



Policies, Procedures and Guidelines

Complete Policy Title:
Internal Audit Department Policy Statement

Policy Number (if applicable):

Approved by:
Audit Committee of the Board of Governors

Date of Most Recent Approval:
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Supersedes/Amends Policy
dated: **November 25, 2010**

Responsible Executive:
[Chief Internal Auditor](#)

Enquiries:
[University Secretariat](#)

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INTERNAL AUDIT DEPARTMENT POLICY STATEMENT

1.0 General

1.1 The University will maintain an internal audit program ("Program") as one means of providing the Audit Committee of the Board of Governors ("Committee") and Senior Management ("Management") with information to:

- (i) meet their duties for oversight responsibility;
- (ii) advance the goals and objectives of the University;
- (iii) foster continuous improvement in efficiency and effectiveness of systems and processes;
- (iv) safeguard assets;
- (v) comply with policies, laws and regulation; and,
- (vi) report on its financial and operational results accurately.

The mission of the Internal Audit Department ("Department") is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

1.2 Through its Program, the objective of the Department is to determine whether Management's network of risk management, governance processes and internal controls is adequate and functioning in a manner to ensure that:

- (i) risks are appropriately identified and managed;
- (ii) interaction of the various governance groups occurs as needed;
- (iii) significant financial, managerial and operating information is accurate, reliable and timely;
- (iv) employees conduct themselves in compliance with policies, applicable laws and regulations;
- (v) resources are acquired economically, used efficiently and adequately safeguarded;
- (vi) quality and continuous improvement are fostered;
- (vii) significant regulatory issues are recognized and addressed appropriately; and
- (viii) the strategic objectives of the University are being attained.

2.0 Responsibilities

2.1 The Department is responsible to the Committee and Management to:

- (i) provide assessments on the adequacy and effectiveness of processes;
- (ii) report significant process-related issues including recommendations for improvements, and information concerning their resolution;
- (iii) provide information on the status of the program and the sufficiency of department resources;
- (iv) coordinate with other control functions (i.e., risk management, security, external audit); and
- (v) follow-up with auditees on the completion of management actions plans developed in response to an audit.

If management response to any audit finding is not considered adequate, the Department shall pursue the matter through the appropriate levels of management in order to reach a mutually agreeable resolution and report to the Committee. Every effort should be made to reach a mutually satisfactory conclusion on a timely basis and with the priority the matter suggests. If a conclusion satisfactory to the Chief Internal Auditor cannot be reached,

the Audit Committee Chair must be consulted. If a conclusion satisfactory to both the Chief Internal Auditor and the Audit Committee Chair cannot be reached, the matter will be placed on the Audit Committee agenda for discussion. If the Audit Committee so decides, the auditee will be invited to attend a meeting of the Committee to discuss and resolve the matter.

2.2 In conducting its Program, the Chief Internal Auditor has responsibility to:

- (i) develop a flexible audit plan ("Plan") using an appropriate risk-based methodology and submit the Plan to the Committee for review and approval;
- (ii) incorporate any (a) risks or control concerns identified by Management and the Committee, and (b) any requested special tasks or projects, and (c) consulting services (i.e. training, process design) into the Plan;
- (iii) maintain an audit staff with sufficient knowledge, skills, experience and professional certifications;
- (iv) evaluate and assess significant new or changing services, processes and operations coincident with their development, implementation, and/or expansion;
- (v) issue Findings Reports to the Committee and Management of the results of the Program;
- (vi) keep the Committee informed of emerging trends and practices;
- (vii) maintain the University's Fraud Policy which provides a framework for administering the process in dealing with reported dishonest and fraudulent behavior;
- (viii) administer the University's Safe Disclosure hotline service and periodically review the ethics program;
- (ix) consider the scope of the external auditors' work for attaining appropriate internal audit coverage;
- (x) maintain an appropriate professional development program to ensure staff meet the minimum CPE training credit requirements;
- (xi) attend at, and participate in, various committee meetings as deemed appropriate;
- (xii) maintain membership in relevant professional groups and institutes (e.g., OUIA, IIA, CAUBO);
- (xiii) report on the significant Departmental performance measurement goals and results thereof to the Committee, (i.e. KPIs, Balanced Scorecard, quality assurance program); and,
- (xiv) annually review the Internal Audit Policy Statement and modify as appropriate for approval by the Committee.

2.3 With respect to the Program, Management is charged with the responsibility of controlling the operations of the University, including those responsibilities listed in Section 1.1. Management retains full control of the implementation of the Program's recommendations.

3.0 Independence

3.1 To provide for its independence and freedom from influence from any party, department, group or person within the University, the Chief Internal Auditor reports functionally and directly to the Audit Committee of the Board through the Committee's Chair. For the Department's administrative requirements and needs, it reports to, and coordinates such activity with, the Office of the Vice-President (Administration) and is responsible for providing periodic updates to the President of the University.

3.2 All internal audit functional activities will remain free of inappropriate influence, including matters of audit selection, scope, procedures, frequency, timing, and report content.

4.0 Fraudulent Activities

4.1 The Department shall be notified in all cases where the discovery of circumstances suggests a reasonable possibility that funds and/or physical assets have or are thought to have, been lost through defalcation or other security breaches.

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- 4.2 Employees are responsible for notifying the Department of irregular circumstances. The Chief Internal Auditor will ensure that the proper steps are taken, in accordance with the *Fraud Policy*.
- 4.3 The Department will perform sufficient tests to identify the weaknesses which permitted the irregularity and evaluate their potential impact on other University activities. The Department will recommend improvements to correct these weaknesses and incorporate appropriate tests in future audits to detect the existence of similar weaknesses in other areas.

However, due to the nature of fraud [i.e. collusion, management overrides], the Department cannot provide absolute assurance that all fraudulent activity will be detected.

5.0 Errors and Irregularities

- 5.1 The Department conducts its reviews with an attitude of professional skepticism and neutrality as to Management's good faith, recognizing that the application of internal auditing procedures may produce evidential matter indicating the possibility of errors or irregularities. However, the Department cannot be solely responsible for the detection and prevention of all errors and irregularities that may occur. All members of Management and staff share that responsibility in the execution of his/her duties.
- 5.2 The Chief Internal Auditor shall be notified at once if a Department staff member believes that a significant error or irregularity ("errors") may exist in an area under review or any other area. Where errors involve the conduct of Senior Executives¹, the Chief Internal Auditor will (i) consider the extent and implications of such errors and (ii) adopt the appropriate protocol under Section 4.2 herein including consultation with the President, as appropriate. Following further consideration and discussions with the President, if the matter has not been resolved to the satisfaction of the Chief Internal Auditor, it will be referred to the Audit Committee Chair who will provide direction to the Chief Internal Auditor.
- 5.3 If the Chief Internal Auditor believes the President is involved in a potential error, the matter will be referred directly to the respective Chairs of the Board of Governors and the Audit Committee.

6.0 Authority

- 6.1 The Chief Internal Auditor will have full and unrestricted access to the Chair of the Audit Committee and through him to the Committee and the Chair of the Board of Governors. Through delegation by the Chief Internal Auditor, internal audit staff is authorized to:
- (i) have unrestricted access to all functions, records, property and personnel;
 - (ii) allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish the program; and,
 - (iii) obtain and employ the necessary assistance of personnel in units as well as other specialized internal and external services.

¹ i.e. Direct Reports of the President

6.2 Internal audit staff is not authorized to:

- (i) perform any operational duties for the University or its affiliates;
- (ii) initiate or approve accounting transactions external to the Department;
- (iii) direct the activities of non-Department employees except to the extent such employees have been assigned to assist the Department; and,
- (iv) evaluate the content and quality of teaching and/or research.

7.0 Institutional Support

7.1 The success of the Program is dependent, in part, on the support received from the University Board, President and Management. To establish an environment of support and encourage the achievement of internal auditing goals, Management is responsible to:

- (i) acknowledge the Program as a diagnostic tool for identifying problems and assessing risk;
- (ii) communicate the Internal Audit Policy Statement with consistency and clarity to units for which they are responsible;
- (iii) participate in the Program and cooperate with the Department;
- (iv) provide effective, consistent and thorough written procedures for fiscal operations;
- (v) advise the Chief Internal Auditor of all matters affecting the fulfillment of the program including the distribution of new or revised policies and procedures (and deviations there from); and,
- (vi) provide the Chief Internal Auditor with suggestions for improving the audit process.

8.0 Standards of Professional Practice

8.1 In its administration of its Program and to the extent practicable, the Department will conduct its professional activities pursuant to the guidance contained in the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

9.0 Policy Administration

9.1 The Chief Internal Auditor is responsible for the administration of this Policy Statement and for directing the Program throughout the University.