

MONTANA STATE FUND INTERNAL AUDIT CHARTER

MISSION AND SCOPE OF WORK

The mission of Montana State Fund's 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.
- Interaction with the various governance groups occurs as needed.
- 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 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, profitability, and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

ACCOUNTABILITY

The internal audit department shall be accountable to the MSF President/CEO and the MSF Board of Directors to:

- 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 and the sufficiency of department resources.
- Coordinate with and/or provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, external audits).

REPORTING STRUCTURE

The internal audit department reports functionally and administratively to the President/CEO and functionally to the Board of Directors. If internal audit determines a level of participation above MSF senior leadership is needed, the internal auditor will request the MSF Board of Director's involvement.

RESPONSIBILITY

The internal audit department has 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 President/CEO and Board of Directors for review.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Board of Directors.
- Maintain sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Evaluate and assess new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Provide periodic reports to the President/CEO and Board of Directors summarizing results of audit activities.
- Assist in the investigation of suspected fraudulent activities within the organization and notify President/CEO and/or Board of Directors of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- Assist with the coordination of all external audits, including but not limited to, Legislative Audit Division audits, statutory statement audits, vendor audits, and information requests as needed from legislators, Legislative Audit Division, Legislative Fiscal Division, and Governor's Office.

AUTHORITY

The internal audit department is authorized to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the MSF Board and/or individual board members.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The internal auditor is not authorized to:

- Perform any operational duties for the organization or its affiliates.
- Initiate or approve accounting transactions external to the internal auditing department.
- Direct the activities of any organization employee not employed by the internal auditing department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

STANDARDS OF AUDIT PRACTICE

The internal audit department recognizes the mandatory nature of the *definition of Internal Audit*, the *Code of Ethics*, and the *Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.

Approved by Montana State Fund Board of Directors on December 5, 2003.

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