



~~November 2021~~ January 2023

Office of Internal Auditing

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# OFFICE OF INTERNAL AUDITING CHARTER

Minnesota State



*Minnesota State is an affirmative action, equal opportunity employer and educator.*

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## Purpose and Mission

The purpose of Minnesota State’s Office of Internal Auditing (“Internal Audit”) is to provide independent, objective assurance and advisory services designed to add value and improve Minnesota State’s operations. The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Internal Audit helps Minnesota State accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

### Internal Audit:

- Serves as a strategic partner to Minnesota State leadership in addressing a range of business, operational, compliance, and financial challenges and risks, providing assurance regarding processes and systems, and identifying opportunities to increase efficiency and effectiveness.
- Helps the system anticipate and address risks proactively, enabling business and process improvements and supporting the viability of system operations.
- Partners with others to monitor and mitigate system risks.

## Standard for the Professional Practice of Internal Auditing

Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors’ 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*, and the Definition of Internal Auditing. The ~~executive director~~ chief audit officer will report annually to the audit committee and management regarding the Internal Audit’s conformance to the Code of Ethics and the *Standards*.

Other recommended professional guidance, including Institute of Internal Auditors’ Implementation Guides issued for each standard and supplemental guidance such as Practice Guides, Global Technology Audit Guides, and Guides to the Assessment of IT Risks provide Internal Audit insight into how it will establish and execute its infrastructure and processes to conform with the mandatory elements of The Institute of Internal Auditors’ International Professional Practices Framework.

## Authority

The ~~executive director~~ chief audit officer will report functionally to the audit committee and administratively (i.e., day-to-day operations) to the chancellor. To establish, maintain, and assure that Minnesota State’s Internal Audit has sufficient authority to fulfill its duties, the audit committee will:

- Approve Internal Audit’s charter.
- Approve the risk-based audit plan.
- Approve Internal Audit’s budget and resource plan.



- Receive communications from the ~~executive director~~chief audit officer on Internal Audit's performance relative to its plan and other matters.
- Approve decisions regarding the appointment, removal, and compensation of the ~~executive director~~chief audit officer. Compensation will be consistent with board policy 1A.4 part 5.
- Make appropriate inquiries of management and the ~~executive director~~chief audit officer to determine whether there is inappropriate scope or resource limitations.

The ~~executive director~~chief audit officer will have unrestricted access to, and communicate and interact directly with, the audit committee, including in private meetings without management present.

Board Policy 1D1 authorizes Internal Audit to:

- Have full, free, and unrestricted access to all Minnesota State functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information in compliance with the Minnesota Data Practices Act and other applicable laws.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish engagement objectives, and issue reports.
- Obtain assistance from the necessary personnel of Minnesota State, as well as other specialized services from within or outside Minnesota State, in order to complete an engagement.

## Independence and Objectivity

The ~~executive director~~chief audit officer will ensure that Internal Audit 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 ~~executive director~~chief audit officer 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 that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that 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 Minnesota State or its affiliates.
- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any Minnesota State employee not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the ~~executive director~~chief audit officer has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.



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 ~~executive director~~chief audit officer will confirm to the audit committee, annually, the organizational independence of Internal Audit.

The ~~executive director~~chief audit officer will disclose to the audit committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

## Scope of Internal Audit Activities

Internal audit will perform both assurance and advisory services. In accordance with the IIA, assurance work will provide an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes. Advisory and related client service activities, the nature and scope of which are agreed with the client are intended to add value and improve Minnesota State's governance, risk management, and control processes.

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 Minnesota State. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of Minnesota State's strategic objectives are appropriately identified and managed.
- The actions of Minnesota State's officers, directors, employees, and contractors are in compliance with Minnesota State's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Minnesota State.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.



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- Resources and assets are acquired economically, used efficiently, and protected adequately.

The ~~executive director~~chief audit officer also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and advisory service providers as needed. The ~~executive director~~chief audit officer is responsible for the management and reporting on the performance of any third party provider of resource engaged in internal audit work. Minnesota State has entered into a co-source relationship having given consideration to the varied activities and the need for a wide range of skills. The co-source relationship provides availability and staff expertise. While the partner may act in a lead role and provide resources for audit activities, the ~~executive director~~chief audit officer maintains oversight of the planning, fieldwork and reporting processes.

Internal Audit may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided Internal Audit does not assume management responsibility.

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.

## Reporting

The ~~executive director~~chief audit officer will report to senior management and the audit committee regarding:

- The Internal Audit's purpose, authority, and responsibility.
- The Internal Audit's plan and performance relative to its plan.
- The Internal Audit's conformance with The IIA's Code of Ethics and *Standards*, and action 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, advisory, or other engagements and activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to Minnesota State.



## Responsibility

The ~~executive director~~chief audit officer has the responsibility to:

Theme	Tasks
<b>Planning</b>	<ul style="list-style-type: none"> <li>Ensure emerging trends and successful practices in internal auditing are considered.</li> </ul>
<b>Execution</b>	<ul style="list-style-type: none"> <li>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 applicable conclusions and recommendations to appropriate parties. Ensure each engagement is adequately resourced and executed in accordance with the agreed upon time frame and budget.</li> </ul>
<b>Reporting</b>	<ul style="list-style-type: none"> <li>Submit, at least annually, to senior management and the audit committee a risk-based internal audit plan for review and approval.</li> </ul>
<b>Monitoring</b>	<ul style="list-style-type: none"> <li>Communicate to senior management and the audit committee the impact of resource limitations on the internal audit plan and any significant interim changes to the internal audit plan.</li> <li>Review and adjust the internal audit plan, as necessary, in response to changes in Minnesota State’s business, risks, operations, programs, systems, and controls.</li> <li>Follow up on engagement findings and corrective actions, and report periodically to senior management and the audit committee any corrective actions not effectively implemented.</li> <li>Ensure trends and emerging issues that could impact Minnesota State are considered and communicated to senior management and the audit committee as appropriate.</li> <li>Report significant violations or other matters to the board the board any circumstances that are significant violations of internal controls, board policy or system procedures and any other matters that the <del>executive director</del><u>chief audit officer</u> believes warrant notification. Similarly, the <del>executive director</del><u>chief audit officer</u> has the right and responsibility to report any matters to the chancellor and presidents that warrant their notification or assist them in improving their operations.</li> </ul>
<b>Standards</b>	<ul style="list-style-type: none"> <li>Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.</li> <li>Ensure Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.</li> </ul>



- Establish and ensure adherence to policies and procedures designed to guide Internal Audit

## Quality Assurance and Improvement Program

Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the internal auditing. The program will include an evaluation of Internal Audit'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 Internal Audit and identify opportunities for improvement.

The ~~executive director~~ chief audit officer will communicate to the audit committee and management Internal Audit's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside Minnesota State.

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## Approval of Internal Audit Charter

### ***Dates of Audit Committee Approvals:***

January XX, 2023

November 16, 2021

October 15, 2019



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