

# Internal Audit Charter

## INTRODUCTION

Internal Audit is an independent and objective assurance and consulting activity of the University of Prince Edward Island (The University). It is guided by the philosophy of bringing value added services to the University and takes a stakeholder approach in delivering these services. It assists the University to accomplish its objectives by adopting a systematic and disciplined approach in evaluating and improving the effectiveness of its governance, risk management and internal control processes.

## OBJECTIVES

The role of Internal Audit is to provide independent and objective assurance and consulting services to the University with a view to improve its operations and contribute to the attainment of its objectives.

## PROFESSIONALISM

The internal audit activity will govern itself by adherence to the Institute of Internal Auditors' (IIA) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory 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 Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the relevant policies and procedures of the University and its Finance and Audit Committee Mandate.

## AUTHORITY

The internal audit activity, 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. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the President and Finance and Audit Committee.

## ORGANISATION

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 activity 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 activity 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 auditors 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, submit to senior management and the Finance and Audit Committee an internal audit plan 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 internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input from 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 13 September, 2023*