



**STATE BOARD OF ADMINISTRATION
OF FLORIDA**

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**ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO**

**OFFICE OF INTERNAL AUDIT
CHARTER**

A. MISSION AND VISION

The mission of the Office of Internal Audit (OIA) is to enhance and protect organizational value by providing stakeholders with risk-based, independent, objective and reliable assurance, advice, and insight designed to add value and improve the State Board of Administration's (SBA) operations.

The vision of OIA is to be recognized by SBA leadership as a valuable business partner by providing information, analyses and advice to assist management in fulfilling its responsibilities for ensuring operations are managed ethically, effectively and efficiently.

B. OBJECTIVES AND SCOPE

Audit Objectives. The objectives of audit services are to provide independent assurance to the Audit Committee and management that the SBA's assets are safeguarded, processes are operating efficiently, and compliance is maintained with prescribed laws and SBA policies. Audit objectives include independent assessment of the organization's governance, risk management, and control processes.

Advisory Objectives. The objectives of advisory services are to provide assessments and advice for improving the organization's governance, risk management, and control processes without the OIA assuming management responsibility. The nature and scope of advisory services are agreed to by management. Advisory services may be provided on the front-end of projects so that risks may be identified and managed, and internal controls may be designed adequately. Advisory services may also be provided to assist management with process improvement initiatives.

Scope. The scope of work provided or overseen by the OIA is to determine whether the SBA's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Business units are operating within the highest fiduciary standards and are directed toward the requirements defined in the laws, regulations, rules, and the policies and procedures of the SBA.
- Business units and processes are generally consistent with current prevailing industry best practices, using relevant leading public and private examples as benchmarks.
- Risks relating to the achievement of the SBA's strategic objectives are appropriately identified and managed.

- Significant financial, managerial, and operating information is accurate, reliable and timely.
- The SBA and its staff are operating in compliance with applicable laws, rules, regulations, standards, approved SBA policies and procedures and Code of Ethics.
- Resources are acquired economically, used efficiently, and adequately protected.
- Quality and continuous improvement are encouraged in the SBA control process.
- Contractors, including third-party administrators, are meeting the objectives and terms of the contracts.
- Responsibilities and activities are coordinated with external auditors engaged by the SBA Audit Committee for audit and/or attest services.
- Significant legislative or regulatory issues impacting the SBA are recognized and addressed appropriately.

Opportunities for improving the SBA's service, management of risks, internal controls, and governance may be identified during audits. Significant information will be communicated to the Audit Committee and to the appropriate levels of management.

C. INDEPENDENCE

Organizational Placement. To provide for the independence of the OIA, its personnel report to the Chief Audit Executive (CAE), who in turn reports functionally to the Audit Committee and administratively to the Executive Director & Chief Investment Officer (ED & CIO). The functional reporting is demonstrated by the Audit Committee's annual review and approval of:

- OIA Charter,
- risk-based annual audit plan,
- budget (subject to final approval of the Board),
- staffing, and
- organizational structure.

The CAE shall freely discuss audit policies, findings and recommendations, audit follow-up, guidance issues, and other matters as necessary.

Professional Standards of Independence. The CAE will confirm to the Audit Committee, at least annually, the organizational independence of OIA. The standards of independence used as benchmarks are mentioned in the Professional Standards section of this document.

Potential Impairment of Independence. The CAE shall discuss any potential issues regarding impairment of independence and/or conflicts of interest and their mitigation(s) with the Audit Committee as soon as practicable.

D. PROFICIENCY

The Audit Committee recognizes that professional competence requires that the auditors have knowledge of operations and appropriate expertise in the subject matter being audited. Therefore, the CAE will report, at least annually, on internal audit personnel, including their qualifications, certifications, training and development.

E. AUTHORITY

To accomplish its mission, the CAE and designated OIA staff shall have the following authority:

- Have full, free, and unrestricted access to all SBA's personnel, functions, records, files, information systems, physical properties, and any other item relevant to the performance of an audit, review, or advisory service. OIA staff shall handle documents and information received during an engagement in the same prudent and confidential manner as those employees normally accountable for them.
- Have free and unrestricted access to the Chair of the Audit Committee, the Audit Committee, and the Board of Trustees, subject to applicable state and federal laws. The CAE shall also have free and unrestricted access to the ED & CIO and all SBA management and personnel.
- Allocate resources, set frequencies, select subjects, determine scope of work and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the SBA where they perform audits, as well as other specialized services from within or outside the SBA.
- Obtain timely written responses from management on newly issued comments and obtain timely updates on the progress of implementing prior recommendations/action plans upon OIA request or by the target completion date of an action plan. The typical time period for management to respond to comments contained in internal audit reports is thirty (30) calendar days from the date the draft report was issued.

The CAE and staff of the OIA are not authorized to:

- Perform operational duties for the SBA or its affiliates such as developing or installing systems or procedures, preparing records or engaging in any other activities that would normally be audited.
- Relieve other persons at the SBA of responsibilities assigned to them.
- Initiate or approve accounting transactions external to the OIA.
- Direct the activities of any SBA employee not employed by the OIA, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

F. PROFESSIONAL STANDARDS

The Audit Committee has approved The Institute of Internal Auditors' (The IIAs') *International Professional Practices Framework (IPPF)*, as the guidance to be used by the OIA in performing its responsibilities. IPPF includes mandatory elements consisting of the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. The OIA will meet these mandatory elements of the IPPF. The current versions of these documents can be found on The IIAs' website: www.theiia.org.

The OIA professional staff shall also follow the Code of Ethics of the State of Florida, the SBA, and the relevant professional organizations to which they belong. These may include, but are not limited to, the professional standards of the ISACA, American Institute of Certified Public Accountants, Florida Board of Accountancy, and Association of Certified Fraud Examiners.

G. RESPONSIBILITIES

The CAE is responsible for establishing and maintaining an internal audit function in accordance with the mandatory elements of the *IPPF*. The CAE is also responsible for the following activities in order to meet the mission, objectives, and scope of this Charter:

Approved by the Audit Committee on August 3, 2020

- Select, train, develop, and retain a competent internal audit staff who 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 obtaining professional training, examinations, and certifications.
- Establish and maintain policies and procedures for conducting OIA activities according to the professional standards described in Section F of this Charter and direction provided by the Audit Committee.
- Develop and implement a risk-based flexible annual audit plan using an appropriate risk-based methodology, including any risks or concerns identified by management and the Audit Committee.
- Attend SBA Oversight Group¹ meetings to understand any changes in SBA's business, risks, operations, programs, systems, and controls that may lead to an adjustment to the risk-based flexible annual audit plan.
- Prepare a budget that is complementary to the implementation of the audit plan.
- Issue quarterly reports to the Audit Committee and management summarizing the status of the annual audit plan, status of recommendations, and other matters.
- Maintain a quality assurance and improvement program that evaluates OIA's conformance with the mandatory elements of the IPPF.
- Support engagement of external audit firms by issuing competitive solicitations approved by the Audit Committee, evaluating responses and recommending finalists to the Audit Committee for selection, negotiating contracts, and presenting final engagement letters/contracts to the Audit Committee for approval.
- Provide oversight to all external auditors engaged by the Audit Committee and serve as the liaison between external auditors, SBA Management, and the Audit Committee.
- Coordinate the meetings of the Audit Committee.
- Maintain all records related to the Audit Committee meetings.
- Manage the day-to-day administrative, personnel, and budgetary affairs of the OIA in accordance with the SBA policies and procedures.

Approved:

August 3, 2020

(Date)

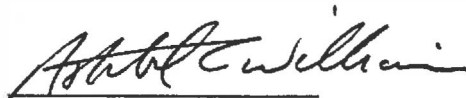
Chief Audit Executive:

(Kim Stirner)



Executive Director & Chief Investment Officer:

(Ash Williams)



Audit Committee Chair:

(Mark Thompson)



¹Oversight Groups organized as a standing sub-committee of the Senior Leadership Working Group.