



Compliance, Audit, Risk Management and Legal Affairs (CARL) Committee
October 29, 2024
10:15 a.m.

Information Item

CARL-5 Information Item

Background Information

The attached document is being provided to the CARL Committee as an informational item.

Attachment

5.1 Institute of Internal Auditors (IIA) Three Lines of Defense



UNC
GREENSBORO

Office of Institutional
Integrity *and* General Counsel

Internal Audit

UNC Greensboro Board of Trustees
Compliance, Audit, Risk Management, and Legal Affairs (CARL) Committee
October 29, 2024

Katherine Skinner, Director of Internal Audit
Ronald Fulton, Internal Auditor



Find your way here

Background Information

June 2021 Quality Assessment Review

- **Partially Conforms** Overall Rating
 - 3 Does Not Conform (DNC) ratings
 - 11 Partially Conforms (PC) ratings
 - 27 Generally Conforms (GC) ratings



- Does Not Conform with IA requirements for:
- Internal Audit Charter
 - Quality Assurance & Improvement Program
 - Planning

An overall rating of **Partially Conforms** means that we were **out of compliance** with Internal Audit Standards.

We are required by the NC Internal Audit Act (§ 143-746.(b)) to comply with Internal Audit Standards.

Compliance is demonstrated with an overall rating of **Generally Conforms**



**UNC
GREENSBORO**
Office of Institutional
Integrity and General Counsel



Find your way here

Background Information

Where we were

June 2021 Quality Assessment Review

- Overall, **Partially Conforms** rating
 - 3 Does not conform (DNC) ratings
 - 11 Partially conforms (PC) ratings
 - 27 Generally conforms (GC) ratings (41 total ratings)

Where we are

October 2024 Quality Assessment Review

- Overall, **Generally Conforms** rating
 - 41 Generally conforms (GC) ratings (41 total ratings)

No gaps in conformance!



UNC
GREENSBORO
Office of Institutional
Integrity and General Counsel



Find your way here

Background Information

How we got there → to a **Generally Conforms** rating

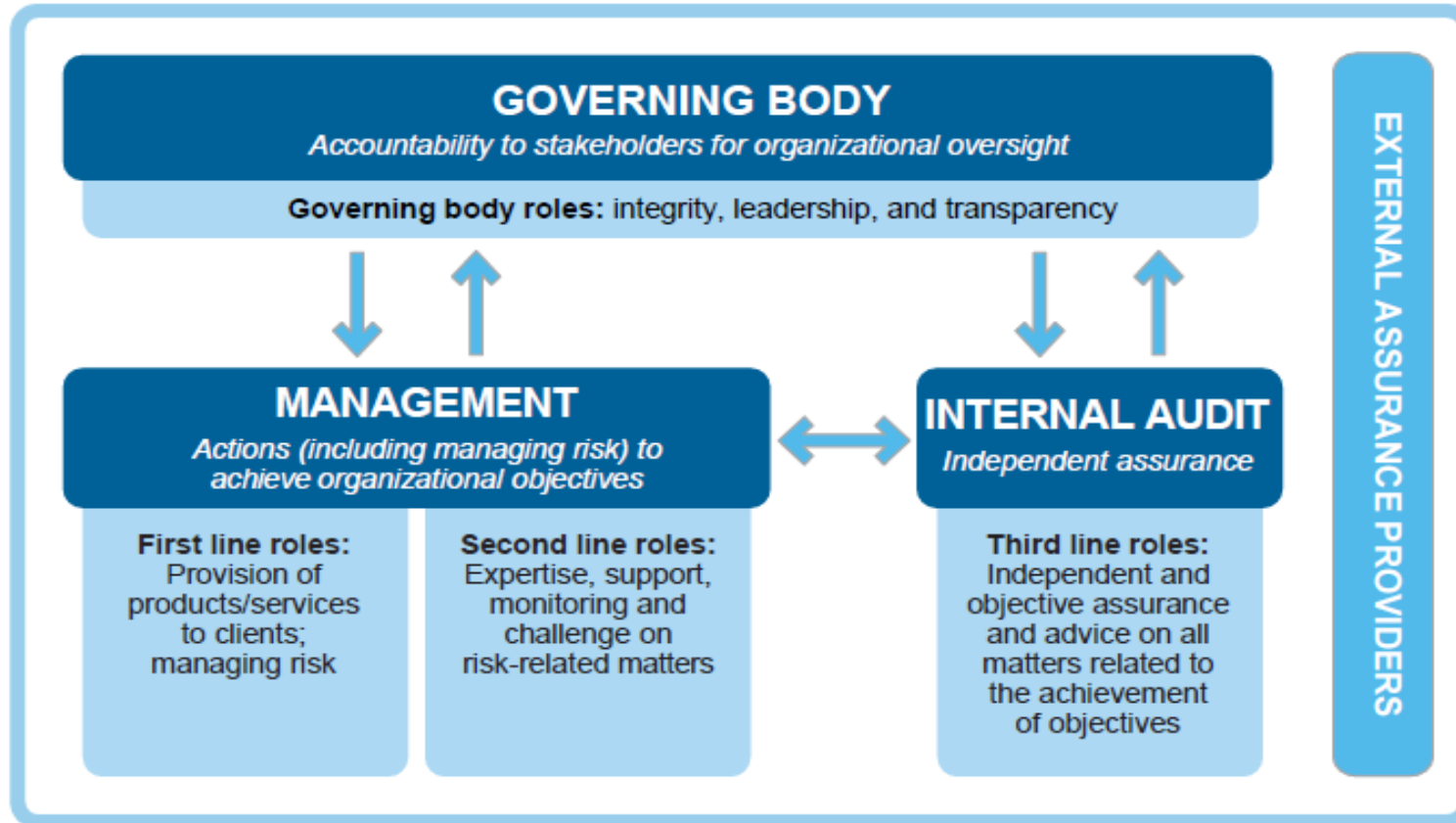
Internal Audit conforms with all Internal Audit Standards. Updates to IA activities included:

- ✓ Internal Audit Charter, Manual, and workpaper templates have been mapped to *Standards*.
 - ✓ Audit activities have been developed and implemented to ensure best practices.
 - ✓ We are monitoring and measuring progress.
 - ✓ We are **reporting** our progress and efforts to the CARL Committee & Board, the Chancellor, the UNC System Office, and the Council of Internal Auditing.
-
- ✓ A key element in achieving “Generally Conforms” on the QAR required the IA team to periodically report specific information to the Board.
 - ✓ This presentation on the **Three Lines Model** helps us stay there by **communicating our roles, responsibilities, authority, and independence**.



**UNC
GREENSBORO**
Office of Institutional
Integrity and General Counsel

The IIA's Three Lines Model



KEY: ↑ Accountability, reporting ↓ Delegation, direction, resources, oversight ↔ Alignment, communication coordination, collaboration

What is the Three Lines Model? Why use it?

The Three Lines of Defense demonstrates the roles and responsibilities within an organization to enhance and protect value. It demonstrates a principles-based approach to the contribution of risk management to ensure that activities and objectives align with stakeholder priorities.



Find your way here

Three Lines Model

A **principles-based approach** that includes 6 principles:

1. Governance
2. Governing Body
3. Management and First and Second Line Roles
4. Third Line Roles
5. Third Line Independence
6. Creating & Protecting Value



**UNC
GREENSBORO**

Office of Institutional
Integrity and General Counsel



Find your way here

Principle 1 Governance

- ✓ **Accountability** by a governing body to stakeholders for organizational oversight through integrity, leadership, and transparency.
- ✓ **Actions** (including managing risk) by management to achieve University objectives through risk-based decision-making and application of resources.
- ✓ **Assurance and Advice** by an independent internal audit function to provide clarity and confidence and to promote and facilitate continuous improvement through rigorous inquiry and insightful communication.

UNCG Application

Board of Trustees
Chancellor
Chancellor's Council

Faculty & Staff
including leaders

Internal Audit –
independent function



**UNC
GREENSBORO**
Office of Institutional
Integrity and General Counsel



Find your way here

Principle 2 Governing Body Roles

The **governing body ensures:**

- ✓ Appropriate structures and processes are in place for effective governance.
- ✓ Organizational objectives and activities are aligned with the prioritized interests of stakeholders.

The **governing body:**

- ✓ Delegates responsibility and provides resources to management to achieve the objectives of the University while ensuring legal, regulatory, and ethical expectations are met.
- ✓ Establishes and oversees an independent, objective, and competent internal audit function to provide clarity and confidence on progress toward the achievement of objectives.

UNCG Application

UNCG has a Board of Trustees and Committees of the Board.

UNCG leaders present reports, requests, and information to Committees of the Board of Trustees and the Full Board in regular meetings for review, discussion, approval, and advice.



**UNC
GREENSBORO**
Office of Institutional
Integrity and General Counsel



Find your way here

Principle 3 – Management & 1st & 2nd Line Roles

Management's responsibility to achieve organizational objectives comprise both first and second line roles.

- ✓ **First line roles** are most directly aligned with the delivery of products and/or services to clients of the organization and include the roles of support functions; e.g., leads & directs actions to achieve organizational objectives.
- ✓ **Second line roles** provide assistance with managing risk; e.g., advice, guidance, monitoring, testing, analyzing, reporting, etc.).

UNCG Application

UNCG leaders manage and administer the delivery of products and services to students and the community.

UNCG leaders obtain guidance, advice, support, analysis, and reports from specialist and subject matter experts to ensure that product and service delivery is consistent with UNCG priorities.



**UNC
GREENSBORO**
Office of Institutional
Integrity and General Counsel



Find your way here

Principle 4 – Third Line Roles

Internal audit provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management.

It achieves this through the competent application of **systematic and disciplined processes, expertise, and insight.**

It reports its findings to management and the **governing body** to promote and facilitate continuous improvement. In doing so, it may consider assurance from other internal and external providers.

UNCG Application

The Internal Audit Charter defines the role of Internal Audit within UNCG.

Internal Audit has mapped to IA Standards to:

- Standardized processes and procedures
- Template workpapers
- Quality assurance tools
- Updated Audit Manual

Internal Audit reports findings to management, the Chancellor, and the CARL Committee



UNC
GREENSBORO

Office of Institutional
Integrity and General Counsel



Find your way here

Principle 5 – Third Line Independence

Internal audit's independence from the responsibilities of management is **critical to its objectivity, authority, and credibility**. It is established through:

- ✓ **Accountability** to the governing body;
- ✓ **Unfettered access** to people, resources, and data needed to complete its work; and
- ✓ **Freedom** from bias or interference in the planning and delivery of audit services.

UNCG Application

Internal Audit's independence, objectivity, and authority (access) is described in the Internal Audit Charter.

Internal Audit team members attest to objectivity, independence, and compliance with the Code of Ethics for **each engagement** and **annually** for the entire audit activity.

Internal Audit reports to the CARL Committee on all matters necessary to demonstrate compliance with IA Standards.



UNC
GREENSBORO
Office of Institutional
Integrity and General Counsel



Find your way here

Principle 6 – Creating & Protecting Value

All roles working together collectively contribute to the creation and protection of value when they are aligned with each other and with the prioritized interests of stakeholders.

Alignment of activities is achieved through communication, cooperation, and collaboration.

This ensures the reliability, coherence, and transparency of information needed for risk-based decision making.

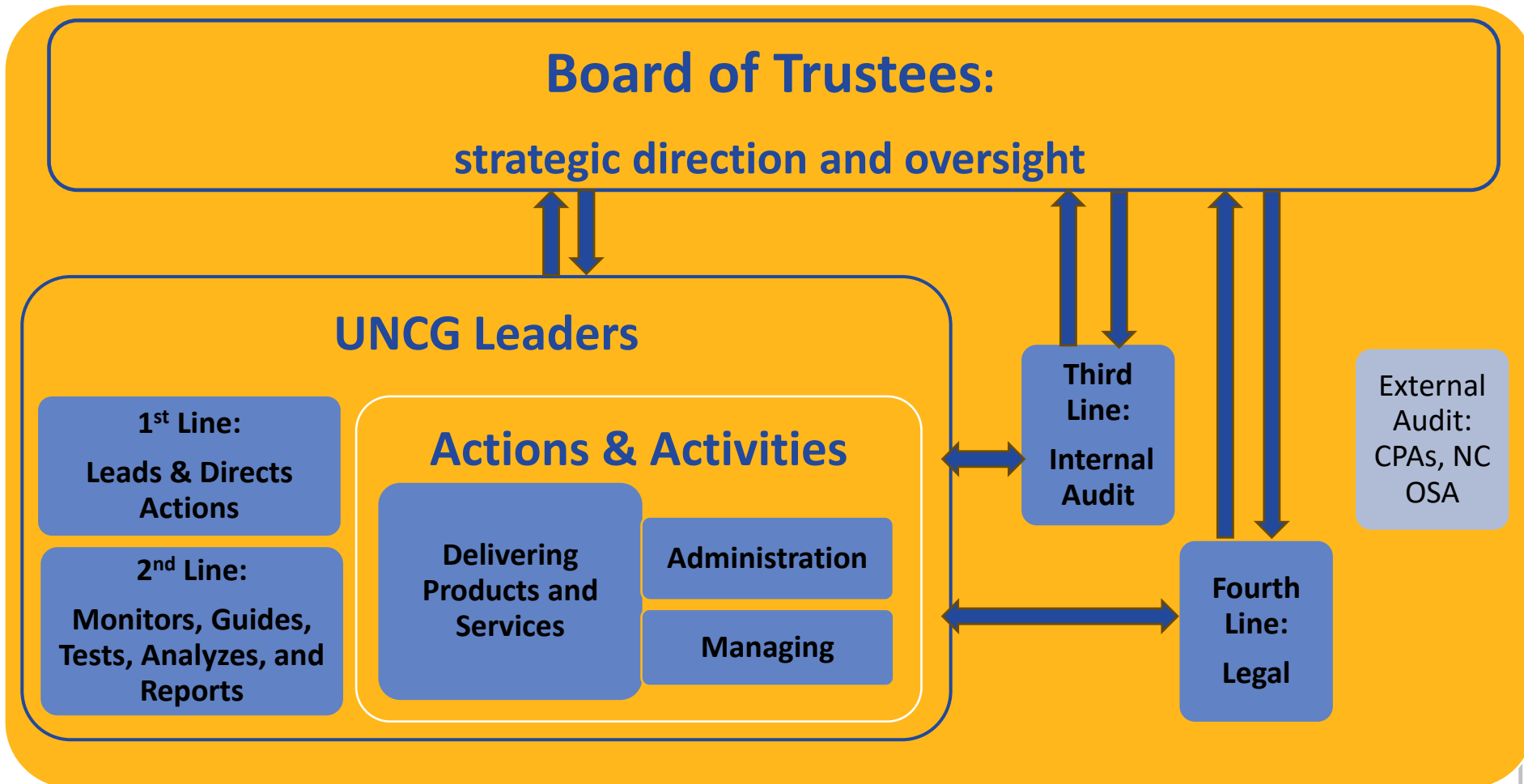
UNCG Application

Go to the next slide which shows the Three Lines Model for UNCG.



UNC
GREENSBORO
Office of Institutional
Integrity and General Counsel

Three Lines Model - UNCG



UNCG Application

Note that arrows generally represent communication: Direction, guidance, advice, information, reports, etc.

For internal audit and legal, communication is back and forth as information from within operations drives the information that goes back to operations and up to the Board.



Find your way here

For questions about the
Three Lines Model and UNCG's application,
please contact the audit team.

Katherine Skinner, MBA, CPA, CIA, CFE
Director of Internal Audit
kaskinner@uncg.edu
336-334-5063

Ronald Fulton, CFE
Internal Auditor
rsfulton@uncg.edu
336-334-4662



**UNC
GREENSBORO**
Office of Institutional
Integrity and General Counsel