



Internal Audit Charter

Introduction and Mission Statement

The internal audit function is to provide independent, objective assurance, risk advisory and consulting services to assist the University of Calgary to accomplish its objectives. The internal audit function adds value and improves University operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance and oversight, risk management and institutional control processes.

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. In fulfilling the mission, this function will meet the requirements of the *International Standards for the Professional Practice of Internal Auditing (Standards)* of the *Institute of Internal Auditors*.

Role and Authority

The internal audit function is established by the Audit Committee of the Board of Governors (the Audit Committee). As part of the Audit Committee's oversight role they define the responsibilities of the internal audit function.

The senior director, internal audit, as the University's head of internal audit, and staff, with strict accountability for confidentiality and safeguarding of records and information, are authorized to:

- Have full, free and unrestricted access to all records, physical properties and personnel of the University of Calgary and its affiliates as pertinent to carrying out an engagement (with the exception of documents protected by solicitor-client privilege held by University Legal Counsel);
- Have full and free access to the Audit Committee;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish the audit mission;
- Obtain the necessary assistance of personnel in units of the University where they perform audits, as well as other specialized services from within or outside the University;
- Determine final report content;
- Share internal audit plans, working and audit findings with the Office of the Auditor General of Alberta; and
- Share internal audit planning documents and tools with other Alberta Institutions, Canadian Association of University Business Officers (CAUBO) and Association of College and University Auditors (ACUA) institutions.

Independence and Objectivity

- Internal audit staff will remain free from interference by any element in the organization allowing for the maintenance of an independent and objective mental attitude.
- Internal audit staff will exhibit the highest level of professional objectivity when gathering, evaluating and communicating information about the activity or process being examined and during the performance of assurance and consulting or facilitation activities. Staff will make balanced assessments of all relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- The head of internal audit will affirm to the Audit Committee at least annually the organizational independence of the internal audit activity.

The head of internal audit and staff of the internal audit function **are not** authorized to:

- Perform any operational duties for the organization or its affiliates or engage in any other activity that may impair their judgment;
- Initiate or approve accounting transactions external to the internal audit function;
- Direct the activities of any organization employee not employed by the function, except to the extent such employees have been appropriately assigned to the function and/or to assist the internal auditors.

Responsibility and Scope

The scope of internal audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management and institutional controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Monitoring and evaluating the organization's key governance processes;
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and on matters needed or requested by the Audit Committee;
- Evaluating risk exposure relating to achievement of the organization's strategic objectives;
- 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;
- Monitoring and evaluating the effectiveness of the organization's risk management processes;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization;
- Coordinating and providing oversight of other control and monitoring functions (such as institutional controls, risk management, legal) to ensure efficiency and risk coverage;
- Performing consulting and advisory services related to governance, risk management and institutional controls as appropriate for the organization;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Investigating suspected fraudulent activities within the University in conjunction with the Office of Equity, Diversity and Inclusion and the Protected Disclosure and Research Integrity Office;
- Evaluating specific operations at the request of the Audit Committee or management, as appropriate;
- Fostering continuous improvement in the organization's processes;
- Update the plan on a regular basis and account for any special task or project required by management and/or the Audit Committee;
- Keeping the Audit Committee informed of external trends and accepted practices in internal audit;
- Reporting periodically on the internal audit function's purpose, authority, responsibility, and performance relative to its plan.

Professionalism and Standards

Internal Audit will govern itself by adherence to the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing (Standards)* of the *Institute of Internal Auditors*. This guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The internal audit function will maintain a *Quality Assurance and Improvement Program (QAIP)* that covers all aspects of the internal audit function. The QAIP will include an evaluation of the internal audit activity's conformance with the *Definition of Internal Auditing* and the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The QAIP will also assess the efficiency and effectiveness of the internal audit function and identify opportunities for improvement. The head of internal audit will communicate to senior management and the Audit Committee on the internal audit function's QAIP, including results of ongoing internal assessments and external assessments conducted at least every five years.

Additionally, internal audit staff will adhere to the University of Calgary's policies and procedures and the internal audit standard operating procedures manual. Internal audit staff are expected to become and remain knowledgeable of operations of the University of Calgary and the post-secondary education sector in general. Internal metrics will be tracked to support staff development and will be reported regularly to the Audit Committee.

The head of internal audit will control access to engagement records and consult with the Senior Leadership Team (SLT) and/or legal counsel prior to releasing such records to external parties. Internal audit engagement records include reports, supporting documentation, review notes, and correspondence, regardless of storage media. Engagement records are generally produced under the presumption that their contents are confidential and may contain a mix of both facts and opinions. Access to engagement records by external parties is normally not granted except in response to an order, subpoena or warrant from a Canadian court. The Auditor General of Alberta has statutory authority to access all records.

Organization and Reporting Structure

The senior director, internal audit will report functionally to the Audit Committee and administratively to the vice-president (finance) for day-to-day operations.

The senior director, internal audit will communicate and interact directly with the Audit Committee, including in-camera sessions and between Audit Committee meetings as appropriate.

Internal Audit Plan and Reporting

The head of internal audit shall present a risk-based plan that is regularly reviewed to the Audit Committee which will include a work schedule. The head of internal audit will communicate the impact of resource limitations and significant interim changes to the vice-president (finance) and the Audit Committee.

The plan will be developed based on a prioritization of the University of Calgary's audit universe using a risk-based methodology. Incorporated into the plan will be input from SLT and the Audit Committee, the results of the Enterprise Risk Management (ERM) program, the Internal Controls and Compliance program, the Legislative Compliance process and the results of the Fraud Risk Assessment process performed internally by internal audit. The head of internal audit will regularly review and adjust the plan accordingly, in response to changes in the University of Calgary's business, risks, operations, programs, systems and controls. Any significant deviation from the approved plan will be communicated to SLT and the Audit Committee through periodic activity reports.

A written report will be prepared and issued by the head of internal audit following the conclusion of each audit engagement and will be appropriately distributed. Results will also be communicated to the Audit Committee. The internal audit report may 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 by management of the audited area will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. 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.