



OREGON MILITARY DEPARTMENT
JOINT FORCE HEADQUARTERS, OREGON NATIONAL GUARD
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P.O. BOX 14350
SALEM, OREGON 97309-5047

Internal Audit Charter

PURPOSE AND MISSION

The purpose of the Oregon Military Department's (OMD) Internal Audit Function is to provide independent, objective assurance and consulting services designed to add value and improve operations at OMD. The mission of the Internal Audit Function is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Function helps OMD accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. OMD's Internal Audit Function is established in compliance with ORS 184.360 and OAR 125-700-0010 through 125-700-0155.

AUTHORITY

The Chief Audit Executive (CAE) reports functionally to the OMD State Audit Committee (Audit Committee or Committee) and administratively (i.e. day-to-day operations) to the Deputy Director, and has access to The Adjutant General. To establish, maintain, and assure that OMD's Internal Audit Function has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the Internal Audit Function's Charter;
- Approve the annual risk-based internal audit plan;
- Approve the Internal Audit Function's budget and resource plan;
- Receive and provide feedback on communications from the CAE on the Internal Audit Function's progression on its plan, accomplishment of performance metrics and other matters;
- Provide input on the annual performance of the CAE and decisions regarding the appointment and removal of the position; and
- Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations to the Internal Audit Function.

The CAE will have unrestricted access to, and will be able to communicate and interact directly with, the OMD State Audit Committee. The Audit Committee authorizes the Internal Audit Function to:

- Have full, free, and unrestricted access to all functions, records, property and personnel pertinent to carrying out any engagement, subject to accountability for the confidentiality and safeguarding of all accessed materials, records and information;
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports without undue influence from management; and
- Obtain assistance from the necessary personnel of OMD, as well as other specialized services from within or outside OMD in order to complete engagements.

PROFESSIONAL STANDARDS

The Internal Audit Function will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, *The International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing. The CAE will report periodically to senior management and the OMD State Audit Committee regarding the Internal Audit Function's conformance to the Code of Ethics and the *Standards*. This

mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Internal Audit Function's performance.

Supplemental guidance issued by the IIA will also be implemented and adhered to when reasonable for public sector audit practices at OMD, and where reasonable and practical OMD's Internal Audit Function will also incorporate leading practices from the most current version of the United States Government Accountability Office's *Government Auditing Standards* and other professionally accepted and relevant internal audit guidance.

INDEPENDENCE AND OBJECTIVITY

The CAE and the OMD State Audit Committee will ensure that the Internal Audit Function remains free from all conditions that threaten the ability of Internal Auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties (including members of the OMD State Audit Committee). The Committee will assess the disclosed impairment and determine an appropriate course of action.

Internal Auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined and take steps to adequately safeguard any information obtained and stored by the Internal Audit Function;
- Make balanced assessments of all available and relevant facts and circumstances;
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments;
- Maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others; and
- Have no direct operational responsibility or authority over any of the activities audited. Accordingly, Internal Auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:
 - Assessing specific operations for which they had responsibility within the previous year;
 - Performing any operational duties for OMD or its affiliates;
 - Initiating or approving transactions external to the Internal Audit Function; and
 - Directing the activities of any OMD employee not employed by the Internal Audit Function, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist Internal Auditors.

The CAE will confirm to the OMD State Audit Committee, at least annually, the organizational independence of the Internal Audit Function. The CAE will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results. Where the CAE has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

SCOPE OF INTERNAL AUDIT WORK

The scope of internal audit activities encompasses, but is not limited to, assurance services, which are objective examinations of evidence for the purpose of providing independent assessments to the OMD State Audit Committee, management, and key stakeholders (both internal and external) on the adequacy and effectiveness of OMD's governance, risk management, and control processes. The scope includes evaluating whether:

- Risks relating to the achievement of OMD's strategic objectives are appropriately identified and managed;
- The actions of OMD's Division/Program/Office Directors, members of management, employees and contractors are in compliance with OMD's policies, procedures and applicable laws, regulations and governance standards;
- Established processes and systems enable compliance with applicable policies, plans, procedures, laws, rules, regulations and contracts;
- Assets and other resources are acquired economically, used efficiently, and adequately safeguarded;
- Information and the means used to identify, measure, analyze, classify and report such information are reliable and have integrity;
- Operations or programs are being carried out economically, efficiently and effectively;
- The results of operations or programs are consistent with established objectives and goals; and
- Information systems are appropriately managed, controlled and protected.

Consulting services may also be performed, often at the specific request of an engagement client or member of management, which are advisory in nature and include other service activities, such as counsel, advice, facilitation, process design, and training. The objective of internal audit consulting services is to add value in the development or modification of Department processes, procedures and controls to minimize the risk and achieve OMD objectives. The nature and scope of particular consulting services are agreed upon with management or the requesting party. The auditor performing consulting services must remain objective, and must not assume management responsibility while undertaking advisory services.

The Adjutant General and management are responsible for the OMD's risk management and control process. The performance of audits and reviews by internal audit does not relieve management of any responsibilities. Internal audit may act in a consulting role to assist the OMD in identifying, evaluating, and implementing risk management methodologies and controls to address those risks.

REPORTING AND MONITORING

A report will be prepared and issued timely by the CAE following the conclusion of each internal audit engagement and will be distributed as appropriate and communicated to the OMD State Audit Committee. Internal Audit reports should include management's response and corrective action plan in regard to the specific findings and recommendations. Management's response should include general agreement or disagreement with the results, assigned responsibility as well as a timeline for implementation. If management does not intend to take action, an explanation as well as acknowledgement of the acceptance of risk should be included. Management's response should be provided to the Internal Audit Function within 14 calendar (or 10 business) days of receipt of the draft report. The Internal Audit Function will be responsible for appropriate follow-up on both internal and external audit engagement findings and recommendations; all significant findings/recommendations will remain open until cleared by the Internal Audit Function. A report will be generated at least annually to communicate the results of follow-up work, including any outstanding recommendations of significant risk to OMD.

RESPONSIBILITIES

In addition to items mentioned previously, the CAE will report periodically to the OMD State Audit Committee and external stakeholders as appropriate, regarding:

- The Internal Audit Function's purpose, authority, and responsibility;
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the OMD State Audit Committee or designees;
- Results of audit engagements or other activities performed by the Function; and
- Any response to risk by management that may be unacceptable to OMD.

Additionally, the CAE has the responsibility to:

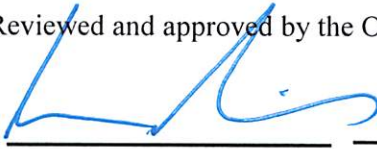
- Ensure the principles of integrity, objectivity, confidentiality are applied and upheld;
- Coordinate activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed;
- Report to management on opportunities for improving the efficiency of governance, risk management, and control processes as identified during audit engagements and other advisory services;
- Communicate the OMD State Audit Committee the impact of resource limitations on the internal audit plan;
- Review and adjust the internal audit plan, or scope and objectives of individual audits as necessary, in response to changes in OMD's business, risks, operations, programs, systems and controls and communicate any changes to the OMD State Audit Committee – final authority on scope and objectives of audits resides with the CAE;
- Ensure each engagement of the internal audit plan is fully executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties;
- Ensure the Internal Audit Function collectively possesses or obtains the knowledge, skills and other competencies needed to meet the requirements of the Internal Audit Charter;
- Ensure trends and emerging issues that could impact OMD are considered and communicated to the OMD State Audit Committee as appropriate;
- Ensure emerging trends and successful practices in internal auditing are considered;
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Function;
- Ensure adherence to OMD's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts should be communicated to the Audit Committee;
- Review and assess the adequacy of this Charter at least annually and request approval for any changes from the OMD State Audit Committee; and
- Provide liaison services to Divisions, Programs and Office for external audits as needed.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

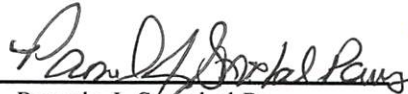
The Internal Audit Function will maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the Internal Audit function. The QAIP will include an evaluation of the Internal Audit Function's conformance with the *Standards* and an evaluation of whether Internal Auditors apply the IIA's Code of Ethics. The Program will also assess the efficiency and effectiveness of the Internal Audit function and identify opportunities for improvement, using the IIA's *Core Principles* as a benchmark.

The CAE will communicate to the OMD State Audit Committee on the Internal Audit Function's QAIP, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside OMD.

Reviewed and approved by the OMD State Audit Committee on the 25th day of June 2020



Sean M. McCormick
Audit Committee Chair



Pamela J. Stroebel Powers
Chief Audit Executive



David A. Stuckey
Deputy Director