

## Internal Audit Charter

### Purpose

The purpose of the internal audit function is to strengthen the University of North Carolina at Greensboro's (University's) ability to create, protect, and sustain value by providing the Board of Trustees and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

### Mission

The internal audit function's mission is to enhance the University's: (a) successful achievement of its objectives; (b) governance, risk management, and control processes; (c) decision-making and oversight; (e) reputation and credibility with its stakeholders; and (f) ability to serve the public interest with a commitment to adhering to the Global Internal Audit Standards and utilizing best practices.

### Commitment to Adhering to the Global Internal Audit Standards

The University's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the **Global Internal Audit Standards and Topical Requirements**.

The University'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™ (*Standards*), which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board of Trustees.
- Internal auditors are free from undue influence and committed to making objective assessments.

### Mandate

The internal audit function mandate is found in **North Carolina General Statute § 143, Article 79**, which requires the University to have an internal audit function that complies with Standards for the Professional Practice of Internal Auditing issued by the Institute for Internal Auditors, or if appropriate, Government Auditing Standards issued by the Comptroller General of the United States. This law also established the Council of Internal Auditing with authority to establish internal audit key performance indicators.

### Authority

The internal audit function's authority is created by its direct reporting relationship to the Compliance, Audit, Risk Management, and Legal Affairs (**CARL**) **Committee of the Board of Trustees**. Such authority allows for unrestricted access to the Board of Trustees.

The CARL Committee authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to the performance of internal audit activities and responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the University and other specialized services from within or outside the University to complete internal audit services.

#### Organizational Position, Independence, and Reporting Relationships

The **Director of Internal Audit reports functionally to the CARL Committee and administratively to the Vice Chancellor of the Office of Institutional Integrity and General Counsel.** The Director of Internal Audit is positioned at a level in the University that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the CARL Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The **Director of Internal Audit will report** annually to the CARL Committee and senior management, on the **organizational independence** of the internal audit function. If the governance structure does not support organizational independence, the Director of Internal Audit will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The **Director of Internal Audit will also report** per occurrence, any **interference** internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the **implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.**

#### Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Director of Internal Audit, CARL Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to significant changes in: (a) Global Internal Audit Standards; (b) University organizational structure; (c) the Director of Internal Audit, CARL Committee, and/or senior management; (d) the University's strategies, objectives, risk profile, or the environment in which it operates; (e) laws or regulations that may affect the nature and/or scope of internal audit services.

#### **CARL Committee Oversight**

To establish, maintain, and ensure that the University's internal audit function has sufficient authority to fulfill its duties, the CARL Committee will:

- Review the internal audit charter annually with the Director of Internal Audit and discuss:
  - Changes affecting the University, such as the employment of a new Director of Internal Audit or changes in the type, severity, and interdependencies of risks to the University

- The appropriate authority, role, responsibilities, scope, and services of the internal audit function.
- Ensuring the Director of Internal Audit has unrestricted access to and communicates and interacts directly with the CARL Committee, including in private meetings without senior management present.
- Other topics that should be included in the internal audit charter.
- The “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function’s charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Approve the risk-based internal audit plan.
- Review and provide input to the internal audit function’s human, technology, and financial resources.
- Provide input to senior management on the appointment and removal of the Director of Internal Audit, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the Director of Internal Audit’s performance.
- Receive communications from the Director of Internal Audit about the internal audit function including its performance relative to its plan and results of annual quality assurance and improvement program activities.
- Make appropriate inquiries of senior management and the Director of Internal Audit to determine whether scope or resource limitations are inappropriate.

## **Director of Internal Audit Roles and Responsibilities**

### Ethics and Professionalism

The Director of Internal Audit will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the University and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the University.
- Report organizational behavior that is inconsistent with the University’s ethical expectations, as described in applicable policies and procedures.

### Objectivity

The Director of Internal Audit will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to perform their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Director of Internal Audit determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### Managing the Internal Audit Function

The Director of Internal Audit has the responsibility to:

- Collaborate with Compliance, Risk Management, and Legal team members to develop the CARL Committee work plan, charter, and meeting materials.
- Develop a **strategic plan** for the Internal Audit function and review it with the CARL Committee.
- Develop an annual **risk-based internal audit plan** with input from the CARL Committee and senior management. Submit the plan to the CARL Committee for review and approval.
- Review and adjust the internal audit plan, as necessary, and communicate *significant* interim adjustments to the CARL Committee and senior management.
- Communicate the **impact of resource limitations** on the internal audit plan to the CARL Committee and senior management.
- Establish and maintain **systematic and disciplined methodologies** to guide the internal audit function.
- Develop, implement, and maintain a **quality assurance and improvement program (QAIP)** to evaluate and ensure the internal audit function conforms with the Global Internal Audit Standards, achieves performance objectives, and pursues continuous improvement. The program includes internal and external assessments:
  - Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards, laws, and University policies.
  - Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
  - Perform periodic and annual internal quality assessments reviews
  - Obtain an external quality assessment review at least every five years.
  - As applicable, develop and implement improvements to the internal audit function.
- **Follow up** on engagement findings to confirm the implementation of recommendations or action plans and communicate the results to the CARL Committee and senior management.
- Identify, consider, and communicate trends, successful practices, and emerging issues that could impact the University and/or the internal audit function.

- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services to avoid duplication of efforts and improve audit coverage.

### Communication with the CARL Committee and Senior Management

The Director of Internal Audit will report the following to the CARL Committee and senior management:

- The internal audit function's strategic plan.
- The internal audit charter including the internal audit mandate.
- The annual risk-based internal audit plan and significant revisions to the plan.
- The Internal audit function's performance relative to the approved internal audit plan.
- Annual internal audit budget and resource requirements.
- Results of assurance and advisory services, including follow-up activities.
- Potential impairments to independence, including relevant disclosures as applicable.
- Annual results from the quality assurance and improvement program, including quality assessment reviews. Internal and external quality assessment reviews evaluate the internal audit function's conformance with Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the CARL Committee that could interfere with the achievement of the University's strategic objectives.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the University's risk appetite.

### **Scope and Types of Internal Audit Services**

The scope of internal audit services covers the entire breadth of the University, including all of the University's activities, assets, and personnel as part of the audit universe. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance, investigative, and advisory services to the CARL Committee and management on the adequacy, effectiveness, and efficiency of University governance, risk management, and control processes and may also include the identification of fraud, waste, or abuse.

The nature and scope of *advisory* services will be agreed with the party requesting the service, but the internal audit function will not assume management responsibility. Opportunities for improving the effectiveness or efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include but are not limited to:

- Evaluating whether risks relating to the achievement of the University's strategic objectives are appropriately identified and managed.
- Evaluating whether the actions of the University's officers, directors, management, employees, and contractors or other relevant parties comply with the University's policies and procedures and applicable laws, regulations, and governance standards.

- Assurance, consulting, or advisory services related to governance, risk management, internal controls, monitoring activities, reporting, operational effectiveness and efficiency, specific operations or programs, or other areas as requested by University management.
- Investigating allegations of fraud, waste, or abuse.
- Evaluating whether the results of operations and programs are consistent with established goals and objectives.
- Evaluating whether operations and programs are managed effectively, efficiently, and ethically.
- Evaluating whether established processes and systems enable and ensure compliance with the policies, procedures, laws, and regulations that could significantly impact the University.
- Evaluating the integrity of information and whether the means used to identify, measure, analyze, classify, and report such information is reliable.
- Evaluating whether resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.
- Evaluating the means of safeguarding assets and/or verifying the existence of such assets.
- Confirming the implementation of corrective action to address internal and external audit findings and recommendations, as appropriate.

**Approvals:**

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 Director of Internal Audit

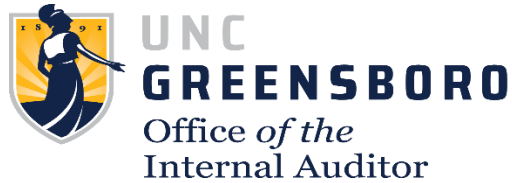
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 Date

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 CARL Committee Chair

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 Date

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 Chancellor

\_\_\_\_\_  
 Date



## Internal Audit Charter

### **Purpose:**

The Office of the Internal Auditor is an independent, objective assurance and consulting activity guided by a philosophy of adding value to improve the operations of The University of North Carolina at Greensboro (University). It assists the University in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the University's governance, risk management, and internal controls.

### **Mission:**

The mission of the Office of the Internal Auditor is to enhance and protect the University's value by providing risk-based and objective assurance, advice, and insight.

### **Vision:**

The vision of the Office of the Internal Auditor is to be a proactive, competent, collaborative, and transparent resource for the University. The Office of the Internal Auditor (OIA) will protect and add value to the University by (1) proactively seeking input from University leaders and staff and conducting engagements that benefit the University, (2) continuously improving professional competencies by attending relevant training events, (3) collaborating with University leaders and advising them on the effectiveness and efficiency of current operations and improvement opportunities, and (4) communicating applicable findings, issues, and accomplishments in written reports that are clear, concise, and constructive.

### **Role:**

The internal audit activity is established by NC General Statute Chapter 143, Article 79. The internal audit activity's responsibilities are defined by these laws. The Council of Internal Auditing has authority to set policy related to the internal audit function.

### **Professionalism:**

The Office of the Internal Auditor will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics, the Core Principles, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Office of the Internal Auditor will also adhere to the Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers, as applicable to guide operations. In addition, the Office of the Internal Auditor will adhere to the North Carolina Internal Audit Act, the University's relevant policies and procedures, and the University's internal audit manual.

**Authority:**

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized **full, free, and unrestricted access to all the University's records, physical properties, and personnel pertinent to carrying out any engagement.** All University employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

**Organization:**

The Director of Internal Audit will report functionally to the Chair of the Compliance, Audit, Risk Management, and Legal Affairs Committee (CARL Committee) and administratively (i.e., day to day operations) to the Vice Chancellor for Institutional Integrity and General Counsel. The Director will communicate and interact directly with the CARL Committee, as appropriate. The CARL Committee shall be composed and organized in accordance with its charter approved by the Board of Trustees.

**Independence and Objectivity:**

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

**Internal auditors will have no direct operational responsibility or authority over any of the activities audited.** Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

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

**The Director of Internal Audit will confirm to the CARL Committee, at least annually, the organizational independence of the internal audit activity.**

**Responsibility:**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the University's governance, risk management, and internal controls. This shall be accomplished through the application of standard internal audit practices, including conducting and documenting an annual comprehensive risk assessment of the University, developing an annual risk-based audit plan, and ensuring or advising on the quality of performance in carrying out assigned

responsibilities to achieve the University's and the Office of the Internal Auditor's purpose, mission, vision, goals, and objectives. This may include:

- Evaluating risk exposure relating to achievement of the University's strategic objectives through development of a comprehensive risk assessment of the University.
- Monitoring and evaluating the effectiveness of the University's risk management processes.
- Performing consulting and advisory services related to governance, risk management, and control as appropriate for the University.
- Performing consulting and advisory services related to operational effectiveness and efficiency.
- 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 those policies, plans, procedures, laws, and regulations which could have a significant impact on the University.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such 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 governance processes.
- Confirming the implementation of corrective action to address internal and external audit recommendations, as appropriate.
- Evaluating specific operations at the request of university management, as appropriate.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and its charter.
- Investigating allegations of fraud, waste, or abuse of university assets or resources from internal and external sources, including, but not limited to the University, the North Carolina University System Central Office, the Office of the State Auditor, the Office of State Budget and Management, or the United States Department of Education, as appropriate.

#### **Internal Audit Plan:**

**At least annually**, the Director of Internal Audit will submit to executive management and the CARL Committee a **risk-based internal audit plan for review and approval**. The **Director will communicate the impact of resource limitations and significant interim changes to executive management and the CARL Committee**.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, **including input of senior management and the CARL Committee**. The Director will review and adjust the plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to executive management and/or the CARL Committee.

**Reporting and Monitoring:**

A written report will be prepared and issued by the Director of Internal Audit or designee following the conclusion of each internal audit engagement. The report will be distributed as appropriate.

The internal audit report may include management's response and corrective action taken or to be taken regarding the 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 audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. **All significant findings will remain in an open issues file until cleared.**

**Quality Assurance and Improvement Program:**

The Office of the Internal Auditor will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program **will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics.** The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Director of Internal Audit will provide an annual progress report to executive management and the CARL Committee on the internal audit activity's quality assurance and improvement program. This will include results of internal and external assessments conducted, the mission of the Office of the Internal Auditor, and conformance with the mandatory elements of the International Professional Practices Framework.

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Katherine Skinner, Director of Internal Audit

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Approval Date

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Franklin D. Gilliam, Jr., Chancellor

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Approval Date

\_\_\_\_\_  
Anita Bachmann, Chair of the CARL Committee

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Approval Date

**The internal audit charter was approved by the CARL Committee on 10/10/23 as part of the consent agenda during the respective CARL Committee meeting. Signatures were not obtained, but meeting minutes memorialize the approval.**

## Revisions to the Internal Audit Charter October 2023 to October 2024

A red-lined version of the October 2024 Internal Audit Charter is provided below, showing changes since 2023 and it can be provided in a Word document upon request. The information here provides an overview of changes and the reasons for the changes.

### UNCG Internal Audit Charter October 2023

- Purpose
- Mission
- Vision
- Role
- Professionalism
- Authority
- Organization
- Independence and Objectivity
- Responsibility
- Internal Audit Plan
- Reporting and Monitoring
- Quality Assurance and Improvement Program

### UNCG Internal Audit Charter October 2024

- Purpose
  - Mission
  - Commitment to Adhering to the Global Internal Audit Standards
- Mandate
  - Authority
  - Organizational Position, Independence, and Reporting Relationships
  - Changes to the Mandate and Charter
- CARL Committee Oversight
- Director of Internal Audit Roles & Responsibilities
  - Ethics and Professionalism
  - Objectivity
  - Managing the Internal Audit Function
  - Communication with the CARL Committee and Senior Management
- Scope and Types of Internal Audit Services

Both Internal Audit Charter versions were developed using a template provided by the IIA. Using the template ensures that UNCG's Internal Audit Charter conforms with Internal Audit Standards.

A "Two-way Mapping" document was produced by the IIA to show all the differences between the 2017 and the 2024 Standards. It is 166 pages. The IIA webpage to access it is here: [Two-Way Mapping: 2017 IPPF Mandatory Elements to 2024 Global Internal Audit Standards \(and Back\)](#) (theiia.org).

## Charter Requirements per Standards 2017 & 2024

### 2017 IIA Standards

**Charter** The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities (from Definitions).

### Standard 1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the

International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

#### **Standard 1010 – Recognizing Mandatory Guidance in the Internal Audit Charter**

The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing must be recognized in the internal audit charter. The chief audit executive should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the board.

#### **Standard 1110 – Organizational Independence**

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

#### **Standard 1130 – Impairment to Independence or Objectivity**

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

## **2024 IIA Standards**

**Internal audit charter** – A formal document that includes the internal audit function’s mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications (from Definitions).

#### **Standard 6.1 Authorized by the Board**

The chief audit executive must provide the board and senior management with the information necessary to establish the internal audit mandate. In those jurisdictions and industries where the internal audit function’s mandate is prescribed wholly or partially in laws or regulations, the internal audit charter must include the legal requirements of the mandate.

The chief audit executive must document or reference the mandate in the internal audit charter, which is approved by the Board.

#### **Standard 6.2 Internal Audit Charter**

The chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function’s:

- Purpose of Internal Auditing.
- Commitment to adhering to the Global Internal Audit Standards.
- Mandate, including the scope and types of services to be provided, and the board’s responsibilities and expectations regarding management’s support for the internal audit function.
- Organizational position and reporting relationships.

## Internal Audit Charter

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### **Mission:**

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~~The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to all the University's records, physical properties, and personnel pertinent to carrying out any engagement. All University employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.~~

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- Internal auditors are free from undue influence and committed to making objective assessments.

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- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the University and other specialized services from within or outside the University to complete internal audit services.

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The Director of Internal Audit is positioned at a level in accordance with its charter approved by the Board of Trustees.

#### Independence and the University that enables Objectivity:

~~The internal audit activity will remain free from services and responsibilities to be performed without interference by any element infrom management, thereby establishing the University, including matters~~  
independence of the internal audit function. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the CARL Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

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#### CARL Committee Oversight

To establish, maintain, and ensure that the University's internal audit function has sufficient authority to fulfill its duties, the CARL Committee will:

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  - The appropriate authority, role, responsibilities, scope, and services of the internal audit function.
  - Ensuring the Director of Internal Audit has unrestricted access to and communicates and interacts directly with the CARL Committee, including in private meetings without senior management present.
  - Other topics that should be included in the internal audit charter.
  - The “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function’s charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Approve the risk-based internal audit plan.
- Review and provide input to the internal audit function’s human, technology, and financial resources.
- Provide input to senior management on the appointment and removal of the Director of Internal Audit, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the Director of Internal Audit’s performance.
- Receive communications from the Director of Internal Audit about the internal audit function including its performance relative to its plan and results of annual quality assurance and improvement program activities.
- Make appropriate inquiries of senior management and the Director of Internal Audit to determine whether scope or resource limitations are inappropriate.

## **Director of Internal Audit Roles and Responsibilities**

### Ethics and Professionalism

The Director of Internal Audit will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the University and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the University.
- Report organizational behavior that is inconsistent with the University’s ethical expectations, as described in applicable policies and procedures.

### Objectivity

The Director of Internal Audit will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to perform their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, ~~or report content to permit maintenance of a necessary independent and objective mental attitude,~~ and communication. If the

Director of Internal Audit determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will have no direct operational responsibility or authority over any of the activities ~~audited~~ they review. Accordingly, ~~they~~ internal auditors will not implement internal controls, develop procedures, install systems, ~~prepare records,~~ or engage in ~~any other activity~~ activities that may impair their judgment. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will ~~exhibit the highest level of~~:

- Disclose impairments of independence or objectivity, in fact or appearance.
- Exhibit professional objectivity in gathering, evaluating, and communicating information ~~about the activity or process being examined. Internal auditors will make a~~
- Make balanced ~~assessment~~ assessments of all ~~the available and~~ relevant facts and circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### Managing the Internal Audit Function

The Director of Internal Audit ~~will confirm~~ has the responsibility to:

- Collaborate with Compliance, Risk Management, and Legal team members to develop the CARL Committee, work plan, charter, and meeting materials.
- Develop a **strategic plan** for the Internal Audit function and review it with the CARL Committee.
- Develop an annual **risk-based internal audit plan** with input from the CARL Committee and senior management. Submit the plan to the CARL Committee for review and approval.
- Review and adjust the internal audit plan, as necessary, and communicate *significant* interim adjustments to the CARL Committee and senior management.
- Communicate the **impact of resource limitations** on the internal audit plan to the CARL Committee and senior management.
- Establish and maintain **systematic and disciplined methodologies** to guide the internal audit function.
- Develop, implement, and maintain a **quality assurance and improvement program (QAIP)** to evaluate and ensure the internal audit function conforms with the Global Internal Audit Standards, achieves performance objectives, and pursues continuous improvement. The program includes internal and external assessments:
  - Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards, laws, and University policies.
  - Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
  - Perform periodic and annual internal quality assessments reviews
  - Obtain an external quality assessment review at least **annually, the organizational independence of the internal audit activity** every five years.

### Responsibility:

- As applicable, develop and implement improvements to the internal audit function.
- Follow up on engagement findings to confirm the implementation of recommendations or action plans and communicate the results to the CARL Committee and senior management.
- Identify, consider, and communicate trends, successful practices, and emerging issues that could impact the University and/or the internal audit function.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services to avoid duplication of efforts and improve audit coverage.

### Communication with the CARL Committee and Senior Management

The Director of Internal Audit will report the following to the CARL Committee and senior management:

- The internal audit function's strategic plan.
- The internal audit charter including the internal audit mandate.
- The annual risk-based internal audit plan and significant revisions to the plan.
- The Internal audit function's performance relative to the approved internal audit plan.
- Annual internal audit budget and resource requirements.
- Results of assurance and advisory services, including follow-up activities.
- Potential impairments to independence, including relevant disclosures as applicable.
- Annual results from the quality assurance and improvement program, including quality assessment reviews. Internal and external quality assessment reviews evaluate the internal audit function's conformance with Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the CARL Committee that could interfere with the achievement of the University's strategic objectives.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the University's risk appetite.

### Scope and Types of Internal Audit Services

The scope of internal auditing services covers the entire breadth of the University, including all of the University's activities, assets, and personnel as part of the audit universe. The scope of internal audit activities also encompasses, but is not limited to, the examination and evaluation of objective examinations of evidence to provide independent assurance, investigative, and advisory services to the CARL Committee and management on the adequacy and effectiveness of the University's governance, risk management, and internal controls. This shall be accomplished through the application of standard internal audit practices, including conducting and documenting an annual comprehensive risk assessment of the University, developing an annual risk-based audit plan, and ensuring or advising on the quality of performance in carrying out assigned responsibilities to achieve the University's and the Office of the Internal Auditor's purpose, mission, vision, goals, and objectives. This may, and efficiency of University governance, risk management, and control processes and may also include: the identification of fraud, waste, or abuse.

The nature and scope of *advisory services* will be agreed with the party requesting the service, but the internal audit function will not assume management responsibility. Opportunities for improving the effectiveness or efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include but are not limited to:

- Evaluating ~~risk exposure~~ whether risks relating to the achievement of the University's ~~University's~~ strategic objectives are appropriately identified and managed.
- ~~Monitoring and evaluating the effectiveness of the University's risk management processes.~~
- ~~Performing~~ Evaluating whether the actions of the University's officers, directors, management, employees, and contractors or other relevant parties comply with the University's policies and procedures and applicable laws, regulations, and governance standards.
- ~~Assurance, consulting and, or advisory services related to governance, risk management, and control as appropriate for the University.~~
- ~~Performing consulting and advisory services related to~~ internal controls, monitoring activities, reporting, operational effectiveness and efficiency, specific operations or programs, or other areas as requested by University management.
- Investigating allegations of fraud, waste, or abuse.
- Evaluating whether the reliability ~~results of operations~~ and programs are consistent with established goals and objectives.
- Evaluating whether operations and programs are managed effectively, efficiently, and ethically.
- Evaluating whether established processes and systems enable and ensure compliance with the policies, procedures, laws, and regulations that could significantly impact the University.
- Evaluating the integrity of information and whether the means used to identify, measure, analyze, classify, and report such information- is reliable.
- ~~Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the University.~~
- Evaluating whether resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.
- Evaluating the means of safeguarding assets and, ~~as appropriate,~~ or verifying the existence of such 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 governance processes.~~
- ~~Confirming the implementation of corrective action to address internal and external audit recommendations, as appropriate.~~
- ~~Evaluating specific operations at the request of university management, as appropriate.~~

- ~~● Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and its charter.~~
- ~~● Investigating allegations of fraud, waste, or abuse of university assets or resources from internal and external sources, including, but not limited to the University, the North Carolina University System Central Office, the Office of the State Auditor, the Office of State Budget and Management, or the United States Department of Education, as appropriate.~~

#### Internal Audit Plan:

~~At least annually, the Director of Internal Audit will submit to executive management and the CARL Committee a risk-based internal audit plan for review and approval. The Director will communicate the impact of resource limitations and significant interim changes to executive management and the CARL Committee.~~

~~The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the CARL Committee. The Director will review and adjust the plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to executive management and/or the CARL Committee.~~

#### Reporting and Monitoring:

~~A written report will be prepared and issued by the Director of Internal Audit or designee following the conclusion of each internal audit engagement. The report will be distributed as appropriate.~~

~~The internal audit report may include management's response and corrective action taken or to be taken regarding the 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 audit activity will be responsible for appropriate follow-up on engagement findings findings and recommendations. All significant findings will remain in an open issues file until cleared, as appropriate.~~

#### Quality Assurance and Improvement Program:

~~The Office of the Internal Auditor will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.~~

~~The Director of Internal Audit will provide an annual progress report to executive management and the CARL Committee on the internal audit activity's quality assurance and improvement program. This will include results of internal and external assessments conducted, the mission of the Office of the Internal Auditor, and conformance with the mandatory elements of the International Professional Practices Framework.~~

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Katherine Skinner, Director of Internal Audit

Approval Date

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Franklin D. Gilliam, Jr.,

**Approvals:**

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Director of Internal Audit

Date

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CARL Committee Chair

Date

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Chancellor

Approval Date

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Anita Bachmann, Chair of the CARL Committee

Approval

Date