

Internal Audit Charter

Internal Audit & Enterprise Risk Management

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INTERNAL AUDIT &
ENTERPRISE RISK
MANAGEMENT

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Mandate

Internal Audit & Enterprise Risk Management (IA&ERM) strengthens the University of Alberta's (the University) ability to create, protect and sustain value by providing the board and management with independent, risk-based and objective assurance, advice, insight and foresight.

IA&ERM assists the University to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, control and operations. The scope of IA&ERM's assurance work is to determine whether the University's' risk management, control and governance processes are adequate and functioning in a manner to ensure that:

- Risks relating to the achievement of the University's strategic objectives are appropriately identified and managed.
- Significant financial, managerial and operating information is accurate, reliable, timely and secure.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations.
- Operations or programs are 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.

IA&ERM may also provide general advisory, including risk management advisory, support to management on specific engagements, processes and initiatives provided IA&ERM does not assume management responsibility. The nature and scope of advisory engagements will be agreed with the client.

Opportunities to improve the efficiency of governance, risk management, and control processes during engagements will be communicated to the appropriate level of management and the Board Audit and Risk Committee (BARC).

Organization

In order that IA&ERM activities can be carried out objectively and that engagement results receive adequate consideration, the Executive Director of IA&ERM reports to, and is directly accountable to BARC. The Executive Director of IA&ERM reports to the Vice-President (University Services and Finance) with respect to the administrative activities of IA&ERM.

The direction and scope of IA&ERM is under the authority of the Executive Director of IA&ERM in consultation with BARC.

Authority

IA&ERM is authorized to:

- Have unrestricted and timely 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, determine the scope of work and apply the professional techniques required to accomplish audit objectives.
- Obtain assistance from necessary personnel of the University, as well as other specialized services from within or outside the University, in order to complete engagements.

Independence and Objectivity

IA&ERM will remain free from interference by any element in the University, including: matters of audit selection, scope of work, procedures, frequency, timing, and report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Internal auditors will not implement internal controls, develop procedures, design or implement systems, prepare records, or engage in any other activity that may impair their judgment.

Internal auditors must:

- 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.
- Disclose any impairment of independence or objectivity to appropriate parties.

Without approval of BARC, the IA&ERM team is not authorized to:

- Perform any operational duties for the University or its affiliates.
- Initiate or approve transactions external to IA&ERM.
- Direct the activities of any University employee not employed by IA&ERM, except to the extent that such employees have been appropriately assigned to assist internal auditors.

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

Standards

IA&ERM will generally conform 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)
- The Definition of Internal Auditing

IA&ERM Responsibility

The IA&ERM team is responsible to:

- Develop a risk-based annual audit plan (the Plan) and submit it annually to BARC for review and approval. Internal Audit will:
 - Consult with BARC, management, and the Office of the Auditor General as part of the planning process.
 - Ensure planned work is coordinated with business units within the University.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to effectively carry out their professional responsibilities.
- Implement the Plan as approved including, and as appropriate, any special tasks or engagements requested by management or the BARC that do not adversely affect the Plan.
- Ensure any significant changes to the Plan are discussed with BARC for review and approval.
- Report on performance relative to the Plan and other matters.
- Track progress with respect to the implementation of audit recommendations and report progress to BARC.
- Coordinate audit work with the Office of the Auditor General as appropriate to reduce duplication of effort.

Management Responsibility

Management is responsible to:

- Defining clear objectives linked to corporate priorities, and identifying and evaluating risks which could impair their ability, or that of the University, to achieve objectives.
- Establishing a system of internal controls that provides BARC with reasonable assurance of:
 - the adequacy, reliability and integrity of financial and operating information
 - compliance with policies, procedures, laws and regulations
 - safeguarding of assets
 - economical and efficient use of resources
 - achievement of organizational goals and objectives

- Monitor and maintain the effectiveness of the system of internal control, including internal controls over financial reporting.
- Foster a control environment that demonstrates and encourages all employees, and individuals representing the University, to carry out duties and responsibilities in a manner that achieves the reasonable assurance outlined above.
- Provide full cooperation to IA&ERM and respond to requests for documents, transaction evidence, electronic data and interviews on a timely basis. This is especially important during the conduct of investigations.
- Notifying IA&ERM when fraud or irregularities are suspected.
- Develop action plans and implement the recommendations contained in audit reports or alternatives that meet the objectives of the recommendations. Lack of progress in implementing recommendations will be reported to BARC as part of the follow up responsibilities of IA&ERM.

Enterprise Risk Management

To ensure key risks are being managed appropriately, and that the system of internal control is operating effectively, IA&ERM's role includes oversight and execution of the University's Enterprise Risk Management (ERM) function.

The Executive Director of IA&ERM will:

- Coordinate the Enterprise Risk Management policy and processes designed to facilitate a consistent approach to identifying, monitoring and reporting risks within the organization.
- Ensure trends and emerging issues that could impact the University are considered and communicated to senior management and BARC as appropriate.
- Ensure emerging trends and successful practices in internal auditing, such as data analytics and agile auditing principles, are considered.

The Executive Director of IA&ERM's independence and objectivity is maintained since management owns the organizational risks and is responsible for identifying and managing them. An independent external review and assessment of Enterprise Risk Management activities, including a review of reporting roles and responsibilities, occurs approximately every five years, or at the discretion of BARC.

Investigations

IA&ERM is responsible for coordinating investigations under the University's Fraud and Irregularity Policy and Procedure, or under the Ethical Conduct and Safe Disclosure Procedure – Disclosures under the Public Interest Disclosure Act. When notified by management of such allegations, the

Executive Director of IA&ERM will work with the appropriate management groups to ensure an investigation is conducted when appropriate.

Reporting

The Executive Director of IA&ERM will report annually to senior management and BARC on:

- The adequacy and relevance of IA&ERM's mandate, authority and responsibility as defined in this Charter and propose changes, as necessary.
- The Plan, resource requirements, performance relative to the Plan and any significant interim proposed changes.
- Its conformance with the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework.

The Executive Director of IA&ERM will also report the following to senior management and BARC:

- Significant issues related to the adequacy and effectiveness of the University's processes for controlling its activities and managing its risks, including potential process improvements, and providing information concerning such issues through resolution.
- The status and results of the Plan and the sufficiency of IA&ERM resources.
- Any significant difficulties encountered in the course of audits or investigations, including restrictions on the scope of work or access to required information.

Quality Assurance and Improvement Program

IA&ERM will maintain a Quality Assurance and Improvement Program to evaluate IA&ERM's conformance with the *Standards* and whether internal auditors apply the IIA's Code of Ethics. Results of the Quality Assurance and Improvement Program, including ongoing internal assessments and external assessments conducted at least once every five years, will be reported to BARC.