

## **Module 19 – Internal Audit and the Role of Audit Committees**

### **Part B – The Internal Audit Function**

#### **[Overview]**

To begin, let's get a sense of the reasons for the Internal Audit function and its objectives.

The Regional Internal Audit Structure came about during Grants for Student Needs (GSN) consultations. The purpose of this structure is to promote sharing of leading practices in internal audit and risk management activities among boards and to ensure efficient and equitable distribution of resources within the sector that considers things like board size, language and geographic coverage.

#### **[The Internal Audit Function]**

The Internal Audit function has to the objective of evaluating and improving a school board's processes for risk management, control and governance. The function works to uncover control gaps, prevent waste, streamline processes and help direct a school board's resources to areas of highest risk.

The Regional Internal Audit Structure helps achieve objectives of Internal Audit. Across the province, Regional Audit Teams are grouped together into eight regions based on geographic location, and there is one French-language Audit Team for all French-language boards. A host board is assigned within each of the regions to oversee the administrative requirements of the Regional Audit Team on behalf of the other boards in the region. Funding is flowed to the host board.

Regional internal auditors are employees of the host board. They report to the Audit Committees in their region where they will provide input to each board and share how the board's systems and processes are working and how to improve them where necessary.

#### **[What does Internal Audit do?]**

Internal auditors work with school board management and conduct audits that provide assurance on a board's operations.

Internal auditors make recommendations that provide school boards with direction. For example, the internal auditor may identify a problem within your school board that is caused by a shortage of staff. The auditor would provide a recommendation to fix the problem, but it would be your board's challenge to respond to the situation and decide on appropriate action, if any.

The Regional Internal Audit Team may facilitate sharing of leading practices amongst school boards within the region and amongst all eight regions.

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It is important to remember that internal auditors can only look at a snapshot of a board's operations and test on a sample basis. This means that the scope of the auditor's work is limited to a point in time, and auditors can't provide 100% assurance.

**[What does Internal Audit look at?]**

In working with school boards, Internal Audit Teams bring a diversity of skills and knowledge that add to an effective review of a school board's operations. Review areas include Human Resources, Facilities, Instruction and Schools, Business Services, Transportation, and IT and Communications.

Internal auditors can help boards identify issues to be addressed in Human Resource practices, ranging from recruitment and hiring to compensation and benefits. Internal auditors work with Facilities on issues such as health and safety, and repairs and maintenance. In the area of Instruction and Schools, they can assist with a board's challenges in special education, enrolment and attendance.

In Business Services, they may have suggestions about matters such as payroll, expenses, reporting and fundraising. Auditors can also help ensure that Transportation is efficient and effective, and can look at IT and Communications and help with strategy.

**[Keys to Effective Internal Audit]**

The most important factor in providing effective Internal Audit services is strong support from the Director of Education and senior management team. This is essential to helping Regional Internal Audit Teams achieve their objectives of assisting boards and making useful recommendations. School board management should communicate regularly with their Regional Audit Team and attend Audit Committee meetings as appropriate to build a strong working relationship. The Director and Senior Business Official attend every meeting.

Also essential to the effectiveness of the Internal Audit function is the creation of a formal Regional Internal Audit Team mandate that grants unrestricted access to school board operations. Each Regional Internal Audit Team has a mandate that defines its purpose, authority and responsibility. This is signed by the Director of Education, Audit Committee Chair and Regional Internal Audit Manager. The mandate provides the team with unrestricted access to the board's relevant functions, policies, practices, procedures, records, property and personnel.

Objective and highly skilled Internal Audit staff are also essential. Audit staff must have impartial attitudes, avoid conflict of interest and adhere to professional audit standards.

**[Preventive Maintenance]**

To deepen your understanding of the Internal Audit function, it is helpful to think of Internal Audit as *preventive maintenance* for a school board. Internal Audit provides you with the assurance that the processes and controls at your board are designed appropriately and operate effectively. Internal Audit can uncover and help fix control gaps or issues that require attention before an Auditor General audit – this helps avoid negative media coverage and all the extra effort it takes to mitigate.

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Internal Audit recommendations can prevent waste, save taxpayer money and streamline processes. The team's work can help direct resources to areas of highest risk. The independent Internal Audit function also provides the Auditor General and the Ombudsman with a reasonable level of assurance regarding the education sector.

All of this proactivity supports the work of trustees and school boards in building public confidence and provides objective accountability and transparency that demonstrate the board is managing its resources.