



Guilford County, North Carolina

Internal Audit Charter

Introduction

Internal Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Guilford County. It assists Guilford County in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

Role

The Internal Audit Department is established by the Guilford County Board of Commissioners, and its responsibilities are defined by the Audit Committee of the Guilford County Board of Commissioners as part of their oversight function.

Professional Standards

The Internal Audit staff shall govern themselves by adherence to The Institute of Internal Auditors' "Code of Ethics." The Institute's "*International Standards for the Professional Practice of Internal Auditing*" (*Standards*) shall constitute the operating procedures for the department. The Institute of Internal Auditors' "Practice Advisories" will be adhered to as applicable. In addition, Internal Auditing will adhere to Guilford County policies and procedures.

Authority

Authority is granted for full, free, and unrestricted access to any and all of Guilford County records, physical properties, and personnel relevant to any function under review. All employees are requested to assist Internal Audit in fulfilling their staff function. Internal Audit shall also have free and unrestricted access to the Chairman of the Board of County Commissioners and the Audit Committee of the Board of County Commissioners. Documents and information given to Internal Audit during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.

Organization

The Chief Audit Executive shall report administratively to the County Manager and functionally to the Audit Committee of the Board of County Commissioners.

Independence

All Internal Audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports. Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

Audit Scope

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. It includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the organization is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising the economy and efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing specific operations at the request of the Audit Committee or management, as appropriate.
- Perform consulting services, beyond internal audit's assurance services, to assist management in meeting its objectives. Examples may include facilitation, reviewing process design, training and advisory services.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with the development, implementation, and/or expansion of County operations.
- Monitoring and evaluating the effectiveness of the organization's risk management system.
- Review the internal control statement by senior management and the related opinion by the

attest auditor for audit planning.

- Establish a quality assurance program by which the Chief Audit Executive assures the quality of operations of the Internal Audit activity.

Audit Planning

Annually, the Chief Audit Executive shall submit to senior management and the Audit Committee a summary of the audit work schedule, staffing plan, and budget for the following fiscal year. The audit work schedule is to be developed based on a prioritization of the audit universe using a risk-based methodology. Any significant deviation from the formally approved work schedule shall be communicated to senior management and the Audit Committee through periodic activity reports.

Reporting

A written report will be prepared and issued by the Chief Audit Executive or designee following the conclusion of each audit and will be distributed as appropriate. A copy of each audit report will be forwarded to the Chief Executive Officer. The Chief Audit Executive or designee may include in the audit report the auditee's response and corrective action taken or to be taken in regard to the specific findings and recommendations. In cases where a response is not included within the audit report, management of the audited area should respond, in writing, within thirty days of publication to Internal Audit and those on the distribution list.

Periodic Assessment

The Chief Audit Executive should periodically assess whether the purpose, authority, and responsibility, as defined in this charter, continue to be adequate to enable the internal audit activity to accomplish its objectives. The result of this periodic assessment should be communicated to senior management and the Board of County Commissioners.

Approved this _____ day of _____, _____.

Chairman of the Board of County Commissioners

Chairman of the Audit Committee of the Board of County Commissioners

Chief Executive Officer

Chief Financial Officer

Chief Audit Executive