

Policy No.	Officer Responsible		
B.214	Vice-President, Finance and Administration		
Policy Name			
External and Internal Audit Policy			
Approved by	Replaces	Category	Next Review
Board	New		2022
Date Issued	Date Revised	Related Policies, Reference	
November 26, 2019		<i>University Act, RSBC 1996, c 468</i> <i>Auditor General Act, SBC 2006, c 2</i> <i>Finance and Audit Committee Terms of Reference</i> <i>Generally Accepted Accounting Principles</i> <i>Generally Accepted Auditing Standards</i> <i>Institute of Internal Auditors</i> <i>Information Systems and Controls Association</i>	

1. PURPOSE

The purpose of this policy is to establish the framework for external and internal audit services for Capilano University and the Capilano University Foundation (collectively referred to as the “University”).

2. DEFINITIONS

“External audit services” services intended to formulate an independent opinion as to whether the University’s financial statements prepared by management are accurate and complete, prepared in accordance with *Generally Accepted Accounting Principles* (“GAAP”) and present fairly the University’s financial position and results of its financial operations.

“External auditor” an independent, objective, third-party individual or organization that performs external audit services for the University.

“Internal audit services” independent and objective services intended to evaluate risks and internal controls, check the accuracy of financial records, assess the means of safeguarding assets, evaluate operational efficiency and performance and review compliance with laws, regulations, policies and procedures.

“Internal auditor(s)” University staff or independent contractors who perform internal audit services for the University. The internal audit leader is the senior University employee or contractor’s representative having responsibility for providing such services.

3. SCOPE

This policy applies to employees of the University involved in engagement of internal and external audit services and to the external and internal auditors for the University.

4. POLICY STATEMENT

External audit services

4.1 The University will

- a) engage an external auditor to audit its financial statements, books and records for each fiscal year and to prepare an external auditor's report in respect thereof in accordance with GAAP;
- b) assist the external auditor in the performance of the external audit as required and ensure that accounting records and supporting documents are available; and
- c) provide the financial statements and the external auditor's report to the ministry responsible for post-secondary education in British Columbia, no later than six months after the end of each fiscal year.

4.2 In accordance with section 33 of the *University Act*, unless the Auditor General is appointed in accordance with the *Auditor General Act*, the Board will appoint an external auditor to audit the accounts of the University each year.

4.3 If the Auditor General is not appointed as the external auditor,

- a) external audit services will be procured in accordance with the University's procurement and contracting policies; and
- b) the appointment of the external auditor will be recommended by the Finance and Audit Committee ("FAC") and approved by the Board.

4.4 If the external auditor is not appointed in accordance with the *Auditor General Act*, when the external auditor is appointed and each year thereafter, the FAC will review and evaluate the reasonableness of the external auditor's assertions of independence. When evaluating such independence, the FAC will

- a) ensure that the external auditor confirms its independence in writing as defined by the rules of professional conduct or independence standards established by the external auditor's professional association; and
- b) review, assess and/or confirm assertions by the external auditor that it
 - i) maintains quality controls providing reasonable assurance that its independence is not impaired;
 - ii) adheres to a rotation policy for the lead engagement partner of no more than five years; and
 - iii) does not involve individuals in the external audit who were employed in a managerial capacity at the University during the period covered by the external auditor's report.

4.5 The FAC is responsible for

- a) reviewing and recommending that the Board approve the annual audit plan, audit fees and the external audit engagement letter with the external auditor;

- b) reviewing and advising the Board with respect to the planning, conduct and reporting of the annual audit;
 - c) meeting with the external auditor to discuss the annual financial statements and auditor's report, including the appropriateness of accounting policies and estimates; and
 - d) making recommendations to the Board regarding the external auditor's report and management letter.
- 4.6 The external auditor may be engaged to provide other services ("non-audit services") only if threats to its independence arising from performing such services, whether actual or perceived, are either insignificant or can be mitigated to acceptable levels by the application of appropriate safeguards. The provision of non-audit services must be reviewed and recommended by the FAC and approved by the Board.
- 4.7 The following types of non-audit services are incompatible with the independence of the external auditor and must be avoided unless the outcome as of such services will not be subject to audit procedures during the annual external audit
- a) managerial functions and/or making management decisions;
 - b) preparing financial statements;
 - c) accounting, bookkeeping, valuation and actuarial services,
 - d) internal audit services;
 - e) hardware/software design and implementation services,
 - f) human resource services;
 - g) expert services relating to legal proceedings or investigations; and
 - h) services relating to the custody of financial assets.
- 4.8 The Vice-President, Finance and Administration will provide an annual report to the FAC each year, identifying any non-audit services that have been performed by the external auditor.
- 4.9 An individual who provides external audit services to the University may not be hired by the University in a senior financial or management capacity within a 24-month period following the period covered by the last external audit in which the individual participated.

Internal audit services

- 4.10 The FAC is responsible for
- a) reviewing and recommending that the Board approve the appointment of the internal audit leader;
 - b) reviewing and recommending that the Board approve the annual internal audit plan;
 - c) overseeing internal audit services and the relationship with the internal auditor; and
 - d) receiving internal audit reports and making recommendations to the Board regarding such audits;
 - e) reviewing and approving the internal audit charter on an annual basis; and
 - f) reviewing and approving the budget for delivery of the audit plan.
- 4.11 Internal audit services may be performed by University employees or provided by suitably qualified third parties who have been selected in accordance with the University's procurement and contracting policies and appointed by the FAC.
- 4.12 The internal audit leader will report to
- a) the chair of the FAC with respect to their responsibilities for internal auditing; and

- b) the Vice-President, Finance and Administration with respect to administrative requirements.
- 4.13 The internal audit leader is authorized to direct a broad, comprehensive program of internal auditing within the University in accordance with an internal audit plan approved each year by the FAC.
- 4.14 The internal audit leader is responsible for
- a) developing, in consultation with management and FAC, a flexible annual internal audit plan using appropriate risk-based methodologies, for review and recommendation by the FAC and approval by the Board;
 - b) implementing the Board approved internal audit plan;
 - c) ensuring that internal auditors have appropriate knowledge, skills, experience and relevant professional certifications;
 - d) maintaining quality assurance and improvement program regarding internal audit services;
 - e) preparing detailed internal audit reports on a timely basis at the completion of each engagement for distribution to relevant University staff members, the Vice-President Finance and Administration and the FAC;
 - f) issuing semi-annual reports summarizing the results of internal audit services to the Vice-President, Finance and Administration and FAC;
 - g) following-up on identified risk exposures, control, performance and governance issues and remedial actions implemented by the University;
 - h) attending and participating in FAC meetings at the invitation of the FAC;
 - i) keeping the University and the FAC informed of emerging trends and successful practices in internal auditing;
 - j) liaising with the external auditor as appropriate to provide more efficient audit coverage and better understanding of risks; and
 - k) arranging for an external assessment by a qualified external independent reviewer of the internal audit function once every five years.
- 4.15 University staff will respond to internal audit observations on a timely basis. Furthermore, the Vice-President, Finance and Administration will ensure that appropriate action is taken to address internal audit recommendations. Responses to internal audit recommendations will include a timetable for implementing corrective action or explanations for recommended actions that will not be implemented.
- 4.16 Internal audit services encompass all elements of the University that support the achievement of its strategies, goals and plans, including its resources, systems, processes, programs, organization structure, staff, relationships with third parties and culture. However, internal audit services exclude the evaluation of education and instructional programs and courses provided by the University.
- 4.17 Internal audit services include examining, evaluating and/or monitoring
- a) the effectiveness of governance, planning and risk management processes;
 - b) the effectiveness of internal controls encompassing governance, finance, operations and related systems;
 - c) the quality, efficiency and effectiveness of activities, processes, programs, policies systems and human resources;

- d) processes used to measure and ensure compliance with plans, policies, laws and regulations;
- e) programs and/or activities confirming that results/outcomes are accurate and consistent with goals and objectives;
- f) significant risk exposures and internal control issues, including fraud risks; and
- g) specific activities or investigations requested by the Vice-President, Finance and Administration or FAC.

4.18 Internal auditors must

- a) comply with professional standards established by the *Institute of Internal Auditors*, the *Information Systems and Controls Association* and other professional organizations as appropriate;
- b) possess appropriate knowledge, skills and technical proficiency essential to the performance of internal audit services;
- c) maintain technical competence through a program of continuing education;
- d) exercise due professional care when performing internal audit services;
- e) exhibit the highest standards of objectivity in gathering and evaluating information;
- f) maintain an appropriate degree of independence and not be unduly influenced by their own interests or those of others; and
- g) comply with the requirements for confidentiality as prescribed by professional standards, the University's policies and any contractual provisions.

4.19 Internal auditors must have no existing or prior managerial responsibility or authority over any activities programs, systems, procedures, records or events that are selected for audit.

4.20 Internal auditors will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity with the University that may impair their independence or judgment when providing internal audit services.

4.21 Internal audit services will be conducted independently and free of influence from University staff. The internal audit leader will confirm their independence on an annual basis to the FAC.

4.22 The FAC will review and advise the Board of any proposed changes to the responsibilities and organizational reporting relationships relating to the provision of internal audit services at the University.

4.23 University staff will provide internal auditors with full, free and unrestricted access to all University activities, programs, policies, procedures, records, property, systems and staff. University staff will assist internal auditors in fulfilling their responsibilities subject to the approval of the Vice-President, Finance and Administration.

5. RELATED REFERENCES

University Act, RSBC 1996, c 468

Auditor General Act, SBC 2006, c 2

Finance and Audit Committee Terms of Reference

Generally Accepted Accounting Principles

Generally Accepted Auditing Standards

Institute of Internal Auditors

Information Systems and Controls Association