

NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

Dr. James C. Williamson

President

INTERNAL AUDIT CHARTER

Purpose

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the North Carolina Community College System Office operations. It helps the System Office accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The purpose of the Internal Audit Department is to provide the President an independent appraisal of the adequacy and the effectiveness of the Systems Office's system of internal administrative and accounting controls and the quality of performance when compared with established standards. The primary objective is to assist the State Board, the President and System Office management in the effective discharge of their responsibilities.

Role

N.C.G.S. Article 79 of Chapter 143 establishes an internal audit program in each state agency that:

- Promotes an effective system of internal controls that safeguards public funds and assets and minimizes incidences of fraud, waste, and abuse.
- Determines if programs and business operations are administered in compliance with federal and state laws, regulations, and other requirements.
- Reviews the effectiveness and efficiency of agency and program operations and service delivery.
- Periodically audits the agency's major systems and controls, including:
 - Accounting systems and controls.
 - Administrative systems and controls.
 - Information technology systems and controls.

Professionalism

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, the Core Principles, 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 requirement within General Statute Chapter 143, Article 79 will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the relevant policies and procedures of the North Carolina Community College System Office.

Authority

The Internal Audit Department is an integral part of the North Carolina Community College System Office and functions within established policies.

The Internal Audit Department will have unrestricted access to all System activities; records, both manual and electronic; property; and personnel relevant to any area being reviewed. Members of the Internal Audit Department staff will handle all documents and other information acquired in the course of their duties prudently.

Organization

The Director of Internal Auditing reports functionally to the System President. The Director staffs the Accountability and Audit Committee of the State Board of Community Colleges. The committee:

- Reviews and approves the internal audit charter.
- Reviews and approves the internal audit plan.
- Receives communications from the Director on the internal audit activity's performance relative to its plan and other matters.
- Makes appropriate inquiries of management and the Director to determine whether there is inappropriate scope or resource limitations.

The Director of Internal Audit will communicate and interact directly with the Accountability and Audit Committee of the State Board of Community Colleges, including between State Board meetings as appropriate.

Independence and Objectivity

The Internal Audit Department intends to adhere to the North Carolina Internal Audit Act, North Carolina Internal Audit Manual, Standards for the Professional Practice of Internal Auditing, Code of Ethics, and when appropriate, the Government Auditing Standards. The Department's internal auditors will uphold the principles of integrity, objectivity, confidentiality, and competency. Internal auditors will be independent of the activities or operations they review; they will not engage in any activity which would impair their independence.

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 his/her judgment.

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 not be unduly influenced by their own interests or by others in forming judgments.

Responsibility

The scope of the Internal Audit Department includes:

- Determining if the System's controls and processes are ensuring the reliability and integrity of financial and operating information.
- Compliance with policies, plans, procedures, laws and regulations that could have a significant impact on the System.
- Providing assistance with safeguarding of assets when appropriate.
- Investigating suspected fraud within the organization and apprise the President of the results.
- Providing consulting and advisory services to management that add value and improve the governance, risk management, and control processes when advisable and appropriate

Internal Audit Plan

The Director of Internal Audit Director will submit to the System President and the Accountability and Audit Committee of the State Board of Community Colleges on an annual basis an internal audit plan for review and approval. The Internal Audit Director will communicate any interim changes to the System President and Accountability and Audit Committee.

Reporting and Monitoring

A written report will be prepared and issued by the Director of Internal Audit following the conclusion of each internal audit engagement and will be appropriately distributed.

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.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations.

The Director of Internal Audit will periodically report to senior management and the Accountability and Audit Committee of the State Board of Community Colleges on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan.

Quality Assurance and Improvement Program

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an annual evaluation of the Director along with follow up related to engagement performed.

The Director of Internal Audit will communicate to senior management and the Accountability and Audit Committee of the State Board of Community Colleges 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.

James Williamson, President NC Community College System Approval Date

Bryan W. Jenkins, Director of Internal Auditing Approval Date