AMES LABORATORY INTERNAL AUDIT CHARTER

This charter defines the mission and scope of work of the Internal Audit structure and function of the Ames Laboratory.

1.0 APPROVAL RECORD

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Approved by: Chief Operations Officer (Mark Murphy)
Approved by: Associate Laboratory Director for Sponsored Research Administration (Debra L. Covey)
Approved by: Assistant Director for Scientific Planning (Cynthia Jenks)
Approved by: Chief Research Officer (Duane D. Johnson)
Approved by: Interim Director (Thomas A. Lograsso)
Approved by: Warren R. Madden, Senior Vice President for Business and Finance, Iowa State University and Chair of the Ames Laboratory Operations Review Committee

The official approval record for this document is maintained in the Internal Audit Office.

2.0 REVISION/REVIEW INFORMATION

The revision description for this document is available from the author.

3.0 MISSION AND SCOPE OF WORK

The **mission** of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and to improve the organization's operations. Internal Audit 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 preceding constitutes the Definition of Internal Auditing. Also, the Code of Ethics promulgated by the *Institute of Internal Auditors* (IIA) is attached and incorporated into the Charter. The *Standards* as promulgated within the *International Professional Practices Framework (IPPF*) as endorsed by the IIA as of 1/2013 is also recognized as mandatory standards for the practice of Internal Auditing to be employed by Internal Audit at Ames Laboratory.

The scope of work of Internal Audit 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.
- Employee's 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 being achieved and are adequately evidenced as such.
- Quality and continuous improvement are being fostered in the organization's control processes.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Opportunities for improving management control, optimizing resources' usage and the organization's image may be identified during audits. This information will be communicated to the appropriate level of management.

4.0 ACCOUNTABILITY

The *Audit Manager*, in the discharge of her duties, shall be accountable to the Laboratory Director and to the Chair of the Ames Laboratory Operations Review Committee to:

- Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under Mission and Scope of Work.
- Report significant issues related to the processes for controlling the activities of Ames Laboratory, including potential improvements to those processes and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with other control and monitoring functions (risk management, compliance issues, and external audit).

5.0 INDEPENDENCE

To provide for the independence of Internal Audit, the Audit Manager reports administratively to the Laboratory Director and functionally to the Chair of the Ames Laboratory Operations Review Committee for Ames Laboratory in the manner outlined in the above section on Accountability.

6.0 RESPONSIBILITY

The Audit Manager and staff of Internal Audit have responsibility to:

- Develop a flexible annual Audit Plan, using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Laboratory Director, the Chair of the Ames Laboratory Operations Review Committee, and to DOE for review and approval.
- Implement the annual Audit Plan, as approved, including and as appropriate any special tasks or projects requested by management or the Ames Laboratory Operations Review Committee.
- Maintain a professional staff with the appropriate composite level of knowledge, skills, experience and professional certifications to meet the requirements of this Charter.
- Issue periodic reports to management, the DOE, and the Ames Laboratory Operations Review Committee summarizing the results of audit activities.
- Keep the Ames Laboratory Operations Review Committee informed of emerging trends and successful practices in internal auditing.
- Establish a quality assurance program by which the Audit Manager assures the operation of internal auditing activities is in compliance to *Standards (IPPF Standards)*.
- Perform consulting services, beyond Internal Audit's assurance services, to assist management in meeting its objectives.
- Evaluate and assess emerging functions and new or changing processes, operations and control processes coincident with their development, implementation and/or expansion.
- Assist in the investigation of significant suspected fraudulent activities as applicable.
- Consider the scope of work of the IG auditors and other appraising entities for optimizing audit resource use.

- Provide annual accomplishment list and activity report to the Laboratory Director and to the Ames Laboratory Operations Review Committee, as well as DOE.

7.0 AUTHORITY

The Audit Manager and staff of Internal Audit are authorized to:

- Have an unrestricted access to all functions, records, property and personnel, as related to the audit objectives at hand.
- Have full and free access to the audit committee of the Ames Laboratory Operations Review Committee.
- Allocate resources, set frequencies, select subjects and determine scopes of work and related techniques needed to accomplish audit objectives.
- Obtain the necessary assistance of personnel at Ames Laboratory and other contractor personnel as necessary to the audit as well as other specialized services from within or outside the organization, as related to audit objectives.

The Audit Manager and staff of Internal Audit are not authorized to:

- Perform any operational duties for the Ames Laboratory (outside of Internal Audit administration).
- Initiate or approve accounting transactions external to Internal Audit
- Direct the activities of any Ames Lab employee not employed by Internal Audit, unless that employee has been temporarily assigned to assist Internal Audit in a specific audit-related task.

8.0 STANDARDS OF AUDIT PRACTICE

The Internal Audit Office will meet or exceed the *International Standards for the Professional Practice of Internal Auditing (Standards)* promulgated by The Institute of Internal Auditors.

Attachment 1

CODE OF ETHICS

Principles

Internal auditors are expected to apply and uphold the following principles:

1. Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

2. Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Rules of Conduct

1. Integrity

Internal auditors:
1.1. Shall perform their work with honesty, diligence, and responsibility.
1.2. Shall observe the law and make disclosures expected by the law and the profession.
1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:
2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:
3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency

Internal auditors:

4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.

4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.