UNIVERSITY OF NORTH CAROLINA GENERAL ADMINISTRATION

Internal Audit Charter

Last updated April 2016

I. Mission

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

II. Value Statements

The internal audit function is dedicated to:

- Promoting a culture that conforms to The Institute of Internal Audit's Code of Ethics and demonstrates the highest level of integrity, objectivity, confidentiality, and competency.
- Building strong and effective working relationships with the UNC-GA's personnel, UNC Board of Governors, and other stakeholders through mutual respect and teamwork.
- Providing quality auditing and consulting services to UNC-GA and its affiliated organizations.

III. Scope of Work

Internal audit partners and consults with management to help UNC-GA achieve its goals and to support compliance with policies, rules, and regulations. The internal audit staff seeks to proactively focus on the risks and exposures that have the greatest impact on UNC-GA while being flexible to react to changing conditions. Specifically, the auditors work to determine whether the organization's network of risk management, internal controls, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Quality and continuous improvement are fostered in the organization's control process.
- Resources are acquired economically, used efficiently, and adequately protected.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Interaction with the various governance groups occurs as needed.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.
- Accountability, integrity, and efficiency within the organization are maintained.

Opportunities for improving management control, operational efficiencies, financial and budgetary management, and the organization's image may be identified during audits. Such opportunities will be communicated to the appropriate level of management.

IV. Accountability

The internal audit function shall be accountable to the UNC Board of Governors through the Committee on Audit, Risk Management, and Compliance (CARMC) and the President to:

- Provide an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risk in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Periodically provide information on the status and results of the annual audit plan and the sufficiency of internal audit's resources.
- Coordinate internal audit activities with other control and monitoring functions such as risk management, compliance, security, legal, ethics, environmental, and external audit.
- Maintain audit records in accordance with State's records retention schedule.

V. Independence and Objectivity

All internal audit activities will remain free from interference in determining the internal audit plan, scope, performance of procedures, and report content.

The Chief Audit Officer will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information. In addition, a balanced assessment will be made of all the relevant circumstances and the Chief Audit Officer will not be unduly influenced by personal interests or 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 the Committee on Audit, Risk Management, and Compliance (CARMC). The Chief Audit Officer shall have full and independent access to the President and the CARMC.

Functional oversight by the CARMC includes:

- Approve the annual internal audit plan and monitor progress at least quarterly.
- Review and accept internal audit reports when issued.
- Periodically review and approve the internal audit charter.
- Confirm and assure the independence of the internal audit function.
- Review periodic summaries 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.
- Meet privately with the Chief Audit Officer as deemed necessary.
- 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*).
- Resolve disagreements between internal audit and management concerning audit findings and recommendations.

Administrative oversight by the President or President's designee includes day-to-day oversight such as approval of the Chief Audit Officer's annual leave and travel.

VI. Responsibility

Internal audit has the responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the President and the CARMC for review and approval.
- Implement the annual audit plan as approved, including as appropriate, any special tasks or projects requested by management and/or the CARMC.
- Adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.
- Provide quarterly updates to the President and CARMC summarizing the status and/or results of audit activities, including communicating any significant deviation from the approved audit plan.
- Conduct and coordinate audits, investigations, and reviews related to the programs and operations of the organization.
- Provide assurance services to the President and CARMC by assessing: the adequacy of the organization's internal control, risk management, and governance process; the economy and efficiency of the policies and procedures governing the organization's programs and operations; and the organization's compliance with laws or regulations.
- As appropriate, provide consulting and advisory services to management that add value and improve the governance, risk management, control processes, and operating procedures without the internal auditor assuming management responsibility.
- Evaluate and assess significant functions and new or changing services, processes, operations, and control processes as deemed necessary.
- Assist and/or conduct the investigation of suspected fraud or abuse within the organization and notify the President, the CARMC, and the appropriate levels of management of the results.
- Keep the President, management, and the CARMC informed concerning internal control deficiencies, noncompliance, fraud, abuse, misuse of State property, and significant complaints. When necessary, solicit corrective actions, and report on the progress made to implement the corrective actions.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of avoiding duplication and providing optimal audit coverage to the organization.
- As needed, serve as a liaison between UNC-GA management and external auditors and regulators.
- Ensure the requirements are met with regard to internal audit activities set forth by the UNC Board of Governors and the North Carolina Council of Internal Auditing.
- Maintain sufficient knowledge, skills, experience, and professional certification to meet the requirements of the Charter.
- Keep the President and the CARMC informed of emerging trends and successful practices in internal auditing.
- Establish a quality assurance program to evaluate conformance with The Institute of Internal Auditors' *Standards* and Code of Ethics, and assess the efficiency and effectiveness of the office to identify opportunities for improvement.

VII. Authority

UNC-GA's internal audit function is authorized to:

- Have unrestricted access to all functions, records, property, and personnel in accordance with North Carolina General Statutes.
- 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.
- 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, if needed.

The internal audit function is not authorized to:

- Perform any operational duties for the organization or its affiliates.
- Initiate or approve accounting transactions external to the internal audit function.
- Direct the activities of any UNC-GA 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.
- Make decisions that are the responsibility of management.

VIII. Standards of Audit Practice

The internal audit profession is covered by the International Professional Practice Framework of The Institute of Internal Auditors. This framework includes mandatory elements consisting of the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*. In addition, North Carolina General Statutes require compliance with *Government Auditing Standards* issued by the Comptroller General of the United States when applicable. The UNC-GA's internal audit function will strive to understand these mandatory requirements and will make all attempts to comply.

Joyce D. Boni, Chief Audit Officer	Date
Walter C. Davenport, Committee Chair	Date
Margaret Spellings, President	Date