UNC GREENSBORO
Board *of* Trustees

Compliance, Audit, Risk Management and Legal Affairs (CARL) Committee
November 10, 2026
10:45 a.m.

Discussion Item

CARL-2 Internal Audit Report

Background Information

Katherine Skinner, Director of Internal Audit, will provide a summary of recent quality assurance and improvement program (QAIP) activity.

Attachments

2.1 Internal Audit Report Presentation
2.2 CARL Committee Communication – Standard Operating Procedure

CARL 2.1

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Office *of* Institutional Integrity *and* General Counsel

Internal Audit

UNC Greensboro Board of Trustees

Compliance, Audit, Risk Management, and Legal Affairs (CARL) Committee

November 10, 2026

Katherine Skinner, Director of Internal Audit

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Office *of the* Internal Auditor

Internal Audit Reporting Requirements – What and Why

Global Internal Audit Standards required reporting:

- Results of audit services
- Quality Assurance and Improvement Program results
- Independence, objectivity, integrity of IA team
- Current initiatives
- Other: Charter, Audit Work Plan, Resources, etc. – previously reported or submitted for approval.

System Office required reporting:

- External Audit Reports (as well as other IIA reporting)

The NC Internal Audit Act
(NC General Statute 147 Article 79)
requires us to comply with
Global Internal Audit Standards (Standards)
issued by the
Institute of Internal Auditors (IIA).

Internal Audit Reporting Requirements –What and Why

Internal Audit - a proactive strategic partner to University leaders.

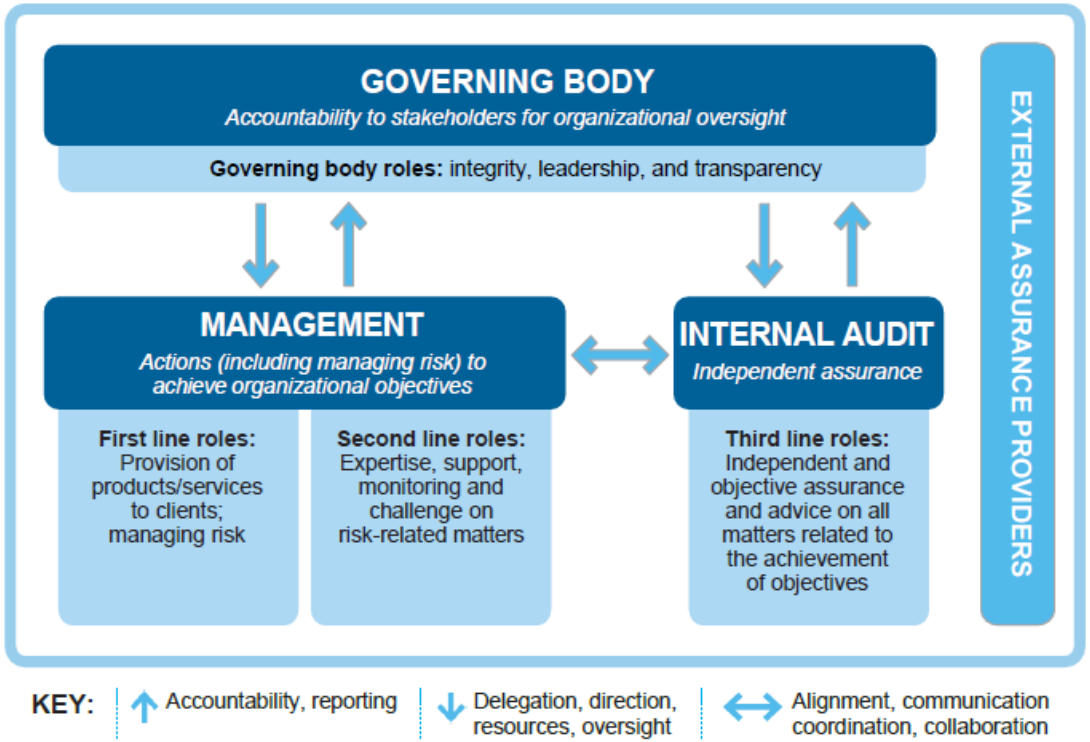
As the third line of defense, Internal Audit:

- Ensures that the Board has the information needed to provide oversight of the Internal Audit function as Internal Audit works toward achieving its mission.
- Provides risk-based, independent, and objective assurance, advice, insight, and foresight regarding the governance, risk management, and control processes of the University.

Internal Audit Mission:

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

The IIA's Three Lines Model

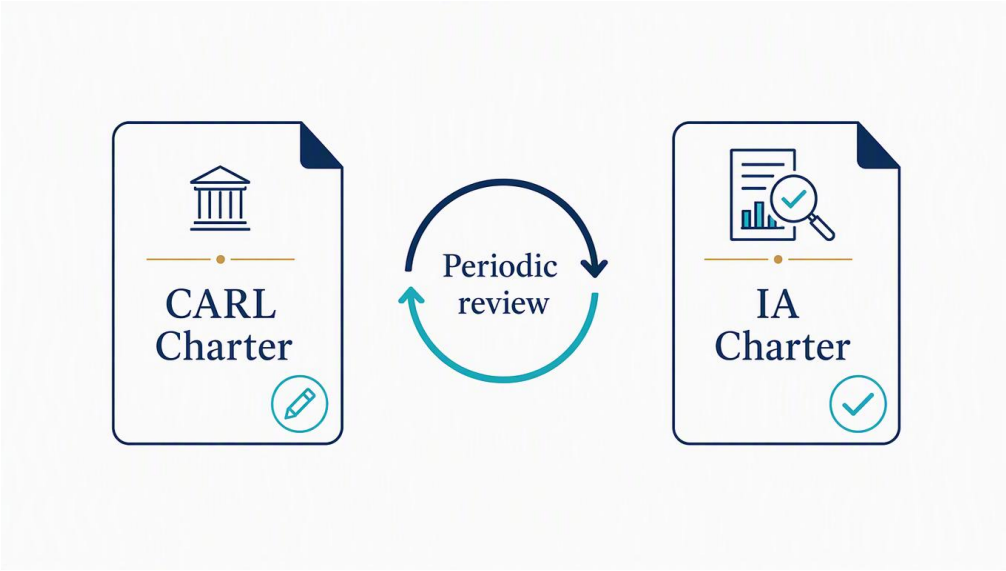


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Quality Assurance and Improvement Program updates

CARL Charter – minor updates to improve consistency and ensure conformance with *Standards*.

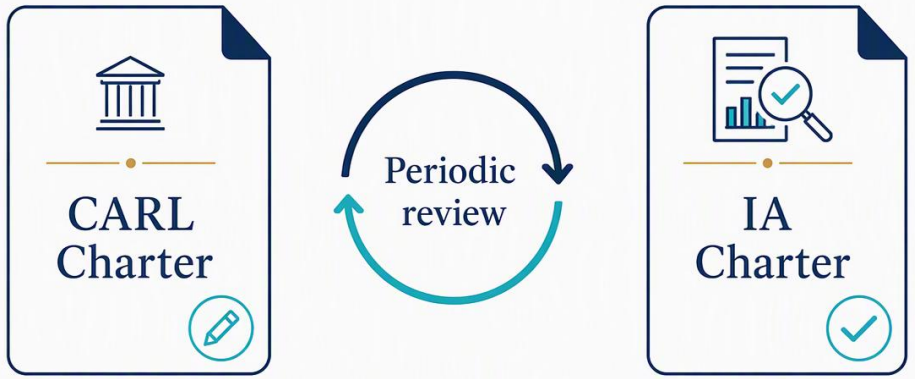
- Change to a single CARL Committee liaison in the CARL organization
- Under Duties and Responsibilities Related to IA:
  - Add consideration of Director of Internal Audit's (IA) qualifications as part of the IA Charter discussion – ***Standard 7.2***
  - Add discussion of expectations for communications - ***Standards 8.1–8.2, 9.3–9.4, 11.2–11.5, 13.3, 15.1–15.2***



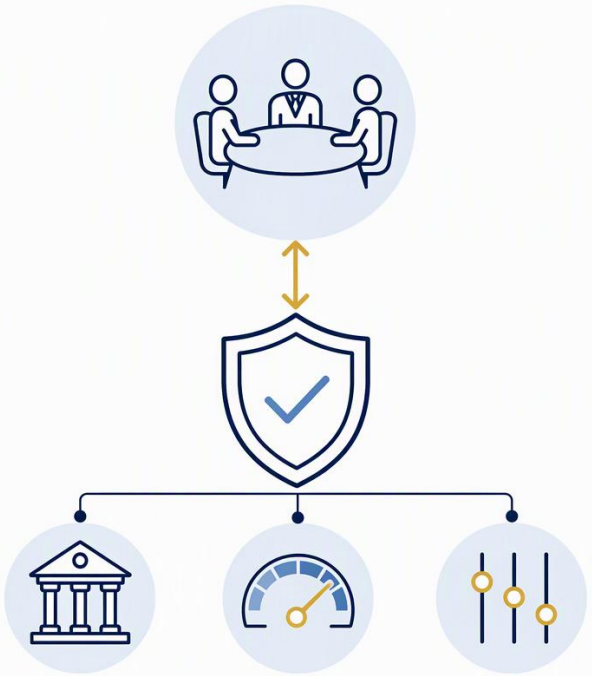
Quality Assurance and Improvement Program updates

IA Charter – Updates to ensure conformance with *Standards*:

- Corrected the language used in the reference to the Mandate - *Standard 6.1* Internal Audit Mandate.
- Added a section to reflect management support, as required in *Standard 6.3* Board and Senior Management Support.
- Added a section to reflect an understanding of the qualifications for the position, as required in *Standard 7.2* Chief Audit Executive (aka Director of Internal Audit) Qualifications.



Quality Assurance and Improvement Program updates



SOP for Internal Audit Communications with the Board:

- *Standards 6.1–6.3* (Mandate, Charter, Board Support)
- *Standard 7.1* (Organizational Independence)
- *Standards 8.1–8.4* (Board Interaction, Resources, Quality)
- *Standards 9.3–9.4* (Methodologies, Plan)
- *Standards 10.1–10.3* (Resources)
- *Standards 11.2–11.5* (Communications & Accepted Risk)
- *Standard 13.3* (Scope)
- *Standards 15.1–15.2* (Results, Follow-up)

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Questions?

Contact an audit team member:

Katherine Skinner: kaskinner@uncg.edu

Or

Ronald Fulton: rsfulton@uncg.edu

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CARL 2.2

Communication with the CARL Committee
Standard Operating Procedure

Purpose and Authority

The Director of Internal Audit shall provide the CARL Committee with timely, direct information needed to oversee Internal Audit's independence, risk-based coverage, resources, results, and quality. This procedure supplements the Internal Audit Charter; it does not replace applicable University, UNC System, or legal reporting requirements. "Board" below means the CARL Committee when acting within its delegated audit-oversight authority; matters reserved to the full Board shall also follow the governing charter.

Routine Communication

At each regular CARL meeting, the Director of Internal Audit shall provide an update on audit-plan progress and significant changes; key engagement results and risk themes; overdue high-priority management corrective actions; and material concerns about coverage, resources, independence, or quality.

The Director of Internal Audit shall present the proposed risk-based audit plan and resource requirements for committee review and approval at least annually; report on organizational independence and internal quality assessments annually, and on external quality assessments when available; meet privately with the committee without management as needed; and maintain direct access to the chair between meetings.

Event-driven Escalation

If significant matters arise that could impair the internal audit function's ability to fulfill its responsibilities, including scope limitations or unresolved disagreements with management regarding findings, recommendations, or excessive risk acceptance, the Director of Internal Audit will report them to the CARL Committee as follows:

1. Document the facts, management's position, the risk or effect on audit assurance, and efforts to resolve the matter with the responsible manager and senior leadership.
2. Escalate to CARL if:
    a. Management rejects a significant finding or declines corrective action, and the Director of Internal Audit concludes the resulting risk exceeds the University's risk appetite or tolerance after discussion with senior management;
    b. Management's refusal or failure to provide necessary information or access materially restricts audit work and remains unresolved; or
    c. Management interference impairs Internal Audit's independence.

Disagreement over wording or a preferred recommendation alone does not warrant escalation. When a material issue remains unresolved, notify the CARL chair before the next regular meeting and provide a concise written summary of the evidence, management's response, effect on assurance, and requested committee action. Request a private session if appropriate.

Required issue-specific communications

The Director of Internal Audit may consult with and/or advise the Vice Chancellor for Institutional Integrity and General Counsel if any issues or potential issues, as described below, rise to the level of escalation to the Board. Efforts will be made to resolve issues with respective management and leadership before escalation to senior leadership or the Board.

Scope, access, or independence limitations. Record the requested records, personnel, locations, timing, or procedures; the person and rationale for restriction; steps taken to resolve it; and the effect on objectives, assurance, and the plan. Seek resolution with the appropriate executive without allowing management to dictate audit conclusions. If material, unresolved, or indicative of interference, inform the CARL chair promptly; propose restored access, revised scope, or another safeguard. Disclose any resulting limitation in the affected engagement communication and avoid an unsupported assurance conclusion.

Management's acceptance of excessive risk. When the Director of Internal Audit concludes that accepted risk exceeds the University's risk appetite or tolerance, document the evidence, residual risk, applicable risk criterion, and management's position. Discuss the concern with senior management first. If unresolved, communicate it to CARL promptly for oversight, stating the decision requested and management's response. Internal Audit reports the matter but does not assume responsibility for accepting or resolving the risk.

Resource or coverage constraint. Quantify staffing, specialist, technology, time, or budget shortfalls; show which high-risk work will be deferred or reduced, the resulting assurance gap, and feasible options (reprioritization, co-sourcing, or added resources). Bring significant effects on the plan or ability to meet the Standards to CARL when identified and seek approval of material plan or budget changes through the established governance process. Do not silently remove high-risk coverage.

Errors and Omissions. If a final engagement communication contains a significant error or omission, the Director of Internal Audit will communicate the corrected information to all recipients of the original final communication within two (2) business days of verifying the error or omission. Significance will be determined using criteria agreed upon with the CARL Committee, including whether the error or omission could reasonably affect the reported findings or conclusions, recommendations or management's action plans, decisions by report recipients, or legal or regulatory obligations.

Other critical matters. Escalate significant control failure, suspected fraud or illegality, consequential regulatory exposure, systemic or repeated findings, material disagreement with management affecting audit work, overdue high-risk remediation, or a material Standards-conformance issue. Coordinate mandatory notifications with the appropriate University officials, while preserving direct committee access and confidentiality.

Communication record and follow-up

Use a restricted, decision-oriented memorandum or agenda item stating:

1. Issue and date identified;
2. Verified facts and any uncertainty;
3. Risk to University objectives;
4. Management response;

5. Effect on audit work or assurance;
6. Recommended options and requested committee action;
7. Owner and target date.

Share sensitive details only through approved secure channels and limit distribution to those with a need to know. Record the chair's notification, discussions, committee decisions/minutes, management commitments, and evidence supporting closure in a controlled escalation log. Update CARL at each meeting until disposition; verify corrective action rather than treating management's assertion as closure. The Director of Internal Audit retains independent judgment over audit findings and conclusions.

Standards and practice references

The Institute of Internal Auditors (The IIA), *Global Internal Audit Standards* (effective 1/9/2025):

- Standards **6.1–6.3** (Mandate, Charter, Support),
- Standard **7.1** (Organizational Independence),
- Standards **8.1–8.4** (Board Interaction, Resources, Quality),
- Standards **9.3–9.4** (Methodologies, Plan),
- Standards **10.1–10.3** (Resources),
- Standards **11.2–11.5** (Communications and Accepted Risk),
- Standard **13.3** (Scope), and
- Standards **15.1–15.2** (Results, Follow-up).

The IIA's recommended guidance on board interaction and public-sector practice informs the implementation choices above.