

INTERNAL AUDIT CHARTER

Approving Body	Audit Committee, Board of Governors
Initial Approval Date	February 27, 2014
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Date of next review	February 2025
Executive Sponsor	Executive Director, Internal Audit

Purpose and Mission

The purpose of the Internal Audit Unit of McGill University (“IA”), as led by the Executive Director, Internal Audit is to provide independent, objective assurance and consulting activity designed to add value and improve McGill University’s operations. The mission of IA is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. IA helps McGill University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Mandate of Internal Audit

IA is responsible for:

- Ensuring that the University has implemented an effective system of internal control to manage the risks facing the institution
- Providing cost-effective and independent assurance that internal controls are effective
- Supporting members of the University in the effective discharge of their responsibilities through the provision of reports, recommendations, advice and information concerning activities reviewed

More particularly, the scope of IA activities includes (but is not limited to) the following:

- Evaluating, consulting, and educating on financial and operational processes, controls, related risks, and exposures
- Providing advice and guidance on control and risk aspects of new policies, systems, processes, and procedures
- Verifying the existence of University assets and determining whether proper safeguards are maintained to protect them from loss
- Determining the level of compliance with University policies and procedures

- Determining the level of compliance with the policies and procedures of agencies and other regulatory bodies that have oversight of University activities
- Determining the level of compliance with provincial and federal laws and regulations
- Evaluating the accuracy, effectiveness, and efficiency of the University's electronic information and processing systems
- Determining the effectiveness and efficiency of units in accomplishing their mission and identifying operational opportunities for cost savings and revenue enhancements
- Coordinating audit efforts with, and provide assistance to, the external auditors
- Investigating fraud and other types of financial misconduct

Independence and Objectivity

IA will remain free from all conditions that threaten the ability of IA to carry out responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Executive Director determines that independence or objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to the appropriate parties.

The Executive Director and all employees of IA, will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

IA may perform advisory and related activities (the nature and scope will be agreed upon with Management) provided IA does not assume managerial responsibilities.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

Authority

To allow IA to fulfill its mandate, IA will, have full and unrestricted access to the Audit Committee (through its Chair), have the authority to audit any and all of the University's operations and have unrestricted access to the following:

- All records of the University
- All University information systems
- All University units and its employees
- All University property and assets

Note: IA shall, where necessary, require members of the University to actively cooperate with it and respond promptly to its request for information or access to facilities, records, and information systems.

Institutional Support

The Audit Committee, in conjunction with the University's Senior Administration, shall ensure that IA and its Executive Director have the independence, resources and institutional support to perform its functions in an appropriate and effective manner.

Internal Audit Plan

The Executive Director in conjunction with the Audit Committee, and after consultation with the University's Senior Administration, shall establish each year the activities for IA through the elaboration of an internal audit plan.

The internal audit plan will be developed using a risk based methodology and shall identify:

- All projected audit activities for the year
- The rationale for each audit activity
- The high-level objectives of each audit activity
- Those activities which may require the use of external resources

The plan shall make reasonable allowance for IA to respond to unforeseen matters that may arise during the course of the year. All deviations from the approved internal audit plan will be communicated to the Audit Committee and the University's Senior Administration through periodic status reports.

Reporting

To the Audit Committee

The Executive Director shall report to the Audit Committee (through its chair). More particularly, the Executive Director shall report in writing to the Audit Committee:

- Periodically on the progress and results of IA activities of the current fiscal year and annually on the activities for the preceding fiscal year
- Whenever there is evidence of a defalcation or evidence of other inappropriate activity
- Whenever a unit or employee fails to initiate appropriate corrective action after being notified by IA of matters that require attention

Where warranted the Executive Director shall report only to the Audit Committee.

To the Vice-President, Administration and Finance

The Executive Director shall report to the Vice-President, Administration and Finance on the day-to-day administration, activities and operation of IA.

To Units and Individuals

The Executive Director shall ensure that:

- Each unit or employee whose records or activities are audited receives a written report on the conclusion of the audit
- Others with a legitimate interest in the audit of that unit or employee also receive a copy of the report

In the event that the report discloses matters that require attention by the employee or unit, the report shall:

- Include a response by the employee or unit which identifies the corrective actions that have been or shall be taken to address the matter
- Stipulate the delay within which the employee or unit shall implement the corrective action
- Identify the “best practices” of peer institutions for dealing with the matter (if applicable)

IA shall retain responsibility for ensuring that the corrective action taken is adequate to remedy significant risks identified.

Enterprise Risk Management (ERM)

To help ensure key institutional risks are being managed appropriately and that the system of internal control is operating effectively, IA shall facilitate the University’s Enterprise Risk Management (ERM) program.

The role of IA related to ERM is the following:

- 1.1 Facilitating development, oversight and maintenance of the ERM program;
- 1.2 Facilitating and coordinating the process of identifying, reviewing, and ranking the University’s top risks;
- 1.3 Assigning, tracking, and monitoring the University’s top risks;
- 1.4 Facilitating action in those areas where improvements are required; and,
- 1.5 Reporting on the status of risks to the University’s Executives and the Audit Committee.

Periodic Assessment

The Executive Director of IA will periodically report to the Audit Committee and the Senior Administration on IA’s purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Senior Administration or the Audit Committee.

In addition, the Executive Director of IA will communicate to the Audit Committee and the Senior Administration on IA’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments.

Code of Conduct

The Executive Director and all employees of IA shall conduct themselves in conformity with the University’s policies governing conflict of interest and shall conform to the Code of Ethics and Rules of Conduct of the Institute of Internal Auditors, which requires that they:

- Perform their work with honesty, diligence, and responsibility

- Observe the law and make disclosures expected by the law and the profession
- Not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession or to the University
- Respect and contribute to the legitimate and ethical objectives of the University
- Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment
- Not accept anything that may impair or be presumed to impair their professional judgment
- Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review
- Be prudent in the use and protection of all information acquired in the course of their duties
- Not use any information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the University