NCDA&CS
Audit Services Division

Audit Charter

Introduction:

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the North Carolina Department of Agriculture and Consumer Services (NCDA&CS). It assists the Department 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.

Assurance and Consulting Service Definitions:

Assurance Services

An objective examination of evidence for providing an independent assessment on governance, risk management, and control processes for the organization. Examples include financial, operational, compliance, system security, and due diligence engagements.

Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Purpose and Mission:

The purpose of the Audit Services Division is to provide independent, objective assurance and consulting services designed to add value and improve the North Carolina Department of Agriculture and Consumer Services' operations. The mission of the Audit Services Division is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Audit Services Division helps the NCDA&CS accomplish its objectives by using a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

In addition, the Audit Services Division serves as a resource to the North Carolina Tobacco Trust Fund Commission (NCTTFC) which is administratively housed within NCDA&CS, but reports to the Tobacco Trust Fund Commission Board. The NCTTFC was created to assist current/former tobacco farmers, former quota holders, persons engaged in tobacco-related businesses, individuals displaced from tobacco-related employment, and tobacco product component businesses in North Carolina that have been affected by the adverse effects of the master settlement agreement with four of the nation's largest cigarette manufacturers. All services provided to NCDA&CS entities that report up to the Agriculture Commissioner as described in this charter are also available to the NCTTFC.

The Audit Services Division is established by General Statute Chapter 143, Article 79. The Audit Services Division's responsibilities are defined by these laws. The Council of Internal Auditing has authority to set policy related to the Audit Services Division.

Standards for the Professional Practice of Internal Auditing:

The Audit Services Division 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, and the Definition of Internal Auditing. The Chief Audit Officer will report periodically to senior management and the Board of Agriculture regarding the Audit Services Division's conformance to the Code of Ethics and the Standards.

The Audit Services Division will also adhere to the requirements within General Statute Chapter 143, Article 79, the Institute of Internal Auditors' Implementation Guidance, and Supplemental Guidance as applicable to guide operations.

The Audit Services Division will adhere to the North Carolina Department of Agriculture and Consumer Services' relevant policies and procedures and the Audit Services Division's internal policies and procedures manual.

Lastly, dependent upon engagement type, the Audit Services Division will adhere to the Code of Ethics and Information System Audit and Assurance Standards issued by the Information Systems Audit and Control Association, the CFE Code of Professional Standards issued by the Association of Certified Fraud Examiners or standards of another professional organization.

Authority:

The Audit Services Division, with strict accountability for confidentiality and safeguarding records and information, is authorized ready, full, free, and unrestricted access to all the North Carolina Department of Agriculture and Consumer Services' and North Carolina Tobacco Trust Fund Commission's functions, records, property, and personnel pertinent to carrying out any engagement.

The Audit Services Division will allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.

The Audit Services Division will obtain assistance from the necessary personnel of the NCDA&CS or the NCTTFC, as well as other specialized services external to the NCDA&CS, to complete engagements.

The Chief Audit Officer will report functionally and administratively to the Chief Deputy Commissioner.

NCDA&CS senior management will:

- Approve the audit charter.
- Approve the risk based audit plan.

- Approve the Division's budget and resource plan.
- Receive communications from the Chief Audit Officer on the Audit Services Division's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Chief Audit Officer to determine whether there is inappropriate scope or resource limitations.

The Chief Audit Officer will communicate and interact directly with NCDA&CS senior management as appropriate.

Independence and Objectivity:

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

Auditors 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.

Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, auditors will not implement internal controls, develop 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 NCDA&CS or its affiliates.
- Initiating or approving transactions external to the Audit Services Division.
- Directing the activities of any NCDA&CS or NCTTFC employee not employed by the Audit Services Division, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist auditors.

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

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.

The Chief Audit Officer will confirm to senior management and the Board of Agriculture at least annually, the organizational independence of the Audit Services Division.

The Chief Audit Officer will disclose to senior management any interference and related implications in determining the scope of auditing, performing work, and/or communicating results.

Scope of Audit Activities:

The scope of audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to senior management on the adequacy and effectiveness of governance, risk management, and control processes for the NCDA&CS and the NCTTFC. Audit assessments include evaluating whether:

- Risks relating to the achievement of the NCDA&CS's and the NCTTFC's strategic objectives are appropriately identified and managed.

- The actions of NCDA&CS's and NCTTFC's management, employees, and contractors are in compliance with the NCDA&CS's and the NCTTFC's policies, procedures, and applicable laws, regulations, and governance standards.

- The results of operations or programs are consistent with established goals and objectives.

- Operations or programs are being carried out effectively and efficiently.

- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the NCDA&CS and the NCTTFC.

- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.

- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Chief Audit Officer will report periodically to senior management and the Board of Agriculture regarding:

- The Audit Services Division's purpose, authority, and responsibility.
- The Audit Services Division's plan and performance relative to its plan.
- The Audit Services Division's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the NCDA&CS.

The Chief Audit Officer also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Audit Services Division may perform advisory and related client service activities, the nature and scope of which will be agreed upon with the client, provided the Audit Services Division 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.

Responsibility:

The Chief Audit Officer has the responsibility to:

- Submit, at least annually, to senior management a risk-based audit plan for review and approval.
- Communicate to senior management and the Board of Agriculture the impact of resource limitations on the audit plan.
- Review and adjust the audit plan, as necessary, in response to changes in the NCDA&CS's and the NCTTFC's business, risks, operations, programs, systems, and controls.
- Communicate to senior management any significant interim changes to the audit plan.
- Ensure each engagement of the 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.

- Follow up on high-risk engagement observations and corrective actions, and report periodically to senior management and the Board of Agriculture any corrective actions not effectively implemented.

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

- Ensure the Audit Services Division collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the audit charter.

- Ensure trends and emerging issues that could impact the NCDA&CS and the NCTTFC are considered and communicated to senior management as appropriate.

- Ensure emerging trends and successful practices in auditing are considered.

- Establish and ensure adherence to policies and procedures designed to guide the Audit Services Division.

- Ensure adherence to the NCDA&CS's relevant policies and procedures, unless such policies and procedures conflict with the audit charter. Any such conflicts will be resolved or otherwise communicated to senior management.

- Ensure conformance of the Audit Services Division with the Standards, with the following qualifications:

    - If the Audit Services Division is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Audit Officer 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 other authoritative bodies, the Chief Audit Officer will ensure that the Audit Services Division conforms with the Standards, even if the Audit Services Division also conforms with the more restrictive requirements of other authoritative bodies.

Quality Assurance and Improvement Program:

The Audit Services Division will maintain a quality assurance and improvement program that covers all aspects of the Audit Services Division. The program will include an evaluation of the Audit Services Division's conformance with the Standards and an evaluation of whether auditors apply the IIA's Code of Ethics. The program also assesses the efficiency and effectiveness of the Audit Services Division and identifies opportunities for improvement.

The Chief Audit Officer will communicate to senior management and the Board of Agriculture on the Audit Services Division's quality assurance and improvement program, including results of internal (both ongoing and periodic) assessments and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the NCDA&CS.

Steven N. Troxler
Commissioner

5-22-19
Approval Date

Jane Hedgecoth
Chief of Staff

5-27-19
Approval Date

Chief Deputy Commissioner- Administration

5.20.2019
Approval Date

Joseph W. Reardon
Assistant Commissioner- Consumer Protection

5-20-2019
Approval Date

Allen M. Stone
Assistant Commissioner- Agricultural Services

5-22-19
Approval Date

Scott Bissette
Assistant Commissioner- NC Forest Service

5-22-19
Approval Date

Executive Director of the NC Tobacco Trust Fund

5-16-19
Approval Date

Derek Allred
Chief Audit Officer

5-28-19
Approval Date