



State Investment Board
RETIREMENT & INVESTMENT

Governance and Policy Review Committee
Tuesday, September 10, 2024, 10:00 a.m.
Virtual Only
[Click here to join the meeting](#)

AGENDA

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA *(Committee Action)*
- II. ACCEPTANCE OF MINUTES (May 8, 2024) *(Committee Action)*
- III. INVESTMENT DATA STATUTE DISCUSSION (30 min) *(Information)*– Ms. Murtha
- IV. BOARD MEMBER INFORMATION REQUEST POLICIES (25 min) *(Information)* – Ms. Seiler
- V. AUDIT CHARTERS (5 min) *(Committee Action)* – Ms. Seiler
- VI. OTHER

Next Meeting: November 13, 2024, at 10:00 a.m.

VII. ADJOURNMENT

**STATE INVESTMENT BOARD
GOVERNANCE & POLICY REVIEW COMMITTEE MEETING
MINUTES OF THE MAY 8, 2024, MEETING (VIRTUAL)**

MEMBERS PRESENT: Dr. Rob Lech, TFFR Board, Chair
Thomas Beadle, State Treasurer, Vice Chair
Susan Sisk, OMB Director

STAFF PRESENT: Scott Anderson, CIO
Missy Kopp, Exec Assistant
Sarah Mudder, Communications/Outreach Dir.
Jan Murtha, Exec. Director
Sara Seiler, Internal Audit Supr.
Ryan Skor, CFO/COO

CALL TO ORDER:

Dr. Lech called the State Investment Board (SIB) Governance and Policy Review (GPR) Committee meeting to order at 10:03 a.m. on Thursday, May 8, 2024. The meeting was held virtually.

AGENDA:

The agenda was considered for the May 8, 2024, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE MAY 8, 2024, MEETING AS DISTRIBUTED.

**AYES: TREASURER BEADLE AND DR. LECH
NAYS: NONE
ABSENT: MS. SISK
MOTION CARRIED**

MINUTES:

The minutes were considered for the April 18, 2024, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE APRIL 18, 2024, MINUTES AS DISTRIBUTED.

**AYES: TREASURER BEADLE AND DR. LECH
NAYS: NONE
ABSENT: MS. SISK
MOTION CARRIED**

Ms. Sisk joined the meeting at 10:05 a.m.

SIB GOVERNANCE MANUAL FINAL REVIEW:

Ms. Murtha reviewed two new exhibits that were added to the SIB Governance Manual. The Governance Policy Monitoring exhibit clarifies the board and committee action section to reflect current practice. The Contracts Matrix is a new exhibit which breaks out which executive team members signs each type of contract. Committee discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. SISK AND CARRIED BY A VOICE VOTE TO APPROVE AND RECOMMEND FINAL APPROVAL OF THE SIB MANUAL TO THE SIB.

**AYES: MS. SISK, TREASURER BEADLE, AND DR. LECH
NAYS: NONE
MOTION CARRIED**

GPR MEETING SCHEDULE:

IT WAS MOVED BY MS. SISK AND SECONDED BY TREASURER BEALE AND CARRIED BY A VOICE VOTE TO APPROVE THE PROPOSED GPR MEETING SCHEDULE FOR 2024-25.

**AYES: TREASURER BEADLE, MS. SISK, AND DR. LECH
NAYS: NONE
MOTION CARRIED**

OTHER:

With no further business to come before the GPR Committee, Dr. Lech adjourned the meeting at 10:21 a.m.

Prepared by:

Missy Kopp, Assistant to the Board

MEMORANDUM

TO: SIB GPR Committee
FROM: Jan Murtha Executive Director
DATE: September 9, 2024
RE: Investment Data Statute Discussion

RIO staff is tasked with complying with state and federal law when disclosing or maintaining the confidential of data related to the investment program. Staff requests the GPR committee discuss whether it may be appropriate to bring forward a proposal to the SIB for legislation that provides additional clarity regarding what may or may not be disclosed by the SIB.

Ms. Murtha will provide the committee an overview of state law currently applicable to investment data, the efforts of staff related to researching other state laws applicable to investment data, and considerations for legislation at the meeting.

Through research staff has identified that state laws applicable to investment data generally fall into one of three categories: generally exempt, specifically listing data that is public and confidential, or codifying a confidentially analysis that must be performed. Of these North Dakota falls into the last category. For illustration purposes only, this memo will be followed examples from three other states that illustrate the different categories with discussion to follow.

Utah – illustrates generally exempt.

Texas – illustrates use of lists.

Kentucky – illustrates confidentially analysis.

Board Action Requested: Committee discussion and staff direction.

Utah

Title 49

49-11-618

(1) (a) Every member, retiree, participant, covered individual, alternate payee, and beneficiary is subject to this chapter, rules made by the board or office, board actions, resolutions, policies, and procedures adopted under this title.

(b) Each member, retiree, participant, covered individual, alternate payee, and beneficiary shall furnish to the office any information required to carry out the purposes of this title.

(2) (a) All data in the possession of the office is confidential, and may not be divulged by the office except as permitted by board action.

(b) All data in the possession of the office or divulged pursuant to board action shall be used for the sole purpose of carrying into effect the provisions of this title.

Texas

Sec. 552.0225

Public: (1) the name of any fund or investment entity the governmental body is or has invested in; (2) the date that a fund or investment entity described by Subdivision (1) was established;

(3) each date the governmental body invested in a fund or investment entity described by Subdivision (1); (4) the amount of money, expressed in dollars, the governmental body has committed to a fund or investment entity; (5) the amount of money, expressed in dollars, the governmental body is investing or has invested in any fund or investment entity; (6) the total amount of money, expressed in dollars, the governmental body received from any fund or investment entity in connection with an investment; (7) the internal rate of return or other standard used by a governmental body in connection with each fund or investment entity it is or has invested in and the date on which the return or other standard was calculated; (8) the remaining value of any fund or investment entity the governmental body is or has invested in; (9) the total amount of fees, including expenses, charges, and other compensation, assessed against the governmental body by, or paid by the governmental body to, any fund or investment entity or principal of any fund or investment entity in which the governmental body is or has invested; (10) the names of the principals responsible for managing any fund or investment entity in which the governmental body is or has invested; (11) each recusal filed by a member of the governing board in connection with a deliberation or action of the governmental body relating to an investment; (12) a description of all of the types of businesses a governmental body is or has invested in through a fund or investment entity; (13) the minutes and audio or video recordings of each open portion of a meeting of the governmental body at which an item described by this subsection was discussed; (14) the governmental body's percentage ownership interest in a fund or investment entity the governmental body is or has invested in; (15) any annual ethics disclosure report submitted to the governmental body

by a fund or investment entity the governmental body is or has invested in; and (16) the cash-on-cash return realized by the governmental body for a fund or investment entity the governmental body is or has invested in.

Sec. 552.143

Confidential: a) All information prepared or provided by a private investment fund and held by a governmental body that is not listed in Section 552.0225(b) is confidential and excepted from the requirements of Section 552.021.

(b) Unless the information has been publicly released, pre-investment and post-investment diligence information, including reviews and analyses, prepared or maintained by a governmental body or a private investment fund is confidential and excepted from the requirements of Section 552.021, except to the extent it is subject to disclosure under Subsection (c).

(c) All information regarding a governmental body's direct purchase, holding, or disposal of restricted securities that is not listed in Section 552.0225(b)(2)-(9), (11), or (13)-(16) is confidential and excepted from the requirements of Section 552.021. This subsection does not apply to a governmental body's purchase, holding, or disposal of restricted securities for the purpose of reinvestment nor does it apply to a private investment fund's investment in restricted securities. This subsection applies to information regarding a direct purchase, holding, or disposal of restricted securities by the Texas growth fund, created under Section 70, Article XVI, Texas Constitution, that is not listed in Section 552.0225(b).

Kentucky

Section 61.645(20)

The retirement systems shall not be required to furnish information that is protected under KRS 61.661 [member records deemed confidential], exempt under KRS 61.878 [normal Open Records exemptions], or that, if disclosed, would compromise the retirement systems' ability to competitively invest in real estate or other asset classes, except that no provision of this section or KRS 61.878 shall exclude disclosure and review of all contracts, including investment contracts, by the board, the Auditor of Public Accounts, and the Government Contract Review Committee established pursuant to KRS 45A.705 or the disclosure of investment fees and commissions as provided by this section. If any public record contains material which is not excepted under this section, the systems shall separate the excepted material by removal, segregation, or redaction, and make the nonexcepted material available for examination.

MEMORANDUM

TO: SIB GPR Committee
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: September 4, 2024
RE: Board Request Policy

Recently, board members have been requesting additional information from staff. To ensure that consistency and proper documentation is occurring, Internal Audit is recommending creating a SIB policy relating to Board Request. This is to give clarity to both board members and staff on expectations when requests are made and strengthening the governance policy.

Internal Audit has reached out to Weaver under the general consulting contract to get a proposal on developing a board request policy and to do benchmarking with other plans to see how they handle board requests.

Elements that would be recommended to be incorporated into the policy are as follows:

- All requests are made to the Executive Director.
- All requests and information provided will be also disclosed to the full board.
- Determine if the information being requested is public or confidential.
- Why the request is being made, define the use for the information.
 - This is especially important if the information is confidential and would not be available outside their fiduciary role.
 - Who would make the determination if it deemed outside their fiduciary role? (Board Chair, Executive Director, legal?)
 - What would be the next steps if that is to happen?

The committee is being asked to provide guidance on the next steps and if they would want to retain Weaver to assist with benchmarking and development of the board request policy.

BOARD ACTION REQUESTED: Committee Action.

MEMORANDUM

TO: SIB GPR Committee
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: September 4, 2024
RE: Audit Committee and Internal Audit Charter

Weaver reviewed the Audit Committee and the Internal Audit Charter and recommended updates to be in alignment with the 2024 the Institute of Internal Auditors (IIA) standards. The Audit Committee approved the charters at their August 2024 meeting.

COMMITTEE ACTION REQUESTED: Approval of the proposed Audit Committee and Internal Audit Charter

**CHARTER OF THE
AUDIT COMMITTEE OF THE
NORTH DAKOTA STATE INVESTMENT BOARD**

PURPOSE AND MISSION

The Audit Committee (the Committee) is a standing committee of the North Dakota State Investment Board (SIB) created to fulfill its fiduciary oversight responsibilities of the North Dakota Retirement and Investment Office (RIO) and to serve as a communications link among the SIB, the RIO's management and Internal Audit staff, independent auditors, and others.

The Committee will assist with the SIB in carrying out its oversight responsibilities as they relate to the Retirement and Investment Office (RIO) internal and external audit programs, including financial and other reporting practices, internal controls, and compliance with laws, regulations, and ethics. ~~A. The purpose of the internal audit division is to provide an independent, objective assurance and advisory activity designed to add value and improve North Dakota Retirement and Investment Office (RIO's) operations. The mission of internal audit is to enhance and protect organizational value by providing risk based and objective assurance, advice, and insight. The internal audit division will assist RIO in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.~~

Commented [SSK1]: Recommended to remove this section as it pertains to the Internal Audit responsibilities, not the Audit Committee

AUTHORITY

The Committee's authority comes from the SIB as outlined in the SIB Governance Policy F, Standing Committees, and is authorized to provide oversight to the Internal Audit function and the independent audit for the RIO. These activities provide assurance that RIO's financial condition and results of operations are accomplished in accordance with the RIO's policies and procedures and legal and regulatory requirements. The Committee may investigate any activity of the RIO and may retain persons as necessary from within or outside the RIO having special competence to assist the Committee in the accomplishment of its responsibilities.

Commented [SSK2]: A.1.2 - Providing specific details on the statutory authority from ND RIO from the state to manage the trust funds in the state regulations

The RIO's Supervisor of Internal Audit will be the staff member reporting administratively to the Executive Director and functionally to the Committee.

The Executive Director will supervise the administrative activities of the Internal Audit function and independent audit activities such as securing contracts, paying fees, maintaining official reports, and other appropriate activities.

COMPOSITION

The Committee will consist of five members, selected by and approved by the SIB. Three members of the Committee will represent the three groups on the SIB: Legacy & Budget Stabilization Fund Advisory Board, a ~~pension—Teachers' Fund for Retirement~~ representative, member-at-large, and two members selected from outside of the SIB and

the RIO. The SIB should select committee members who are both independent and financially literate.

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 elect a Chair, and a Vice Chair. A liaison will be appointed by the Chair. The Chair will preside at all meetings of the 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 independent audit and at least four times a year to the SIB and TFFR board on the activities of the Committee and other pertinent information.

The Committee may form, and delegate authority to, subcommittees when it deems appropriate.

MEETINGS

The Committee will meet generally four times a year, with authority to convene additional meetings, as circumstances require or to adequately fulfill all the obligations and duties as outlined in this charter.

Meeting agendas will be prepared by the Supervisor of Internal Audit and approved by the Committee Chair, unless otherwise directed by the Committee and will be provided to the Committee members along with briefing materials before the scheduled committee meeting.

Committee members are expected to attend each meeting, in person or via tele- or videoconference. The Supervisor of Internal Audit, a representative of RIO's management team and others necessary to provide information and to conduct business will attend meetings. The Committee may invite staff of the RIO, auditors or others to attend meetings, as necessary. Meetings will be conducted in accordance with NDCC 44-04-17.1. The Committee may hold executive sessions as allowed under state law.

The Committee will act only on the affirmative vote of three of the committee members at a meeting. To conduct business, a quorum will be three members of the Committee. Should a quorum not be present before a scheduled meeting or during a meeting, the Chair will announce the absence of a quorum and the members will disburse. Meeting minutes will be prepared by the RIO, or as otherwise directed by the Committee. Approved meeting minutes of the Committee will be submitted to the SIB.

RESPONSIBILITIES

The RIO's management is responsible for financial and other reporting, internal controls, and compliance with laws, regulations, and ethics. The Committee has the responsibility to provide oversight in the areas of:

- Internal and external audit programs
 - Includes financial and other reporting practices.
- Internal controls
- Compliance with laws, regulations, and ethics

To this end, the Committee will:

Independent Audit

- Review the independent auditors' proposed audit scope and approach, including coordination of audit effort with RIO's Internal Audit staff and any developments in accounting principles and auditing standards that may affect either the financial statements or the audit.
- Inquire as to any proposed changes in accounting or financial reporting procedures and of any unusual events that could impact the financial statements.
- Review the results of the financial statements report with the independent auditors and the RIO's management, prior to the release of the financial statements report to the SIB and other officials. This review will include the following, as applicable:
 - Any major problems encountered by the independent auditors and the resolution thereof;
 - The effect on the audit of any developments;
 - Any unresolved differences between the independent auditors and the RIO's management;
 - Any other significant comments or recommendations of the independent auditors or the RIO's management;
 - The adequacy of the RIO's internal accounting controls and accounting policies, procedures, and practices; and
 - Understand the scope of independent auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with the RIO's management responses.
- Consider the effectiveness of the RIO's internal control system, including information technology security and control.
- Consider whether the financial statements are complete, consistent with information known to committee members, and reflect appropriate accounting principles. This will include the following, as applicable:
 - The accuracy and completeness of the information in other sections of the annual report and related regulatory filings;
 - The significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements; and

- All matters required to be communicated to the Committee under generally accepted auditing standards with the RIO's management and the independent auditors.
- Review non-audit services, if any, performed for the RIO by the independent auditors.

Audit Services

- Consider the effectiveness of the Internal Audit function, within The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing* consisting of the *Definition of Internal Auditing, Code of Ethics and the Standards*.
- Review with the Executive Director and the Supervisor of Internal Audit the ~~audit~~ Audit charter ~~Charter, consult on the activities~~ budget, activities, staffing, ~~and~~ organizational structure, and performance objectives of Internal Audit.
- Review and approve the annual risk-based audit work plan, ~~and~~ all major changes to the plan and provide Board's perspective to assist with determining internal audit priorities.
- Acknowledge the actual or potential impairments to the internal audit function's independence when approving roles or responsibilities for the Supervisor of Internal Audits that are beyond the scope of internal auditing.
- Assist senior management with ensuring that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results.
- Bring to attention of the Board any internal audit issues the Committee determines significant and appropriate for Board consideration.
- Participate with the Executive Director in the ~~appointment~~ hiring and annual evaluation of the Supervisor of Internal Audit. Work with the Executive Director on any changes in staffing, including the addition, of internal audit staff, termination, or replacement of auditors, and the approval of salary increases and/or promotions other than those authorized by the legislature.

Commented [SSK3]: AC1.3, Standard 8.3, Essential Conditions, Board, Also address new Standard 12.2 performance management.

Commented [SSK4]: AC 1.3, Standard 8.1, Essential Conditions, Board

Commented [SSK5]: AC 1.3, Standard 7.1 Essential Conditions, Board

Commented [SSK6]: AC 1.3, Standard 7.1 Essential Conditions, Board

Commented [SSK7]: AC.1.4 - Addresses - New standard 12.2 Performance Measurement

Risk Management

- Obtain information and/or training to enhance the Committee's understanding of organization and its related risk management processes.
- Review the adequacy of the organization's policy on risk management.
- Review the effectiveness of the organization's system for assessing, monitoring, and controlling significant risks or exposures.
- Review management's reports on risks and related risk mitigations.

- Hire outside experts and consultants in risk management, as necessary, subject to full board approval.

Compliance

- Review staff compliance with federal and state laws and North Dakota administrative code as applicable to RIO, the SIB and TFFR Board programs, as related to the code ethics, code of conduct, fraud policies, and the process for communicating the code of conduct to the RIO's staff, and for monitoring compliance through the receipt of the audit results.
- Review the process for communicating and monitoring compliance with the code of ethics, code of conduct, and fraud policies.
- Review the findings of any examinations by regulatory agencies, any auditor observations related to compliance, and the responsiveness and timeliness of management's actions to address the findings/recommendations.
- Obtain updates from the RIO's management and legal counsel regarding compliance matters, as deemed necessary.

Reporting Responsibilities

- Report to the SIB about the Committee's activities, issues, and related recommendations.
- Provide a written report annually to the SIB, describing the Committee's composition, responsibilities and how they were discharged, and any other information required.

Other Responsibilities

- Make recommendations to the North Dakota State Auditor's Office, when appropriate requested, as it relates to selection, evaluation, and termination of independent auditors.
- Obtain the information and training needed to enhance the committee members' understanding of the role of Internal Audit and the independent auditor, the risk management process, internal controls, and a certain level of familiarity in financial reporting standards and processes so the Committee may adequately oversee.
- Serve as an open avenue of communication among the SIB, the RIO's management and Internal Audit, the independent auditors, and others.
- Serve as an appropriate confidential body for individuals to provide information on potentially fraudulent financial reporting or breaches of internal control.
- Inquire of management and Internal Audit regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices.

- Perform other activities related to this charter as requested by the SIB.
- Institute and oversee special investigations as needed.
- Review any other reports the RIO issues that relates to the Committee's responsibilities.
- Review and assess the adequacy of the [Audit](#) Committee charter annually, requesting the SIB approval for proposed changes.
- Confirm annually the review of all responsibilities outlined in this charter.

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 19, 2006, May 18, 2007, June 26, 2009, May 19, 2016, January 25, 2019, [April 26, 2024](#).

INTERNAL AUDIT CHARTER NORTH DAKOTA STATE INVESTMENT BOARD

I. Purpose and Mission

~~A. The purpose of the internal audit division is to provides an independent, objective assurance and advisory activity designed to add value and improve North Dakota Retirement and Investment Office (RIO's) operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit division will assist RIO in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.~~

The internal audit function enhances RIO's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve public interest.

RIO's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the State Investment Board (SIB).
- Internal auditors are free from undue influence and committed to making objective assessments.

~~A.~~

~~B.A. The internal audit division is established by the State Investment Board (SIB). The internal audit division's responsibilities are defined by the SIB and the Audit Committee as part of their oversight role.~~

II. Standards for the Professional Practice of Internal Auditing

A. The internal audit division will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' Global Internal Audit Standards which incorporate the International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing and Mission of Internal Audit, to the best to their ability. The Supervisor of Internal Audit Chief Audit Executive (CAE) is responsible for conducting a structured internal assessment in accordance with the IIA's Standards. Additionally, the Supervisor of Internal Audit CAE will provide regular updates to the Executive Director and the State Investment Board (SIB) Audit Committee on the internal audit division's adherence to the Code of Ethics and the Standards. The Supervisor of Internal Audit will report periodically to the Executive Director and the State Investment Board (SIB) Audit Committee regarding the internal audit divisions progress to conformance to the Code of Ethics and the Standards.

III. Authority

A. The internal audit division is established by the State Investment Board (SIB). The internal audit division's responsibilities are defined by the SIB and the Audit Committee as part of their oversight role.

A.B. The Supervisor of Internal Audit will report functionally to the SIB Audit Committee and administratively (i.e., day-to-day operations) to the Executive Director. To establish, maintain, and assure that RIO's internal audit division has sufficient authority to fulfill its duties, the SIB Audit Committee will:

1. Approve the internal audit division charter.
2. Approve the risk-based internal audit plan ~~and document~~ which includes the greatest areas of risk.
3. Provide input to the Executive Director on the internal audit division's resource plan.
4. Receive communications from the Supervisor of Internal Audit on the internal audit division's performance relative to its plan and other matters.
5. The SIB Audit Committee Chair will participate in the hiring of the Supervisor of Internal Audit.
6. The SIB Audit Committee Chair will participate in the annual evaluation of the Supervisor of Internal Audit.
7. Make appropriate inquiries of management and the Supervisor of Internal Audit to determine whether there is inappropriate scope or resource limitations.

B.C. The Supervisor of Internal Audit will have unrestricted access to, and communicate and interact directly with, the State Investment Board and the SIB Audit Committee, including in executive session and between Board meetings, as appropriate.

C.D. The SIB authorizes the internal audit division to:

1. Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
2. Develop and direct a broad, comprehensive program of internal auditing within RIO.

IV. Independence and Objectivity

A. The Supervisor of Internal Audit will ensure that the internal audit division remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Supervisor of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

B. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matter to others.

- C. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:
 - 1. Accessing specific operations for which they had responsibility within the previous year.
 - 2. Performing any operational duties for RIO.
 - 3. Initiating or approving transactions external to the internal audit division.
 - 4. Directing the activities of any RIO employee not employed by the internal audit division, ~~expect except~~ to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

- D. Where the Supervisor of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence and objectivity.

- E. Internal auditors will:
 - 1. Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
 - 2. Exhibit professional objectivity in ~~creating, gathering and~~gathering, and communicating information about the activity or process being examined.
 - 3. Make balanced assessments of all available and relevant facts and circumstances.
 - 4. Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

- F. The Supervisor of Internal Audit will annually verify the internal audit division's organizational independence by assessing whether its role, in comparison to that of the first and second lines, is effectively communicated throughout the organization. Additionally, any work previously carried out by internal audit on behalf of business partners will be transitioned back to the first line.~~The Supervisor of Internal Audit will confirm to the SIB Audit Committee, at least annually, the organizational independence of the internal audit division.~~

- G. The Supervisor of Internal Audit will disclose to the SIB Audit Committee any interference and related implications and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

V. Confidentiality

- A. Documents and information given to the internal audit division shall be handled in the same prudent and confidential manner as by those employees normally accountable for them. The Supervisor of Internal Audit shall ensure that internal audit staff is instructed in the handling and safeguarding of confidential information. North Dakota's laws state that all government records must be open to the public unless otherwise authorized by a specific law as outlined in North Dakota Century Code §44-04. Internal Audit will follow North Dakota open records laws.

VI. Scope of Internal Audit Activities

- A. The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments of the State Investment Board, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for RIO. Internal audit assessments include evaluating whether:
1. Risks relating to the achievement of RIO's strategic objectives are appropriately identified and managed.
 2. The actions of RIO's officers, directors, employees, and contractors are in compliance with RIO's policies, procedures, and applicable laws, regulations, and governance standards.
 3. The results of operations or programs are consistent with established goals and objectives.
 4. Operations or programs are being carried out effectively and efficiently.
 5. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact RIO.
 6. Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
 7. Resources and assets are acquired economically, used efficiently, and protected adequately.

- B. The Supervisor of Internal Audit shall report periodically to the Executive Director and the SIB Audit Committee regarding:

1. The internal audit division's purpose, authority, and responsibility
2. The internal audit division's audit work plan and performance relative to its plan.
3. The internal audit division's status on conformance ~~progress~~ with the IIA's Code of Ethics and Standards, and any action plans.
4. Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the SIB Audit Committee
5. Results of audit engagements or other activities.
6. Resource requirements.
 - a) If external assistance is needed to fulfill an engagement, Additional resourcing should be utilized by Internal Audit to complete its current as well as anticipated the work.
7. Any responses to risk ~~by~~ that may be unacceptable to RIO.

- C. The Supervisor of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and advisory service providers as needed. The internal audit division may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided internal audit division does not assume management responsibility.

~~C.D.~~ Any significant changes to the annual internal audit plan should be disclosed, documented, and approved by the SIB Audit Committee.

~~D.E.~~ Opportunities for improving the efficiency of control processes, governance, and risk management may be identified during engagements. These opportunities will be communicated to the ~~to~~ appropriate levels of management.

~~E.F.~~ Advisory Services: RIO's internal audit provides advisory services in an advisory capacity and are generally performed at the specific request of the Executive Director or other senior management. The nature and scope of an advisory engagement are subject

to agreement with management. Advisory services may range from formal engagements with defined scopes and objectives to ~~advisory activities such as~~ providing informal guidance in response to general inquiries. When performing advisory services, the internal auditor should maintain objectivity and not assume management responsibility.

VI.VII. Responsibilities

A. The Supervisor of Internal Audit is responsible to:

1. Submit, at least annually, to the Executive Director and the SIB Audit Committee a risk-based internal audit plan for review and approval. The audit plan should focus on reviews that address the greatest risks.
2. Communicate to the Executive Director and the SIB Audit Committee the impact of resource limitations on the internal audit plan.
3. Review and adjust the internal audit plan, as necessary, in response to changes in RIO's business, risks, operations, programs, systems, and controls. Should focus on audit reviews that address the greatest risks.
4. Communicate to the Executive Director and the SIB Audit Committee any significant interim changes to the internal audit plan.
5. Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- ~~5-6.~~ Ensure that the appropriate work programs are approved prior to their implementation and any adjustments are approved promptly.
- ~~6-7.~~ Follow up on engagement findings and corrective actions, and report periodically to the Executive Director and the SIB Audit Committee any corrective actions not effectively implemented.
- ~~7-8.~~ Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- ~~8-9.~~ Ensure the internal audit division collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- ~~9-10.~~ Ensure trends and emerging issues that could impact RIO are considered and communicated to the Executive Director and the SIB Audit Committee as appropriate.
- ~~10-11.~~ Ensure emerging trends and successful practices in internal auditing are considered.
- ~~11-12.~~ Establish and ensure adherence to policies and procedures designed to guide the internal audit division.
- ~~12-13.~~ Ensure adherence to RIO's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Executive Director and the SIB Audit Committee.
- ~~13-14.~~ Work towards conformance of the internal audit division with the Standards, with the following qualifications:
 - a) If the internal audit division is prohibited by law or regulation from conformance with certain parts of the Standards, the ~~s~~Supervisor of ~~i~~Internal ~~a~~Audit will ensure

appropriate disclosures and will ensure conformance with all other parts of the Standards.

- b) If the Standards are used in conjunction with requirements issued by other authoritative bodies, the Supervisor of Internal Audit will ensure that the internal audit division conforms with the Standards to the best to their ability, even if the internal audit division also conforms with the more restrictive requirements of other authoritative bodies.

VII-VIII. Quality Assurance and Improvement Program

- A. The internal audit division will develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit division as referenced in the Internal Audit Manual. ~~This should include workpapers evidencing how work is planned and, scoped, the audit period, the sampling methodology, the preparer, the reviewer, and the test steps performed, and budgeted hours for each project should be budgeted.~~ The program will include an evaluation of the internal audit division's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit division and identify opportunities for improvement.

- B. The Supervisor of Internal Audit ~~and the Chief Audit Executive~~ will monitor and document their oversight of the internal audit division's quality assurance and improvement program .The progress made, including internal assessments, will be communicated to the Executive Director and the SIB Audit Committee. ~~on the progress of the internal audit division's quality assurance and improvement program, including internal assessments. It should be noted that the RIO's internal audit division has not had a quality assurance review and it not in compliance with IIA Standards.~~

DATE INTERNAL AUDIT CHARTER ADOPTED AND APPROVED: