



University of Toronto

OFFICE OF THE GOVERNING COUNCIL

BUSINESS BOARD ITEM 3(a)

TO: Audit Committee

SPONSOR: Louis R. Charpentier
Secretary of the Governing Council

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DATE: May 9, 2006 for May 17, 2006

AGENDA ITEM: 6

ITEM IDENTIFICATION:

Internal Audit Policy: Revision

JURISDICTIONAL INFORMATION:

The Audit Committee may make recommendations to the Business Board for amendments to the Internal Audit Policy.

PREVIOUS ACTION TAKEN:

The current Internal Audit Policy was approved by the Business Board on November 23, 1992. A copy of that Policy is attached. The proposed, revised Policy was reviewed by a working group consisting of: Mr. Louis Charpentier (convener), Mr. Mark Britt, Ms Sheila Brown, Ms Paulette Kennedy, Mr. Richard Nunn, Ms Catherine Riggall and Ms Martha Tory. A draft was presented to the Audit Committee at its meeting of March 22, 2006 and was amended in the light of the Committee's discussion.

HIGHLIGHTS:

The proposed, revised policy was developed by comparing the current policy with an authoritative policy template produced by the Institute of Internal Auditors Research Foundation. The language has been updated and the Policy has been made more specific. New sections include: audit planning, audit reporting lines, and the Director's functional and administrative reporting lines – the Director's reporting to the President or designate as well as to the Audit Committee. These changes reflect current practice and are intended for clarification.

The proposed Policy also includes a Code of Ethics. That Code has been in existence throughout the tenure of the current Director and has been adopted by members of the Department, but it is now located in the Policy and it will be firmly established through the prospective approval of the Business Board.

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Finally, the wording of the proposed Policy will clarify the provisions dealing with: the Internal Audit Department's access to information; the responsibilities of the divisions and departments that are audited; and the Director of Internal Audit's reporting of unresolved areas of concern following reviews of academic or central administrative divisions.

Amendments made since the previous review by the Audit Committee include:

- **Mandate.** In the listings of the specific areas of the Internal Audit mandate beginning on page 1, the following caveat was removed: 'to the extent resources are available.' That caveat was retained for the list on page 2 of the consulting services to be provided upon request to University administrators."
- **Audit Reporting.** The reporting, in cases where the Director of Internal Audit cannot resolve a matter with the appropriate administrator, would be to the one-up level reporting including, "if considered necessary by the Director, the relevant Vice-President, the President, the Chair of the Audit Committee, the Chair of the Business Board or the Chair of the Governing Council."
- **Access to Information.** Where required information is denied, the Director will inform the one-up level, including "if considered necessary by the Director, the relevant Vice-President, the President, the Chair of the Audit Committee, the Chair of the Business Board or the Chair of the Governing Council."

FINANCIAL AND/OR PLANNING IMPLICATIONS:

No direct financial implications.

RECOMMENDATION:

That the Audit Committee recommend to the Business Board

THAT the proposed revised Internal Audit Policy be approved, replacing the Policy approved on November 23, 1992.