



OREGON YOUTH AUTHORITY
Policy Statement
Part I – Administrative Services



Subject

Internal Auditing

Section – Policy Number:

A: General Administration – 6.0

Supersedes:

I-A-6.0 (12/05)
I-A-6.0 (12/04)

Effective Date:

03/28/2011

Date of Last Review/Revision:

None

Related Standards and References:

- [OAR Chapter 125, Division 700](#) (Internal Auditing)
- [OAR Chapter 416, Division 250](#) (OYA Audit Guidelines)
- Department of Administrative Services, State Controller’s Division (DAS-SCD); Oregon Accounting Manual (OAM)
 OAM 10.80.00 PO ([Auditing](#))
 OAM 10.80.00 PR ([Auditing](#))
- The Institute of Internal Auditors [International Standards for the Professional Practice of Internal Auditing](#)

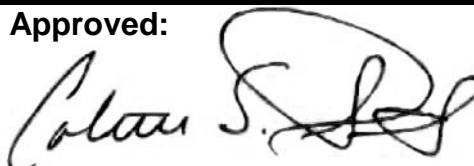
Related Procedures:

- None

Interpretation:

Director’s Office

Approved:



Colette S. Peters, Director

I. PURPOSE:

This policy establishes the purpose, authority and responsibilities of the Internal Audit Function and the Audit Committee within OYA.

II. POLICY DEFINITIONS:

Add Value: Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.

Assurance Services: An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Chief Audit Executive (CAE): Top position within the organization responsible for internal audit activities.

Code of Ethics: The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Consulting Services: Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Independence: The freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditor, engagement, functional and organizational levels.

Risk: The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Management: A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

III. POLICY:

Risk is inherent in the decisions OYA makes to manage and run its business and in the processes established to assist in the achievement of OYA objectives. Internal audit plays an important role in helping OYA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It is important to distinguish between the role of management and that of internal audit. Management has primary day-to-day responsibility for managing risk and for the operation of internal controls within OYA. The internal audit role is separate and independent from management's role.

Section IV below is the OYA Internal Audit Charter.

Section V below is the OYA Audit Committee Charter.

IV. INTERNAL AUDIT CHARTER

A. Purpose

1. The purpose of Internal Audit Function is to provide an independent, objective assurance and consulting activity designed to add value and improve OYA's operations. It helps OYA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

2. The Internal Audit Function should benefit the agency by establishing, reviewing, and enhancing processes and controls that:
 - a) Ensure compliance with applicable laws and regulations;
 - b) Provide assurance that the OYA is well managed and utilizes resources effectively and efficiently;
 - c) Provide assurance of agency accountability;
 - d) Provide assurance that the mission, goals and objectives of the agency are achieved;
 - e) Reduce risks to OYA assets and resources; and
 - f) Prevent and detect fraud.

B. Structure

The Chief Audit Executive (CAE) reports administratively to the Director and the Deputy Director and functionally to the OYA Audit Committee.

C. Authority

As directed by OAR Chapter 125, Division 700, the Director of OYA has established an Internal Audit Function. The OYA Internal Audit Function is authorized by the Director to:

1. Have unrestricted access to all OYA functions, records, property, and personnel for internal audit engagements;
2. Allocate resources, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives;
3. Obtain the necessary assistance of personnel in units of the organization where audits are performed, as well as other specialized services from within or outside the organization; and
4. Review organizations that contract services with OYA. (See OAR Chapter 416, Division 250 for audits of OYA contractors).

The OYA Audit Function is not authorized to:

1. Perform any operational duties;
2. Initiate or approve any accounting transactions external to internal audit; or
3. Direct the activities of any agency employee outside of internal audit, except to the extent such employee has been appropriately assigned to auditing teams or to otherwise assist internal audit.

D. Responsibilities

The CAE is responsible for:

1. Managing the internal audit activity to ensure that it adds value to OYA;
2. Performing an annual risk assessment that incorporates input from senior management and the Audit Committee;
3. Establishing a risk-based annual audit plan and submitting it to the Audit Committee for review and approval;
4. Deploying internal audit resources to achieve the approved audit plan;
5. Establishing policies and procedures to guide the internal audit function;
6. Coordinating activities with external auditors to ensure proper audit coverage and minimize the duplication of efforts;
7. Developing and maintaining a quality assurance and improvement program that includes internal assessments conducted periodically and external assessments conduct at least every five years. Results of the quality assurance and improvement program must be communicated to the Audit Committee;
8. Reporting to the Audit Committee periodically on performance relative to the audit plan. Reporting must include significant risks and internal control issues, including fraud risks, governance issues and other matters needed or requested by the Audit Committee; and
9. Complying with reporting requirements established pursuant to state statute and administrative rules, including the annual report on audit activities as of June 30th.

E. Nature of Services

Internal Audit provides two types of services. These services include:

1. Assurance Services

Assurance Services are the objective assessment of evidence to provide an independent opinion or conclusions regarding an operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the auditor.

2. Consulting Services

Consulting services are advisory in nature, and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. When performing consulting services, the internal auditor should maintain objectivity and not assume management responsibility.

F. Independence

The internal audit function must remain independent from influence by any internal or external party on all audit matters, including audit selection, scope, procedures, frequency, timing or report content. Any impairment to independence will be communicated to the Audit Committee, OYA Director or Director of DAS, depending on the impairment.

The CAE must not have any direct operational responsibility or authority over any area under review.

G. Professional Standards

Internal Audit will follow the Institute of Internal Auditor's (IIA's) International Standards for the Professional Practice of Internal Auditing and abide by the IIA's Code of Ethics.

V. AUDIT COMMITTEE CHARTER

A. Purpose

The OYA Audit Committee is intended to assist the Director in the oversight of the agency in the areas of internal control, efficient and effective use of public resources, financial reporting, information technology security, and compliance with laws, regulation and ethics. It is a forum for all internal and external audit issues affecting OYA, including the monitoring and the disposition of those issues.

B. Structure

Audit Committee members are appointed by and responsible to the Director. The Committee, at a minimum, will consist of a representative from the Director's Office; the Assistant Director Business Services or designee; the Assistant Director Facilities Services or designee; and the Assistant Director Community Services or designee.

C. Meetings

The Committee will meet quarterly, with authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting in person. The Committee may invite others to attend Audit Committee meetings, as necessary, to provide

pertinent information to the Committee. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared for each meeting.

D. Responsibilities

The OYA Audit Committee is responsible to:

1. Ensure the internal audit function is independent within the agency and any impairment is disclosed to the OYA Director or to the Director of DAS depending upon the level of the impairment;
2. Provide oversight of the Internal Auditor by:
 - a) Providing feedback on and approval of the annual risk assessment to ensure that risks are identified and prioritized appropriately;
 - b) Providing feedback on the annual Audit Plan to ensure the audits selected are based upon risk and are appropriate given other agency considerations; and
 - c) Obtaining the staffing and resource requirements for the Internal Audit Function needed to achieve objectives.
3. Coordinate with the CAE to ensure that an external assessment of the Internal Audit Function is performed every five years;
4. Participate in an annual performance review of the CAE;
5. Review, contract, and coordinate audit engagements with contracted external audit entities. The coordination will cover:
 - a) Scope of audit engagements;
 - b) Involvement of internal audit resources; and
 - c) Audit communication and reporting.
6. Obtain information relating to risks that may have been identified in other states or from national associations and relay the information to the CAE.

VI. LOCAL OPERATING REQUIRED: NO