

# FY 2025-26 Internal Audit Charter

## Internal Audit & Enterprise Risk Management

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INTERNAL AUDIT &  
ENTERPRISE RISK  
MANAGEMENT

Date:  
March 2025



# Purpose

The purpose of the internal audit function is to strengthen the University of Alberta's (university) ability to create, protect and sustain value by providing the Board of Governors (board), through the Board Audit and Risk Committee (BARC), and management 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.

The university's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to BARC.
- Internal auditors are free from undue influence and committed to making objective assessments.

## **Commitment to Adhering to the Global Internal Audit Standards**

The university's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards (Standards) and Topical Requirements. The Executive Director of Internal Audit & Enterprise Risk Management (ED, IA&ERM and also referred to as the 'University Auditor') will report annually to BARC and senior management (the President's Executive Committee - Strategy) regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

# Mandate

## **Authority**

The university's BARC grants the internal audit function the mandate to provide BARC and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to BARC. Such authority allows for unrestricted access to the board and BARC.



BARC authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the university and other specialized services from within or outside the university to complete internal audit services.

### **Independence, Organizational Position, and Reporting Relationships**

The ED, IA&ERM will be positioned at a level in the university that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section). The ED, IA&ERM will report functionally to BARC and administratively (for example, day-to-day operations) to the Vice-President, University Services, Operations and Finance. This positioning provides the institutional authority and status to bring matters directly to senior management and escalate matters to BARC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The ED, IA&ERM will confirm to BARC, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the ED, IA&ERM will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The ED, IA&ERM will disclose to BARC any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

### **Changes to the Mandate and Charter**

Circumstances may justify a follow-up discussion between the ED, IA&ERM, BARC, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganization with the university.
- Significant changes in the ED, IA&ERM, BARC, and/or senior management.
- Significant changes to the university's strategies, objectives, risk profile, or the environment in which the university operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

# Board Oversight

To establish, maintain, and ensure that the university's internal audit function has sufficient authority to fulfill its duties, the BARC will:

- Discuss with the ED, IA&ERM and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the ED, IA&ERM has unrestricted access to and communicates and interacts directly with BARC including in private meetings without senior management present.
- Discuss with the ED, IA&ERM and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the ED, IA&ERM and senior management about the “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the ED, IA&ERM to consider changes affecting the university, such as the employment of a new ED, IA&ERM or changes in the type, severity, and interdependencies of risks to the university; and approve the internal audit charter annually.
- Approve the risk-based internal audit plan.
- Review and provide input to the internal audit function's human resources administration and budgets.
- Review the internal audit function's expenses.
- Collaborate with senior management to determine the qualifications and competencies the university expects in an ED, IA&ERM, as described in the Global Internal Audit Standards.
- Authorize the appointment and renewal of the ED, IA&ERM.
- Review and provide input into the remuneration of the ED, IA&ERM.
- Review and provide input into the ED, IA&ERM's performance.
- Receive communications from the ED, IA&ERM about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the ED, IA&ERM to determine whether scope or resource limitations are inappropriate.



# Executive Director, Internal Audit & Enterprise Risk Management Roles and Responsibilities

## **Ethics and Professionalism**

The ED, IA&ERM will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the university and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the university.
- Report institutional behavior that is inconsistent with the university's ethical expectations, as described in applicable policies and procedures.

## **Objectivity**

The ED, IA&ERM will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the ED, IA&ERM determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the university or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any university employee (also referred to as faculty and staff) that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:



- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the ED, IA&ERM, board, management or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

## **Managing the Internal Audit Function**

The ED, IA&ERM has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of BARC and senior management. Discuss the plan with BARC and senior management and submit the plan to BARC for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to BARC and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the university's business, risks, operations, programs, systems, and controls.
- Communicate with BARC and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to BARC and senior management for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the university and communicate to BARC and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the university's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to BARC and senior management.
- Coordinate activities and consider relying upon the work or other internal and external providers of assurance and advisory services. If the ED, IA&ERM cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to BARC.

## Communication with BARC and Senior Management

The ED, IA&ERM will report quarterly, unless stated otherwise, to BARC and senior management regarding:

- The internal audit function's mandate. [Annually]
- The internal audit plan and performance relative to its plan.
- Internal audit budget. [Annually]
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement. [Annually]
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for BARC.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the university's risk appetite.

## Quality Assurance and Improvement Program

The ED, IA&ERM will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the ED, IA&ERM will communicate with BARC and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the university; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

# Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the university, including all the university's activities, assets, and personnel. This also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to BARC and management on the adequacy and effectiveness of governance, risk management, and control processes for the university.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the university's strategic objectives are appropriately identified and managed.
- The actions of the university's officers, directors, management, employees, and contractors or other relevant parties comply with the university's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the university.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

## Additional Roles

The ED, IA&ERM has two additional roles beyond internal auditing: enterprise risk management and investigations. The following summarizes the responsibilities, nature of work, and established safeguards to limit impairments to the independence of the internal audit function and the objectivity of the internal auditors.



## ***Enterprise Risk Management (ERM)***

### Responsibilities

The ED, IA&ERM will:

- Coordinate the ERM program, including the ERM policy and framework, designed to facilitate a consistent approach to identifying, monitoring and reporting risks within the university.
- 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.

### Nature of Work

To ensure key risks are being managed appropriately, and that the system of internal control is operating effectively, IA&ERM's role includes administrative responsibility to facilitate, coordinate and support the university's ERM program.

### Safeguards

IA&ERM's independence and objectivity is maintained since:

- Management owns the risks and is responsible for identifying and managing them.
- An independent external review and assessment of the ERM program and activities, including a review of reporting roles and responsibilities, occurs approximately every five years, or at the discretion of BARC.

## ***Investigations***

### Responsibilities

When notified by management of such allegations, the ED, IA&ERM will work with the appropriate management groups to ensure an investigation is conducted when appropriate.

### Nature of Work

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.

### Safeguards

IA&ERM's independence and objectivity is maintained since:

- The Fraud and Irregularity Reporting Response Procedure includes a protocol if the allegation of fraud or irregularity involves IA&ERM.
- Management owns the responsibility for deciding whether to refer the investigation results to a law enforcement agency and/or perform any action (disciplinary) as a result of any response to, or investigation of fraud or irregularity.
- An independent external review and assessment of investigations, will be included with the external review and assessment of the internal audit processes.

**Approved by The University of Alberta's Board Audit and Risk Committee at its meeting on March 10, 2025.**

**Acknowledgments/Signatures**

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Nokuthula Sithole  
Executive Director,  
Internal Audit & Enterprise Risk Management

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Lillian Zenari  
Chair,  
Board Audit & Risk Committee

