the Chief Auditor may functionally report.

Charter - The charter of the internal audit activity is a formal written document that defines the activity's purpose, authority, and responsibility. The charter should (a) establish the internal audit activity's position within the organization; (b) authorize access to records, personnel, and physical properties relevant to the performance of engagements; and (c) define the scope of internal audit activities.

Chief Audit Executive - Top position within the organization responsible for internal audit activities. Normally, this would be the internal Chief Audit Executive. In the case where internal audit activities are obtained from outside service providers, the Chief Audit Executive is the person responsible for overseeing the service contract and the overall quality assurance of these activities, reporting to senior management and the board regarding internal audit activities, and follow-up of engagement results. The term also includes such titles as general auditor, director of internal audit, and inspector general.

Code of Ethics - The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance - Conformity and adherence to operational guidelines, plans, procedures, laws, regulations, contracts, or other requirements.

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Conflict of Interest - Any relationship that is or appears to be not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services - Advisory and related client service activities, the nature and scope of which are agreed with the client and which are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Control - Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment - The attitude and actions of the board and management regarding the significance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- a) Integrity and ethical values.
- b) Management's philosophy and operating style.
- c) Organizational structure.
- d) Assignment of authority and responsibility.
- e) Human resource operational guidelines and practices.
- f) Competence of personnel.

Control Processes - The operational guidelines, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.

Engagement - A specific internal audit assignment, task, or review activity, such as an internal audit, Control Self-Assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives - Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Work Program - A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider - A person or firm, outside of the organization, who has special knowledge, skill, and experience in a particular discipline.

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Governance - The combination of processes and structures implemented by the board in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives.

Impairments - Impairments to individual objectivity and organizational independence may include personal conflicts of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

Internal Audit Activity - A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Residual Risks - The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

Risk - The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Management - A process to identify assesses, manage, and control potential events or situations, to provide reasonable assurance regarding the achievement of the organization's objectives.

Should - The use of the word "should" in the Standards represents a mandatory obligation.

Standard - A professional pronouncement promulgated by the Internal Auditing Standards Board that delineates the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance.

E N D