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POLICY ON INTERNAL AUDIT

PURPOSE

1.00 The purpose of this policy is to define the activity charter for internal audit.

DEFINITION

2.00 Internal control - the purpose of an internal controls framework is to support the university in the achievement of its objectives. An effective internal controls framework helps ensure that: the university's activities are conducted in a prudent manner in accordance with policies and strategies established by the board of governors and the senate; transactions are only entered into with appropriate authority; assets are safeguarded and liabilities controlled; administrative and operating records provide complete, accurate and timely information; and management is able to identify, assess, manage and control the risks of the business.

POLICY

Mission and Scope of Work

3.00 The mission of the Internal Audit department is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

3.01 Focusing on risk management practices to ensure that organizational risks are appropriately identified and managed, the IA department plays a strategic role in helping UVic achieve its objectives.

3.02 The department also plays a key role in facilitating organizational communication and learning. It helps the organization accomplish its objectives by bringing an impartial, systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

4.00 The Internal Audit department reports to the Audit Committee of the Board of Governors on matters that are under the jurisdiction of the Board of Governors.

4.01 The scope of work of the Internal Audit department includes determining whether the university's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- a. Risks are appropriately identified and managed.
- b. Interaction with the various governance groups occurs as needed.
- c. Financial, managerial, and operating data is accurate, reliable, and timely.
- d. Employees' actions are in compliance with policies, contracts, standards, procedures, and applicable laws and regulations.
- e. Resources are acquired economically, used efficiently, and adequately protected.
- f. Programs, plans, and objectives are achieved.
- g. Quality and continuous improvement are fostered in the university's control process.
- h. Legislative or regulatory issues and changes impacting the university are recognized and addressed properly.

4.02 Internal Audit is concerned with any phase of university activity where it can add value. This involves going beyond the accounting and financial records to obtain a full understanding of the operations under review. Opportunities for improving or maintaining management, operational and business process controls, as well as the university's reputation may be identified during audits. All significant observations will be communicated to the appropriate levels of management, and where appropriate to the Audit Committee of the Board of Governors.

Accountability

5.00 The Director, Internal Audit, in her/his role as UVic's chief audit executive (CAE), shall be accountable to management and the Audit Committee to:

- a. Provide periodically an assessment on the adequacy and effectiveness of the university's processes and controls for those functions examined as part of and as outlined within the annual approved audit plan.
- b. Report significant issues related to the processes for controlling the activities of the university and its affiliates, including potential improvements to those processes, and provide on an ongoing basis information concerning such issues through to their ultimate resolution.
- c. Provide periodically, information on the status and results of the annual audit plan (including any changes thereto), the sufficiency of department resources and the ongoing professional development of department staff.
- d. Coordinate with and provide assessments/support (including advisory guidance and assistance) to management of other control and monitoring functions and activities including risk management, and investigations relating to allegations of financial misconduct or misappropriations involving the university's assets. It is management's responsibility to inform the Director, Internal Audit of all suspected or known fraudulent activity immediately upon becoming aware of such activities.

Independence

6.00 To provide for the independence of the Internal Audit department, its personnel report to the CAE, who reports functionally to the Audit Committee of the Board of Governors in the discharge of the duties listed in Section 4. The CAE also reports administratively to the Vice-President Finance and Operations. This reporting structure enables the department to maintain its independence and objectivity.

Responsibility

7.00 The CAE and staff of the Internal Audit department have responsibility to:

- a. Develop a flexible annual audit plan as part of a rolling multi-year audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit the plan to the Audit Committee for review and approval.
- b. Implement the annual audit plan, as approved, including, and as appropriate, any special engagements or projects requested by management and the Audit Committee.
- c. Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- d. Establish a quality assurance program to guide the operation of internal audit activities.
- e. Resources permitting, perform advisory or consulting services that may be requested by members of the Audit Committee or UVic's Executive Council. Any related changes to the approved audit plan will be made only after consultation with the Chair of the Audit Committee.
- f. Evaluate and assess significant new or changing services, systems, processes, operations, and associated controls coincident with their development, implementation, and/or expansion.
- g. Issue periodic reports to the Audit Committee and management summarizing results of audit activities.
- h. Request a Vice President (or his/her designate) as well as any other senior officer of the university to be in attendance at an Audit Committee meeting to respond to the results of any completed audit engagements, or to provide the Audit Committee with a status update on the implementation of audit recommendations from previously issued audit reports.
- i. Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- j. Periodically report to the Audit Committee as well as management on key performance measures as agreed to with the Audit Committee.
- k. To avoid duplication and provide optimal audit coverage, periodically liaise with the external auditors and regulators, as appropriate.

Authority

- 8.00 The CAE and staff of the Internal Audit department are authorized to:
- a. Have unrestricted access to all functions, records, property, and personnel.
 - b. Have full and free access to the Audit Committee.
 - c. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
 - d. Obtain the assistance of personnel in units of the university where audits are being performed, as well as other specialized services from within or outside the university as necessary.
- 9.00 The CAE and staff of the Internal Audit department are not authorized to:
- a. Perform any operational duties for the university or its affiliates. Internal Audit's review and appraisal does not in any way relieve other persons in the university of the responsibilities assigned to them.
 - b. Initiate or approve accounting transactions external to the Internal Audit department.
 - c. Direct the activities of any university employee not employed by the Internal Audit department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
 - d. Exceptions to this section for work outside the limits of this policy must be approved by the Chair of the Audit Committee with the concurrence of the Vice-President Finance and Operations.

Standards of Audit Practice

10.00 Commensurate with the department's size, the Internal Audit department will to the extent practical and desirable, follow the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors.

AUTHORITIES AND OFFICERS

11.00 The authorities and officers for this policy are:

- i) Approving Authority: Board of Governors
- ii) Designated Executive Officer: Vice-President Finance and Operations
- iii) Procedural Authority: Director, Internal Audit
- iv) Procedural Officer: Director, Internal Audit

RELEVANT LEGISLATION

[University Act](#)

[University Act amendments](#)

[Limitation Act](#)

[Freedom of Information and Protection of Privacy Act](#)

[Electronic Transactions Act](#)

[Financial Administration Act](#)

[Financial Information Act](#)

[Federal Occupational Health and Safety Links](#)

[Provincial Occupational Health and Safety Links](#)

RELATED POLICIES AND DOCUMENTS

[University of Victoria Strategic Plan](#)

Fraud Response Action Plan

Internal Audit Department Strategic Plan

[University Calendar](#)

[Ministry of Advanced Education and Labour Market Development Accountability Framework](#)

[Provincial Ministry of Institutional Accountability Plan](#)

[University of Victoria Accountability](#)

[All University Policies](#)

[Risk Management Policy](#) GV0225 (1140)

[Signing Authority Policy](#) FM5100 (1002)

[Protection of Privacy Policy](#) GV0235

ALL OPERATING POLICIES, PROCEDURES AND CONTRACTS AT THE UNIVERSITY OR UNITS THEREIN