



INTERNAL AUDIT TERMS OF REFERENCE

PREAMBLE

This document establishes the role and terms of reference of the Internal Audit function within the University of Lethbridge.

1. ROLE

- 1.1 The role of Internal Audit is to provide an independent and objective assurance and consulting activity designed to add value and improve University operations. Internal Audit helps the University accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 The scope of internal audit includes all University units and operations.
- 1.3 Internal Audit coordinates the investigation of all allegations of fraud, in accordance with the University's [Fraud Policy](#).

2. TYPES OF ENGAGEMENT

2.1 Assurance Engagements

Objective examination of evidence for the purpose of providing an independent assessment or opinion. Examples include financial, performance and due diligence engagements.

2.2 Consulting Engagements

Advisory and related client service activities, the nature and scope of which are agreed with the client, intended to add value and improve an organization's governance, risk management, and control and operational processes. Due to the nature and purpose of consulting engagements, the reports are for internal use. Examples include counsel, analysis, advice, facilitation, and training.

2.3 Investigations

Investigating and/or supporting investigations for alleged violations of policies, procedures, errors, fraud or misuse of University assets or resources. Investigations will be performed upon request from the Audit Committee .

3. INDEPENDENCE AND AUTHORITY

- 3.1 Internal Audit reports administratively to the Provost & Vice-President (Academic) and functionally to the Board of Governors Audit Committee (the "Audit Committee"). This organizational structure is essential to ensure independence from those directly responsible for activities and operations under review, a wide and unrestricted scope of audit activity, and appropriate attention to engagement findings and recommendations.
- 3.2 The Director, Internal Audit meets periodically with the Provost & Vice-President (Academic) and regularly with the Audit Committee Chair. As required, the Director, Internal Audit also meets with the Audit Committee, without other university personnel present, to discuss any matters that the Audit Committee believes should be discussed privately with the Director.

- 3.3 The Internal Audit Department is independent from line management and has no direct responsibility for or authority over, any of the activities under review.
- 3.4 The Audit Committee is responsible for appointing and terminating the Director, Internal Audit and provides input into the annual performance review of the Director, Internal Audit, in conjunction with the administrative supervisor.
- 3.5 The Audit Committee is responsible for reviewing and approving Internal Audit's Terms of Reference.

4. ACCESS TO INFORMATION

The Internal Audit Department is authorized to have full, free and unrestricted access to all University records (paper and electronic), systems, information, property and personnel.

5. SCOPE OF WORK

- 5.1 The scope of an internal audit engagement may be narrow or broad, depending upon the significance of the risks and concerns associated with a particular activity or operation. This scope is not limited to financial and accounting records and may include examination and evaluation of the:
 - i. existence, relevance and effectiveness of, and compliance with internal policies, procedures and plans as well as with external laws and regulations;
 - ii. operating effectiveness, efficiency, and responsible, economical use of resources;
 - iii. extent to which University property and assets are accounted for and protected from losses of all kinds including fraud, waste, abuse, and inefficient administration;
 - iv. capability and adequacy of resources and ability of information systems to produce accurate and meaningful financial and management information; and
 - v. adequacy and reliability of reporting and monitoring mechanisms to assess risks, performance and respond to opportunity and change.
- 5.2 The Director, Internal Audit establishes risk-based engagement plans and priorities consistent with the University's mandate and its Strategic Plan. Internal Audit reports to the Audit Committee on its activities at scheduled Audit Committee meetings.
- 5.3 Internal Audit prepares reports detailing the results of and, where appropriate, recommendations arising from each engagement.
- 5.4 The Director, Internal Audit reviews and approves the engagement communication before issuance and decides to whom and how it will be disseminated.
- 5.5 The Director, Internal Audit will report to the Audit Committee instances of any significant difficulties encountered in the course of the work, including any restrictions on the scope of the engagement work or access to required information.

6. PROFESSIONAL STANDARDS

- 6.1 The Internal Audit Department adheres to the Institute of Internal Auditors' (IIA) Code of Conduct and, as much as is reasonable and practical for its size and resources, adheres to the IIA Standards for the Professional Practice of Internal Auditing.
- 6.2 The Internal Audit Department is responsive to change and best practices within the profession. The Director, Internal Audit will keep the Audit Committee informed of emerging trends and successful practices in internal auditing.

7. RECOMMENDATIONS AND EXTERNAL COMMUNICATION

- 7.1 University's Senior Administration is responsible for ensuring that appropriate actions are taken to address and implement key recommendations.
- 7.2 Internal Audit prepares periodic follow-up reports to determine the status of the key recommendation(s) implementation.
- 7.3 Any external communication from Internal Audit will flow from the Director, Internal Audit.
- 7.4 The Director, Internal Audit will control access to engagement records. Internal Audit engagement records includes reports, supporting documentation, review notes, and correspondence, regardless of storage media. Engagement records are generally produced under the presumption that their contents are confidential and may contain both facts and opinions.
- 7.5 The Director, Internal Audit will not provide to any external party, including the external auditors, engagement records or reports that have not been distributed to and reviewed by the Audit Committee or information about engagements-in-progress without prior consultation with the Provost & Vice-President (Academic) and the Audit Committee Chair.
- 7.6 The Director, Internal Audit may share information and coordinate activities with other internal and external providers of assurance and consulting services to encourage proper coverage and minimize duplication of efforts. The Director, Internal Audit will consult with Provost & Vice-President (Academic) and the Audit Committee Chair prior to any release of engagement reports or records to external parties.

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