

POLICY ON THE INTERNAL AUDIT FUNCTION

Effective Date: June 23, 2011

Originating Office: Board of Governors

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Policy Number: BD-13

SCOPE

This policy applies to all employees and units of the University.

PURPOSE

The purpose of this Policy is to provide the framework for an internal audit function.

DEFINITIONS

For the purpose of this Policy, the following definitions apply:

“Audit Committee” means the Audit Committee of the Board of Governors.

“Senior Administrator” means the President, a Vice-President or a Chief Officer.

POLICY

Introduction

1. The University supports the internal audit function as an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the organization. It assists the University in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, controls, and processes.

Role

2. The internal audit function is established and monitored by the Audit Committee.

Professionalism

3. The internal audit function will be governed by adherence to The Institute of Internal Auditors' (IIA) mandatory guidance including the *Definition of Internal Auditing*, the *Code*

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of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit function's performance.

In addition, the internal audit function will adhere to relevant University policies and procedures and its standard operating procedures manual, which aspires to conform to the IIA's Standards.

Authority

4. The internal audit function, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all University records, physical property, and personnel pertinent to carrying out any engagement. All employees are required to assist the internal audit function in fulfilling its roles and responsibilities. The internal audit function will also have free and unrestricted access to the Audit Committee.

Organization

5. The Head of Internal Audit will report functionally to the Audit Committee and administratively (i.e. day to day operations) to the President and Vice-Chancellor.
6. Upon the recommendation of the President and Vice-Chancellor, the Audit Committee will approve all decisions regarding the performance evaluation, appointment, or removal of the Head of Internal Audit as well as his/her annual compensation and salary adjustment. The Head of Internal Audit must communicate and interact directly with the Audit Committee, including in executive sessions and between Committee meetings.

Independence and Objectivity

7. The internal audit function will remain free from interference by any element in the University, including in matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

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8. Internal auditors 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 their judgment. The internal audit function's work of reviewing, appraising, and reporting on established policies, plans, and procedures does not in any way relieve Unit Heads of responsibilities assigned to them.
9. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
10. The Head of Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit activity.

Responsibility

11. The scope of the internal auditing function encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the University's risk management, controls and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the University's stated goals and objectives, particularly in the pursuit of best administrative practices. This includes:
 - 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 which could have a significant impact on the University
 - Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets
 - Evaluating the effectiveness and efficiency with which resources are employed

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- 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 as planned
- Evaluating procedures and records for their adequacy to accomplish intended objectives, and appraising policies and plans relating to the activity or function under review
- Monitoring and evaluating the effectiveness of the University's risk management processes
- Coordinating the internal audit activities with those of the external auditor in order to avoid duplication of effort. Copies of audit reports will be forwarded to the external auditor
- Performing consulting and advisory services related to risk management and control as appropriate
- Reporting periodically on the internal audit function's purpose, authority, responsibility, and performance relative to its plan
- Reporting significant risk exposures and control issues, including fraud risks and other matters needed or requested by the Audit Committee
- Evaluating specific operations at the request of the Audit Committee or management, as appropriate.

Internal Audit Plan

12. At least annually, the Head of Internal Audit will submit an internal audit plan to senior management for discussion and to the Audit Committee for review and 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 Head of Internal Audit will communicate the impact, if any, of resource limitations and significant interim changes to senior management and the Audit Committee.

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13. The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. Any significant deviation from the approved internal audit plan will be communicated to senior management and will be approved by the Chair of the Audit Committee.

Reporting and Monitoring

14. A written report will be prepared and issued by the Head of Internal Audit or designee following the conclusion of each internal audit engagement and will be distributed as appropriate including to the relevant senior administrator. Internal audit results will also be communicated to the Audit Committee in a timely manner.
15. The internal audit report must include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (within 15 business days) by management of the audited area should include a timetable for anticipated completion of action to be taken, the Manager responsible and an explanation for any corrective action that will not be implemented.
16. The relevant senior administrator is responsible for ensuring that full cooperation is extended to the auditors, responses are submitted and identified deficiencies are appropriately dealt with.
17. The internal audit function will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

Periodic Assessment

18. The Head of Internal Audit will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

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19. The Head of Internal Audit will periodically report to senior management and the Audit Committee on the internal audit activity'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 and other matters needed or requested by senior management and the Audit Committee.

Training

20. In order to ensure that best practices are maintained, the Head of Internal Audit will be responsible for designing and undertaking a continuing education program for all personnel under his/her supervision.

References Consulted:

[University of Toronto Internal Audit Charter](#)

[McMaster University Internal Audit Charter](#)

[Stanford University Internal Audit Charter](#)

[Harvard University Risk Management and Internal Audit Services](#) and [Services Brochure](#)

[Columbia University Internal Audit Charter](#)

[Louisiana State University Internal Audit Charter](#)

[Institute of Internal Auditors - Model IA Charter](#)