



James E. Shepard, Founder

Internal Audit Charter

NORTH CAROLINA CENTRAL UNIVERSITY INTERNAL AUDIT CHARTER Effective September 2015

MISSION

The mission of the Internal Audit Office (IAO) is to support the university in the successful achievement of its strategic goals. This is accomplished by serving as an independent partner to university leadership, faculty and staff in the identification and balancing of their units' risks through objective, flexible and proactive audit and consultation services.

PURPOSE AND SCOPE

The purpose of the IAO is to provide independent, objective, assurance and consulting services designed to add value and improve the university's operations. The IAO assists the university in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Guided by a value-driven philosophy of partnering with other departmental units, the IAO assists in continuously improving the operations of the university.

The scope of work of the IAO is to determine whether the university's network of risk management, control and governance processes, as designed and represented 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 operational 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;
- 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 may be communicated to the appropriate level of management.

STANDARDS OF AUDIT PRACTICE

The Internal Audit Office will meet or exceed 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 IAO's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to, as applicable, to guide operations. The IAO will also meet or exceed the U.S. Government Accountability Office's *Government Auditing Standards (The Yellow Book)*, as well as other professional standards as appropriate. In addition, the IAO will adhere to the University's relevant policies and procedures, to the State of North Carolina's relevant regulations, and to the IAO's standard operating procedures manual.

AUTHORITY

The IAO, with strict accountability for confidentiality and safeguarding records and information, is authorized to:

- Have full, free and unrestricted access to all university functions, data, information, records, manual and automated systems, property, and personnel;
- Have unrestricted access to external persons and records as a result of all contracts and grants entered into by the university;
- Have direct access to the chancellor of North Carolina Central University and shall present to the chancellor any matter considered to be of sufficient importance to warrant attention, or that has been brought to the IAO for review;
- Have free and unrestricted access to the audit committee of the Board of Trustees;
- Audit or review any function, activity or unit of the university and the accounts of all organizations required to submit financial statements to the University;
- Allocate resources, set frequencies, select subjects, determine scope of work and apply the techniques required to accomplish the audit objectives;
- Obtain the necessary assistance of personnel in units of the university, as well as other specialized services from within or outside the university.

In order to maintain an effective spirit of independence and objectivity, the IAO shall have no day-to-day authority or operating responsibilities for the management processes, activities or the

internal controls that it audits or reviews. Thus, compliance and audit activities do not relieve university administrators, staff and faculty of the responsibilities assigned to them.

Further, the IAO is not authorized to:

- Perform any operational duties for the university or its affiliates;
- Initiate or approve accounting or other transactions external to the IAO;
- Direct the activities of any university employee not employed by the IAO, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

INDEPENDENCE AND OBJECTIVITY

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 IAO, its personnel report to the chief audit officer. The chief audit officer reports administratively to the chancellor of North Carolina Central University and functionally to the audit committee of the Board of Trustees.

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, nor engage in any other activity that may impair internal auditor's judgment.

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

The chief audit officer will confirm to the audit committee, at least annually, the organizational independence of the IAO.

RESPONSIBILITY

The IAO staff has the responsibility to maintain exemplary ethics, integrity, and objectivity in the performance of their duties.

The chief audit officer and staff of the IAO have responsibility to:

- Develop a flexible annual audit plan based on an appropriate risk-based methodology 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, the chancellor, or the audit committee;
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the university and avoiding redundancies in audit effort;
- Assist and/or conduct the investigation of suspected fraudulent activities within the university in cooperation with the chief of police and/or general counsel, notify the chancellor and the audit committee of the results, and report as required to outside agencies;
- Provide, as appropriate, consulting services to management that add value and promote the best interests of the university;
- Establish a quality assurance program by which the chief audit officer assures the operations of internal auditing activities are acceptable;
- Maintain appropriate professional development to ensure that staff has the skills and abilities to perform audit assignments;
- Evaluate significant new or changing services, systems, processes, operations, and control processes, as deemed necessary, coincident with their development, implementation and/or expansion;
- Submit written and timely reports to the chancellor, the audit committee and appropriate members of management at the conclusion of each engagement to acknowledge satisfactory performance or to set forth findings and/or recommendations for correction or improvement;
- Inform the chancellor and audit committee promptly of emerging trends regarding internal controls, risk management, governance and internal auditing;
- Provide a mechanism for whistleblowing including receiving, resolving, and retaining records of complaints regarding accounting, internal controls, and auditing matters;
- Submit at least annually this charter to the audit committee for review and approval.

INTERNAL AUDIT PLAN

At least annually, the chief audit officer will submit to the chancellor and the audit committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as resource requirements for the next fiscal year.

The internal audit plan will be developed based on a risk-based methodology, including any risks or control concerns identified by senior management, the chancellor, or the audit committee. Any significant deviation from the approved internal audit plan will be communicated to the chancellor and the audit committee through periodic activity reports.

REPORTING AND MONITORING

A written report will be prepared and issued by the chief audit officer following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the audit committee.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The IAO will be responsible for appropriate follow-up on engagement findings and recommendations. Any significant findings will be monitored for appropriate and timely resolution.

PERIODIC ASSESSMENT

The chief audit officer will periodically report to senior management and the audit committee on the IAO's purpose, authority, and responsibility, as well as performance relative to its 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, the chancellor or the audit committee.

In addition, the chief audit officer will communicate to senior management, the chancellor, and the audit committee on the IAO's quality assurance and improvement program, including results of ongoing internal assessments and of external assessments conducted at least every five years.

Reviewed and approved by:

_____ Date: _____
Chairman of the Audit Committee
Board of Trustees

_____ Date: _____
Chancellor
North Carolina Central University

NOTE: The executed copy of the Internal Audit Charter for the current fiscal year is located in the Administrative cabinet in the office of the Director and the Board of Trustees folder.