



THE UNIVERSITY  
of NORTH CAROLINA  
at CHAPEL HILL

## The University of North Carolina at Chapel Hill

### Office of Internal Audit Charter

#### I. Purpose

- A. The purpose of internal auditing is to strengthen the University of North Carolina at Chapel Hill's (University's) ability to create, protect, and sustain value by providing the Board of Trustees (Board) and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
1. The Internal Audit function enhances the University's
    - Successful achievement of its objectives
    - Governance, risk management, and control processes.
    - Decision-making and oversight.
  2. The University's internal audit function is most effective when:
    - Internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors (IIA), *Global Internal Audit Standards*, which are set in the public interest.
    - The internal audit function is independently positioned with direct accountability to the Board.
    - Internal auditors are free from undue influence and committed to making objective assessments.
- B. The University's internal audit function will adhere to the mandatory elements of the IIA *International Professional Practices Framework*, which are the *Global Internal Audit Standards and Technical Requirements*. The chief audit executive will report periodically to the Board and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

#### II. Mandate and Authority

- A. The University of North Carolina at Chapel Hill is required to establish a program of internal auditing pursuant to G.S. 143-746. The University's Office of Internal Audit shall be accountable to the Board of Trustees (Board) through the Audit, Compliance, and Risk Management Committee (ACRM) and the University Chancellor.
- B. The chief audit officer reports functionally to the Chair of the Audit, Compliance, and Risk Management Committee and administratively (i.e., day-to-day operations) to the Chancellor of the University.
- C. The Board authorizes the internal audit department to:
1. Have full, free, and unrestricted access to the data, records, information, personnel, and physical properties necessary to carry out any engagement, provided the department complies with all applicable laws and policies regarding the protection of confidential and/or sensitive records and information.

2. Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
3. Obtain assistance from the necessary personnel of the University, as well as other specialized services from within or outside the University, to complete the engagement.

### **III. Independence, Organizational Position, and Reporting Relationships**

- A. The chief audit executive reports functionally to the Chair of the Audit, Compliance, and Risk Management Committee and administratively (i.e., daily operations) to the Chancellor of the University.
- B. The chief audit executive will confirm to the ACRM Committee, at least annually, the organizational independence of the internal audit department.
- C. The chief audit executive will disclose to the ACRM Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### **IV. Board Oversight**

- A. To establish, maintain, and ensure that the University's internal audit department has sufficient authority to fulfill its duties, the ACRM Committee will govern the Department and:
  1. Recommend to the Board for approval of the internal audit charter.
  2. Recommend to the Board for approval of the risk-based internal audit plan.
  3. Receive communications from the chief audit officer on the internal audit department's performance relative to its plan and other matters.
  4. Review and recommend to the Board for approval, in consultation with the chancellor, the Department's budget and resources, including the chief audit officer's evaluation and remuneration.
  5. Advise the Chancellor or the Board of Trustees regarding the chief audit officer's appointment and/or termination.
  6. Make appropriate inquiries of management and the chief audit officer to determine whether there are inappropriate scope or resource limitations.
  7. Ensure a quality assurance and improvement program has been established and review the results annually.
  8. Approve the internal audit function's human resources administration and budget.
- B. The chief audit officer will have the unrestricted ability to communicate and interact directly with the Board, including in private meetings without management present.

### **V. Ethics and Professionalism**

- A. The chief audit executive will ensure that internal auditors:
  1. Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
  2. Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
  3. Encourage and promote an ethics-based culture in the organization.
  4. Report organizational behavior that is inconsistent with the organization's ethical expectations.

## **VI. Objectivity**

- A. The chief audit officer will ensure that the internal audit department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief audit officer determines that independence or objectivity may be impaired in fact or appearance, the details of such actual or apparent impairment will be disclosed to appropriate parties.
- B. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.
- C. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other department that may impair an internal auditor's judgment, including:
  - 1. Assessing specific operations for which they had responsibility within the previous year.
  - 2. Performing any operational duties for the University or its affiliates.
  - 3. Initiating or approving transactions external to the internal audit department.
  - 4. Directing the activities of any University employee not employed by the internal audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.
- D. Where the chief audit officer has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. Internal auditors will:
  - 1. Disclose any impairment of independence or objectivity, in fact, or appearance, to appropriate parties.
  - 2. Exhibit professional objectivity in gathering, evaluating, and communicating information about the department or process being examined.
  - 3. Make balanced assessments of all available and relevant facts and circumstances.
  - 4. Take necessary precautions to avoid being unduly influenced by their interests or by others in forming judgments.

## **VIII. Scope and Types of Internal Audit Activities**

- A. The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence to provide independent assessments to the ACRM Committee, management, UNC System Office, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the University.
- B. The nature and scope of advisory services may be agreed to with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the 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.

C. Internal audit assessments include evaluating whether:

1. Risks relating to the achievement of the University's strategic objectives are appropriately identified and managed.
2. The actions of the University's officers, directors, employees, and contractors comply with the University's policies, procedures, and applicable laws, regulations, and governance standards.
3. The results of operations or programs are consistent with established goals and objectives.
4. Operations or programs are being carried out effectively and efficiently.
5. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly affect the University.
6. Information and the means used to identify, measure, analyze, classify, and report such information is reliable and has integrity.
7. Resources and assets are acquired economically, used efficiently, and protected adequately.

D. The types of activities performed by the OIA include the following:

1. Assessments included on the OIA department's annual work plan including any requested supplemental assessments relating to underlying work ("Work Plan Projects").
2. Other projects within the scope of activities in Section IV. A above upon the request of the Chancellor, projects presented by the chief audit officer to the Chancellor for consideration and approval, or Board of Trustee member requests upon an affirmative vote of a majority of the members of the Board, upon the review and recommendation of the ACRM Committee ("Special Projects").
3. Consulting or consultative services to assist in the investigative or operational review of other University units ("Advisory Projects"), provided the OIA does not assume management responsibility, under the following conditions: (i) the university unit requests the assistance of the OIA and the request is approved by the vice chancellor or dean to which that unit reports, (ii) at the request of the Chancellor in his or her consultation with the Chair of the ACRM, or (iii) for Board of Trustee requests upon an affirmative vote of the majority of the members of the Board, upon review and recommendation by the ACRM Committee. Examples include providing advice and information on internal controls, fraud, risk management, and sound business practices. This includes a limited scope review of current practices, assessing compliance, and interpreting policies and procedures.
4. Working with the UNC System Office, professional organizations, and serving as a liaison between the university and external auditors.
5. Investigating matters presented through the Carolina Ethics Line as deemed appropriate by the chief audit officer for the OIA to review.
6. OIA participating in standing committees, ad-hoc meetings, search committees, and responding to routine questions (policy interpretation, internal control structures, fraud, etc.) as deemed appropriate by the chief audit officer.
7. No individual officer, employee, or Trustee may request the Chief Officer to initiate any audit activities except as permitted by this Section IV.B.

### **VIII. Communication with the Board and Senior Management**

- A. The chief audit officer will report periodically to senior management and the ACRM Committee regarding:
1. The internal audit department's mandate.

2. The internal audit department's plan and performance are relative to its plan.
3. The internal audit department's budget.
4. Significant revisions to the internal audit plan and budget.
5. Potential impairments to independence.
6. Results from the quality assurance and improvement plan, including action plans to address deficiencies and opportunities for improvement.
7. Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the ACRM Committee.
8. Results of audit engagements, special projects, investigations, or other activities.
9. Resource requirements.
10. Any response to risk by management that may be unacceptable to the University.

B. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

#### **IX. Reporting and Report Distribution**

A. The chief audit officer or a designee will prepare a written report following the conclusion of each Work Plan Project, Special Project, and Carolina Ethics Line Project. Written Reports for Advisory Projects will be completed when deemed appropriate by the Chancellor and/or the ACRM chairperson. Written reports and close-out letters will be distributed to relevant and appropriate members of university management and UNC Board of Trustee members, as determined by the Chief Audit Officer in his or her reasonable discretion. The Chief Audit Office will also deliver a redacted copy of any Work Plan, Special Project, and Carolina Ethics Line Project report to the North Carolina Council of Internal Auditing. The chief audit officer will distribute Advisory Project Reports, if applicable, at the direction and request of the Chancellor and/or the ACRM. If a final engagement communication contains a significant error or omission, the chief audit executive must communicate corrected information promptly to all parties who received the original communication.

Internal audit reports will include management's response regarding corrective action taken or to be taken regarding the specific findings, including the estimated due date of implementation and the responsible party. If management elects not to correct a finding, its response should include a statement accepting the risk of choosing not to address a reported condition.

#### **X. Managing the Internal Audit Function**

- A. The chief audit officer has the responsibility to:
1. Submit, at least annually, to senior management and the ACRM Committee a risk-based internal audit plan for review and approval.
  2. Communicate with senior management and the ACRM Committee about the impact of resource limitations on the internal audit plan.
  3. Review and adjust the internal audit plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls.
  4. Communicate with senior management and the ACRM Committee any significant interim changes to the internal audit plan.
  5. Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised

resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties. If internal audit plan engagements are not completed by fiscal year-end, communicate to the ACRM the rationale as to why engagement work was unable to be completed.

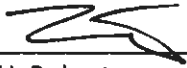
6. When necessary, assist or conduct consulting/consultative engagement, investigation, and special project engagement requests of significant noncompliance, control deficiencies, as well as suspected misuse, fraud, or abuse presented to the OIA for action by university leadership or by the ACRM Committee as defined in the ACRM Charter.
7. Follow up on engagement findings and corrective actions, and report periodically to senior management and the ACRM Committee any corrective actions not effectively implemented.
8. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
9. Ensure the internal audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
10. Ensure trends and emerging issues that could impact the University are considered and communicated to senior management and the ACRM Committee as appropriate.
11. Ensure emerging trends and successful practices in internal auditing are considered.
12. Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
13. Ensure adherence to the University's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the ACRM Committee.
14. Comply with Article 79 of Chapter 143 of the North Carolina General Statutes (NCGS) establishing the authority vested in the UNCH-CH Internal Audit function.
15. Ensure conformance of the internal audit department with the Standards, with the following qualifications:
  - If the internal audit department is prohibited by law or regulation from conforming with certain parts of the Standards, the chief audit officer will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
  - If the Standards are used in conjunction with requirements issued by other authoritative bodies, the chief audit officer will ensure the internal audit function conforms with the Standards, even if the internal audit function also conforms with the more restricted requirements of other authoritative bodies.

## **XI. Quality Assurance and Improvement Program**

- A. The internal audit department will maintain a quality assurance and improvement program that covers all aspects of the internal audit department. The program will include internal and external assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as a performance measurement to assess the internal audit function's progress toward achievement of its objectives and promotion of continuous improvement. The assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.
- B. Annually, the chief audit officer will communicate to the University Chancellor and the ACRM Committee on the internal audit department's quality assurance and improvement program,

including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the University, with at least one assessor holding an active Certified Internal Auditor credential.

**Approved:**



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Lee H. Roberts  
Chancellor  
University of North Carolina at Chapel Hill

7 Nov 24

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Date



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Vinay B. Patel  
Chair, Audit, Compliance, and Risk Management Committee  
University of North Carolina at Chapel Hill Board of Trustees

11/7/24

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Date



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Dean A. Weber  
Chief Audit Officer  
University of North Carolina at Chapel Hill

11-7-24

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Date

