

INTERNAL AUDIT CHARTER

MISSION AND SCOPE OF WORK

The mission of the internal audit department is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the internal audit department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources and assets are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Opportunities for improving management control may be identified during audits. They will be communicated to the appropriate level of management.

ACCOUNTABILITY

Internal Audit reports and is accountable to the Executive Director of the South Dakota Board of Regents. The Board of Regents and the Executive Director will act as an Audit and Review Committee.

Independence

To provide for the independence of internal audits, the internal audit director will report to the Board of Regents and administratively to the Executive Director.

Responsibilities

Internal Audit

The Director of Internal Auditor's responsibilities include:

- Provide an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Periodically provide information on the status and results of the annual audit plan.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, external audit).

Client

Implementing and maintaining internal controls is the prime responsibility of the management of the universities and special schools. Internal Audit provides assistance to the management through evaluations, recommendations for improvements and other information designed to strengthen and promote controls at a reasonable cost.

The client is responsible to:

- Provide unrestricted access to information systems, records, assets, and personnel relevant to the review.
- Respond in writing to audit recommendations. Alternative solutions or disagreements to recommendations are acceptable. Each response should note an implementation date for agreed-upon recommendations or alternative solutions.

Audit Standards and Ethics

Internal Audit is expected to demonstrate high standards of conduct and ethics as well as appropriate judgement, independence, and discretion. The internal audit director will follow the *Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.

Authority

Internal Audit shall have full and complete access to all South Dakota Regental System information systems, records, assets (e.g. physical properties for testing inventory), and personnel that are relevant to the area under review.

Due to the small size of the South Dakota Regental System, there will be occasions where Internal Audit will be assigned the task of developing or writing policies or procedures that may be later evaluated by Internal Audit. Ownership and responsibility of policies and procedures rests with management. However, if Internal Audit evaluates policies or procedures in which there was involvement in the development of those policies or procedures, the involvement will be disclosed in the report to the Executive Director and Board of Regents.

Audit Planning

An annual Internal Audit Plan will be submitted. Projects may be a result of special requests, recommendations, regular reviews, or as a result of indications of exposure to risk.

Reporting

Timely reports will be distributed to the client, the Office of the Executive Director, and the Board of Regents.