

Agenda Item No:	H
Title:	Approval of the Charter for the Quality Assurance Program and the Department Audit Committee
Date of Presentation:	June 4, 2008
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SUMMARY

Internal Auditing standards and Oregon Administrative Rules (OAR) require that internal audit functions and audit committees have a formal charter that describes the purpose, authority, responsibilities, structure, etc., of the two activities. The charter is used to direct the activities and define the scope and expectations of the internal audit function and the Department's Audit Committee. Internal auditing standards require that the charter be approved by a governing board.

CONTEXT

Quality Assurance Program

The *International Standards for the Professional Practice of Internal Auditing* (International Standard 1000) and OAR 125-700-0020 (3) require that an internal audit function have a formal charter that sufficiently defines the purpose, authority, and responsibilities of the internal audit function. It is also required that the charter be approved by the governing board of the organization in which the internal audit function resides.

The charter of an internal audit function serves as the operating policy that defines the functional and administrative relationships between an internal audit function, the organization/agency, and the board or directing body. The governing board of an organization should be familiar enough with the internal audit function's charter to determine that the function has sufficient independence, authority for thorough reviews, and scope of activities to appropriately assist the governing board with its oversight of an organization. The charter is refined through time to further clarify or improve the functional and administrative relationships of the internal audit function, the organization, and the governing board.

Department Audit Committee

OAR 125-700-0035(1-4) outlines the key requirements for an agency audit committee. First, each agency that has an internal audit function or equivalent will also establish and maintain an agency audit committee. In addition, the role, functions, authority, responsibilities, and structure of an agency audit committee will be described in a formal, written charter that is approved by

the governing board. Lastly, at least one member of the governing board should be a member on the agency audit committee.

Similarly to an internal audit function, an organization's audit committee also needs to have its administrative and functional relationships and responsibilities defined in a formal charter. An audit committee is charged with more specific oversight responsibilities of the organization and the internal audit function in place of the governing board. The key responsibilities of an audit committee within Oregon state agencies is to assess:

- The Independence, Objectivity, and Performance of the Internal Audit Function,
- Agency Financial and Other Reporting Practices,
- Internal Control and Prevention of Fraud within an Agency,
- Agency Processes for Compliance with Laws, Regulations, and Ethics, and
- Economy and Efficiency of Agency Operations.

The attached charter (Attachment 1) for the Quality Assurance Program and the Department's Audit Committee has been developed to meet these requirements and is now submitted for Board approval so that these activities can have clear direction and comply with guidance.

RECOMMENDATIONS

The Department recommends that the Board approve the Quality Assurance Program and Department Audit Committee Charter provided in Attachment 1 to comply with internal auditing standards and OAR guidelines.

ATTACHMENTS

- (1) Oregon Department of Forestry Quality Assurance Program and Audit Committee Charter