



Internal Audit Charter

- .01 The Charter The Board of Trustees of the Mississippi State Institutions of Higher Learning (“Board of Trustees” or “IHL Board”) hereby establishes an Office of Internal Audit, which encompasses the audit department at the IHL Board Office (“Board Office”) and the institutional audit departments (“Office of Internal Audit”) and appoints a Chief Audit Executive (“CAE”) or equivalent designee to assist the IHL Board in meeting its fiduciary responsibilities. This charter establishes the purpose, authority and responsibility conferred by the Board of Trustees within which the Office of Internal Audit will operate to make a positive contribution to the system of higher education by examining and evaluating the business and administrative activities of the system’s universities and executive office.
- This charter applies to all internal audit departments of the Mississippi State Institutions of Higher Learning, including its research, regional and academic health science center institutions (“IHL System”).
- The internal audit charter is required by the International Standards for the Professional Practice of Internal Auditing. The charter is a formal document that defines the Office of Internal Audit’s purpose, authority, and responsibility; establishes the internal audit position within the institution; authorizes access to records, personnel, and physical properties relevant to the performance of audit work; and defines the scope of internal audit activities.
- .02 Purpose Internal auditing is an independent appraisal of the operations and systems of controls within the IHL System. The Office of Internal Audit examines and evaluates the institutions’ activities and their systems of controls to determine whether acceptable policies and procedures are followed, whether legislative requirements and established standards are met; whether resources are used efficiently and economically, whether planned missions are accomplished effectively, and whether the objectives of higher education are being achieved.
- .03 Organization The Office of Internal Audit is led by the IHL System Internal Audit Director (“System IAD”) who serves as the Chief Audit Executive (“CAE”) for the entire IHL System. Additionally, the Board of Trustees has directed that each institution shall have an Institution Internal Audit Director (“Institution IAD”). The System IAD performs the duties of the Institution IAD at the Board Office level. Employment of each Institution IAD is contingent on the approval of the CAE upon consultation with the Institution Executive Officers (“IEO”). Additionally, each IEO is to employ a sufficient number of professional and support staff to assist the Institution IAD in implementing an effective internal auditing function. The internal audit function should be sufficiently funded to



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fulfill its mission and ensure its professionals are adequately trained to perform their assignments.

.04 Authority

To the extent permitted by law, the Office of Internal Audit shall have full access to all activities, records, including sensitive and confidential data, but not limited to social security numbers, protected health information, credit card numbers, etc., information technology systems, properties, and personnel, within the IHL System. It is authorized to review and appraise all policies, plans, and procedures. Documents and other materials provided to the Office of Internal Audit will be handled in the same manner as handled by those employees normally held accountable for them.

The Office of Internal Audit has no direct responsibility or authority over any of the activities, functions or tasks it reviews. Therefore, the internal audit review and appraisal process does not relieve other persons of the responsibilities assigned to them.

The CAE shall have the authority to require a written response to audit observations and recommendations contained in audits.

Additionally, the Office of Internal Audit has the authority to audit or cause to be audited the accounts of all institutions required to submit financial statements to the IHL System or of any of its universities.

.05 Responsibilities

Consistent with the guidelines of the Institute of Internal Auditors, the defined reporting structure for the CAE means functional reporting to the IHL Board through the Board of Trustees' Budget, Finance and Audit Committee or certain members designated by the Committee ("Budget, Finance and Audit Committee"), and administrative reporting to the Commissioner. Institution IADs report functionally to the IHL Board through the CAE and administratively to the IEO of their respective institution.

The responsibilities of the CAE, in the discharge of his/her duties, include, but are not limited to:

- Overseeing a highly visible audit function which is both strategically and operationally important to the governance of the IHL System;
- Developing audit policies, procedures and practices applicable to the IHL System;
- Managing communications with the Commissioner and the Budget, Finance and Audit Committee and applying their direction;

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- Providing an annual assessment on the effectiveness of the IHL System's controls in managing its risks and activities;
- Submitting the Office of Internal Audit annual audit plan ("audit plan") to the Budget, Finance and Audit Committee for approval after consultation with the Commissioner, Institution IADs and IEOs;
- Providing IEOs a written evaluation on the Institution IAD's administration of the audit plan, using a standardized format;
- Overseeing performance standards and working with Institution IADs to continually improve audit productivity and technical skills such as the use of electronic resources; *and*
- Providing oversight of investigations and external review processes affecting the IHL System.

The responsibilities of the CAE, Institution IAD and staff of the internal audit department, in the discharge of their duties, include, but are not limited to:

- Developing an audit plan based on a comprehensive risk assessment, including risks identified by the Board of Trustees, the Commissioner and the IEO. The plan shall detail the individual audits to be conducted during each year and the related resources to be devoted to each of the respective audits. The audit plan shall ensure that internal controls are reviewed on a periodic basis;
- Implementing the audit plan as approved, including special requests by the Commissioner or the IEO, respectively;
- Conducting financial, operational, compliance and efficiency audits of the system and programs, activities and functions and preparing audit reports of findings;
- Coordinating with and providing oversight of other controls and monitoring functions related to risk management, compliance, security, ethics, and environmental issues;
- Considering the scope of work of the external auditors and regulators in providing wider audit coverage when completing assigned audits;
- Assisting in the investigation of suspected fraudulent activities within the IHL System; *and*
- Not engaging in activities that would impair the objectivity and independence of their position or function.



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.06 Scope of Internal Audit Activities	<p>The scope of work of the Office of Internal Audit is to determine whether the institution network of risk management, internal controls, and processes, as designed and represented by management, are adequate and functioning in a manner to ensure that:</p> <ul style="list-style-type: none">• 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 provided timely;• Employees' actions are in compliance with policies, rules, procedures and applicable laws and regulations;• Resources are acquired economically, used efficiently, and adequately protected;• Quality and continuous improvement are fostered in the IHL System's control process;• Significant legislative or regulatory issues impacting the IHL System are recognized and appropriately addressed; <i>and</i>• Existing opportunities for improving management control and the IHL System's image are acted upon.
.07 Nature of Assurance Services Provided	<p>Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusion regarding an entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. There are generally three parties involved in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter – the process owner, (2) the person or group making the assessment – the internal auditor, and (3) the person or group using the assessment – the user.</p>
.08 Nature of Consulting Services Provided	<p>Consulting services are advisory in nature, and are generally performed at the specific request of management. The nature and scope of the consulting engagement are subject to agreement with management. Consulting services generally involve two parties: (1) the person or group offering the advice – the internal auditor, and (2) the person or group seeking and receiving the advice – management. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.</p>

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| .09 | Nature of Investigative Services Provided | Investigations are conducted by the Office of Internal Audit for suspected financial or operational irregularities whether reported via the whistleblower hotline, uncovered in the course of regular audits, or based upon concerns conveyed by management. The internal auditor should ensure his/her independence and objectivity are not impaired while performing these services. |
| .10 | Professional Standards | <p>The CAE is responsible for requiring that institution internal auditors conduct audits and reviews according to generally accepted auditing standards using such audit programs, techniques, and procedures considered necessary under the circumstances.</p> <p>The Office of Internal Audit complies with the Institute of Internal Auditor's ("IIA") <i>International Professional Practices Framework</i>, which includes the <i>Definition of Internal Auditing</i>, the <i>Code of Ethics</i> and the <i>International Standards for the Professional Practice of Internal Auditing</i> ("Standards"), as well as institution policies and IHL <i>Standards for Ethical Conduct</i>.</p> |
| .11 | Approval | This charter has been approved by the Board of Trustees at its February 20, 2014 meeting. |

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