



THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL  
Office of the Chancellor

## INTERNAL AUDIT CHARTER

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### **Introduction**

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the University of North Carolina at Chapel Hill (University). Internal auditing assists the University in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

### **Professionalism**

The Internal Audit Department (Department) will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including 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 principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the Department will adhere to the University's relevant policies and procedures and the Department's *Policies and Procedures Manual*.

### **Organization**

The Director of Internal Audit reports functionally to the Chairperson of the [Finance and Infrastructure Budget, Finance, and](#) Committee ([FICBFAC](#)) of the University's Board of Trustees (Board) and administratively (i.e. day to day operations) to the Chancellor of the University.

The ~~FIC BFAC~~ will approve all decisions regarding the appointment or removal of the Director of Internal Audit. . The Director of Internal Audit will communicate and interact directly with the Board including in executive sessions and between Board meetings as appropriate.

### **Authority**

The Department, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all University records, physical properties, and personnel pertinent to carrying out any audit project. All University employees are requested to assist the Department's staff in conducting audit projects. The internal audit activity will also have free and unrestricted access to the Board.

### **Independence and Objectivity**

The Department will remain free from interference regarding audit selection, scope, procedures, frequency, timing, or report content. In addition, Department staff will maintain an independent and objective mental attitude in all audit-related matters.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an internal auditor's judgment.

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Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being reviewed. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Director of Internal Audit will confirm to the Board, at least annually, the organizational independence of the internal audit activity.

### **Responsibility**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. These responsibilities include:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Monitoring and evaluating governance processes;
- Monitoring and evaluating the effectiveness of the organization's risk management processes;
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization;
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan;
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board; and
- Evaluating specific operations at the request of the Board or management, as appropriate.

### **Internal Audit Plan**

At least annually, the Director of Internal Audit will submit an internal audit work plan to the **FIC-BEAC** for review and approval. When necessary, the Director of Internal Audit will communicate the



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impact of resource limitations and significant interim changes to senior management and the ~~FIC-  
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The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the board. Any significant deviation from the approved internal audit plan will be communicated to senior management and the ~~FICBEAC~~ through periodic activity reports.

**Reporting and Monitoring**

The Director of Internal Audit or a designee will prepare a written report following the conclusion of each internal audit project other than small consulting projects. Audit reports and close-out letters will be distributed to appropriate members of University management, all members of the Board, UNC General Administration, and the Council of Internal Auditing.

Internal audit reports will typically include management’s response regarding corrective action taken or to be taken in regard to the specific findings. Management's response should include a timetable for anticipated completion of planned corrective action and an explanation for any findings that will not be corrected. If management elects not to correct a finding, its response should include a statement accepting the risk from choosing not to address a reported condition.

The Internal Audit Department will be responsible for appropriate follow-up on audit findings. All reported findings will remain in an open issues file until cleared.

**Periodic Assessment**

The Director of Internal Audit will periodically report to senior management and the Board on the internal audit activity’s purpose, authority, and responsibility, as well as performance relative to its work plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.

In addition, the Director of Internal Audit will communicate to senior management and the Board on the internal audit activity’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

Approved this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Director of Internal Audit

\_\_\_\_\_  
Chancellor

Chair~~personman~~ of the ~~Budget, Finance, and Audit~~Finance and Infrastructure Committee of the Board of Trustees



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