

# University of Edinburgh

## Internal Audit Terms of Reference

### **Mission**

To provide the Principal and the Court, normally through the Audit Committee, with an independent, objective assurance and consulting service designed to add value and improve the University's operations. To help the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

### **Authority**

Internal Audit has the Court's authority to access all documents, records, personnel and physical properties which it considers relevant to audit assignments and necessary to fulfil its responsibilities. There is an obligation on all staff to provide all necessary assistance.

### **Scope of Work**

The scope of Internal Audit covers all the financial and other management control systems, identified by the audit needs assessment process. It includes all the activities in which the University, and its subsidiaries, has a financial interest, including those not funded by Scottish Funding Council (SFC). This includes all the University's operations, resources, staff, services and responsibilities to other bodies although does not extend to the assessment of the academic process.

The scope includes review of controls, including investment procedures that protect the institution in its dealings with organisations such as subsidiaries or associated companies, students' unions, and collaborative ventures or joint ventures with third parties.

### **Objectives**

Internal Audit employs a risk-based systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes by assessing the:

- Alignment of organisational objectives with the University's mission;
- Identification, evaluation and management of business risks;
- soundness, adequacy and application of the internal control systems;
- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of assets from fraud, irregularity or corruption, and
- compliance with laws, regulations, contracts and established policies, procedures and good practice.

Internal Audit is responsible for:

- agreeing a long term audit strategy with the Audit Committee, based upon an audit needs assessment of all University activities;
- agreeing a risk-based annual audit plan with the Audit Committee and communicating the agreed plan to senior management as appropriate;
- carrying out the agreed work in line with appropriate professional standards;
- providing assurances, opinions and making recommendations to improve processes and systems where appropriate;
- following up recommendations made to evaluate action taken;
- reporting to the Audit Committee and the Principal any significant business risks, serious control weaknesses, significant fraud or other major control breakdown;
- reporting to Audit Committee for resolution, any specific cases where Internal Audit believe senior management may have accepted a level of residual risk that may be unacceptable to the University;
- complying with requests for information from the Principal, Audit Committee, External Audit or SFC's Governance and Management: Appraisal and Policy Directorate;
- liaising with External Audit and the SFC;
- maintaining communication with senior figures in the University and outside bodies;
- offering consulting services of an advisory nature without assuming management responsibility or jeopardising achievement of the audit plan;
- developing and maintaining a quality assurance and improvement programme including internal and external assessments and providing performance measures to demonstrate effectiveness of the Internal Audit service;
- maintaining adequate & appropriate training and professional development;
- producing an annual report for the Audit Committee, giving an opinion of the University's arrangements for risk management, control and governance; and
- helping to keep the Audit Committee informed of perceived best practice.

Internal Audit may conduct any special reviews or consulting activities requested by the Court, the Audit Committee, the Principal, or to support the Fraud & Misappropriation Policy, provided such work does not compromise its objectivity or independence.

### **Independence**

Independence is the freedom from conditions that threaten the ability of Internal Audit to carry out their responsibilities in an unbiased manner.

To ensure independence and objectivity, Internal Audit will not assume any management responsibility for development, implementation or operation of systems, however can offer consulting services of an advisory nature.

Internal Audit will exercise professional judgement to determine the scope of its work and the communication of its findings.

The Chief Internal Auditor reports functionally to the Audit Committee, and has direct access to the Principal.

### **Accountability**

The Chief Internal Auditor is accountable to the Principal and the Court through the Audit Committee for the performance of the Internal Audit service. For administrative and budgetary purposes, Internal Audit operates within Corporate Services Group, but from 1 August 2014 will operate within Student and Academic Services Group.

The Chief Internal Auditor will report audit findings to the relevant managers, including the Principal, and draw the attention of the Audit Committee and management committees to key issues and recommendations.

Internal Audit will report the feedback of auditees to the Audit Committee.

**Professional Standards**

Internal Audit's work is performed with due professional care and complies with the Mandatory Requirements<sup>1</sup> of the SFC's Financial Memorandum between the Council and Universities.

Internal Auditors follow professional standards set by the Institute of Internal Auditors as well as Codes of Professional Practice and Codes of Ethics as stipulated by their individual Professional Institutes.

**Approved by the Audit Committee on 29<sup>th</sup> May 2014**  
**Approved by Court on 23<sup>rd</sup> June 2014.**

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<sup>1</sup> The Audit and Accounting Section of the SFC Mandatory Requirements became effective on 14 October 2008.