



**University  
of Victoria**  
Internal Audit

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**INTERNAL AUDIT**  
**STRATEGIC PLAN 2016-2021**

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**FINAL VERSION**  
**Approved by the Audit Committee**  
**May 30<sup>th</sup> 2016**

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## Background:

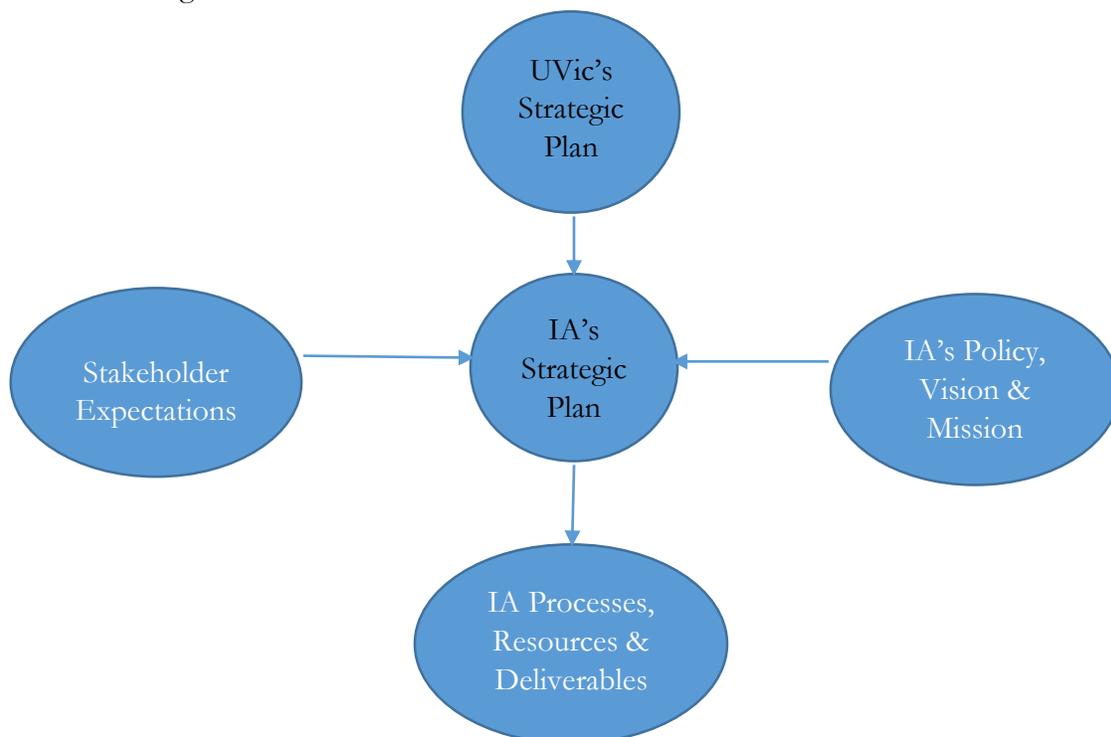
Available records indicate that Internal Audit (IA) at UVic has been in existence since the late 1970s. More recently, the function went through a leadership change in April 2012, shortly followed by a change in the composition of the IA team. IA functionally reports to the Audit Committee of the Board of Governors, and administratively to the VP Finance & Operations. On an annual basis, the Audit Committee reviews and approves the department's 3-year rolling audit plan. IA's operational cycle follows UVic's academic year (Sept to Aug).

While the IA function is currently well regarded by the Audit Committee and is acknowledged by UVic's executive and management as delivering value, the department does not have a formal strategic plan, instead relying largely on the annually updated 3-year rolling audit plan, as well as UVic's approved policy on IA to articulate its role and deliverables. The IA team acknowledges the importance of a departmental strategic plan to guide and direct its activities as well as further promote and raise awareness of IA's role within UVic amongst a broader range of stakeholders and clients. The Strategic Plan complements and supports UVic's Policy on Internal Audit (Policy GV0220) and is not intended to substitute that policy.

## Purpose:

To allow UVic to derive maximum benefits from IA and for the function to remain relevant to UVic, IA needs to continue playing an important role by making meaningful contributions to UVic's overall governance, risk management, and internal controls.

This strategic plan has been developed to formalize IA's overall strategy in achieving these broad objectives outlined above. The key elements considered in developing this Strategic Plan are depicted in the diagram below:



## **Vision & Mission Statement:**

The IA team has developed the following **Vision Statement** to help guide its activities over the period of the current strategic plan:

*Provide value-added and trusted assurance and advisory services to UVic's Audit Committee, Executive Council, management and staff.*

The department's **Mission Statement** is:

*To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.*

The above statement is referenced in the Internal Audit Policy (University Policy GV0220).

By delivering on its above stated Vision & Mission statements the IA department plays a strategic role in helping UVic achieve its objectives.

## **Core Services:**

Using a risk-based approach, IA plans to deliver on its above stated Vision & Mission Statements by providing the following four types of core services:

**Assurance Services:** Review of operations, policies and procedures to evaluate the adequacy and effectiveness of and compliance with related control structures so as to provide an assessment as to whether business risks are appropriately considered and addressed.

**Advisory Services:** Assist the Audit Committee and other key stakeholders by helping them deal with specific issues and concerns that are better addressed through a trusted management advisory type engagement.

**Information Technology (IT) Services:** Undertake IT specific assurance and advisory engagements that help ensure the security, integrity, confidentiality and availability of UVic's information systems and resources.

**Investigative Services:** Investigate allegations of financial misconduct or non-violent criminal acts involving UVic's resources. This includes addressing matters brought to IA's attention through its Safe Disclosure mechanisms.

## **Principles/Assumptions in Developing the Strategic Plan:**

The Strategic Plan is developed based on the following fundamental principles/assumptions:

Independence from operational management: To ensure its independence, the IA function at UVic functionally reports to the Chair of the Audit Committee of the Board of Governors. IA's independence from management is enshrined in UVic's Policy on Internal Audit referenced earlier.

Recruiting and retaining an appropriately qualified and experienced IA team: IA will continue to be able to attract, recruit and retain a well-qualified team of professionals from financial and other required (e.g.: IT) disciplines.

Audit Committee and Management support: IA team will continue to enjoy the support of the Board of Governors' Audit Committee as well as UVic's management team (especially the Executive Council). Such support will include the provision of budgetary and other resources that are adequate to support the delivery of the annual audit plan.

IA's Continued Participation as an ex-officio (non-voting) member of the Risk Management Steering Committee (RMSC): IA appreciates its participation on UVic's RMSC in a non-voting capacity. Continued participation on the RMSC is considered valuable and vital given the close linkage and direct relationship between IA and risk management.

Flexibility in delivery of the annual approved audit plan: While every effort will be made to deliver on the approved annual audit plan, given the ever evolving nature of risks, and to accommodate management/Audit Committee requests for unplanned for engagements, planned projects may need to be deferred/reprioritized. Any such action will be undertaken in consultation with the Chair of the Audit Committee and/or members of UVic's Executive Council.

### **Internal Audit's 3-Year Rolling Audit Plan:**

To guide its operational activities, each year IA prepares a risk-based three year rolling audit plan which is presented to the Audit Committee at its September meeting. Approval is sought for projects scheduled for Year 1, with proposed projects for Years 2 and 3 provided to the Committee for information only. The 3-year rolling plan is revisited each year to validate risk rankings and identify emerging risk areas, so that these are considered when annually updating the 3-year plan.

The 3-year rolling plan is developed with a focus on the identification of key risks facing UVic, as well as consideration of potential emerging risks that are likely to appear on the horizon over the 3-year audit plan cycle. This risk identification process includes:

1. Review of UVic's Strategic Plan to gain an understanding of institutional goals & priorities.
2. Obtaining a high level understanding of the activities undertaken by each major business area within UVic. This includes education, student support, research, ancillary services, finance & administration, and other support functions such as Information Systems & Technology.
2. A review of business plans for several of the key functions/departments noted in (1) above.
3. Obtaining input from members of the Audit Committee as well as the Executive Council especially their perspective on key risks or concerns, and where they believe Internal Audit may be able to add value.
4. Review of UVic's risk register together with any other risk related information that may have been provided to the Audit Committee or the Board of Governors.
5. Obtaining an understanding of significant new initiatives planned for the coming years.
6. Identification and understanding of key inter-dependencies between various functional areas.
7. Identification of any recent or anticipated changes in key business processes or functions.

8. Internal Audit's own experience based on business functions or processes previously reviewed and where significant opportunities for improvement may have been noted.
9. A high level understanding of internal or operational controls that may be in place to mitigate against identified risks.
10. Review of guidance material from professional bodies such as the Institute of Internal Auditors (IIA), the Information Systems Audit & Control Association (ISACA), the Association of Certified Fraud Examiners (ACFE) and others.
11. Communication & liaison with IA departments at other Universities.

Acknowledging the dynamic nature of risks, the IA department as well as the Audit Committee recognizes that there may be a need to make course corrections as the year progresses. Any proposed changes to the approved annual plan are reviewed with the Chair of the Audit Committee as soon as practical, and the full Committee is made aware of the changes at the next scheduled Audit Committee meeting.

### **Key Strategic Focus Areas:**

The IIA's guidance paper on "The Role of Auditing in Public Sector Governance" requires that the public sector auditor's role supports the governance responsibilities of oversight, insight, and foresight. Oversight addresses whether public sector entities are doing what they are supposed to do and serves to detect and deter any irregularities. Insight assists decision-makers by IA providing an independent assessment of programs, policies, operations, and results. Foresight identifies trends and emerging risks and challenges. IA's operational activities (outlined within its 3-year rolling audit plan) includes each of these three key governance elements, which would help UVic achieve its strategic objectives.

Notwithstanding comments in the preceding paragraph, Internal Audit acknowledges that:

- areas directly related to education (e.g.: curriculum development, education delivery mechanisms, academic results & outcomes, in other words, all areas that are the responsibility of the Senate) remain outside the scope of IA's purview at UVic; and
- not all risks are necessarily auditable (e.g.: the risk of declining student enrollment is not an area that would normally be expected to be the subject of review by Internal Audit). IA therefore focuses on areas that typically lend themselves to an independent review and assessment, and where IA can provide value to its key stakeholders.

For the duration of the current Strategic Plan cycle (2016-2021), the department has identified the following as key strategic focus areas. IA's work in these areas will help management by proactively identifying risks (both existing and emerging) and developing recommendations that will assist UVic achieve its strategic objectives:

1. **Decentralized IT:** Over the past 3 years, IA has undertaken a variety of assurance and advisory projects in the IT area, including a 2-phased vulnerability assessment and penetration testing engagement. Much of this work however has been focused on the centralized University Systems department. To better manage IT related risks within UVic as a whole, we have identified the need for IA to undertake IT related reviews (e.g. adequacy of IT General Controls) within faculties, research centres and other areas that have their own decentralized IT departments.

- Cyber Security:** Given the recent incidents of data breaches at several large high profile businesses, many thought leaders have identified cybercrime as one of the top 5 risks facing most organizations today. Cybercrime brings with it concerns about economic impacts, loss of reputation, as well as business interruption issues. And while organizations today are far more aware of cyber risks, many may still be underestimating its impact.

To address risks associated with cybercrime, IA has over the past 2 years undertaken 2 engagements focusing on IT Vulnerability Assessment and Penetration Testing. The results of those reviews have been presented to management as well as the Audit Committee. Given that cybercrime continues to remain a persistent threat to most organizations, IA will work closely with the Executive Council as well as with the new CIO (once appointed) in assessing cyber risks and developing appropriate plans and matrices that identify related roles, responsibilities and proposed actions/reviews that would be undertaken during the duration of this strategic plan.

- Expenditures in non-administrative areas** (e.g. *Faculties & Research Centres*): Like IT, IA has over the past 3 years undertaken a variety of financial and business controls focused assurance engagements within Financial Services and several ancillaries (e.g.: Bookstore, Athletics, etc.). While many of these reviews have an institution-wide focus (e.g.: our recent review of Salaries & Benefits), we have not undertaken specific work within individual faculties or research centres.

We are presently undertaking a more detailed analysis of the types of expenditures and other revenues (non-tuition) generated by faculties and research centres, and the related risks which should be considered as part of IA's annual planning process. Our revised 3-year rolling audit plan which will be presented to the Audit Committee in September 2016 will identify specific compliance focused engagements that IA plans to undertake in the different faculties and research centres over the ensuing 3-year period.

- Tuition Revenues:** For the fiscal year ended March 31<sup>st</sup> 2015, student tuition fees (credit & non-credit) accounted for approximately 26% of UVic's total consolidated revenues. A controls focused review of tuition fee revenues is already included as a Year 2 engagement in the current 3-year audit plan. This review will be undertaken as part of the 2016-17 audit plan.
- Continued focus on ancillaries:** As noted earlier, IA has over the past 3 years placed considerable focus on ancillaries. Given that for the fiscal year ended March 31<sup>st</sup> 2015, ancillaries generated approximately \$62M in total revenues, ancillary operations will continue to remain a focus of IA's work plans over this Strategic Planning period.
- Risk Management Assurance:** There is a direct relationship between effective risk management and the achievement of institutional objectives (outlined in UVic's Strategic Plan). In addition, on an annual basis, IA uses and relies on information generated by UVic's Risk Management function in developing and updating its 3-year rolling audit plan. Given the importance and significance of the Risk Management function, IIA standards require IA groups to undertake periodic assessments of the effectiveness of an organization's risk management function. A review in this area is scheduled for the latter half of 2016. It is anticipated that this engagement will be undertaken using a co-sourcing arrangement that will include specialized expertise obtained using external resources.

Additionally, considering that Crisis Management is one of the key components of a robust overall risk management plan, during the life-cycle of this strategic plan, Internal Audit with guidance from the Audit Committee, will consider undertaking a specific engagement focusing on Crisis Management Readiness.

7. **Emerging Risks & Priorities:** Through its participation in various forums and professional associations, the IA department will continue to be vigilant in identifying emerging risks, their potential impact on UVic, and as appropriate, including suitable audit/advisory engagements for consideration and approval by the Audit Committee.

### **IA's Administrative Priorities:**

To ensure continuous improvement of IA's effectiveness and thus the value it provides to its diverse stakeholders and client groups, the department has identified the following as key administrative priorities for the current Strategic Plan cycle (2016-2021):

- Greater use of contemporary audit tools and techniques (e.g.: data analytics);
- An updated departmental website;
- Ongoing staff development;
- Continuing present processes for ongoing measurement of client satisfaction;
- Succession planning; and
- Obtaining clarity around IA's mandate across other independent but affiliated entities (e.g.: UVic subsidiaries; UVic Foundation; etc.).

### **Key Performance Indicators (KPIs):**

The department will use the following qualitative and quantitative KPIs to periodically monitor and assess its performance against both the strategic as well as the Audit Committee approved annual audit plan.

#### Qualitative:

- Results of client satisfaction surveys issued at the conclusion of each major engagement;
- Instances where IA is proactively invited by management to participate on key university initiatives.
- Feedback from Audit Committee members on the quality of IA reports, the value they provide, and whether the degree to which IA meets the Committee's expectations.
- The department's participation in any divisional or institutional staff/client engagement surveys.

#### Quantitative:

- Percentage of Internal Audit recommendations accepted by management;
- Percentage of Internal Audit recommendations implemented by management;
- Number of engagements completed relative to the annual plan;
- Number of engagements completed that were **not** included in the annual audit plan;
- Performance against approved annual budget.

IA will periodically report back to the Audit Committee its performance against the above stated qualitative and quantitative KPIs. Also, given IA's administrative reporting relationship with the office of the VP Finance & Operations (VPFO), the department will where appropriate, participate in any initiatives undertaken by the VPFO for measuring and/or enhancing customer service and/or staff engagement.

Independent external assessment of the IA function:

In addition to the measures outlined above, IIA Standards require an IA department to undergo a periodic independent assessment of the IA function. The last such assessment was completed in 2009. The Audit Committee may at any time direct such an assessment should they consider it necessary/beneficial.

**Validity of and Updates to the Strategic Plan:**

This Strategic Plan is intended to cover a 5-year period (April 2016 to March 2021). To ensure relevance and confirm the validity of the underlying assumptions/principles, the Plan will be revisited annually commencing September 2017. The timing for this annual review and validation would coincide with the Audit Committee's consideration & approval of the department's annual work plan at the September Audit Committee meeting each year.