

DEPARTMENT OF NATURAL RESOURCES
INTERNAL AUDIT CHARTER

Purpose

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Department of Natural Resources. It assists the department in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the efficiency and effectiveness of the organization's management of risk, internal control, and governance processes.

Adherence to Professional Guidance and Codes of Ethics

The Institute of Internal Auditors' "*Standards for the Professional Practice of Internal Auditing*" and "*Statements of Responsibilities for Internal Auditing*" will constitute the Internal Auditor's operating procedures. While performing his duties, the Internal Auditor will also follow applicable guidance issued by the IIA, AICPA, LCPA, GASB, GAAP, GAAS, federal and state laws and regulations, federal audit standards, policies and procedures, and/or the department's policies and procedures. The Internal Auditor shall adhere to the Institute of Internal Auditors' "*Code of Ethics*" and the "*Louisiana Code of Governmental Ethics*" (R.S. 42:1101-1170).

Authority

The Internal Auditor is authorized to:

- Have full, free, and unrestricted access to all files, data, functions, records, property, and personnel relevant to any function of the department under audit;
- Have free and unrestricted access to the Secretary and Audit Advisory Committee;
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish the audit's objectives.

Documents and information given to the Internal Auditor during an audit will be handled in the same prudent and confidential manner as by those employees normally accountable for them.

Independence

The Internal Auditor reports functionally and administratively (day-to-day operations) to the Secretary and functionally to the Audit Advisory Committee. This relationship removes the Internal Auditor from all operations subject to audit and provides the basis for objective audit and analysis.

The internal audit activities will remain free of interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

The Internal Auditor shall have no direct operational responsibility or authority over any of the activities subject to audit. Accordingly, the Internal Auditor will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impact the Internal Auditor's judgment.

The Internal Auditor will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. The Internal auditor will make a balanced assessment of all the relevant circumstances and not be unduly influenced by own interest or by others in forming judgments.

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Should the Internal Auditor become aware of any impairment to his independence whether in fact or appearance, the Internal Auditor will report the impairment to the Secretary and/or the Audit Advisory Committee.

Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's management of risk, internal controls, and governance as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. The Internal Auditor's responsibilities include, but are not limited to:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with applicable statutes, regulations, policies, and procedures which could have a significant impact on the organization;
- Evaluating the means of safeguarding assets and, if appropriate, verifying the existence of assets;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Monitoring and evaluating the effectiveness of the organization's management of risk processes;
- Coordinating, as appropriate, the nature, timing and extent of internal audits with the activities of external auditors, reviewers, and regulators;
- Acting as the organization's liaison for all external audits and reviews, facilitates in the gathering of requested information and, if appropriate, assists in the organization's response to address findings;
- Performing consulting and advisory services related to management of risk, internal controls, and governance as appropriate for the organization;
- Reporting periodically on internal audit's purpose, responsibility, and performance relative to its plan;
- Evaluating specific operations at the request of the Secretary or management, as appropriate.

Internal Audit Plan

At least annually, the Internal Auditor will submit to the Secretary and the Audit Advisory Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule for the next fiscal year. The Internal Auditor will communicate the impact of resource limitations and significant interim changes to the Secretary and the Audit Advisory Committee.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input from the Secretary, senior management, and the Audit Advisory Committee. The Internal Auditor will review and adjust the plan, as necessary, in response to changes in the organization's risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to the Secretary and the Audit Advisory Committee through periodic activity reports.

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Reporting and Monitoring

A written report will be prepared and issued by the Internal Auditor following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated with the Audit Advisor Committee.

The internal audit report may include management's response and corrective action taken or to be taken in regard to specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Internal Auditor will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain an open issues file until cleared.

The Internal Auditor will periodically report to the Secretary and the Audit Advisory Committee on the internal audit's activities, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Secretary and senior management.

Audit Advisory Committee

The Audit Advisory Committee will meet quarterly to discuss department issues that may concern the Internal Auditor. The meetings will begin when a quorum (4 members) is present. The Internal Audit plan and any amendments shall be submitted to the Audit Advisory Committee for review. The Audit Advisory Committee consists of the Internal Auditor, the Undersecretary, a chairperson appointed by the Secretary, and a representative from each agency identified below.

- Office of the Secretary
- Office of Conservation
- Office of Mineral Resources
- Office of Coastal Management

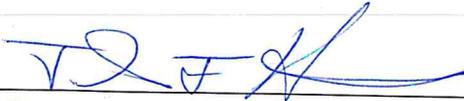
Quality Assurance and Improvement Program

The Internal Auditor will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include internal evaluations of the Internal Audit Section's conformance with the definition of internal auditing and standards and an evaluation of whether the Internal Auditor applies the Code of Ethics in internal audit activities. The quality assurance and improvement program will also assess the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. In addition to ongoing internal assessments, external assessments of DNR's internal audit activities will be conducted at least once every five years by a qualified, independent assessor or assessment team outside of DNR.

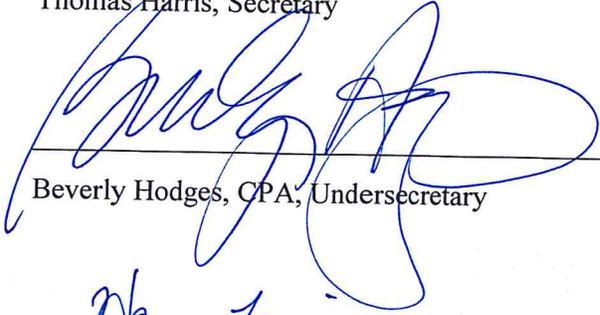
The result of these internal and external assessments will be communicated to the Secretary and Audit Advisory Committee.

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Internal Audit Charter Approved



Thomas Harris, Secretary



Beverly Hodges, CPA, Undersecretary



Ha Louis, Internal Auditor

Date: 7/14/16