

MISSISSIPPI STATE UNIVERSITY INTERNAL AUDIT CHARTER

I. The Charter

The Office of Internal Audit was established by the President of Mississippi State University to assist the University in meeting its fiduciary responsibilities. This charter documents the authority and responsibility conferred by the President 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 University.

II. Mission Statement

The Office of Internal Audit is an independent, objective assurance and consulting function designed to add value to and improve Mississippi State University's operations. It helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

III. Role and Objective of the Office of Internal Audit

Office of Internal Audit will assist the President in achieving sound managerial control over all aspects of the operations of the University, including accounting, asset management, information management and control systems, and other such activities. The office will also coordinate audit activities throughout the University.

The attainment of the overall objective may involve:

- reviewing and appraising the soundness, adequacy, and application of accounting, financial, and other operating controls and promoting effective control at a reasonable cost;
- ascertaining the extent of compliance with state and federal law and with University operating policies and procedures;
- ascertaining that University assets are being adequately accounted for and safeguarded from losses;
- determining the adequacy, reliability, and effectiveness of accounting and reporting systems;
- appraising the quality of management's performance in carrying out their assigned responsibilities;
- recommending procedures that would improve the economy or efficiency of operations;
- testing for evidence of fraud, embezzlement, theft, waste, etc., in the performance of auditing procedures; and
- dissemination of information for the deterrence of fraud, embezzlement, theft, waste, etc.

The Office of Internal Audit is an advisory function having independent status within the University. The Director of Internal Audit:

- reports directly to the President, with a dotted reporting line to the Audit Committee of the Board of Trustees, and is independent of any other University section, branch or officer;
- shall have no executive or management powers, functions or duties except those relating to the management of the Internal Audit office;
- shall not be involved in the day-to-day operations of the University; and
- shall not be responsible for the detailed development and/or implementation of new systems, but should be consulted during the system development process on the control measures to be incorporated in new or amended systems, and be advised of approved variations or new developments.

IV. Authority

The Office of Internal Audit has unrestricted access to all University activities, records (electronic or manual), properties and personnel related to the subject under review. The Director of Internal Audit recognizes that certain items of the University are confidential in nature and special arrangements will be made when examining and reporting on such items.

V. Responsibilities

Subject to the overall guidelines and policies of the University, the Office of Internal Audit shall be solely responsible for the planning, implementation, and reporting of internal audits at Mississippi State University. For this purpose, the Director of Internal Audit is entrusted with the responsibility to appraise the policies, procedures, and management controls of the system to ensure that the activities are properly managed and to promote effective controls at reasonable cost. In discharging the responsibility, the Director of Internal Audit shall be responsible to the President for audit activities in relation to:

- preparing a strategic plan to set the long-range direction and approach of audits;
- developing and implementing a detailed annual audit plan that uses a risk-based methodology, in consultation with senior management, that is reviewed and approved by the President;
- maintaining a professional audit staff with sufficient, competent, knowledge, skills and experience, necessary to fulfill the requirements of this charter;
- carrying out all activities in an effective, proficient and timely manner;
- reporting to auditees as soon as practical during and on completion of each audit;
- reporting, at least quarterly, to the President;
- preparing the scope and boundaries of audits;
- utilizing Internal Audit resources to maximize the efficiency and effectiveness of the Internal Audit function;
- evaluating the reliability, integrity, and pertinence of management and financial information;
- assessing the method of safeguarding assets and verifying their existence;
- determining the extent of compliance with established policies, procedures and instructions;

- advising improvements in procedures and systems to prevent waste, abuse, over-spending, and fraud;
- directing attention on any failure to take remedial action;
- executing any ad hoc evaluations, assessments, investigations, examinations or reviews requested by the President, senior management or deemed necessary based on facts and circumstances; and
- fulfilling the objectives of Internal Audit.

VI. Scope of Internal Audit

The scope of Internal Audit shall be sufficiently comprehensive to enable the effective and regular review of all operational, financial and related activities.

The Internal Audit coverage may extend to all areas of Mississippi State University, including all separately appropriated and budgeted units, and include financial, accounting, administrative, data quality, computing and other operational activities.

VII. Audit Methodology

For all planned audit projects, the unit head responsible for the activity under review shall be advised of the objectives and scope of the procedures to be conducted, prior to the commencement of such procedures. Observations and recommendations will be discussed with the individual(s) responsible for the areas in question during the audit process. Upon completion of audit procedures, and where appropriate, the unit head responsible for the activity under review will be asked to provide a written response that includes actions that have been or will be taken to correct any areas needing improvement.

VIII. Audit Reports

At the conclusion of each audit, a draft report will be provided to the responsible unit head for discussion and review. The unit head is to provide a written response to the draft report within ten working days. The response should include what actions were taken or are planned in regards to the specific observations and recommendations included in the draft report. The response should also include an anticipated completion date for corrective actions not already implemented and/or complete.

Upon receipt of the unit head's plan of action or after ten working days, the Director of Internal Audit will issue the final written report. Three copies of the report are provided to the unit being reviewed and a copy of the report is provided to those in the chain of command from the unit head to the President. An electronic copy of the report is provided to the IHL Office of Internal Audit. Copies of reports are available to the Office of the State Auditor and external auditors (if relevant to the area being examined) upon request.

Audit reports will normally explain the scope and objectives of the audit, present observations and conclusions in an objective manner relevant to the specific user's needs, and make recommendations where appropriate.

IX. Audit Committee

The Board of Trustees of Mississippi's State Institutions of Higher Learning Audit Committee serves as a channel of communication with auditors. The objectives of the Board of Trustees Audit Committee are:

- to review the proposed scope of the internal and the external audit functions;
- to review audit performance and to ensure that no limitation on audit has been interposed by management;
- to appraise the effectiveness of the audit;
- to review the management letter provided by the State Auditor's Office (or Internal Auditors on campuses) regarding any weaknesses in internal controls; organization and operating controls; and to consider the recommendations made by the auditor and the action taken by management in response to the auditor's suggestions; and
- to review and/or initiate any other act necessary to ensure:
 - compliance with policies, plans, procedures, laws and regulations;
 - safeguarding of IHL's assets;
 - efficient and proper use of resources;
 - accomplishment of established objectives and goals for operations or programs; and
 - attention to failure to take prompt remedial action relating to previously identified shortcomings.

X. Liaison with other Auditors

The Director of Internal Audit shall liaise with the auditors from the State Auditor's Office, externally funded contracts and grants auditors, the IHL audit staff, and any other external auditors to:

- coordinate all review, evaluation and/or investigation activities related to Mississippi State University;
- ensure that the audit programs are complementary;
- foster a cooperative working relationship;
- reduce the incidence of duplication of effort; and
- promote appropriate sharing of information.

XI. Audit Standards

Internal auditors must conduct audits and reviews according to Generally Accepted Auditing Standards using such audit programs, techniques, and procedures considered necessary under the circumstances. The operation of the internal audit function is to be carried out consistent with *The Code of Ethics, Professional Practices Framework, and Practice Advisories* as defined by the Institute of Internal Auditors.

The standards for the performance of the audit function are to be developed from the following:

- Standards for the Professional Practice of Internal Auditing (Institute of Internal Auditors);

- Standards for Information Systems Auditing (Information Systems Audit and Control Associations); and
- Statements of Auditing Standards (American Institute of Certified Public Accountants).

XII. Quality Assurance

To ensure that the quality of the Internal Audit is consistently at a high standard, the Director of Internal Audit shall:

- develop and maintain comprehensive work reporting systems;
- maintain a regular review of audit plans, reports and working papers, and
- provide for staff training, as appropriate.

Approved:

/s/ Vance H. Watson
President

05-09-08
Date