

OREGON DEPARTMENT OF CORRECTIONS INTERNAL AUDIT CHARTER

Purpose and Mission

The purpose of the Oregon Department of Corrections (DOC) Internal Audit unit is to provide independent, objective assurance and consulting services designed to add value and improve department operations, including Oregon Corrections Enterprises operations. The mission of Internal Audit is to enhance and protect organizational value by providing independent, risk-based, and objective assurance, advice, and insight. Internal Audit helps the department accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Standards for the Professional Practice of Internal Auditing

The Internal Audit unit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing. The Chief Audit Executive (CAE) will report periodically to senior management and the DOC Audit Committee regarding the Internal Audit unit's conformance to the IIA's Code of Ethics and the *Standards*.

Authority

The CAE will report functionally to the Audit Committee and administratively to the Director and Deputy Director. To assure the Internal Audit unit has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the DOC Internal Audit Charter.
- Approve the risk-based internal audit plan.
- Receive communications from the CAE on the Internal Audit unit's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations

The CAE will have unrestricted access to communicate with and interact directly with the Audit Committee.

The CAE and Internal Audit staff are authorized to:

- Have unrestricted access to all department functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding records and information.
- Select subjects, determine scopes of work, allocate resources, and apply techniques required to accomplish audit objectives and issue reports.
- Obtain the necessary assistance of personnel within the department as well as other specialized services from within or outside the department.

Independence and Objectivity

The CAE shall ensure that the Internal Audit unit 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. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude allowing them to perform engagements objectively and value their work product and ensuring no quality compromises are made and they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over 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, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the department or Oregon Corrections Enterprises.
- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any DOC employee not employed by Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit unit.

The CAE will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, or communicating results.

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 on the adequacy and effectiveness of

governance, risk management, and control processes for the department. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the department's strategic objectives are appropriately identified and managed.
- The actions of DOC's employees and contractors comply with DOC's rules and policies and applicable laws, regulations, and governance standards.
- The outcomes of programs or operations are consistent with established goals and objectives.
- Programs or operations are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the department.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The CAE will report periodically to senior management and the Audit Committee regarding:

- The Internal Audit unit's purpose, authority, and responsibility.
- The Internal Audit unit's plan and performance relative to its plan.
- The Internal Audit unit's conformance with the IIA's *Standards* and Code of Ethics, and actions plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the department.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

In addition to audit engagements, the Internal Audit unit may perform advisory or other consulting services, provided the Internal Audit unit does not assume management responsibility. The nature and scope of these activities will be agreed upon with senior management. These types of services may include, but are not limited to:

- Conducting special projects, reviews, or investigations.
- Performing research, such as researching best practices.
- Providing training on audit related topics, such as internal controls, risk assessment/ or risk management, and ethics.
- Providing counsel or advice, such as assessing the adequacy of draft policies or process design.
- Participating in a non-voting role on department or statewide committees.

The CAE also coordinates activities, where possible, and considers relying on the work of other internal and external assurance and consulting service providers as needed.

Responsibility

The CAE has the responsibility to:

- Submit, at least annually, to senior management and the Audit Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in department programs, operations, systems, risks, and controls.
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not implemented.
- Ensure the principles of objectivity, competency, confidentiality, and integrity are applied and upheld.
- Ensure the Internal Audit unit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit unit.
- Assist in the investigation of suspected fraudulent activities within the department and notify management and the Audit Committee of the results.

Quality Assurance and Improvement Program

The Internal Audit unit will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit unit. The program will include an evaluation of the unit's conformance with the *Standards* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit unit and identify opportunities for improvement.

The CAE will communicate to senior management and the Audit Committee on the Internal Audit unit's quality assurance and improvement program, including results of internal assessments and external assessments.