

STATE INVESTMENT BOARD AUDIT COMMITTEE CHARTER

PURPOSE

The Audit Committee (the Committee) is a standing committee of the North Dakota State Investment Board (SIB). The Committee will perform as an effective oversight function of the Retirement and Investment Office (RIO) internal and external audit programs; including the financial reporting process, internal controls, policies, and practices.

AUTHORITY

The Committee is authorized to develop and direct the internal audit program for RIO as well as oversee the external audit. The internal audit program provides assurance to the Committee that RIO's financial condition and results of operations are accomplished in accordance with RIO's policies and plans. The Committee may investigate any activity of RIO and may retain persons as necessary from within or outside RIO having special competence to assist the Committee in the accomplishment of its responsibilities.

RESPONSIBILITIES

RIO executive management is responsible for financial and other reporting, internal control, and compliance with laws, regulations, and ethics. The Committee has the responsibility to assure the reliability and integrity of financial and operating information; compliance with policies, plans, procedures, pertinent laws and regulations, and ethical conduct; safeguarding of assets; economical and efficient use of resources; and effectiveness of achieving desired results from operations. To this end, the Committee will:

Internal Audit

1. Approve and periodically review the internal audit charter and submit to the SIB for approval.
2. Review and approve the annual work plan detailing the planned scope of internal audits of RIO activities and functions, and review the results of the internal audit program.
3. Discuss with the internal auditors' significant internal audit recommendations and review and analyze RIO's internal accounting control systems and related policies and control systems.
4. Review the coordination of the internal audit work with the external auditor's work.
5. Participate with RIO's Executive Director in the appointment of the internal audit supervisor, and evaluation of the performance of the internal audit supervisor. Approve any changes in staffing; including the addition, termination, or replacement of internal auditors, and the approval of salary increases and/or promotions other than those authorized by the legislature.
6. Meet with the internal auditor(s) periodically (out of the presence of management and the external auditors as appropriate) with respect to any of the foregoing and review any restrictions on the audit work.

7. Review with the audit supervisor whether internal audit activities are being carried out in accordance with the Institute of Internal Auditors, Inc. "International Standards for the Professional Practice of Internal Auditing," as adopted by the Committee.

External Audit

1. Make recommendations to the State Auditor when appropriate as it relates to selection, evaluation, and termination.
2. Review non-auditing services, if any, performed for RIO by the external auditors.
3. Review annually the overall plan of the audit as proposed by the external auditors and management, including the scope of the examination to be performed, the assistance to be provided by the internal auditors and any developments in accounting principles and auditing standards that may affect either the financial statements or the audit.
4. Prior to the release of the annual report to the SIB and other officials, review the results of the audit with the external auditors and management, which review will include the following, as applicable:
 - (a) Any major problems encountered by the external auditors and the resolution thereof;
 - (b) The effect on the audit of any developments referred to in item 3 above;
 - (c) Any unresolved differences between the external auditors and management;
 - (d) Any other significant comments or recommendations of the external auditors or management;
 - (e) And the adequacy of RIO's internal accounting controls and accounting policies, procedures, and practices.
5. Meet with the external auditors periodically (out of the presence of management as appropriate) with respect to any of the foregoing, and review any restrictions on the audit work.
6. Engage in dialogue with the external auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditors.

RIO Management

1. Provide oversight of RIO's financial reporting process. Inquire as to any proposed changes in accounting or financial reporting procedures and of any unusual events that could impact the financial statements.
2. Inquire as to the procedure for the prevention of illegal payments, conflicts of interest, or other questionable practices. Inquire as to the existence of any illegal payments, conflicts of interest, or other questionable acts. Review the Code of Conduct, rules, and policies applicable to RIO.
3. Review compliance with federal and state law, North Dakota administrative code, and SIB and Teachers' Fund for Retirement (TFFR) Board policies.

ADMINISTRATIVE

The Committee will consist of five members, selected by the SIB. Three members of the Committee will represent the three groups on the SIB (TFFR Board, Public Employees Retirement System (PERS) Board, and elected and appointed officials). The other two members will be selected from outside of the SIB.

The Committee will elect a Chair, a Vice Chair, and a liaison. The Chair will preside at all meetings of the SIB Audit Committee. In the absence of the Chair, the Vice Chair will perform the duties of the Chair. The liaison will report annually to the SIB on the results of the annual audit and quarterly to the SIB on the activities of the Committee and other pertinent information.

RIO's Executive Director will supervise the administrative activities of the internal and external audit programs such as travel, securing contracts, paying fees, maintaining official reports, and other appropriate activities.

The Supervisor of Internal Audit Services will be the staff member to report directly to the Committee.

Membership on the Committee will be for one year or termination of term on the SIB. Vacancies will be filled by the SIB at the first scheduled meeting following the vacancy. There will be no limit to the number of terms served on the Committee.

The Committee will meet quarterly, or more frequently as appropriate, and will give notice of Committee meetings to RIO's Executive Director and the Internal Audit Supervisor. The Executive Director and Internal Audit Supervisor will attend all Committee meetings except that the Committee may, at its discretion, elect to meet without the presence of the Executive Director and/or Internal Audit Supervisor.

Approved minutes of the Committee will be submitted to the SIB.

DATE OF CREATION OF COMMITTEE AMENDMENTS: December 14, 1993

DATE AUDIT COMMITTEE CHARTER ADOPTED AND APPROVED: June 24, 1994

REVISED: November 22, 1996, February 13, 1997, November 6, 2001, May 18, 2007, June 26, 2009.