



## INTERNAL AUDIT CHARTER

### DEFINITION OF INTERNAL AUDITING

Internal Audit is an independent and objective assurance activity guided by a philosophy of adding value to improve the operations of Buncombe County. It assists the County in accomplishing its objectives by using a systematic and disciplined approach to evaluate and improve the effectiveness of the County's governance, risk management, and internal controls.

### MISSION

To enhance and protect organizational value by providing risk-based and objective assurance and recommendations.

### 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.

### GOVERNANCE

Internal Audit will govern itself by adherence to Government Auditing Standards, issued by the United States Government Accountability Office. The Standards provide a framework for performing high-quality work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations. In addition, the internal audit activity will adhere to relevant 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 Buncombe County Board of Commissioners and its delegates, and the Internal Audit function's standard operating procedures manual.

## **AUTHORITY**

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the County's records, physical properties, and personnel pertinent to the scope of any engagement. All County employees are requested to assist Internal Audit in fulfilling its roles and responsibilities.

## **ORGANIZATION**

The Internal Audit Director reports administratively to the County Manager with clear and recognized access and reporting to the Buncombe County Board of Commissioners and the Audit Committee. Upon consideration of the recommendations of the County Manager, the Audit Committee will:

- Approve the internal audit charter.
- Approve the annual risk-based internal audit plan.
- Review the internal audit budget and resource plan.
- Receive communications from the Internal Audit Director on the internal audit activity's performance relative to its plan and other matters.
- Approve decisions regarding the appointment, discipline or removal of the Internal Audit Director as per the Buncombe County Personnel Ordinance.
- Review the remuneration of the Internal Audit Director.
- Determine whether there are scope or resource limitations that should be addressed.

The Internal Audit Director will attend meetings of the Audit Committee and communicate with its members, including in closed sessions and between Audit Committee meetings as appropriate and as allowed by North Carolina General Statutes.

## **INDEPENDENCE AND OBJECTIVITY**

Internal Audit will remain free from interference by any element in the County, including matters of audit selection, scope, procedures, frequency, timing, or report content to maintain their necessary independent and objective judgment.

The Internal Audit Director 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.

The Internal Audit Director will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. The Internal Audit Director will make a balanced assessment of all the relevant circumstances and will not be unduly influenced by their own interests or by others. The Internal Audit Director will confirm to the Audit Committee, at least annually, the organizational independence and objectivity of the internal audit activity.

## **RESPONSIBILITY**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the County's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the County'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 County.
- Evaluating the means of safeguarding assets and, as appropriate, 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.
- Evaluating governance processes.
- Evaluating the effectiveness of the County's risk management processes.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific issues and operations at the request of the Board or management, as appropriate.

## **INTERNAL AUDIT PLAN**

At least annually, the Internal Audit Director will submit an internal audit plan to senior management for further recommendations and to the Audit Committee for approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The Internal Audit Director will communicate the impact of any resource limitations and significant interim changes to senior management and the Audit Committee. The internal audit plan will be developed using a risk-based methodology, including input of senior management and the Audit Committee. The Internal Audit Director will review and adjust the plan, as necessary, in response to changes in the County's risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit Committee through periodic activity reports.

## **REPORTING AND MONITORING**

A written report will be prepared and issued by the Internal Audit Director 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 Audit 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.

Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Internal Audit Director will periodically provide updates to senior management and report to the Audit Committee on Internal Audit'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 and the Audit Committee. A subcommittee of the Audit Committee will periodically meet privately with the Internal Audit Director to allow for discussion of sensitive topics.

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

Internal Audit will develop and maintain a quality control and assurance program that covers all aspects of the internal audit activity. The program will include an evaluation of Internal Audit's conformance with the Government Auditing Standards published by the United States Government Accountability Office. The program will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement. The Internal Audit Director will communicate to senior management and the Audit Committee on the quality control and assurance program, including results of ongoing internal assessments and external assessments conducted.