



## **Internal Audit Charter**

Effective: September 24, 2020

### **Vision**

The vision of the Office of Internal Audit (OIA) is to be a preferred advisor working collaboratively with stakeholders to deliver professional assurance and consulting services that will assist UNCP in achieving its mission, goals and objectives as defined in its Strategic Plan.

### **Mission**

The mission of the Office of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the university's operations. Internal Audit helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

### **Objectives and Scope of Work**

The objectives of audit services are to provide independent assurance to the Audit and Ethics Committee and management that the University's assets are safeguarded, processes are operating efficiently, and compliance is maintained with prescribed laws and University policies. Audit objectives include independent assessment of the University's governance, risk management, and control processes.

The objectives of advisory services are to provide assessments and advice for improving the University's governance, risk management, and control processes without the OIA assuming management responsibility. The nature and scope of advisory services are agreed to by management. Advisory services may be provided on the front-end of projects so that risks may be identified and managed, and internal controls may be designed adequately. Advisory services may also be provided to assist management with process improvement initiatives.

The scope of the Office of Internal Audit's work is to determine whether the university's network of risk management, control, and governance processes, as designed by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- 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.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvements are fostered in the university's control process.
- Significant legislative or regulatory issues impacting the university are recognized and addressed appropriately.
- Accountability, integrity, and efficiency within the university are maintained.

Opportunities for improving management control, the university's image, and overall effectiveness and efficiency may be identified during audits. These, and any other relevant matters, will be communicated to the appropriate level of management.

### **Accountability**

The Chief Audit Officer (CAO), in the discharge of his/her duties, shall be accountable to the Board of Trustees through the Audit and Ethics Committee (Audit Committee) and the Chancellor to:

- Provide annually an assessment on the adequacy and effectiveness of the university'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 university and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of the Office of Internal Audit's resources.
- Coordinate internal activities with other monitoring functions such as risk management, compliance, security, legal, ethics, environmental, and external audits.
- Establish a follow-up process to track actions related to important issues and recommendations.
- Maintain audit records in accordance with the State's records retention schedule.

## Independence

The internal audit activity should be free from interference in determining the scope of internal auditing, performing work, and communicating results. To provide for the independence of the Office of Internal Audit, its personnel report to the CAO, who reports administratively to the Chancellor and functionally to the Audit Committee. The CAO shall have full and independent access to the Chancellor and the Audit Committee.

Functional oversight by the Audit Committee includes:

- Approve the annual internal audit plan and monitor progress quarterly.
- Review and accept internal audit reports when issued.
- Periodically review and revise the internal audit charter as needed.
- Confirm and assure the independence of the internal audit function.
- Review and assure the internal audit function has appropriate budget and staff resources.
- Meet privately with the CAO as deemed necessary.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.
- Resolve disagreements between internal audit and management concerning audit findings and recommendations.

Administrative reporting is the reporting relationship within the university's management structure that facilitates the day-to-day operations of the Office of Internal Audit.

Administrative reporting typically includes:

- Budgeting and management accounting.
- Human resource administration, including personnel evaluations and compensation.
- Internal communications and information flows.
- Administration of the internal audit activity's policies and procedures.

## Responsibility

The CAO and staff of the Office of Internal Audit have responsibility to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Chancellor and Audit Committee for review and approval as well as periodic updates.
- Implement the approved annual audit plan and incorporate, as appropriate, any special tasks or projects requested by management and the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of the Charter.



- Establish a quality assurance program to ensure the Office of Internal Audit's conformance with the Definition of Internal Auditing, *Standards*, and Code of Ethics established by the Institute of Internal Auditors as well as assess efficiency and effectiveness of the office and identify opportunities for improvement.
- Evaluate and assess significant university functions and new or changing services, major systems, processes, operations, and control processes as deemed necessary.
- Issue periodic reports to management, the Chancellor, and Audit Committee summarizing results of audit activities.
- Keep the Chancellor and Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Chancellor and Audit Committee.
- Assist and/or conduct the investigation of suspected fraudulent activities within the university in cooperation with the university Police and/or General Counsel, notify the Chancellor and the Audit Committee of the results, and report as required to outside agencies.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the university.
- Serve as liaison between university management and external auditors.
- As appropriate, provide consulting services to management that add value and improve the governance, risk management, and control processes without the internal auditor assuming management responsibility.
- Ensure the requirements are met with regard to internal audit activities as set forth by the UNC-Board of Governors and Council of Internal Auditing.
- At least annually, confirm to the Audit Committee the functional independence of Internal Audit.

## **Authority**

The CAO and staff of the Office of Internal Audit are authorized to:

- Have unrestricted access to all functions, systems, data, records, or other information, property, and personnel.
- Have access to external persons and records as a result of all contracts or grants entered into by the university.
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives.
- Provide consulting services to management as deemed appropriate.
- Obtain the necessary assistance of personnel in units of the university where audits are performed as well as other specialized services from within or outside the university as needed.

The CAO and staff of the Office of Internal Audit are not authorized to:

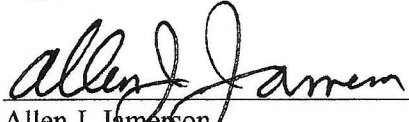
- Perform any operational duties for the university or its affiliates.

- Initiate or approve accounting transactions external to the Office of Internal Audit.
- Direct the activities of any university employee not employed by the Office of Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
- Make decisions that are the responsibility of management.

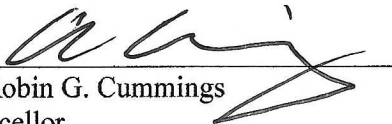
### **Standard of Audit Practice**

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*. The Office of Internal Audit will meet or exceed these mandatory requirements of the profession.

**Signed:**

  
Allen J. Jamerson  
Chairman of the Audit and Ethics Committee  
Board of Trustees

Date: 10/04/20

  
Dr. Robin G. Cummings  
Chancellor  
UNC Pembroke

Date: 10/14/20

**History:**

Vision Statement added and separation of Mission from Objectives and Scope of Work in accordance with the Internal Audit Standards. Reviewed and approved by Audit Committee on September 24, 2020.

Director of Internal Audit title changed to Chief Audit Officer December 2014; Audit Committee informed at the November 20, 2015 meeting about the title correction in the Charter. According to Joshua Malcolm, General Counsel, this did not require Board approval. No other modifications made.

Reviewed and approved by Audit Committee on February 22, 2013.