



VIRGINIA BEACH CITY PUBLIC SCHOOLS
CHARTING THE COURSE

INTERNAL AUDIT CHARTER

Approved by the School Board August 20, 1996
Amended by the School Board September 5, 2000
Amended by the School Board July 15, 2008
Amended by the School Board August 2, 2011
Amended by the School Board December 5, 2017
Amended by the School Board June 12, 2023



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Foreword

The School Board of the City of Virginia Beach (School Board) has formed an Audit Committee and has established a Department of Internal Audit, whose reporting responsibility is to the School Board through the Audit Committee. The Audit Committee assists the full School Board in considering internal and external audit matters. This document is intended to define the duties and responsibilities of the Audit Committee and of the Department of Internal Audit and to provide guidance in their execution of duties.

Audit Committee

The Audit Committee is an oversight committee of the School Board, and as such will not take final action on behalf of the full School Board, but will render reports and recommendations for consideration by the full School Board.

The Audit Committee will consist of three to four members appointed by the School Board. Two or three members will be School Board Members. The School Board will appoint one or more citizens of the City of Virginia Beach to serve as the third and/or fourth members. The School Board Chair will be an ex-officio member of the Audit Committee and will serve as a voting member in the event of tie votes. When an appointed Audit Committee Member is not able to attend an Audit Committee meeting, the School Board Chair or School Board designee may substitute for that person and exercise voting privileges and will count toward a quorum. –While substituting for an appointed Member, the Chair or designee may not vote to settle tie votes. Membership continuity is important and consideration should be given to reappointment of current or past Audit Committee members. However, rotation of members who wish service on other committees is also to be considered.

For purposes of Audit Committee meetings, a “quorum” will be defined as a majority of appointed members (See Virginia Code §22.1-73, and §2.2-3701, as amended; School Board By-law 1-41). An Audit Committee meeting cannot be held unless a quorum has been established. In the event that a meeting is held and one of the Audit Committee Members present abstains from voting on a particular issue or disqualifies him/herself because of a conflict prior to termination of the meeting, a majority of the remaining members can vote on any issues still before the Audit Committee, provided a majority continues to exist. The meetings of the Audit Committee are subject to the Virginia Freedom of Information Act, as amended.

The objectives of the Audit Committee include the accumulation of pertinent information about the functioning of the Virginia Beach City Public Schools, audits and related matters, and to make recommendations to the full School Board for improvements and other needed action. The Audit Committee shall monitor the internal and external audit functions in periodic meetings and receive and review such reports as required. The Audit Committee shall endeavor to become familiar with the accounting practices of the Virginia Beach City Public Schools and upon request shall review the general auditing procedures used by the external auditors, but otherwise it may in good faith rely upon the professional accounting expertise of such auditors.



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The primary responsibility for financial and other reporting, internal control, and compliance with laws, regulations, and ethics rests with the School Administration.

The following duties and responsibilities are considered necessary in the achievement of the objectives set forth above by the Audit Committee:

1. Exercise reasonable supervision of the internal and external auditors;
2. Inquire into the effectiveness of the internal auditing methods and procedures;
3. Upon presentation by the Department of Internal Audit, review annually the scope of the internal audit work plan;
4. Receive and review reports of the Department of Internal Audit and the School Administration's response to suggestions made by the Department of Internal Audit;
5. Receive and review reports of the external auditors;
6. Review any management letter recommendations issued by external auditors and report thereon to the School Board;
7. Provide an organized communications link between the internal and external auditors and the School Board;
8. Meet as needed and render reports to the School Board on the Audit Committee activities, on the findings and recommendations of the Department of Internal Audit, and on such other matters that should be brought to the immediate attention of the Audit Committee, such as cases of suspected defalcation and fraud; and
9. Timely report to the full School Board material actions or inactions of employees which become known to the Audit Committee which could lead to charges of malfeasance in office by School Board Members for: failure to care for, manage, and control school property; keep school expenditures within appropriated amounts; failure to comply with state and federal law and regulations, Virginia Board of Education Regulations, or School Board policies and regulations.

In order to be effective in exercising its functions, the Audit Committee must recognize that direct operational decision-making is the responsibility of School Administration. By avoiding direct involvement in operational details, members of the Audit Committee retain their objectivity and limit the scope of the Audit Committee's function to matters of material significance, thereby providing an effective liaison between the School Board, School Administration, and internal and external auditors.



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DEPARTMENT OF INTERNAL AUDIT

Introduction

Internal Auditing, as defined by the Institute of Internal Auditors (the IIA), is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It 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.

This Internal Audit Charter (Charter) serves as a guide in the performance of the Department of Internal Audit's duties. The School Board has incorporated this Charter into School Board Policy 3-96 by reference. This Charter does not include, nor is it intended to include, all of the Department of Internal Audit's duties or responsibilities, as they may exist from time to time.

This Charter:

1. Provides a written record of formally approved policies of the Department of Internal Audit;
2. Provides a basis for the evaluation of the performance of the Department of Internal Audit by the Audit Committee and the School Board; and
3. Serves as a basic document in the organization and administration of the Department of Internal Audit.

Objectives/Responsibilities

The overall objective of the Department of Internal Audit is to assist all members of the Virginia Beach City Public Schools' Administration and of the School Board in the effective discharge of their responsibilities by providing them with objective analyses, appraisals, recommendations, and pertinent comments concerning activities reviewed.

The attainment of this overall objective of service to administration should involve such activities as:

1. Reviewing and appraising the soundness, adequacy, and applications of accounting, financial, and other operating controls, and promoting an effective system of internal controls at a reasonable cost;
2. Ascertaining the extent of compliance by the Virginia Beach City Public Schools and its employees with state and federal law and regulations, Virginia Board of Education regulations, School Board policies and regulations, and established procedures;
3. Detecting fraud within the scope of each audit;
4. Ascertaining the reliability of financial data developed within the organization;
5. Recommending operating improvements;
6. Determining whether an office or function is achieving its mission, goals, and



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- objectives in an effective manner;
7. Completing financial audits, performance audits, and non-audit services as approved by the Audit Committee;
 8. Presenting annually to the Audit Committee a report on the results of operations by the Department, including a summary of work performed;
 9. Establishing an annual program of audits reflecting appropriate priority;
 10. Presenting accurate, comprehensive reports to the Audit Committee covering the scope and objectives of assigned audits;
 11. Providing timely follow-up on audit reports sufficient to determine the degree of the School Administration's compliance with major audit recommendations;
 12. Establishing and maintaining constructive working relations with the School Administration process;
 13. Establishing adequate quality controls to ensure that audit standards are followed;
 14. Having an independent review of the Department performed a minimum of once every three years in accordance with *Government Auditing Standards*. This review should address the quality of work performed and the Department's compliance with its objectives and audit standards; and
 15. Providing a comprehensive continuing professional education program for audit personnel with the training necessary to satisfactorily perform assigned audits.

Generally Accepted Auditing Standards

The American Institute of Certified Public Accountants has promulgated Generally Accepted Auditing Standards (GAAS) through Statements of Auditing Standards, Industry Audit Guides, and other professional releases. The Department of Internal Audit endorses and adopts the use of GAAS.

United States General Accounting Office (GAO) Government Auditing Standards

The GAO has issued standards for audits of government organizations, programs, activities, and functions. The standards pertain to the auditor's professional qualifications, the quality of audit effort, and the characteristics of professional and meaningful audit reports. The standards are generally applicable to and recommended for use by state and local government auditors. The Department of Internal Audit endorses and adopts the use of the GAO *Government Auditing Standards*.

Reporting Responsibilities

The Department of Internal Audit shall report directly to the Audit Committee. For the purpose of administration, the Department of Internal Audit shall report to the Chairperson of the Audit Committee. The School Board Internal Auditor (Internal Auditor) shall have direct access to the Audit Committee and to the Superintendent in any instance where the Internal Auditor believes that such access is needed to fulfill the stated objectives of the Department of Internal Audit.



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The Internal Auditor shall meet with the Audit Committee and the Superintendent (or designee) on a regularly scheduled basis to discuss:

1. Audit reports issued;
2. The detailed audit work plan for the forthcoming year;
3. Upcoming audits;
4. Relationships between the Department of Internal Audit and external auditors; and
5. The propriety of any limitations on the scope of internal audits that may be imposed by School Administration and employees.

As used herein, the term "external" shall refer to representatives of independent Certified Public Accountants and auditors from organizations-governmental or commercial- outside of the Virginia Beach City Public Schools.

Authority

The Department of Internal Audit shall have unrestricted access to all activities, properties, personnel and records which are relevant to the area under review. Any limitations or restrictions by the School Administration will be brought to the attention of the Superintendent by the Audit Committee Chair.

It is understood that certain items are confidential in nature and special arrangements will be made by the Department of Internal Audit when examining such items.

The Department of Internal Audit shall be entitled to consult, as needed the School Board Attorney or outside legal counsel retained to represent the School Board or the School Division.

Independence

The Department of Internal Audit will maintain a professional and cooperative relationship with the School Administration, in particular, the Superintendent and senior staff members. However, the Department shall be independent of the Superintendent and School Administration in the performance of its functions as spelled out in this document.

The Department of Internal Audit can be independent only when it can work freely and objectively. Independence, in fact and in appearance, permits an internal auditor to render the impartial and unbiased judgments essential to the proper conduct of any internal audit. To ensure independence, the Department of Internal Audit reports to the Audit Committee, thereby providing unrestricted access to the School Board.

Members of the Department of Internal Audit will not be used in the preparation or reconstruction of accounting systems, data, or records as the objectivity needed to review and report on this information would then be lost.



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Involvement in System Planning and Development

The Department of Internal Audit may participate, in an advisory capacity, in the planning, development, implementation, and modification of major computer-based and manual systems to ensure that:

1. Adequate controls are incorporated in systems;
2. Sufficient testing of the system is performed at appropriate stages;
3. System documentation is complete and accurate; and
4. The intended purpose and objective of the system implementation or modification has been met.

An internal auditor participating in such a review should ensure that the extent of participation does not affect independence.

Responsibilities for the Detection of Errors or Irregularities

The Department of Internal Audit has a professional responsibility to conduct engagements with an attitude of professional skepticism, recognizing that the application of internal auditing procedures may produce evidential matter indicating the possibility of errors or irregularities.

An “error” is an unintentional mistake, including mathematical or clerical mistakes. Errors may occur in the financial statements, in the underlying records, and in accounting data from which the financial statements are prepared. Errors may result from mistakes in the application of accounting principles and oversight or misinterpretation of facts that existed at the time the work was prepared.

An “irregularity” is an intentional distortion of financial statements or the misappropriation of assets owned by the School Board.

The attitude of professional skepticism must be based on the Internal Auditor's consideration of the degree of internal control in the area under review, the results of audit procedures, and by circumstances that raise questions concerning the integrity of administration in the area under review.

If the Internal Auditor believes that an error or irregularity may exist in an area under review or in any other area, the Internal Auditor should consider the implications of such an error or irregularity and determine the extent of any further review. The Internal Auditor will discuss any major potential error or irregularity and its disposition with the Audit Committee.

The Department of Internal Audit is not solely responsible for the detection and prevention of all errors and irregularities which may occur. This is a responsibility shared by the Superintendent and the School Administration. The School Administration is responsible for the control environment of Virginia Beach City Public Schools, and the internal controls adopted and enforced by the School Administration should provide reasonable assurance that assets are



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safeguarded, transactions are properly authorized and recorded, and employees comply with laws and regulations. The Department of Internal Audit is responsible to detect errors and irregularities that are significant within the context of the audit objectives.

Cooperation with External Auditors

The coordination of audit efforts should be planned and defined as a part of the scope for proposed audits, so the work of all auditing groups is complementary and will provide a comprehensive, cost-effective audit. The Department of Internal Audit should comment on the adequacy and quality of the external auditors to the Audit Committee.

Audit Work Plan

The Internal Auditor shall submit annually to the Audit Committee and to the full School Board a work plan for the coming year. The work plan serves as a guide. The Internal Auditor can expand or revise the plan, or substitute unplanned activities for planned activities. All proposed changes in the work plan should be submitted for approval by the Audit Committee.

Unless otherwise directed by the Audit Committee, the Internal Auditor is free to select the particular audit techniques to be employed, the procedures to be utilized, and the extent of their application.

Audit Reports

At the conclusion of each audit, a report will be presented to the Audit Committee. The report will be structured in accordance with *Government Auditing Standards*. Management's responses to audit recommendations will be included in the audit report.

After presentation to the Audit Committee, all audit reports issued by the Department of Internal Audit will be made available to all School Board Members. The Audit Committee Chair shall timely notify School Board Members of the availability of each audit report.

Follow-Up of Audit Recommendations

The Department of Internal Audit will track all major audit recommendations and monitor management's action on each (i.e. implemented or not implemented). The Department of Internal Audit will continue to follow-up with each major recommendation until the School Administration has implemented the recommendation or until the Audit Committee advises the Internal Auditor to cease follow-up of a recommendation.

Investigations

Upon notification of a case of material assets have or are thought to have been lost through defalcation or other security breaches in the financial and operating systems, the Internal Auditor will contact the Audit Committee Chairperson with a proposed plan of action from the Department



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of Internal Audit.

Any investigation of specific events with the objective of recovery and/or prosecution, or the questioning of any individuals outside the Virginia Beach City Public Schools, is the responsibility of the appropriate law enforcement authorities. Any report or correspondence issued by the Department of Internal Audit may be presented to the full School Board at the discretion of the Audit Committee.

Personnel

The authority to employ or dismiss the professional staff of the Department of Internal Audit will rest with the School Board, at the recommendation of the Audit Committee.

The ultimate quality of the Department of Internal Audit's performance is directly related to the quality of the people employed. The internal audit function should be staffed with qualified and competent individuals.

Minimum qualifications for each position within the audit function should be established; however, additional experience, training, specialized skills as well as intelligence, adaptability, an inquiring mind, analytical ability, good business judgment, and an ability to communicate with individuals should be considered in the employment process. Minimum requirements for the School Board Internal Auditor shall include certified internal auditor (CIA) or certified public accountant (CPA) certification, a master's and a bachelor's degree in a business-related field. Minimum requirement for each staff auditor will be a bachelor's degree and a demonstrated willingness to successfully complete the CIA or CPA certification within three years. Failure to obtain CIA or CPA certification within three years may result in termination.

Continuing Professional Education

The need for members of the Department of Internal Audit to stay current on accounting issues and audit techniques is recognized. The Department of Internal Audit will require each staff member to obtain at least the minimum number of continuing professional education (CPE) credits according to the requirements of the Commonwealth of Virginia, the IIA, and *Government Auditing Standards*.

Evaluation

The Internal Auditor will submit a self-evaluation to the Audit Committee annually for review. The Audit Committee will make revisions, if any, then present the final evaluation to the Internal Auditor. The Audit Committee Chair will inform the School Board of the results of the evaluation. At its discretion the School Board may review and discuss the evaluation. The Internal Auditor will be responsible for the annual evaluation of all internal professional and clerical staff.



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Quality Assurance Review

The Department of Internal Audit recognizes the benefits to be derived from a quality assurance review of the internal audit function. The Internal Auditor will contract for an external peer review of the Department of Internal Audit in accordance with *Government Auditing Standards*. This peer review should result in a written report to the Audit Committee. The Audit Committee will subsequently monitor the progress of any corrective actions necessitated by the report.

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