

Agenda Item No:	D
Title:	Approval of the Internal Audit Committee Charter for Internal Audit Services
Date of Presentation:	June 5, 2019
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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 audit committee charter be approved by a governing board. For the Department of Forestry, the Board of Forestry is the governing board of the audit committee.

**CONTEXT**

**Internal Audit Services**

OAR 125-700-125(1) identifies criteria for agencies to establish an internal audit function. Oregon Department of Forestry meets one or more of the criteria and has an established internal audit function.

**Oregon Department of Forestry Audit Committee**

OAR 125-700-0135(5 and 6) 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 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.

Board of Forestry last approved the Audit Committee Charter in June of 2008. Changes were recently made to the charter based on recommendations from a Secretary of State Audit and changes to the International Standards for the Professional Practice of Internal Audit.

### **RECOMMENDATIONS**

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

### **ATTACHMENTS**

- 1) Oregon Department of Forestry Audit Committee Charter