

September 11, 2017

To: CA Audit Committee Members  
Janet Evans  
Nancy McCord  
Gregg Schwind  
Edward Berman  
James Young

From: Jackie Tuma, Director of Internal Audit

Cc: Milton W. Matthews, President/CEO

Re: Review of the Office of Internal Audit Charter

In response to your feedback at the June 2017 Audit Committee meeting, I revised the draft Office of Internal Audit Charter and included a list of documents provided to the committee. The updated draft charter reflects the authority and responsibilities of the Office of Internal Audit and incorporates recent recommendations from the Institute of Internal Auditors.

Attached for your review is a draft with tracked changes (substantive changes only) as compared to the most recent charter approved by the Board of Directors in July 2015. Following the tracked copy is a clean draft incorporating all of the proposed changes.

If the committee agrees with the revised charter, a motion will be taken to recommend that the document be approved by the Board of Directors.



## Office of Internal Audit Charter

### **Purpose and Mission**

The purpose of Columbia Association (CA)'s Office of Internal Audit is to provide independent and objective assurance and consulting services designed to add value and improve CA's operations. Internal Audit's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Office of Internal Audit helps CA to accomplish its objectives in order to evaluate the accuracy and effectiveness of CA's operations, financial reporting, internal controls, and policies and procedures. by offering a systematic, disciplined approach to evaluate and improve the governance, risk management, and control processes.

### **Standards for the Professional Practice of Internal Auditing**

The Office of Internal Audit will adhere to the mandatory elements of the Institute of Internal Auditor's International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing ("Standards").

### **Authority**

The Director of Internal Audit shall report administratively to the President/CEO and functionally to the President/CEO and the Audit Committee.

The director and other staff of the Office of Internal Audit are authorized to:

- Have unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information. In the case of records and communications which are protected by the attorney-client privilege or are otherwise legally recognized as privileged documents or communications, the Office of Internal Audit may not further disclose such documents or communications to any party outside of CA unless the Board has voted to waive the privilege.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply the techniques required to accomplish audit objectives, and issue reports.

The Director of Internal Audit will have unrestricted access to and communicate and interact directly with the Audit Committee, including in private meetings without management present.

## Independence and Objectivity

The Director of Internal Audit will ensure that the Office of Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.

~~Independence requires that the auditors' work be performed freely and objectively~~—Internal auditors will have no authority over or direct operational responsibility for any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

Where the Director of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal audit, safeguards will be established to limit impairments to independence or objectivity.

The Director of Internal Audit will confirm to the Audit Committee, at least annually, the independence of the Office of Internal Audit and whether any interference in determining the scope of internal auditing, performing work, and/or communicating results was experienced.

## Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of CA's strategic objectives are appropriately identified and managed.
- The results of operations or programs are consistent with established goals and objectives for the organization.
- Operations or programs are carried out effectively and efficiently.
- Processes and systems enable compliance with applicable policies, procedures, laws, and regulations.
- Information provided is reliable and has integrity.
- Resources are acquired economically, used in the most productive manner, and adequately protected.
- ~~Quality and continuous improvement are fostered in the organization's control processes.~~

The Director of Internal Audit coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

The Office of Internal Audit may perform advisory and consultative services, provided the Office of Internal Audit does not assume management responsibility.

## **Responsibility**

The responsibilities of the Director of Internal Audit include:

- Developing a flexible biannual audit plan (subject to adjustment to accommodate higher priorities) using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submitting that plan to the President/CEO for feedback and the Audit Committee for review and approval.
- Implementing the biannual audit plan, as approved, including special projects as appropriate.
- Communicating to the President/CEO and the Audit Committee any significant interim changes to the internal audit plan and the impact of resource limitation on the plan.
- Issuing a report to management following each internal audit engagement.
- Communicating engagement results to the Audit Committee and appropriate parties as needed.
- Conducting appropriate follow up on engagement findings and recommendations and reporting quarterly to the President/CEO and the Audit Committee any unresolved findings.
- Keeping the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Establishing and ensuring adherence to policies and procedures designed to guide the Office of Internal Audit.
- ~~Establishing a quality assurance program by which the Director of Internal Audit assures the operation of internal auditing activities and communicating the results of internal and external assessments.~~
- Issuing quarterly reports to the Audit Committee and management summarizing audit activities.
- Maintaining an audit staff with relevant professional backgrounds, to include knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Monitoring CA's ethics hotline.

## **Quality Assurance and Improvement Program**

The Office of Internal Audit will maintain a quality assurance and improvement program that covers all aspects of its operations. The program will include an evaluation of its conformance with the Standards and the IIA's Code of Ethics. The program will also assess the productivity of the Office of Internal Audit and identify opportunities for improvement.

The Director of Internal Audit will report annually to the President/CEO and the Audit Committee regarding the Office of Internal Audit's conformance with the Standards, based on results of both internal and/or external assessments. (Internal assessments will be conducted

annually. External assessments will be conducted at least once every five years by a qualified independent assessor or assessment team.)

A summary of documents provided to the Audit Committee is attached.

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President/CEO Date

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Director of Internal Audit Date

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Audit Committee Chair Date

*Reviewed by CA's Audit Committee on June 26, 2017.  
Approved by CA's Board of Directors on \_\_\_\_\_.*

Revision history:

*Created: 7/27/06  
Revision 1 9/24/09  
Revision 2 7/14/11  
Revision 3 7/9/15*

## Attachment to Office of Internal Audit Charter

### Summary of Documents Provided to the Audit Committee

<u>Document</u>	<u>Frequency/timing provided to Audit Committee</u>
<u>1. Confirmation of independence of Office of Internal Audit</u>	<u>Annually (June meeting)</u>
<u>2. Biannual internal audit plan (draft)</u>	<u>Annually (June meeting)</u>
<u>3. Internal audit reports, including audit follow up reports</u>	<u>Dependent on completion of reports.</u>
<u>4. Overview of open internal audit findings</u>	<u>Quarterly (June, September, December &amp; March meetings)</u>
<u>5. Office of Internal Audit progress reports</u>	<u>Quarterly (June, September, December &amp; March meetings)</u>
<u>6. Report on compliance with professional standards</u>	<u>Annually (June meeting)</u>
<u>7. Quality self-assessment with independent validation</u>	<u>Every five years (December meeting)</u>



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President/CEO

Date

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Director of Internal Audit

Date

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Audit Committee Chair

Date

*Reviewed by CA's Audit Committee on September 18, 2017.  
Approved by CA's Board of Directors on \_\_\_\_\_.*

Revision history:

*Created: 7/27/06  
Revision 1 9/24/09  
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