

Internal Audit Charter

Introduction

The Office of Internal Audit & Consulting Services (“IA”) is established within the Colorado School of Mines (“Mines” or “University”) to provide internal auditing services, as defined by the Institute of Internal Auditors (“IIA”). Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Organizational Structure

IA is established by the Board of Trustees. The Director of Internal Audit is appointed/removed by the Board of Trustees upon the recommendation of the Executive Vice President and Chief Operating Officer, Chief Financial Officer, & Treasurer (EVP/COO/CFO/ Treasurer). IA reports functionally to the Finance and Audit Committee (“FAC”) of the Board of Trustees and administratively to the EVP/COO/CFO/Treasurer. Administrative reporting facilitates the day-to-day operations and includes:

- approval of travel or other expenses;
- human resource administration, including compensation and evaluation of staff members other than the Director; and
- other functions as delegated by the FAC..

Annually, the Audit Committee shall evaluate the performance of the Director of Internal Audit.

This structure achieves organizational independence by allowing the function to fulfill its responsibilities, to have full access to the FAC, and to be free from interference in determining the scope of internal auditing, performing work, and communicating results.

Independence & Objectivity

To ensure independence and objectivity of the function, IA has no direct responsibility or authority for activities or operations reviewed with the exception of the responsibilities listed within this charter. The internal audit activity does not, in any way, relieve other persons of their responsibilities assigned to them.

If there are potential impairments to independence or objectivity, the details of the impairment must be disclosed to appropriate parties, depending on the nature of the impairment.

Authority

IA is granted full and complete access to any of the University's records, personnel, physical properties, and systems (as necessary) in the course of their role. This may include, but is not limited to, allocating resources, setting frequencies, selecting subjects, determining scope of work, applying the techniques required to accomplish audit objectives, and obtaining assistance of personnel within departments. Documents and information given to the internal auditor will be handled in a prudent manner.

IA is not authorized to perform any operational duties for the University, initiate or approve accounting transactions external to IA, or direct any organization employee not employed by IA, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

Audit Standards

IA will govern itself by adherence to the IIA's Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Auditing*, and the Definition of Internal Auditing. The IIA's Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the activity's performance.

Roles and Responsibilities

The scope of internal auditing encompasses examination and evaluation of the adequacy and effectiveness of the Mines' system of internal control and the quality of performance in carrying out assigned responsibilities.

IA shall:

- 1) Develop a flexible Internal Audit Plan based on prioritization determined by using relevant risk factors, including any risk or control concerns identified by management, and submit the plan to the FAC for approval.
- 2) Implement the Internal Audit Plan, as approved, including any special projects or audits requested by management and/or the FAC.
- 3) Evaluate risk exposure relating to achievement of the organization's strategic objectives.
- 4) Assess business risk and provide assurance to management and the FAC regarding stewardship of University assets, integrity of operational and financial information, and compliance with applicable laws, regulations, and University policies.
- 5) Perform consulting services, to assist management in meetings its objectives. For example, review of the design and development of major computer-based systems to determine if adequate controls are incorporated in the systems.
- 6) Report to the FAC the status of Internal Audit activities, including the results of completed internal audits, and the extent to which prior recommendations have been implemented.
- 7) Submit to the FAC an annual summary of the accomplishments of the past fiscal year and goals and objectives for the following fiscal year. Keep the FAC informed of key emerging trends and best practices in Internal Audit and risk management.

- 8) Maintain a professional Internal Audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.

In addition to internal auditing responsibilities, IA may participate in risk or control activities in a limited capacity. Participation will be such that independence will be maintained by refraining from aforementioned unauthorized activities. Such activities will also be overseen by the FAC.

Reporting

At the conclusion of each engagement, IA will communicate the results to the responsible department, who will respond. Executive summaries will be presented at the Finance and Audit Committee meetings for the President, EVP/COO/CFO/Treasurer and the FAC.

Resolution of Audit Findings

IA will attempt to resolve all internal audit findings at the appropriate administrative level to implement the necessary corrective action.

Reported internal audit findings will be reviewed with the auditee (department head, unit manager) at on-going basis intervals until all findings are resolved. Resolution means satisfactory corrective action is taken or the audit recommendation is rescinded. Where resolution of findings is untimely, or will result in significant exposure from control weaknesses or lost opportunity to improve productivity, resolution will be pursued at appropriate higher administrative levels. Executive-level management is ultimately responsible for audit recommendations within their area.

Quality Assurance

IA will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Director will communicate to executive management and the FAC on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

Approved by the Finance and Audit Committee of the Board of Trustees, April 24, 2017.