PURPOSE OF INTERNAL AUDITING
The Internal Audit Department (the Department) is an independent, objective assurance and consulting activity guided by a philosophy of adding value to improve the operations of the University. It assists the University in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the University’s governance, risk management, and internal controls.

INTERNAL AUDIT MISSION
To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

CORE PRINCIPLES
These principles articulate internal audit effectiveness. For an internal audit function to be considered effective, all principles should be present and operating effectively.

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organization.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organizational improvement.

PROFESSIONALISM
The Department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework, including the Definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Core Principles for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the Department’s performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to. In addition, the Department will adhere to the University’s relevant policies and procedures, policies and procedures in the State Internal Audit Manual published by the Council of Internal Auditing for the State of North Carolina, guidance issued by UNC System Office, and the Department’s standard operating procedures manual.
AUTHORITY
The Department, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the University’s records, physical properties, and personnel pertinent to the scope of any engagement. All University employees are required to assist the Department in fulfilling its roles and responsibilities. The Department will also have free and unrestricted access to the Audit, Compliance, and Enterprise Risk Management Committee (the Committee) of the Board of Trustees.

ORGANIZATION
The Chief Audit Officer (CAO) reports administratively to the Vice Chancellor for Institutional Integrity & General Counsel (General Counsel) with a clear and recognized reporting relationship to the Chancellor and the Committee.

The Committee will:
- Approve the Internal Audit Charter (the Charter).
- Approve the annual risk-based Internal Audit Plan (the Plan).
- Approve the Internal Audit Budget.
- Receive communications from the CAO on the Department’s performance relative to the Plan and other audit matters.
- Approve decisions regarding the appointment and removal of the CAO.
- Approve the remuneration of the CAO.
- Determine whether there are scope or resource limitations with regard to the Department that should be addressed.

The CAO will communicate and interact directly with the Committee, including in executive sessions and between Committee meetings as appropriate.

INDEPENDENCE AND OBJECTIVITY
The Department will remain free from interference by any element in the University, including matters of audit selection, scope, procedures, frequency, timing, or report content to maintain their necessary independent and objective judgment. The CAO will disclose any interferences to the Committee and discuss the implications.

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 the auditor’s judgment. Where the CAO has or is expected to have roles and or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

Internal Audit may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and will not be unduly influenced by their own interests or by others. If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties. At least annually, the CAO will confirm to the Committee the organizational independence and objectivity of the Department.
SCOPE AND RESPONSIBILITY
The scope of internal auditing encompasses, but is not limited to, the objective examination and evaluation of the adequacy and effectiveness of the University’s governance, risk management, and internal controls. This includes:

- Evaluating risk exposure relating to achievement of the University’s strategic objectives.
- 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 that could have a significant impact on the University.
- Evaluating the means of safeguarding assets and verifying the existence of such assets.
- 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 efficiently and effectively.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the University’s risk management processes.
- Performing consulting and advisory services related to governance, risk management, and control as appropriate for the University.
- Reporting periodically on the Department’s purpose, authority, and responsibility, as well as performance relative to the Plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Committee.
- Evaluating specific issues and operations at the request of the Committee or management.
- Ensuring the principles of integrity, objectivity, confidentiality, and competency are applied within the Department.
- Ensuring the Department collectively possesses or obtains knowledge, skills and other competencies needed to meet the requirements of the Internal Audit Charter.
- Ensuring trends and emerging issues that could impact the University are considered and communicated to senior management and the Committee.
- Ensuring emerging trends and successful practices in internal auditing are considered.
- Establishing and ensuring adherence to policies and procedures designed to guide the Department.
- Ensuring adherence to the University’s relevant policies and procedures. Any conflict with the Charter will be communicated to senior management and the Committee.
- Ensuring conformance with the Standards, or disclosing if prohibited by law or regulation.

INTERNAL AUDIT PLAN
At least annually, the CAO will submit to senior management and the Committee an Internal Audit Plan (the Plan) for review and approval. The Plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The CAO will communicate the impact of any resource limitations and significant interim changes to senior management and the Committee. The Plan will be developed using a risk-based methodology, including input of senior management and the Committee. The CAO will review and adjust the Plan, as necessary, in response to changes in the University’s risks, operations, programs, systems, and controls. Any significant deviation from the approved Plan will be communicated to senior management and the Committee through periodic activity reports.
COORDINATION AND RELIANCE
The CAO should share information, coordinate activities, and consider relying upon the work of other internal or external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.

REPORTING AND MONITORING
A written report will be prepared and issued by the CAO or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Committee. The internal audit report will include management’s response and corrective action taken, or to be taken, in regard to the specific findings and recommendations. Management’s response will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Department will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open-issues file until cleared. When the CAO concludes that management has accepted a level of risk that may be unacceptable to the University, the CAO must discuss the matter with senior management. If the CAO determines that the matter has not been resolved, the CAO must communicate the matter to the Committee.

The CAO will periodically report to senior management and the Committee on the Department’s purpose, authority, and responsibility, as well as performance relative to the 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 Committee. The Committee may periodically meet privately with the CAO to allow for discussion of sensitive topics.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM
The Department will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the Department’s conformance with the mandatory guidance published by the Institute of Internal Auditors and an evaluation of whether internal auditors apply the Code of Ethics. The program will also assess the efficiency and effectiveness of the Department and identify opportunities for improvement. At least annually, the CAO will communicate to senior management and the Committee on the Department’s quality assurance and improvement program, including results of ongoing internal assessments, and any external assessments which are conducted at least every five years.

Approved:

[Signatures]

Date 10/6/2021

Date 10/6/2021

Date 10/7/21

Date 10/6/2021

Chief Audit Officer

Vice Chancellor for Institutional Integrity & General Counsel

Chancellor, UNC Charlotte

Chair, Audit, Compliance, and ERM Committee

UNC Charlotte Board of Trustees