



**Compliance, Audit, Risk Management and Legal Affairs Committee**  
**March 22, 2022**  
**10:15 a.m.**

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**Discussion Item**

CARL-2      Update on Responses to External Quality Assurance Review Recommendations

**Background Information**

Kathy Qualls, Interim Director of Internal Audit, will provide an update on the responses to the recommendations included in the External Quality Assurance Review of the Internal Audit function that were previously discussed with the Committee at its November 30, 2021, meeting.

**Attachment (see below)**

2.1      Executive Summary of Recommendations and Responses

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Summary Responses to Quality Assurance Review**

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**RECOMMENDATIONS FOR CONFORMANCE WITH PROFESSIONAL STANDARDS****Recommendation: Enhance the Internal Audit Charter**

The enhanced internal audit charter is in development and will be presented to the CARL Committee and the Board of Trustees when a new Director of Internal Audit has been hired.

**Recommendation: Limited Quality Assurance Improvement Program**

Internal assessment is incorporated into the policy manual improvements. Additions planned and the status include the following:

- (1) standard tools and templates for planning and fieldwork is in process
  - (2) documentation of adequate supervision of engagement work (sign-off) standard audit program is in process.
  - (3) implemented a standard client survey to gather feedback completed 01/01/2022.
- Additional updates to the recommendations of the QAR program will be communicated to senior management and the CARL Committee as completed.

**Recommendation: Development of the Risk-Based Audit Plan**

A significant component of developing a risk-based audit plan is to identify the auditable universe of the University. The **risk management** and **internal control** documents provided in previous years by **Institutional Risk Management** and the **Internal Controls Assessment Committee** will continue to provide valuable inputs in defining the University's auditable universe. Internal Audit will enhance the formal documentation of the annual process to develop the risk-based audit plan for fiscal year 2023. We intend to poll senior management for its request for services. More robust documentation began 02/01/2022 to develop the next audit plan and to define the audit universe. The process for development of the risk-based audit plan will be incorporated into the Internal Audit Manual.

**Recommendation: Policy Manual Improvements**

The internal audit manual of the Office of the Internal Auditor has been expanded and is in process but not yet complete. The draft includes eight sections. Internal audit activity is defined, including the internal audit charter, descriptions of responsibilities, and core principles. Professional standards required by the Institute of Internal Auditors are summarized. The manual explains the requirements regarding quality assurance and improvement, both internal assessments and external assessments. A section describes the activity for development of an annual audit plan. Audit process is described, from planning the engagement to issuing a report.

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The personnel section includes State of NC job descriptions for the various position levels within an internal audit function. There is a small section dedicated to identification of fraud. The CARL Committee Charter is incorporated as the final section. We intend to provide appropriate training to staff of the updated manual and review it periodically to ensure it presents current practices.

Further additions that are in process include standard workpaper items regarding planning, fieldwork, and reporting; along with a checklist to confirm compliance with the Internal Audit Manual. We have always included a separate signed Independence Statement in the workpapers of each audit, but on 07/01/2021, we put into practice an annual declaration outlining independence, objectivity, the Code of Ethics, and the UNCG Code of Conduct to fulfill this recommendation.

**Recommendation: Lack of Due Professional Care and Engagement Planning**

Based upon the recommendation, the Office of the Internal Auditor is expanding its Internal Audit Manual. Additions include standard workpaper items regarding planning, fieldwork, and reporting; along with a checklist to confirm compliance with the manual.

Documentation of the engagement planning process was the primary concern prompting this recommendation. Internal Audit ordinarily prepares a strategy document regarding planning, risk assessment, etc. Two engagements noted in the peer review were lacking this documentation. The engagements were not typical in that they were limited follow-up activities conducted to verify resolution of internal control or compliance concerns. Nonetheless, compliance with the updated Internal Audit Manual should promote consistency going forward.