INTERNAL AUDIT CHARTER

Introduction
North Dakota State University (NDSU) supports an internal auditing office as an independent appraisal function to examine and evaluate University business and administrative activities. The Vice-President of Business and Finance as part of their oversight function defines the Internal Audit activities and responsibilities.

Internal Audit is an independent appraisal activity established within NDSU to plan, direct and complete internal audits and compliance reviews to ensure NDSU departments are properly functioning and operating in accordance with policies, procedures, applicable laws, rules, NDSU and NDUS policies and commonly accepted university/college industry standards.

The primary objective of the internal auditing office is to assist all levels of management of the university in effective discharge of their responsibilities. Internal auditing furnishes analyses, recommendations, counsel, and information concerning the activities and records reviewed as well as the adequacy and effectiveness of the organization's internal control structure and to promote effective internal controls.

The internal audit review and appraisal process does not in any way relieve other persons in the organization of the responsibilities assigned to them. Responsibility for complying with policies and procedures as well as correcting deficiencies rests with the respective management and departments of NDSU.

Mission and Audit Scope
The mission of Internal Audit is to provide timely, value-added audit services to all management levels and the NDSU President. These services focus on independent, objective and quality audits that assist NDSU in improving operations and accomplishing objectives, as well as the mission and vision of NDSU by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and government processes.

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of NDSU's internal control structure and quality of performance in carrying out assigned responsibilities to achieve NDSU’s stated goals and objectives. It includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information to validate the reliability and integrity of the process.
- Reviewing the systems established to ensure compliance with those policies, procedures, laws, regulations and industry standards that could have a significant impact on operations and report whether NDSU is in compliance.
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- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising the economy and efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing specific operations at the request of the President or other management, as appropriate.
- Reviewing the performance of the external auditors and the degree of coordination with Internal Audit.

Standards and Accountability
The Internal Audit personnel, in the discharge of their duties, shall be accountable to the Vice-President of Business and Finance and to the NDSU President to:
- Govern the Internal Audit activity by adherence to the highest professional standards for internal auditing and code of ethics.
- Report significant issues related to NDSU operations and programs including potential improvements, and provide information through resolution.
- Provide information on the status and results of the annual audit plan.
- Provide assessments on the adequacy and effectiveness of NDSU’s processes for controlling its activities and managing its risks in the areas set forth under the mission and audit scope.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environment, external audit).

Independence
To provide for the independence of the Internal Audit activity, its personnel report to the Vice-President of Business and Finance, with direct access to the NDSU President.

Internal Audit activities shall remain free of influence or retaliation by any element in the organization, including matters of audit scope, procedures, frequency, timing or report content to permit maintenance of an independent mental attitude necessary in rendering objective reports.

Responsibility
Internal Audit has the responsibility to:
- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Vice-President of Business and Finance and NDSU President for review and approval, as well as providing periodic updates on the audit plan.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the NDSU President.

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- Maintain a professional audit staff with sufficient knowledge, education, skills and experience to meet the requirements of this Charter.
- Issue periodic reports to the NDSU President and management summarizing results of audit activities including any changes in the approved audit plan.
- Keep the Vice-President of Business and Finance informed of emerging trends and successful practices in internal auditing.
- Ensure that Internal Audit staff is trained in learning how to detect and/or identify potential fraudulent activities and notify management and the NDSU President of the discovery of any potential fraud issue.
- Upon discovery of potential fraudulent issues, Internal Audit will turn the issue over to the Vice-President of Business and Finance and/or the NDSU President who will take the lead in the fraud investigation. Internal Audit will assist in the investigation of significant suspected fraudulent activities if so requested by the entity assigned the investigation.
- Coordinate with external auditors and other regulatory agencies on the scope of their work, as appropriate, for the purpose of providing optimal audit coverage to NDSU at a reasonable overall cost.

**NDSU Management has responsibility to:**

- Provide the Internal Audit office with full support and cooperation at all levels of operations.
- Provide the Internal Audit office complete, full and unrestricted access to all records, property and personnel relative to the performance of Internal Audits duties and responsibilities.
- Ensure the Internal Audit office has an adequate budget and staffing to perform its responsibilities.
- Provide a written response to all Internal Audit reports submitted in the time frame established by the NDSU President.
- Promptly inform the Internal Audit office of known or suspected cases of potential criminal nature involving university assets and employees.

**Authority**

The Internal Audit staff is authorized to:

- Have full and unrestricted access to all activities, functions, records (in both paper and electronic format), property and personnel necessary to accomplish the stated purpose.
- Have free and unrestricted access to the NDSU President.
- Allocate resources, set frequencies, select subjects, determine audit scope and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel within NDSU where they perform audits, as well as other specialized services from within or outside the organization.
- Have full access to contracted third parties in accordance with the terms of the contract.

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The Internal Audit staff is not authorized to:
- Perform or be responsible for any operational duties for NDSU.
- Have direct responsibility for, nor authority over, any of the activities reviewed and will not engage in activities which would normally be reviewed by internal auditors.
- Develop or install systems or procedures, prepare records or engage in any other activity, which would normally be audited.
- Initiate or approve accounting transactions external to the internal audit activity.
- Direct the activities of any NDSU employee not employed by the Internal Audit office, except to the extent such employees have been appropriately assigned to the audit team or to otherwise assist the internal auditors.

This does not preclude Internal Audit’s proactive involvement with management in planning processes, committees or special assignments that have been approved by the Vice-President of Business and Finance and the President.

**Reporting**

Written reports will be prepared by Internal Audit staff and issued as appropriate following the conclusion of each audit. A copy of each audit report or summarization will be forwarded to the appropriate management and will be retained in the office of the Internal Audit office as required by the North Dakota Records Retention Policy.

The final report issued by Internal Audit will include management responses and corrective action taken, or to be taken in regards to specific audit results and recommendations. Management’s response should include a timetable for anticipated completion of action to be taken and an explanation for recommendations not addressed.

Internal Audit has the full authority to conduct appropriate follow-up on audit results, recommendations and corrective action.

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Barry D. Miller  
**Date:** 11/20/2006  
**Internal Auditor**

John C. Adams  
**Date:** 11/20/06  
**VP Business & Finance**

Joseph A. Chapmah  
**Date:** 11/29/06  
**President**

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