



## UNIVERSITY OF NORTH CAROLINA SYSTEM OFFICE

### Internal Audit Charter

#### I. Mission and Purpose

The mission and purpose of the internal audit function at the University of North Carolina System Office (UNC System Office) is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. Internal audit strives to provide risk-based services that help the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

The internal audit function is dedicated to:

- Conforming to The Institute of Internal Auditor's code of ethics and demonstrating the highest level of integrity, objectivity, confidentiality, and competency.
- Building strong and effective working relationships with the UNC System Office personnel, the Board of Governors of the University of North Carolina, and other stakeholders through mutual respect and teamwork.
- Providing risk-based and objective assurance and consulting services to the UNC System Office and its affiliated organizations.

#### II. Role

The University of North Carolina is required to establish a program of internal auditing pursuant to G.S. 143-746. The UNC System Office's internal audit function shall be accountable to the Board of Governors through the Committee on Audit, Risk Management, and Compliance (CARMC) and the president.

Internal audit partners and consults with management to help the UNC System Office achieve its goals and to support compliance with policies, rules, and regulations. The internal audit scope encompasses, but is not limited to, examining and evaluating the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as execution of assigned responsibilities to achieve the organization's goals and objectives. This may include:

- A. Evaluating risks associated with achieving the organization's goals and objectives and whether the risk management process is appropriately identifying and managing the risk exposure.
- B. Evaluating if resources are acquired economically, used efficiently, and are adequately protected.
- C. Evaluating reliability and integrity of significant financial, managerial, and operating information and the means used to identify, measure, classify, and report such information.
- D. Evaluating the actions of UNC System Office employees, as well as the processes and systems used, to assess compliance with policies, procedures, governance standards, and applicable laws and regulations which could significantly impact the organization.
- E. Evaluating specific operations or programs to assess if results are consistent with established objectives and goals and whether those operations or programs are being carried in an efficient and effective manner.
- F. Monitoring and evaluating the governance processes and assessing if quality and continuous improvement are fostered in the organization's processes.
- G. Performing consulting and advisory services related to governance, risk management, and controls.
- H. Reporting periodically on the internal audit's purpose, authority, and responsibility; performance of its audit plan; and the sufficiency of internal audit's resources.
- I. Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the president or CARMC.

- J. Evaluating specific operations at the request of management, the president, or CARMC, as appropriate.

### III. Professional Standards

The internal audit function will strive to govern itself according to The Institute of Internal Auditors' mandatory guidance, which includes the core principles for the profession, the definition of internal auditing, the code of ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the internal audit function. The chief audit officer will report at least annually to the president and CARMC regarding the internal audit function's conformance to the code of ethics and the *Standards*.

As applicable, the following will also be used to guide internal audit operations: The Institute of Internal Auditors' implementation and supplemental guidance, *Government Auditing Standards* issued by the Comptroller General of the United States, relevant state and University policies and procedures, and the internal audit function's standard operating procedures manual.

### IV. Independence and Objectivity

All internal audit activities will remain free from interference in determining the internal audit plan, scope, performance of procedures, frequency, timing, and communication of results.

The audit staff will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity being examined. In addition, a balanced assessment will be made of all the relevant circumstances and the internal audit function will not be unduly influenced by personal interests or by others in forming judgments.

To maintain necessary independence and objectivity, the internal audit function reports administratively to the president or the president's designee and functionally to CARMC. The chief audit officer shall have direct and unrestricted access to the president and CARMC.

Administrative oversight includes day-to-day oversight such as approval of the chief audit officer's annual leave and travel. Functional oversight by CARMC includes:

- A. Approve the annual risk-based internal audit plan and monitor progress at least quarterly.
- B. Review and accept internal audit reports when issued.
- C. Periodically review and approve the internal audit charter.
- D. Confirm and assure the independence of the internal audit function.
- E. Receive communications regarding the status and/or results of audit activities, approve any significant deviations from the audit plan, and assure the internal audit function has appropriate budget and staff resources.
- F. Meet privately with the chief audit officer as deemed necessary.
- G. Monitor the effectiveness of the internal audit function, including the efforts made to comply with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)* and the code of ethics.
- H. Make appropriate inquiries of management and the chief audit officer to determine whether there are inappropriate scope or resource limitations.
- I. Resolve disagreements between internal audit and management concerning audit findings and recommendations.

If the chief audit officer is assigned roles and/or responsibilities that fall outside of internal auditing, necessary disclosures and/or safeguards will be established to limit impairments to independence or objectivity. If the chief audit officer determines that independence or objectivity may be impaired in fact or appearance, details of impairment will be disclosed to the president and CARMC. In addition, the effect of any interference with determining the internal audit scope, performing work, and/or communicating results will be disclosed to the

appropriate parties.

The chief audit officer will confirm to CARMC, at least annually, the organizational independence of the internal audit function.

## **V. Responsibility**

Internal audit has the responsibility to:

- A. Develop a flexible annual audit plan using appropriate risk-based methodology, considering any risks or control concerns identified by management and input from CARMC. Ensure the annual planning and risk assessment process addresses information security. Submit the plan to the president and CARMC for review and approval.
- B. Implement the annual audit plan as approved including, as appropriate, any special tasks or projects requested by management and/or CARMC, to include:
  1. Conduct and coordinate audits, investigations, and reviews related to the programs and operations of the organization. These services may assess the adequacy of the organization's internal control, risk management, and governance processes; the economy and efficiency of the policies and procedures governing the organization's programs and operations; and the organization's compliance with policies, laws, or regulations.
  2. Assist and/or conduct the investigation of suspected fraud or abuse within the organization and share the results with the president, CARMC, and the appropriate levels of management.
  3. As appropriate, provide consulting and advisory services to management that add value and improve governance, risk management, control processes, and operating procedures without the internal auditor assuming management responsibility. This may include evaluating and assessing significant functions as well as new or changing services, processes, operations, and control processes as deemed necessary.
  4. When necessary, solicit from management corrective actions taken or to be taken on significant findings and recommendations. Management's response should include a timetable for completion or an explanation for any recommendations that will not be implemented. After a reasonable time, conduct an appropriate follow-up on significant findings and report on the progress made by management to implement the corrective actions. In addition, any management response to a risk exposure that may be unacceptable to the organization will be communicated to the president and CARMC.
  5. At the conclusion of an engagement, prepare a written report that communicates the engagement's objective, scope, and significant results. When applicable, recommendations and management's response and planned corrective action should be provided. Reports are to be appropriately distributed and the results communicated to CARMC.
  6. When applicable, identify opportunities for improving the efficiency of governance, risk management, and control processes and communicate such information to the appropriate level(s) of management.
- C. Adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.
- D. Provide quarterly updates to the president and CARMC summarizing internal audit's activity relative to its plan and/or results of audit activities, including communicating any significant changes to the approved audit plan and the impact of resource limitations.
- E. Keep the president, management, and CARMC informed concerning significant risk exposures; governance issues; internal control deficiencies; noncompliance; fraud; abuse or misuse of state property; significant complaints; and emerging trends or issues that could impact the organization.
- F. Consider the scope of work by other monitoring and compliance functions, as well as the external auditors and regulators as appropriate, for the purpose of coordinating activities, evaluating if the work of others can be relied upon, and/or avoiding duplication to provide optimal services to the organization.
- G. As needed, serve as a liaison between management and external auditors and regulators.
- H. Ensure the audit team collectively possesses, obtains, and maintains sufficient knowledge, skills, competencies, and professional certifications to meet the requirements of this charter and the internal

audit *Standards*. Consider emerging trends and successful internal audit practices.

- I. Ensure the requirements are met with regard to internal audit activities set forth by the Board of Governors and the North Carolina Council of Internal Auditing.
- J. Ensure adherence to the organization's relevant policies and procedures, unless they conflict with the internal audit charter, and establish and ensure adherence to policies and procedures designed to guide the internal audit function.
- K. Maintain a quality assurance and improvement program that covers all aspects of the internal audit function and includes: evaluating conformance with The Institute of Internal Auditors' *Standards*, core principles, definition of internal auditing, and code of ethics; assessing the efficiency and effectiveness of the internal audit function; and identifying opportunities for improvement. The chief audit officer will communicate to CARMC and senior management significant results from the quality assurance and improvement program, including if necessary, plans to address significant issues noted from ongoing internal assessments, as well as from external assessments that are conducted at least every five years.

## VI. Authority

With strict accountability for confidentiality and safeguarding records and information, the internal audit function is authorized to:

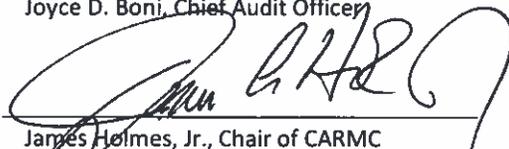
- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to any engagement.
- Provide consulting services to management as deemed appropriate.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives and issue reports.
- Obtain the necessary assistance of personnel in units of the organization where audits are performed, as well as other specialized services from within or outside the organization as needed to fulfill the internal audit roles and responsibilities.

The internal audit function is not authorized to:

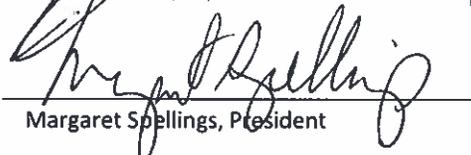
- Have direct operational responsibility or authority over any of the activities to be audited.
- Initiate or approve accounting transactions external to the internal audit function.
- Direct the activities of any UNC System Office employee not employed within internal audit function, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the chief audit officer.
- Implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment, including assessing operations for which they had responsibility within the previous year.

  
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 Joyce D. Boni, Chief Audit Officer

5/24/18  
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 Date

  
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 James Holmes, Jr., Chair of CARMC

5/24/18  
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 Date

  
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 Margaret Spellings, President

5/24/18  
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 Date