

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.

The CARL Committee approved the Internal Audit Charter on 10/29/2024 during the Committee meeting as part of the consent agenda (CARL 1.4). Approval is memorialized in the CARL Committee Minutes.