NCDA&CS
Internal Audit Division

Audit Charter

Purpose

The purpose of the internal audit function is to strengthen the North Carolina Department of Agriculture and Consumer Services'[1] (Herein referred to as the Department) ability to create, protect, and sustain value by providing Senior Leadership with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the Department's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Commitment to Adhering to the Global Internal Audit Standards

The internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Global Internal Audit Standards and Topical Requirements. The Chief Audit Officer (CAO) will report at least annually on conformance with the Standards through the quality assurance and improvement program and will disclose and document any required deviations where conformance is restricted by law or regulation, consistent with Standard 4.1.

Governance Structure in the Public Sector (Definitions and Application)

Governing Body / "Board." For purposes of this Charter and application of the Standards, the Commissioner, Chief of Staff, Chief Deputy Commissioner of Administration, and Assistant Commissioners collectively serve as the Department's highest-level governing body for internal audit oversight (the "Senior Leadership Team"). Where the Standards refer to duties of a "board," those responsibilities are carried out by this Senior Leadership Team unless otherwise required by law, regulation, or Department policy. This usage is consistent with the Standards' glossary, which specifies that when a formal board or audit committee does not exist, "board" refers to the group or person acting as the organization's highest-level governing body.

Chief Executive Officer (CEO). For Standards application, the Commissioner of Agriculture functions as the Department's CEO (head of the organization) to whom Senior Leadership and the internal audit function are ultimately accountable.

[1] This also applies to the North Carolina Tobacco Trust Fund Commission, for which the Department provides some administrative services (budget and finance, information technology, internal audit, etc.).

Public Sector Adaptation. The Department operates within a public-sector legal and governance framework. Where statutes or public-sector conditions limit the ability to implement specific "board" practices (e.g., budget approval, private sessions, or mandated external assurance requirements), the Department will implement alternative procedures to meet the intent of the Standards and document such alternatives in the Charter and methodologies.

Mandate

The Internal Audit Division will adhere to the requirements in N.C. General Statute Chapter 143, Article 79, which establishes the Department's internal audit function, including the programmatic objectives, standards conformance, appointment and qualifications, reporting requirements, and fraud referral provisions.

Authority

The internal audit function's authority derives from its direct access to the Department's Senior Leadership Team (as governing body) and the Department's activities. Internal audit is authorized to:

- Have full, free, and unrestricted access to functions, systems, data, records, information, personnel, and physical properties pertinent to carrying out responsibilities, subject to confidentiality and safeguarding requirements.

- Allocate resources, set frequencies, select subjects, determine scopes, apply methodologies, and issue communications needed to accomplish its objectives.

- Obtain assistance from Department personnel and specialized services inside or outside the Department to complete internal audit services.

All employees are expected to cooperate with internal audit requests in a timely manner.

Protection of Information and Confidentiality

Internal audit staff will use and protect information appropriately and comply with applicable laws, regulations, and Department policies on confidentiality, information privacy, and security, including retention, release, and disposal of engagement records, consistent with Standards 5.1–5.2 and public-sector disclosure requirements.

Independence, Organizational Position, and Reporting Relationships

To maintain organizational independence:

The CAO reports administratively to the Chief Deputy Commissioner of Administration and functionally to the Commissioner and the Senior Leadership Team (the governing body for internal audit purposes). This positioning enables the CAO to bring matters directly to Senior Leadership and escalate as necessary without interference.

The CAO will confirm organizational independence at least annually to the governing body, including disclosure of any actual or perceived impairments and safeguards, consistent with Standard 7.1.

If the governance structure limits independence (e.g., statutory budget processes or mandated HR frameworks), the CAO will document those characteristics and establish safeguards (e.g., independent oversight, external assurance, or alternative reporting practices) to achieve the principle of independence.

Changes to the Mandate and Charter

The CAO will initiate a follow-up discussion with Senior Leadership when circumstances arise that could affect the mandate or Charter (e.g., significant changes in the Standards, Department reorganization, leadership changes, risk profile shifts, or new laws/regulations). The Charter will be reviewed at least annually with Senior Leadership and updated as needed.

Governing Body Oversight (Senior Leadership Team)

To establish, maintain, and ensure the Department's internal audit function has sufficient authority to fulfill its duties, Senior Leadership will:

- Discuss with the CAO the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the CAO has unrestricted access to and communicates and interacts directly with Senior Leadership (including in private meetings without the Chief Deputy Commissioner of Administration present).
- Discuss with the CAO other topics that should be included in the internal audit charter.
- Participate in discussions with the CAO about the "essential conditions" described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the CAO to consider changes affecting the Department, such as changes in the type, severity, and interdependencies of risks to the Department, and approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Provide input into the internal audit function's human resources administration and budgets.
- Review the internal audit function's expenses.

- Provide input on the appointment and removal of the CAO, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input on the CAO's performance.
- Receive communications from the CAO about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries to the CAO to determine whether scope or resource limitations are inappropriate.

Chief Audit Officer Roles and Responsibilities

Ethics and Professionalism

The Chief Audit Officer will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Department and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the Department.
- Report behavior that is inconsistent with the Department's ethical expectations, as described in applicable policies and procedures.

Objectivity

The CAO will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CAO determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the Department or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Department employee who is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties including the CAO at least annually.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The Chief Audit Officer has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Senior Leadership Team. Discuss the plan with the Chief Deputy Commissioner of Administration and submit the plan to the Senior Leadership Team for review and approval. The CAO reserves the right to adjust the annual audit plan to accommodate emerging risks and priorities and will communicate any changes to the plan in writing to Senior Leadership along with the rationale for the changes.
- Communicate the impact of resource limitations on the internal audit plan to the Senior Leadership Team.
- Review and adjust the internal audit plan, as necessary, in response to changes in Department's business, risks, operations, programs, systems, and controls.
- Communicate with Senior Leadership if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and applicable laws and/or regulations.

- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Senior Leadership Team annually and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Department and communicate them to Senior Leadership as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the Department's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to senior leadership.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CAO cannot achieve an appropriate level of coordination, the issue must be communicated to the Chief Deputy Commissioner of Administration and if necessary escalated to the Senior Leadership Team.

Communication with Senior Leadership

The CAO will report annually to the Senior Leadership Team regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for Senior Leadership that could interfere with the achievement of the Department's strategic objectives.

- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Department's risk appetite.

Quality Assurance and Improvement Program

The CAO will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives (productivity, efficiency, effectiveness, and quality) and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the CAO will communicate with Senior Leadership about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments). External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Department; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential. The CAO will report the results of external assessments to Senior Leadership.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the Department, including all the Department's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to Senior Leadership on the adequacy and effectiveness of governance, risk management, and control processes for the Department.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Department's strategic objectives are appropriately identified and managed.

- The actions of the Department's officers, directors, management, employees, and contractors or other relevant parties comply with the Department's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, and ethically.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Department.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information are reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved by Senior Leadership.

Commissioner	6/29/26 Approval Date
Chief of Staff	6/29/2026 Approval Date
Chief Deputy Commissioner- Administration	6·23·2026 Approval Date
Assistant Commissioner- Consumer Protection	7·7·2026 Approval Date
Assistant Commissioner- Agricultural Services	6-23-2026 Approval Date
Assistant Commissioner- NC Forest Service	6-30-2026 Approval Date
Assistant Commissioner- Western Ag Programs	6/29/26 Approval Date
Executive Director of the NC Tobacco Trust Fund	7-21-26 Approval Date
Chief Audit Officer	7/23/26 Approval Date

Appendix A: Charter to Standards Mapping

Charter Section	Mapped Standards	Evidence (Page No.)
Purpose of Internal Auditing	Domain I: Purpose of Internal Auditing	Page 2
Commitment to Adhering to the Standards	Standard 4.1; Standard 6.2	Page 2
Governance Structure in the Public Sector	Glossary definition of Board; Public Sector Application Guidance	Pages 2-3
Mandate	Standard 6.1	Page 3
Authority	Standard 6.1 & 6.2	Page 3
Protection of Information and Confidentiality	Standard 5.1 & 5.2	Page 3
Independence and Organizational Position	Standard 7.1 & 6.2; Public Sector Adaptation	Pages 3-4
Changes to Mandate and Charter	Standard 6.1 & 6.2	Page 4
Governing Body Oversight	Standard 6.3 & 8.1	Pages 4-5
Chief Audit Officer Roles and Responsibilities	Domain II; Standard 7.2; Domain IV	Pages 5-8
Quality Assurance and Improvement Program (QAIP)	Standards 8.3, 8.4, 12.1	Page 8
Scope and Types of Internal Audit Services	Standard 6.1; Domain V	Pages 8-9
Approval Signatures	Standard 6.2	Page 10