

## **REGULATION #4150.1 INTERNAL AUDIT**

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### **Background**

Internal Audit has two primary tasks. The first is to review and independently assess the management practices associated with an organization's key financial, administrative and operational activities. The second is to recommend to the board and senior management where improvements can be made.

Internal Audit contributes significantly to both improving the way the organization operates and helping senior management to achieve its organizational objectives. Internal Audit is committed to making a difference for the school district by promoting, in all its work, accountability and best practices in school district operations.

Internal Audit makes a difference by promoting:

- a) Efficiency and productivity in school district operations.
- b) Cost effectiveness of school district activities.

Other effects Internal Audit produces through its work are:

- a) Objective assurance on matters found to be satisfactory and unsatisfactory.
- b) Compliance with board policies and regulations.
  
- c) Deterrence of fraud, dishonesty and theft of assets.

### **"Value-for-Money" Auditing**

"Value-for-money" auditing, which is sometimes called performance auditing, is an approach to auditing that examines management practices, controls and reporting systems. "Value-for-money" auditing addresses the following main questions:

- a) Are programs and activities run economically and efficiently?
- b) Does the school district have the means to measure their effectiveness?

There are three phases to a "value-for-money" audit: planning, examination and reporting. Audit criteria for evaluating the matters subject to audit are identified during the planning phase and shared with management directly responsible for the area being audited. Sufficient and appropriate audit evidence is obtained during the examination phase to afford a reasonable basis to support the content of the audit report. Audit

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results are discussed with management directly responsible for the area being audited during the reporting phase.

### **Selecting an Area for Audit**

To identify matters that are of most interest and significant to the board and senior management, Internal Audit considers:

- a) Audit worthiness, which is determined by the level of expenditures, the importance of each program or activity, the level of interest among members of the board and senior management, the degree of risk involved in the program delivery, and the priority areas internal audit is addressing.
- b) Auditability, determined by the complexity of the program and the level of resources needed to audit it.
- c) Past audit coverage by internal audit and other review work carried out by the school district or other knowledgeable observers.

### **Fraud**

Sound systems of internal control are the prime vehicle for preventing and detecting fraud. Internal Audit will maintain an awareness that will permit an adequate inspection of internal control. However, internal audit is not responsible for preventing and detecting all fraud.

Whenever it is apparent to internal audit that public funds have been improperly retained by any person, the circumstances shall be reported immediately to the secretary-treasurer, the superintendent and the external auditor.

*Approved: 1999-07-08*