

Western Carolina University Internal Audit Charter

Purpose and Mission

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's operations. The mission of the OIA is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. 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.

Standards for the Professional Practice of Internal Auditing

The OIA will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, *the International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing.

Authority

The Chancellor and the Finance and Audit Committee, through the University's Board of Trustees (hereinafter Board), have delegated the necessary authority to the OIA to establish, to maintain and assure that it has sufficient authority to fulfill its duties. This is because the Chancellor and the Board, through the Finance and Audit Committee approve the this Internal Audit Charter (hereinafter Charter) and risk based audit plan and receive communications from the Chief Internal Auditor (hereinafter CIA) on performance relative to the plan and other matters. The Charter authorizes the CIA to:

- Have unrestricted access to, and communicate and interact directly with the Chancellor and the Finance and Audit Committee, including private meetings without management present.
- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for 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 necessary personnel of the University, as well as other specialized services from within or outside the University, as policy and law permits, in order to complete the engagement.

The CIA will report administratively (i.e., day-to-day operations) to the Chancellor and functionally to the Finance and Audit Committee.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Chancellor and the Finance and Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the University. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of University strategic objectives are appropriately identified and managed;
- Risk management processes and internal control systems are adequate, effective, and efficient;
- The actions of the University's officers, directors, employees, and contractors are in compliance with University's policies, procedures, and applicable laws, regulations, and governance standards.
- Operations or programs are being carried out effectively and efficiently.
- The results of operations or programs are consistent with established goals and objectives.
- Established processes and information systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the University.

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- Information and the means used to identify, measure, analyze, classify, and report such information is reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The CIA also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The OIA may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Office of Internal Audit does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Independence and Objectivity

The CIA will ensure that the OIA remains free from all conditions that threaten the ability of its employees to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CIA determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

The CIA and staff of the OIA will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

The CIA and the staff of OIA will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the University or its affiliates.
- Initiating or approving accounting transactions external to Office of Internal Audit.
- Directing the activities of any University employee not employed by the Office of Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.
- **Therefore, OIA staff will serve only in an advisory capacity regarding the matters listed above.**

Where the CIA has, or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

Responsibilities (Adhering to Ethics; Performing a Risk Assessment and Creating the Audit Plan; Reporting; and Maintaining a Quality Assurance and Improvement Plan)

Adhering to Ethics

The CIA will:

- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.

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- Ensure conformance of the OIA with the Standards, with the following qualifications: If the OIA is prohibited by law or regulation from conformance with certain parts of the Standards, the CIA will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards. If the Standards are used in conjunction with requirements issued by the Institute of Internal Auditors the CIA will ensure that the OIA conforms to the Standards, even if the OIA also conforms to the more restrictive requirements of the Institute of Internal Auditors.
- 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 Finance and Audit Committee.

Performing a Risk Assessment and Creating the Audit Plan:

The CIA will:

- Submit, at least annually, to senior management, and the Board through the Finance and Audit 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 internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls.
- Communicate to senior management, through the Finance and Audit Committee and to the Chancellor any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is 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.
- Establish and ensure adherence to policies and procedures designed to guide the OIA.

Reporting

The CIA will:

- report quarterly to the Chancellor and to the Finance and Audit Committee results of audit engagements, follow up engagements, and corrective actions that have not been effectively implemented.
- report quarterly to the Chancellor and to the Finance and Audit Committee significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Chancellor and the Finance and Audit Committee.
- report quarterly or sooner if the need arises any response to risk by management that may be unacceptable to the University.
- disclose quarterly trends and emerging issues that could impact the University are considered and communicated to the Chancellor and the Finance and Audit Committee as appropriate.
- disclose quarterly, or sooner as needed, to the Chancellor and the Board, through the Finance and Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.
- report annually to the Chancellor and to the Finance and Audit 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 Finance and Audit Committee, at least annually or sooner if the need arises, the organizational independence of the OIA.
- report the OIA's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues every five years.

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Maintaining a Quality Assurance and Improvement Program

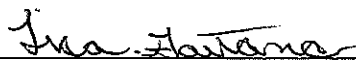
The OIA will maintain a quality assurance and improvement program that covers all aspects of the OIA. The program will include an evaluation of the OIA's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the OIA and identify opportunities for improvement.

The CIA will communicate to the Chancellor and the Finance and Audit Committee on the OIA's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the University.

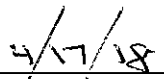
The Chancellor has the responsibility to:

- Notify the Finance and Audit Committee of decisions regarding the appointment and removal of the CIA.
- Approve the remuneration of the CIA.
- Make appropriate inquiries of management and the CIA to determine whether there is inappropriate scope or resource limitations.

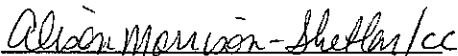
Approval/Signatures



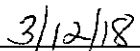
Lisa Gaetano, Chief Internal Auditor



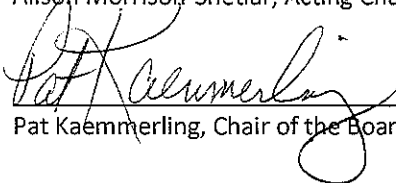
Date



Alison Morrison-Shetlar, Acting Chancellor



Date



Pat Kaemmerling, Chair of the Board of Trustees

Date