

Policy No.	Officer Responsible		
<b>B.214</b>	<b>Vice-President, Finance and Administration</b>		
Policy Name			
<b>External and Internal Audit Policy</b>			
Approved by	Replaces	Category	Next Review
<b>Board</b>			<b>February, 2028</b>
Date Issued	Date Revised	Related Policies	
<b>November 26, 2019</b>	<b>February, 2023</b>	B.312 Risk Management Policy	

### 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

### 3. SCOPE

This policy applies to employees of the University involved in engagement of internal and external audit services, to all members of the academic and administrative departments to be audited and to the external and internal auditors for the University.

## 4. POLICY STATEMENT

### Audit and Risk Committee

- 4.1 The University will establish an Audit and Risk Committee (the “ARC”) to assist the Board in fulfilling its obligations and oversight responsibilities related to the internal and external audit processes, financial reporting, risk management and the system of internal controls regarding financial reporting, accounting compliance and the prevention and detection of fraud.
- 4.2 The ARC will oversee the review of Board policies on audit matters and make recommendations for approving, updating, or rescinding such policies to the Board for approval.

### External audit services

- 4.3 The University will:
- a) Engage, using a competitive process, 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, supporting documents and personnel as requested 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.
- 4.4 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.
- 4.5 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 ARC and approved by the Board.
- 4.6 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 ARC will review and evaluate the reasonableness of the external auditor’s assertions of independence. When evaluating such independence, the ARC 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; 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.

- 4.7 The ARC will review the planning and results of external audit activities and the ongoing relationship with the external auditor, including:
- a) reviewing and recommending that the Board approve the annual audit plan
  - b) reviewing and advising the Board with respect to the planning, conduct and reporting of the annual audit and recommending to the Board the approval of the annual audited financial statements;
  - c)
  - d) making recommendations to the Board regarding the external auditor's report and management letter and
  - e) assessing the performance, independence and consideration of the annual appointment (where applicable) of the external auditors for recommendation to the Board;
- 4.8 The external auditor will meet with the ARC, with at least one meeting annually held without management present, to:
- a) review and discuss the external audit plan; and
  - b) review and discuss the audited annual financial statements and auditor's report, including the appropriateness of accounting policies and estimates.
- 4.9 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 ARC and approved by the Board.
- 4.10 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.
- 4.11 The Vice-President, Finance and Administration will provide an annual report to the ARC each year, identifying any non-audit services that have been performed by the external auditor.
- 4.12 Any 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**

- 4.13 The Vice-President, Finance and Administration will oversee the internal audit program and ensure that appropriate action is taken to address internal audit recommendations.
- 4.14 The Director of Risk Management is authorized to manage the internal audit program including coordinating and overseeing internal audit activities.

- 4.15 Internal audit services will be provided by suitably qualified third-party internal audit service providers who have been selected in accordance with the University's procurement and contracting policies and approved by the ARC.
- 4.16 If the Director of Risk Management has direct responsibility or authority over the University activities to be audited, special arrangements to oversee the audit of that area will be put in place in order to avoid potential conflicts of interest.
- 4.17 The ARC is responsible for
- a) reviewing and recommending that the Board approve the annual internal audit plan;
  - b) reviewing and approving the budget for delivery of the audit plan.
  - c) reviewing and recommending that the Board approve the appointment of any third-party internal audit service providers; and
  - d) reviewing internal audit reports and making recommendations to the Board regarding such audits.
- 4.18 The ARC 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.
- 4.19 The Director of Risk Management is responsible for
- a) developing, in consultation with management and ARC and for approval by the Board, a flexible annual internal audit plan focused on
    - i. areas of higher risk;
    - ii. areas where there is uncertainty or disagreement about the level of risk or
    - iii. where it is considered that the strength of internal controls may not be commensurate with the level of risk
  - b) implementing the Board approved internal audit plan;
  - c) confirming that internal audit service providers and the individual internal auditors selected for each engagement have the appropriate knowledge, skills, experience and relevant professional certifications;
  - d) making sure that detailed internal audit reports are produced in a timely basis at the completion of each engagement for distribution to relevant University employees, the Vice-President Finance and Administration and the ARC;
  - e) issuing semi-annual reports summarizing the results of internal audit services to the Vice-President, Finance and Administration and ARC;
  - f) following-up on identified risk exposures, control, performance and governance issues and remedial actions to be implemented by the University in response to audit findings;
  - g) attending and participating in ARC meetings at the invitation of the ARC;
  - h) keeping the University and the ARC informed of emerging trends and successful practices in internal auditing; and
  - i) supporting the external audit process by providing information on internal audit and risk management processes and reports as requested.
- 4.20 University Administrators are responsible for
- a) providing internal auditors with free and unrestricted access to personnel, physical property, records and any other documentation they request while conducting audits. Information obtained in the course of an internal audit will be used strictly for internal audit purposes as outlined in this Policy;

- b) responding to internal audit reports and developing appropriate action plans to address 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; and
- c) reporting to the Director of Risk Management in a timely and complete manner on the progress of the agreed corrective actions.

4.21 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.

4.22 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 ARC.

4.23 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.

## **5. DESIGNATED OFFICER**

The Vice President, Finance and Administration is the Policy Owner, responsible for the oversight of this Policy. The Administration of this Policy and the development, subsequent revisions to and operationalization of any associated procedures is the responsibility of the Director of Risk Management for internal audit and Director Financial Services for external audit.

## **6. 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