

## **Audit Services Division Charter**

### **A. PURPOSE**

1. The Audit Services Division is a team committed to providing professional, independent and objective assurance and consulting services to LASERS.
2. The division's scope of responsibility is to assist LASERS in accomplishing its strategic and operational objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the LASERS risk management, control, and governance process.
3. The division's primary mission is to provide an independent, objective evaluation of all agency operations and provide value added consulting services.
4. The objectives of consulting services conducted are to provide:
  - a. Assessments and advice to management for improving processes that will advance the goals and objectives of LASERS.
  - b. Assessments and advice on the front-end of projects so that risks are identified and internal controls are designed at the beginning of a project.
  - c. Education and training on risks, internal controls, and the audit process.

### **B. ORGANIZATIONAL STATUS**

1. The organizational status and support given to audit services by the board of trustees and executive management are major determinants of the scope and value of the internal audit function to LASERS. In order to establish and preserve the independence of the internal audit function, the division reports functionally to the board through the audit committee and administratively to the executive director. The audit director reports directly and freely to the chair of the audit committee on LASERS audit policy, observations, guidance issues and other matters as so mandated. The audit director is free to make the audit committee aware of any areas of disagreement between the audit director and executive director as to items included on the audit plan.
2. The audit committee, in consultation with the executive director, will

recommend to the board of trustees the appointment and removal of the audit director of the Audit Services Division.

3. The internal auditors have neither authority nor operational responsibility for any of the procedures or activities of LASERS. This independence promotes essential impartial and unbiased judgments, and assures appropriate consideration and effective action on observations and recommendations. Specifically, the division or its staff shall not design, install or operate any program or system, or engage in any other activity that could reasonably be construed to compromise its independence and objectivity. Furthermore, the Audit Services Division's objectivity is not adversely affected by: recommending standards of controls to be applied in developing systems and procedures, evaluating existing or planned financial and operating systems and related procedures, or making recommendations for modifications and improvements to strengthen controls and/or enhance operational effectiveness. The audit director should discuss any potential issues regarding impairment of independence and/or conflicts of interest and the appropriate mitigations with the audit committee, as necessary. The Audit Services Division should notify the audit committee when an actual or perceived conflict of interest arises that would impair their objectivity or independence.
4. As a representative of the audit committee and to accomplish audit objectives, the division is authorized to have unrestricted access to all LASERS records, files, documents, accounts, physical properties, and personnel during the conduct of any assurance or consulting activity. The Audit Services Division has authority to review all areas related to operational activities. Where the need is indicated, special arrangements will be made for the examination of confidential information. Auditors will exercise due diligence in the safeguarding and use of these resources.
5. Contracts with third party providers shall contain the organization's standard audit language enabling the LASERS internal auditors and other auditors and specialists to have access to relevant records and information. Any exceptions to this requirement shall be specifically approved by the board of trustees.

## **C. RELATIONSHIP TO RISK MANAGEMENT AND INTERNAL CONTROL PROGRAMS**

1. The board has overall responsibility for ensuring that risks are managed. In practice, the board delegates to management the operation and implementation of the risk management and internal control system. The

Audit Services Division's role is to provide an independent and objective assurance on the effectiveness of the risk management and internal control system.

#### **D. STANDARDS AND ETHICS**

1. The Audit Services Division, at a minimum, shall abide by:
  - a. The Louisiana Code of Governmental Ethics
  - b. LASERS Ethics Policy
  - c. The Institute of Internal Auditors (IIA) mandatory guidance which includes the *International Standards for the Professional Practice of Internal Auditing*, *Code of Ethics*, and *Definition of Internal Auditing*
2. The IIA's International Professional Practices Framework should be used as guidance for the standard operating procedures of the Audit Services Division.

#### **E. SCOPE OF ACTIVITIES**

1. Specific responsibilities include the following:
  - a. Establish policies for conducting its activities and direct its technical and administrative functions according to the policies and direction provided by the audit committee.
  - b. Assure that the resources of the Audit Services Division are efficiently and effectively used. This includes selecting, training, developing and retaining a competent internal audit staff that collectively have the abilities, knowledge, skills, experience, expertise and professional certifications necessary to accomplish the mission, objectives and scope of this charter. Provide opportunity and support for staff to obtain professional training, professional certifications, and to further their education.
  - c. The Audit Services Division will conduct an annual enterprise risk assessment with the goal of formulating an audit plan. Information gathered during the enterprise risk assessment may be shared with management.
  - d. Develop a flexible annual audit plan using a risk-based methodology and input from the division directors, executive management, and audit committee.
  - e. Implement the annual audit plan, as approved by the audit committee,

including, any plan amendments, special tasks or projects requested by executive management and the audit committee.

- f. Prepare an operating budget that is complementary to the implementation of the audit plan.
- g. Perform comprehensive reviews that encompass the examination and evaluation of the adequacy and effectiveness of internal controls and the quality of performance. These reviews may include:
  - i. Reviewing and assessing the management controls utilized by LASERS to address business and operating risks.
  - ii. Reviewing operations to ascertain whether results are consistent with established objectives and goals and are being carried out as planned.
  - iii. Evaluating compliance with policies, plans, procedures, laws and regulations, which could have a significant impact on operations.
  - iv. Appraising the economical and efficient use of resources.
  - v. Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
  - vi. Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report information.
- h. Evaluate the system of governance, risk management, and controls during each engagement, as applicable.
- i. Assist in the investigation of suspected fraudulent activities involving the organization, according to LASERS fraud policy, and notify the audit committee and executive management, of the results, as appropriate.
- j. Conduct routine reviews of employer reporting agencies and investment management firms as outlined on the approved audit plan.
- k. Present to management the results of reviews conducted. The Audit Services Division will provide recommendations and evaluate any plan(s) or action(s) taken to correct the observation(s). If not considered resolved, see that further discussions are held to achieve resolution in accordance with the approved Audit Resolution Policy and Procedures.
- l. Conduct periodic follow-up reviews to evaluate the adequacy of management's corrective actions.
- m. Coordinate with the external auditor engaged by the Louisiana

Legislative Auditor to avoid unnecessary duplication of effort between the external auditor and the Audit Services Division. Audit services will also review any external auditor findings, follow-up on corrective action taken and provide assistance.

- n. Participate as an advisor in the planning, design, development, and implementation phases of manual and automated systems to determine whether:
  - i. Adequate controls are incorporated in the system.
  - ii. Adequate risk management techniques have been addressed.
  - iii. Thorough systems testing is performed at appropriate stages.
  - iv. Systems documentation is maintained, complete, and accurate.
  - v. The intended purpose and objectives of the system implementation or modification have been met.
- o. Conduct periodic audits of data processing and make post-installation evaluations of major data processing systems to determine whether these systems meet their intended purposes and objectives.
- p. Respond to any specific requests for special reviews by the board of trustees, audit committee, executive director and from other staff, subject to the approval of the audit committee.
- q. Obtain specialized services from outside the organization when the nature of the engagement requires specialized services.
- r. Oversee the work of all contract auditors hired by LASERS.
- s. Provide education to the board of trustees and staff on risks, internal controls, and processes and practices of the Audit Services Division.

## **F. REPORTING**

1. The audit director, in the discharge of audit's duties shall be accountable to the audit committee for the following:
  - a. Report the results of engagements performed to the audit committee, the executive director, and appropriate division directors at the audit committee meeting occurring nearest to the completion of the engagement. However, observations shall be brought to the attention of appropriate division directors during the engagement. In the case of a material observation, the audit director would notify the audit committee and executive director immediately.

- b. Prepare materials for the audit committee meetings.
- c. Submit at the June meeting of each year to the audit committee for adoption, a formal audit plan that is developed in line with the strategic plan and the risk assessment process. The audit plan should include an audit work schedule. Furthermore, the audit director should determine the nature, timing, and extent of follow-up audits in developing the audit plan.
- d. Present proposed changes to the approved audit plan as needed. Report at each audit committee meeting on the status of engagements outlined in the audit plan.
- e. Present, at least semi-annually, a report on the status of open observations and on the risks that management has decided to accept.
- f. The audit director will confirm annually to the audit committee that all of the responsibilities outlined in the Audit Services Division Charter have been carried out.
- g. Maintain a professional audit staff with sufficient knowledge, skills, experience, and expertise in the subject matter that is being audited. Therefore, the audit director will include as part of the reports to the audit committee an annual report on internal audit personnel, including their qualifications, certifications and development.
- h. The audit director will confirm annually the organizational independence of the internal audit function.

## G. QUALITY ASSURANCE

1. The audit director will establish and maintain a quality assurance program to evaluate the operations of the audit division. A quality assurance program includes training, supervision, internal and external assessments. The purpose of this program is to provide reasonable assurance that audit work conforms to the *International Standards for the Professional Practice of Internal Auditing*.
2. The audit services division will complete an internal assessment no sooner than two years before a peer review. The internal assessment report will be provided to the executive director and audit committee upon completion.
3. The audit director will obtain a peer review by other internal auditors as required by professional standards, no less frequently than once every five years. The peer review report will be provided to the executive director and

audit committee upon completion.

4. The audit director will confirm annually the results of the ongoing monitoring of the quality assurance program.
5. The audit committee shall review the activities of the Audit Services Division annually to assure the independence and objectivity of internal auditing.

## **H. MEETINGS**

The audit director, or designee, shall attend all audit committee meetings. The audit director may also meet with the chair of the audit committee, as needed.

## **I. POLICY REVIEW**

The audit committee will review this charter at least once every three (3) years to ensure that it remains relevant and appropriate.

## **J. HISTORY**

This charter was adopted on January 27, 2006.

This charter was last revised on June 27, 2019.

This charter was last reviewed on June 23, 2022.