

## **Nebraska Investment Council**

### **Internal Audit Charter**

#### **INTRODUCTION**

The internal audit function is established by the Nebraska Investment Council (NIC) to provide services that meet the Definition of Internal Auditing established by the Institute of Internal Auditors.

The purpose of internal audit is to provide independent, objective assurance and consulting services designed to add value and improve NIC's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. It helps NIC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of compliance and internal control.

1. Assurance services are designed to independently assess whether internal controls are in place to mitigate risks and safeguard assets and to ensure NIC is in compliance with State statutes, regulations, and policies.
2. Consulting services are designed to provide management with assessments and advice for improving governance, risk management, and control processes in a manner that advances NIC goals and objectives. Consulting services may include counsel, advice, and training.

#### **DUTIES AND RESPONSIBILITIES**

##### **Internal Audit Scope**

The internal audit scope of work is to determine whether the NIC's network of risk management and internal controls as designed and represented by management, are adequate and functions in a manner that ensures:

1. Programs are operating within the guidelines of high fiduciary standards.
2. Risks related to the achievement of NIC's strategic objectives are appropriately identified and managed.
3. The NIC is operating within the requirements defined in State statutes, regulations, and policies and procedures.
4. The results of operations and programs are consistent with established missions, objectives, and goals.
5. Established processes and systems enable compliance with State statutes, regulations, policies, and procedures.
6. Existing policies and procedures are appropriate and relevant.
7. Significant financial, managerial, and operational information is accurate, reliable, and timely.

8. Contractors are meeting the objectives of their contracts in conformance with applicable laws, regulations, policies, procedures, and best practices.

### **Internal Audit Independence and Authority**

The Internal Auditor reports functionally to the audit committee (“Committee”) and administratively to the State Investment Officer (SIO). The SIO provides day-to-day supervision and conducts the performance evaluation and recommends the replacement or dismissal of the Internal Auditor.

The Committee oversees the selection process, reviews the performance evaluation, approves the annual compensation and salary adjustments, and approves the replacement or dismissal of the Internal Auditor.

The Internal Auditor will ensure the internal audit function remains free from all conditions that threaten the ability to carry out audit responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. Internal audit will discuss any potential issues regarding impairment of independence and/or conflicts of interest and their mitigation(s) with the appropriate parties and the Committee as necessary.

The Internal Auditor is delegated the authority to operate the internal audit function to include the following:

1. Allocate resources, set project frequencies, select audit subjects, determine scope of work, and apply the techniques necessary to accomplish the audit objectives.
2. Engage an external service provider subject to the approval of the SIO when additional staffing resources are needed to implement the Board-approved annual internal audit plan.

The Committee reviews the annual risk-based internal audit plan presented by the Internal Auditor and recommends its approval to the Board. Internal audit shall periodically inform the Committee of the status of the internal audit plan and any changes needed, including the impact of any resource limitations.

Internal audit is not authorized to perform operational duties for the NIC and/or its affiliates and contractors. Internal audit is not authorized to initiate or approve accounting transactions. Internal audit is not authorized to direct the activities of any NIC employee, except to the extent such employees have been appropriately assigned to assist the Internal Auditor.

### **Internal Audit Access**

Internal audit is granted authority for full, free, and unrestricted access to all of the NIC’s functions, records, files, information systems, personnel, contractors, physical properties, and any other items relevant to the function, process, or unit under review. All contracts with vendors shall contain the NIC’s standard audit language enabling the NIC’s internal auditors and other auditors and specialists to have access to relevant records and information. All of the employees of the NIC are required to assist internal audit in fulfilling their audit responsibilities and duties.

Internal audit shall have free and unrestricted access to the Committee chair, the Committee, the Chair of the Council, and Council members. Internal audit shall also have free and unrestricted access to the SIO, staff, contractors, and vendors of the NIC.

Documents and information given to internal auditors shall be handled in the same prudent and confidential manner as by staff.

### **System of Risk Management and Internal Controls**

The SIO is responsible for developing and implementing the system of risk management to include the framework, practices, and processes. Internal audit will aid by evaluating risk management during audit and consulting activities.

The SIO is also responsible for implementing the system of internal controls. Internal audit will aid by evaluating internal controls during each audit and by periodically evaluating the entire system of internal controls.

### **Internal Audit Process**

To meet the objectives and scope of this Charter, the Internal Auditor has the responsibility to:

- 1. Annual Risk Assessment and Audit Planning**

Conduct an annual risk assessment and develop a comprehensive audit plan. The plan shall address the objectives and scope of this Charter, and include time for SIO requests, consulting projects, professional training, and consideration of risk and control concerns identified by the Audit Committee and staff.

- 2. Audit Plan Implementation**

Execute the approved audit plan, including any necessary amendments, special tasks, or projects requested by the SIO or the Audit Committee.

- 3. Coordination and Reporting of Results**

Work collaboratively with staff to finalize audit recommendations and identify timelines for implementation. Transmit all audit reports to the Audit Committee and maintain open communication with relevant stakeholders.

- 4. Monitoring and Follow-Up**

Conduct periodic follow-up reviews to evaluate the adequacy and effectiveness of implemented corrective actions.

- 5. Ongoing and Annual Reporting**

Issue regular reports to the Audit Committee and the SIO summarizing audit activities and follow-up status. Provide an annual summary of consulting and advisory engagements.

- 6. Evaluation of Internal Controls**

Perform comprehensive periodic evaluations of internal controls and assess the effectiveness of control systems.

- 7. Assessment of Emerging Risks and Organizational Changes**

Evaluate and assess significant changes such as mergers, consolidations, and new or evolving services, processes, and operations. Monitor emerging risks and trends that may impact NIC operations, incorporating relevant insights into planning and advisory services.

**8. Advisory Role.**

Consult with the SIO, as requested, on potential policy and procedure changes, and review specific operations or programs as directed by the SIO or Audit Committee.

**9. External Coordination and Audit Coverage**

Consider the scope of work performed by external auditors, state auditors, and regulators to ensure efficient audit coverage and avoid duplication of efforts. Act as the primary point of contact for all external audits, examinations, or investigations, and ensure external reports are presented to the Committee.

**10. Contract Management**

Serve as the contract manager for any audit-related services performed by external firms as recommended by the Committee and approved by the Council.

**11. Fraud Investigation Support**

Assist in the investigation of significant suspected fraudulent activities within the NIC, and notify the Audit Committee, the SIO, and other appropriate parties of the results.

**Other Duties**

In order to meet the objectives and scope of this Charter, the Internal Auditor has other duties, including:

1. Work with the Committee to prepare agendas, minutes and memos as required.
2. Attend all Committee meetings.
3. Participate in professional audit organizations by attending meetings, and networking with other professionals. Network with internal audit staff of other public pension systems and Nebraska state public agencies to learn and exchange best practices information. Participate in other professional organizations related to the mission of the NIC.
4. Inform the Committee of emerging trends and successful practices in internal auditing.
5. Solicit periodic peer review of audit function to the work plan and review with the Committee.

**Internal Audit Professional Standards**

Internal audit shall follow the professional standards of relevant professional organizations. These professional standards include, but are not limited to, the following:

1. The Institute of Internal Auditors mandatory guidance including the Definition of Internal Auditing, Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*.
2. American Institute of Certified Public Accountants (AICPA) Professional Standards and Code of Ethics, as applicable.

**Charter Review and History**

1. This charter will be reviewed by the Council at least every three years for continued relevancy and appropriateness.
2. The Council adopted this charter on June 11, 2025.