

Internal Audit Charter

PURPOSE

The purpose of the internal audit function is to strengthen the University of Prince Edward Island's (The University) ability to create, protect and sustain value by providing the board of governors with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the University's:

- Successful achievement of its objectives
- Governance, risk management and control processes
- Decision-making and oversight
- Reputation and credibility with its stakeholders
- Ability to serve the public interest.

ETHICS AND PROFESSIONALISM

The University's internal audit function will govern itself by adherence to the mandatory elements of Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements.

In addition, the internal audit function will adhere to the relevant policies and procedures of the University and its Finance and Audit Committee Mandate.

The University Auditor will ensure:

- Conformity to the principles and standards of *Ethics and Professionalism: integrity, objectivity, competency, due professional care and confidentiality* in the Global Internal Audit Standards
- Adherence to the values and ethics of the University and
- Promotion of an ethics-based culture at the University.

AUTHORITY

The internal audit function, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of records, physical properties, and personnel pertinent to carrying out any engagement. University employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit function will also have free and unrestricted access to the President and Finance and Audit Committee.

ORGANISATIONAL POSITION

The **University Auditor** will report functionally to the Finance and Audit Committee and administratively (i.e. day to day operations) to the President.

The Finance and Audit Committee shall:

- Review and approve the internal audit plan for the coming year;
- Review the progress, findings, recommendations and follow up actions stemming from the internal audit activities; and
- Ensure the internal auditor is receiving the support and cooperation from management and has sufficient independence to conduct activities in a professional manner.

INDEPENDENCE AND OBJECTIVITY

The internal audit function will remain free from interference in the fulfilment of its responsibilities, including on matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

To maintain its independence, the internal audit function will have no direct operational responsibility or authority over any of the activities audited. Accordingly, the internal auditor will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair his/her judgement.

Internal auditor(s) will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The University Auditor will confirm to the Finance and Audit Committee, at least annually, the organisational independence of the internal audit activity.

RESPONSIBILITY

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

This includes:

- Evaluating risk exposure relating to achievement of the University's strategic objectives
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the University
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets
- Evaluating the effectiveness and efficiency with which resources are employed

- 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 governance processes
- Monitoring and evaluating the effectiveness of the organisation's risk management processes
- Performing consulting and advisory services related to governance, risk management and control as appropriate
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan
- Evaluating specific operations at the request of the Finance and Audit Committee or management, as appropriate

INTERNAL AUDIT PLAN

The University Auditor will, on an annual basis, develop a risk-based internal audit plan and submit to senior management and the Finance and Audit Committee for discussion, and to the Finance and Audit Committee for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next financial year. The University Auditor will also communicate the impact of resource limitations and any other significant interim changes to senior management and the Finance and Audit Committee.

The University Auditor will review and adjust the plan, as necessary, in response to changes in the University's business, risks, operations, programmes, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Finance and Audit Committee through periodic activity reports.

REPORTING AND MONITORING

A written report will be prepared and issued by the University Auditor following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Finance and Audit Committee.

The internal audit report will include management response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management response will include a timeline for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The University Auditor will periodically report to the President and the Finance and Audit Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan.

APPROVAL PROCESS

The University's Internal Audit Charter is submitted for examination and approval to the Finance and Audit Committee on an annual basis.

Approved by the Finance and Audit Committee on 27 January 2025