Western Carolina University
Internal Audit Charter

(Revised December 15, 2023)

Purpose of Internal Auditing
The purpose of Western Carolina University’s (hereinafter University) Office of Internal Audit (hereinafter OIA) is to provide independent, objective assurance and consulting services designed to add value and improve University operations. The OIA helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Assurance Services
Assurance services involve the internal auditor’s objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of an assurance engagement are determined by the internal auditor.

Consulting Services
Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. When performing consulting services, the internal auditor should maintain objectivity and not assume management responsibility.

Internal Audit Mission
To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

Ethics and Professionalism
The OIA will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors’ (hereinafter IIA) International Professional Practices Framework (hereinafter IPPF), including the Definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (hereinafter 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 OIA’s performance. The OIA will adhere to the University’s relevant policies and procedures, all applicable requirements set forth by the UNC Board of Governors, UNC System Office, NC General Statutes, the NC Council of Internal Auditing, including the guidelines documented in the State Internal Audit Manual, as well as the OIA’s Standard Operating Procedures.

Authority
The Chancellor and the Finance and Audit Committee (hereinafter Committee), through the University’s Board of Trustees (hereinafter Board), have delegated the necessary authority to the OIA to establish, maintain and assure that it has sufficient authority to fulfill its duties. This is a result of both the Chancellor and the Board, through the Committee approving this Internal Audit Charter (hereinafter Charter) and risk-based audit plan (hereinafter Plan). The Chief Audit Officer (hereafter CAO) will communicate performance relative to the Plan and other matters to the Chancellor and the Committee.
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The Charter authorizes the CAO to:

- Have unrestricted access to, communicate with and interact directly with the Chancellor and the Committee, including private meetings with the Committee without management present.
- Have 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, subject to accountability for the confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the University’s personnel, as well as other specialized services from within or outside the University, as policy and laws permit, to facilitate completion of audit engagements.

Organization
The CAO reports administratively (i.e., day-to-day operations) to the General Counsel and functionally to the Chancellor and the Committee. To establish, maintain, and assure that the University’s OIA has sufficient authority to fulfill its duties, the Committee will govern the OIA and:

The Committee will:

- Review and recommend to the Board for approval, the Internal Audit Charter (hereinafter Charter).
- Review and recommend to the Board for approval, the annual risk-based Plan.
- Review (at least annually), the Charter, and revise as needed.
- Confirm and assure the independence of the internal audit function (at least annually).
- Review and concur in the appointment, replacement, or dismissal of the CAO, and the compensation package.
- Review and assure the OIA has appropriate budget and resources.
- Review and concur with the CAO’s performance appraisal.
- Review and accept internal audit reports, when issued.
- Review and accept OIA communications on follow-up of previously reported engagement findings and recommendations, when issued.
- Resolve disagreements between internal audit and management concerning audit findings and recommendations, as needed.
- Receive communications from the CAO on the OIA’s performance relative to its Audit Plan and other matters.
- Make appropriate inquiries of management and the CAO to determine whether there are inappropriate scope or resource limitations.

The Chancellor has the responsibility to:

- Notify the Committee of decisions regarding the appointment, replacement or removal of the CAO.
- Approve the remuneration of the CAO and inform the Committee.
- Make appropriate inquiries of management and the CAO to determine whether there is inappropriate scope or resource limitations.
Scope and Responsibility of Internal Audit Activities
The scope of Internal Audit activities 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 the achievement of the University’s strategic objectives, to ensure they are appropriately identified and managed.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the processes and information systems established to ensure compliance with those policies, 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 resources are utilized efficiently and effectively.
- Monitoring and evaluating governance processes.
- Assessing the adequacy, effectiveness and efficiency of Risk management processes and internal control systems.
- Performing consulting and advisory services related to governance, risk management, and control as appropriate for the University.
- Reporting periodically on the OIA’s purpose, authority, and responsibility, as well as performance relative to the Plan.
- Assessing significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Committee or management.
- Ensuring trends and emerging issues that could impact the University are considered and communicated to senior management and the Committee.
- Establishing and ensuring adherence to policies and procedures designed to guide the OIA.
- 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.
- Assessing whether actions of the University’s officers, directors, employees, and contractors comply with applicable laws, regulations, governance standards, and University policies and procedures.

Independence and Objectivity
The OIA 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.

The OIA will have no direct operational responsibility or authority over any of the activities audited. Accordingly, the OIA will not implement internal controls, procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. Where the CAO has or is expected to
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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. The auditors will make a balanced assessment of all 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.

**OIA Responsibilities include, but are not limited to the following:**

- Adhering to Ethics, the CAO will ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Performing Risk Assessments.
- Creating an annual risk-based Audit Plan, approved by the Chancellor, presented to the Committee, and approved by the Board.
- Reporting (communicating results, recommendations, and action plans).
- Following up on action plans to ensure appropriate corrective action has occurred.
- Ensure adherence to (University) policies and procedures, unless such policies and procedures conflict with this Charter. Any such conflicts will be resolved or otherwise communicated to the Chancellor and the Committee.
- Ensure conformance of the OIA with the Standards.
- Maintaining a Quality Assurance and Improvement Plan (QAIP).

**Creating a Risk-Based Audit Plan**

The CAO will:

- Submit, at least annually, to senior management, and the Board, through the Committee, and to the Chancellor, a risk-based internal audit plan for review and approval. Senior management should be notified of the resources necessary to implement the Plan.
- Review and adjust the Plan as needed, in response to changes in the University’s business, risks, operations, programs, systems, and controls.
- Communicate to senior management, through the Chancellor, and to the Committee any significant interim changes to the Plan.
- Ensure that each engagement on the Plan is properly 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.
- Ensure the OIA collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this Charter.
- Ensure emerging trends and successful practices in internal auditing are considered.
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- Establish and ensure adherence to policies and procedures designed to guide the OIA.

Reporting
The CAO will:

- Report periodically, but at least semiannually, to the Chancellor and to the Committee results of audit engagements, follow-up engagements, and corrective actions that have not been effectively implemented.
- Report periodically as needed to the Chancellor and to the Committee significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by the Chancellor or the Committee.
- Report quarterly or sooner if the need arises any responses to risk by management that may be unacceptable to the University.
- Communicate periodically as needed regarding trends and emerging issues that could impact the University, to the Chancellor and the Committee.
- Communicate quarterly or sooner, to the Chancellor and the Board, through the Committee, any interference, and related implications in determining the audit scope, performing work, and/or in communicating results.
- Report at least annually to the Chancellor and to the Committee regarding the OIA’s purpose, authority, and responsibility; the OIA’s plan and performance relative to its plan and allocated resources.
- Confirm to the Chancellor and the Board, through the Committee, at least annually or sooner if the need arises, the organizational independence and objectivity of the OIA.
- Report the OIA’s conformance with the Standards, and action plans to address any significant conformance issues.

Self-Assessment Maturity Model (SAMM)
The OIA will complete the SAMM annually, as required by the NC Council of Internal Auditing. The SAMM provides structure to the process of maintaining a Quality Assurance and Improvement Program (QAIP). The SAMM provides a framework for assessing the OIA, and its’ adherence to internal auditing standards and best practices. The assessment is intended to identify areas of strength and areas that may require improvement, or areas that may require further development. The results from the SAMM will be communicated to the Chancellor and the Committee.

Quality Assurance Review (QAR)
A QAR is an external assessment that must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the University. The CAO must discuss the form and frequency of the external assessment, the qualifications and independence of the assessor or assessment team, together with the results of the review with the Chancellor and the Committee.
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Approval/Signatures

Gary Malloy, Chief Audit Officer

Kelli Brown, Chancellor

Kathryn Greeley, Chair of the Board of Trustees

12/15/2023

Date

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