Internal Audit
External Quality Assessment
Presented to:

Houston Independent School District

June 2020
Opportunities for Continuous Improvement

**Standard 1000 Purpose, Authority and Responsibility** – Consider aligning the Audit Committee Charter and the Internal Audit Charter. As an example, revise the draft Internal Audit Charter before submitting it to the Board of Education for approval. The section under “Authority” has several bullet points regarding approvals required from the Audit Committee, such as approval of the Internal Audit charter, the risk based audit plan, budget and resource plan, and decisions regarding appointments, removal and annual remuneration of the CAE. However, the Board of Education has not delegated approval authorities to the Audit Committee. The Audit Committee charter assigns only “review and recommendation” responsibilities to the Audit Committee. Approval authority of the above mentioned listed documents and activities are reserved by the full Board of Education.

**Standard 2000 Managing the Internal Audit Activity** – Consider developing an Internal Audit strategic plan to support the very dynamic nature of the organization in a proactive, thoughtful, systematic, and practical manner as recommended by the IIA Practice Guide relative to this topic including a maturity strategy outlining future actions that the department will need to implement so that it can sufficiently meet the anticipated growth and needs of The Houston Independent School District.

A systematic and structured process can be used to develop the internal audit strategic plan, helping to enable the internal audit activity to achieve its vision and mission. The following steps can be used to develop the internal audit strategic plan:

1. Understand the relevant organization’s objectives.
3. Understand stakeholder expectations.
4. Update the internal audit vision and mission.
5. Define the critical success factors.
6. Perform a strengths, weaknesses, opportunities, and threats (SWOT) analysis.
7. Identify key initiatives.
8. Establish medium and long-term training goals for the IA staff with the objective of developing subject matter experts within the more specialized areas of the bank.

Once developed, the plan should be presented to senior management and the Audit Committee for review and to the Board of Education for approval.
## Opportunities for Continuous Improvement

### Standard 2040 Policies and Procedures

Consider updating the Internal Audit policies and procedures manual. A review of the policy manual and interviews with staff show the department is need of a audit manual refresher. The manual while comprehensive and adequate, has not been revisited in the CAE's three year tenure (for example the organizational chart and Internal audit charter and audit committee charters are all outdated - reflecting status under the previous CAE).

There were several references to significant changes and inconsistencies between departmental teams. With the significant turnover of most of the department In the last three years, It would be appropriate to update the manual and refresh contents. Maintaining a current and relevant manual provides a source of reference to the Internal Audit staff and contributes to high quality and consistency of the work product.

### Recommended Practice

Consider enhancing Internal Audit’s image and promoting improved communications with HISD management. This could be accomplished by encouraging selected executives to interact with Internal Audit management and staff. Consider engaging in informal meetings with HISD management, such lunch and learn activities with members of senior and line management staffs. Presentations could be performed by Internal Audit management to HISD management regarding services and how additional value could be added by Internal Audit’s activities.

Conversely, HISD management could be invited to share with their areas of highest risks and concerns, which could guide a more targeted audit or consulting approach by Internal Audit.

Consider also developing a brochure, or intranet site to communicate to management Internal Audit’s vision and mission statements, the Internal Audit members qualifications and skills and willingness to cooperate in a mutually beneficial approach.
Opportunities for Continuous Improvement Noted

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**Recommended Practice** – Consider providing additional exposure and training to management in navigating and utilizing the recently implemented Internal Audit Dashboard. Interviews with members of HISD management and members of the Audit Committee and the Board of Education disclosed a desire to receive some training or guidance from Internal Audit on how to better understand and utilize the Internal Audit Dashboard as the new means of communicating audit results, tracking of unresolved audit recommendations and other relevant information contained within it.

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**Recommended Practice** – Consider extending an open invitation to the CAE to attend senior staff and strategic meetings. In addition, the Superintendent of schools, to whom Internal Audit reports on an administrative basis, should consider having input into the CAE’s annual performance evaluation.