

NORFOLK STATE UNIVERSITY INTERNAL AUDIT CHARTER

INTRODUCTION

Internal Auditing as defined by the Institute of Internal Auditors, 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.

This Charter has been prepared to serve as a guide in the performance of internal audit duties. It defines the purpose, authority, and responsibility of the internal audit function. It does not include, nor is it intended to include, all of the department's responsibilities as they may exist from time to time.

This charter:

1. Provides a written record of formally approved policies of the Internal Audit Department.
2. Provides a basis for the evaluation of the performance of the Internal Audit Department by the management of Norfolk State University and the Audit and Finance Committee of the Board of Visitors; and
3. Serves as a basic document in the organization and administration of the Internal Audit Department.

OBJECTIVE

The Internal Audit Department shall function as an independent appraisal activity within the Norfolk State University to provide a protective and constructive service to management and the Board of Visitors in discharging their duties and responsibilities. This objective is achieved by providing them with objective analyses, appraisals, recommendations, and pertinent comments, concerning activities reviewed. The attainment of this overall objective of service to management should involve such activities as:

1. Reviewing and appraising the soundness, adequacy, and applications of accounting, financial, and other operating controls, and promoting effective control at a reasonable cost (the system of internal control).
2. Ascertaining the extent of compliance by the Norfolk State University and its employees to established policies, plans, and procedures.

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3. Ascertaining the extent to which assets are accounted for and safeguarded from losses of all kinds. (Discovery and prevention of fraud, embezzlement, theft, waste, etc.)
4. Ascertaining the reliability of financial data developed within the organization.
5. Recommending operating improvements.

STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The Institute of Internal Auditors, Inc., an international organization dedicated solely to the advancement of the internal auditing profession, has adopted “Standards for the Professional Practice of Internal Auditing.” The Internal Audit Department of Norfolk State University recognizes the benefits of these standards and hereby adopts the “Standards for the Professional Practice of Internal Auditing” as an integral part of the department’s Internal Audit Charter.

GENERALLY ACCEPTED AUDITING STANDARDS

The American Institute of Certified Public Accountants has promulgated Generally Accepted Auditing Standards (GAAS) through Statements of Auditing Standards, Industry Audit Guides, and other professional releases. The Internal Audit Department endorses and adopts the use of GAAS.

**STANDARDS FOR AUDIT OF GOVERNMENTAL ORGANIZATIONS,
PROGRAMS AND FUNCTIONS**

The United States General Accounting Office recommends the “Standards for Audit of Governmental Organizations, Programs, Activities, and Functions” for use by auditors who audit state organizations, programs, activities and functions. The Internal Audit Department recognizes the benefits of these standards and adopts the use of “Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.”

REPORTING RESPONSIBILITIES

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The Internal Audit Department shall report directly to the Audit and Finance Committee of the Norfolk State University Board of Visitors. For the purpose of day_to_day direction, the Internal Audit Department shall report to the President. It shall have direct access to the Audit and Finance Committee of the Board of Visitors in any instance where the internal audit director believes that such access is needed to fulfill the stated objectives of the department. The internal audit director shall meet with the President and the Audit and Finance Committee on a regularly scheduled basis to discuss:

1. The detailed audit plan for the forthcoming year;
2. Audit reports issued;
3. The propriety of any limitations on the scope of internal audits that may be imposed by management;
4. Relationships between the internal audit department and external auditors; and
5. Audit schedules.

As used herein, the term “external” shall refer to representatives of, or the activities of the Auditor of Public Accounts for the Commonwealth of Virginia, independent Certified Public Accountants, and auditors from organizations _ governmental or commercial _ outside the Norfolk State University.

AUTHORITY

To the extent permitted by law, the Internal Audit Department shall have unrestricted access to all activities, properties, personnel and records which are relevant to the area under review. It is understood that certain items are confidential in nature and special arrangements will be made by the Internal Audit Department when examining and reporting upon such items.

PROGRAMMING

The Internal Audit Department shall be free from control or undue influence in the selection and application of audit techniques, procedures and programs.

REPORTING

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The Internal Audit Department shall be free from control or undue influence in the determination of facts revealed by the examination or in the development of recommendations or opinions as a result of the examination.

INVESTIGATION

The Internal Audit Department shall be free from undue influence in the selection of areas, activities, personal relationships and managerial policies to be examined. No legitimate source of information is to be closed to the auditor.

GENERAL

Objectivity is an essential element of independence. The independence of the department may be compromised if the internal auditor participates directly in the preparation or reconstruction of accounting systems, data, or records. Thus, members of the Internal Audit Department will be used only in advisory capacity on such matters.

SYSTEMS PLANNING AND DEVELOPMENT

The Internal Audit Department will participate, in an advisory capacity, in the planning, development, implementation, and modification of major computer_based and manual systems to ensure that:

1. Adequate controls are incorporated in systems;
2. Sufficient testing of the system is performed at appropriate stages;
3. System documentation is complete and accurate; and
4. The intended purpose and objective of the system implementation or modification has been met.

The internal auditor participating in such a review should ensure that the extent of participation does not affect independence.

RESPONSIBILITIES FOR THE DETECTION OF ERRORS OR IRREGULARITIES

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The auditor has a professional responsibility to conduct reviews with an attitude of professional skepticism, recognizing that the application of internal auditing procedures may produce evidential matter indicating the possibility of errors or irregularities. If the auditor believes that an error or irregularity may exist in an area under review or in any other area, the internal audit director shall be notified at once. The internal audit director should consider the implications of such an error or irregularity and determine the extent of any further review. The internal audit director will discuss the potential error or irregularity and its disposition with the President, and/or the Chairperson of the Audit and Finance Committee of the Norfolk State University Board of Visitors.

The Internal Audit Department cannot be solely responsible for the detection and prevention of all errors and irregularities which may occur. This is a responsibility shared by all members of the management team.

COOPERATION WITH EXTERNAL AUDITORS

The internal audit director is responsible for coordinating the audit efforts of the Internal Audit Department with those of the Auditor of Public Accounts for the Commonwealth of Virginia and other external auditors that have business with the institution. This coordination of audit efforts should be planned and defined as a part of the scope for proposed audits, so the work of all auditing groups is complementary and will provide a comprehensive, cost_effective audit.

AUDIT PLAN

A comprehensive audit plan will be developed, based upon acceptable risk methodology. The proposed plan will be submitted by the internal audit director to the President and Audit and Finance Committee. The internal audit director will initiate audits pursuant to the plan, after the plan has been approved. A segment of time will be set aside for special investigations and special projects. Any significant revisions to the plan will require documentation indicating the need for such changes, with approval for the request being made by the President and confirmation by the Audit and Finance Committee.

AUDIT REPORTS

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At the conclusion of each audit, the department or activity audited will be provided an opportunity to respond in writing to the findings, conclusions, and recommendations of the Internal Audit Department. In addition, an exit conference will be held with the individual in charge of the department or activity under review. All findings, conclusions, and recommendations will be discussed and any differences of opinion settled or so noted. A formal audit report will be prepared after the exit conference is held. This report will contain a summary of the function of the department or area, the objective of performing the audit, the audit methods used, detailed explanations of any weaknesses noted, and recommendations for improvements thereon. If available by the date the audit report is released, the audit report will include the department's responses to the recommendations made by the Internal Audit Department. Otherwise, the department shall respond in writing within thirty (30) after release of the audit report. The response shall denote the corrected actions taken and/or plans for corrective actions, along with targeted completion dates.

All audit reports will be addressed to the President, with copies to the Rector and the Chairperson of the Audit and Finance Committee of the Norfolk State University Board of Visitors, along with applicable senior management.

The Internal Audit Department will conduct a follow_up review during a subsequent audit or within one (1) year of the date the audit report was released, in the case of unsatisfactory audit opinions, to ensure that all recommendations have been considered and acted upon. Distribution of this report will follow that of the original report.

Internal audit activity reports summarizing audits and special projects will be distributed to other members of the Audit and Finance Committee prior to the regularly scheduled meetings of the Committee.

INVESTIGATIONS

The Internal Audit Department shall be notified in all cases where assets have or are thought to have been lost through defalcation or other security breaches in the financial and operating systems. Immediately upon such notifications, the internal audit director should ensure that the president has been notified of the potential loss. The Internal Audit Department will perform sufficient tests to identify the weaknesses in financial and operating procedures which permitted the loss to occur and recommend improvements to correct the weaknesses.

PERSONNEL

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The ultimate quality of the Internal Audit Department's performance is directly related to the quality of the people employed. The internal audit function should be directed by and staffed with qualified and competent individuals. Minimum qualifications for each position within the audit function have been established; however, additional experience, training, specialized skills as well as intelligence, adaptability, promotability, and inquiring mind, analytical ability, good business judgment, and an ability to communicate with individuals should be considered in the employment process. The internal audit director will report annually to the President as to the effectiveness of the present staff in fulfilling the stated objectives of the Internal Audit Department.

TRAINING

The need for members of the Internal Audit Department to "stay current" on accounting issues and audit techniques is recognized. Recognizing that certified personnel must attend continuing education courses, and good management practices indicate the need for continuing education, the Internal Audit Department will require each professional staff member of the department to obtain at least forty (40) hours (1 week) of continuing education credits annually.

QUALITY ASSURANCE REVIEW

Norfolk State University recognizes the benefits to be derived from a quality assurance review of the internal audit function. The institution will solicit assistance from qualified external sources on a periodic basis, not to exceed every five (5) years.