

# Internal Audit Charter

## Definition

*The Charter* (Defining the Scope of an Internal Audit Review) is a formal written document that defines the *purpose, authority, and responsibility* of the Internal Auditing Office. The Charter establishes the Internal Audit Office's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of work.

## Scope of Work

The scope of work of the Internal Audit Office is to determine whether the organization network of risk management, internal controls, and processes, as designed and represented by management, are adequate and functioning in a manner to ensure that:

- Risks are appropriately defined and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, rules, procedures and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and protected adequately.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and appropriately addressed.
- Opportunities for improving management control, profitability, and the organization's image.

## Authority

The staff of the Internal Audit Office reports to the Director of Internal Audit who reports to the President. The Director of Internal Audit is authorized to:

- Have full and free access to the President.
- Have complete and unrestricted access to records, personnel, and physical properties relevant to the performance of engagements.
- Delegate duties, allocate resources, select subjects, determine scope of works, and select required techniques to accomplish objectives.
- Obtain necessary assistance of personnel in audited units and other specialized services within or outside the organization.

The Director of Internal Audit and the staff of the Internal Audit Office are not authorized to:

- Perform any operational duties for the organization.
- Initiate or approve accounting transactions external to the Internal Audit Office.
- Direct the activities of any department's employees not employed by the Internal Audit Office, except those who have been assigned to assist the audit team.

## Responsibility

The Director of Internal Audit, in the discharge of his/her duties, has the responsibility to:

- Provide annual assessment on the effectiveness of the organization's controls in managing its risks and activities.
- Report potential improvements to those controls.

- Provide periodic information on the status of the annual audit plan and the sufficiency of the Internal Audit Office's resources.
- Present a quarterly report to the Board of Trustees.

The Director of Internal Audit and staff of the Internal Audit Office, in the discharge of their duties, have the responsibility to:

- Develop an annual audit plan based on comprehensive risk assessment, including risks identified by the President and the Executive Team.
- Submit the annual audit plan to the President for approval.
- Implement the annual audit plan as approved, including special requests by the President.
- Issue periodic reports to the President summarizing the results of the audits.
- Coordinate with and provide oversight of other controls and monitoring functions related to risk management, compliance, security, ethics, and environmental issues.
- Not engage in any activities that would normally be expected to review or appraise.
- Assist in the investigation of suspected fraudulent activities within the organization.
- Consider the scope of work of the external auditors and regulators to provide wider audit coverage.

### **Standards of Audit Practice**

The Internal Audit Department will meet or exceed the *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors.

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Director of Internal Audit

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President

Dated \_\_\_\_\_