



**UNIVERSITY
OF ALBERTA**

Charter

Internal Audit & Risk Management

Revised November 2022

**Prepared by:
INTERNAL AUDIT & RISK
MANAGEMENT**

**Date:
NOVEMBER 28, 2022**



Purpose and Mission

The purpose of the University of Alberta's (U of A) internal audit activity (*Internal Audit & Risk Management*) is to provide independent, objective assurance and consulting services designed to add value and improve the U of A's operations.

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

Internal Audit & Risk Management (IARM) helps the U of A accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

IARM will govern itself by adherence to the mandatory elements of the Institute of Internal Auditors (IIA) 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 (the Standards), and the Definition of Internal Auditing (see www.theiia.org).

Authority

The Executive Director, IARM, reports functionally to the Board Audit and Risk Committee (BARC) and administratively to the Vice-President (University Services and Finance). The Executive Director, IARM will have unrestricted access to, and communicate and interact directly with BARC, including at *in-camera* meetings without management present.

Consistent with the Terms of Reference for BARC, IARM is authorized to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Have access to meetings related to risk management, control, and governance processes.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from necessary personnel of the U of A, as well as other specialized services from within or outside the U of A, in order to complete engagements.

To support BARC in its mandate, IARM will:

- Provide IARM's charter, risk-based internal audit plans, budget, staffing plan, and work schedule for approval at least annually.
- Provide regular communications on matters outlined in the "Reporting Requirements" section of this document.

See BARC's Terms of Reference for further information.

Independence and Objectivity

The Executive Director, IARM, will ensure that IARM remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.

Internal 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.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal 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 U of A or its affiliates.
- Initiating or approving transactions external to IARM.
- Directing the activities of any U of A employee not employed by IARM, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.
- Internal auditors will therefore abide by the IIA's Code of Ethics and 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.

Where the Executive Director, IARM has or is expected to have roles and/or responsibilities that fall outside of internal auditing, the approval of BARC and the development of safeguards would be required, to limit impairments to independence or objectivity.

To ensure key risks are being managed appropriately, and that the system of internal control is operating effectively, IARM's role includes oversight and execution of the U of A's Enterprise Risk Management function.

If the Executive Director, IARM determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Scope of IARM Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to BARC, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the U of A.

Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the U of A's strategic objectives are appropriately identified and managed.
- Operations or programs are being carried out effectively and efficiently, and their results are consistent with established goals and objectives.
- Resources and assets are acquired economically, used efficiently, and protected adequately.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the U of A.
- Information and the means used to identify, measure, analyze, classify, and report information are reliable and have integrity.
- The actions of the U of A's officers, directors, employees, and contractors are in compliance with the U of A's policies, procedures, and applicable laws, regulations, and governance standards. This includes coordinating investigations under the U of A's *Fraud and Irregularity Policy and Procedure*, or under the *Ethical Conduct and Safe Disclosure Procedure – Disclosures under the Public Interest Disclosure Act*.

Other activities that IARM may undertake include:

- Coordinating activities, where possible, and potentially relying upon the work of other internal assurance providers and the Office of the Auditor General.
- Actively participating with other Alberta post-secondary institutions to support collegial sharing of audit methodologies and resources to promote efficiency and cost effectiveness across the sector.
- Performing advisory and related client service activities, the nature and scope of which will be agreed with the client, provided that IARM does not assume management responsibility.
- Identifying opportunities for improving the efficiency of governance, risk management, and control processes during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Executive Director, IARM has the responsibility to:

- Establish and ensure adherence to policies and procedures designed to guide IARM and support conformance with the Standards.
- Ensure IARM collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure each engagement of the internal 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 engagement findings and corrective actions and report periodically to senior management and BARC any corrective actions not effectively implemented.
- Ensure trends and emerging issues that could impact the U of A are considered and communicated to senior management and BARC as appropriate. Sources of information include the Institute of Internal Auditors, Campus Alberta, the Association of College and Executive Director, IARM, the Canadian Association of University Business Officers, and the Information Systems Audit and Control Association, among others.
- Review and adjust the internal audit plan, as necessary, in response to changes in the U of A's business, risks, operations, programs, systems, and controls subject to approval.
- Communicate to senior management and BARC the impact of resource limitations on the internal audit plan.
- Ensure emerging trends and successful practices in internal auditing, such as data analytics and agile auditing principles, are considered.
- Ensure adherence to the U of A's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and BARC.

Quality Assurance and Improvement Program

IARM will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit function. The program will include an evaluation of IARM's conformance with the *Standards* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of IARM and identify opportunities for improvement.

The Executive Director, IARM will ensure that external assessments are conducted at least once every five years by a qualified, independent assessor/team external to the U of A.

Reporting Requirements

The Executive Director, IARM will regularly report the following to senior management and BARC with respect to IARM:

- Its purpose, authority, responsibility and organizational independence, as outlined in its charter.
- Its audit plan, resource requirements, performance relative to its plan and any significant interim proposed changes.
- Its conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.

The Executive Director, IARM will also report the following to senior management and BARC:

- Any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.
- The results of audit engagements or other activities.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, BARC.
- Any response to risk by management that may be considered unacceptable to the U of A, including any corrective actions not effectively implemented.

Confidentiality of Engagement Records

The Executive Director, IARM will control access to engagement records and will consult with senior administration and/or legal counsel prior to releasing engagement records to external parties.