

Internal Audit Terms of Reference

In February 2022 the University transferred its Internal Audit function into Cervus+, a wholly owned subsidiary of the University of Surrey (UoS) that provides services back to the University under a framework agreement. Under this framework, Cervus+ provides a defined level of internal audit and risk assurance services and a named Head of Internal Audit.

1. Purpose

Cervus+ Internal Audit is an independent, objective assurance and consulting function designed to strengthen the organisation's ability to create, protect and sustain value by providing the Assurance and Audit Committee, and senior management with independent, risk-based, and objective assurance, advice insight and foresight. Implicit in internal audit's role is that it supports the University's management to fulfil its own risk, control and compliance responsibilities.

Cervus+ Internal audit enhances the organisation's:

- Successful achievement of its objectives;
- Governance, risk management and control processes;
- Decision-making and oversight;
- Reputation and credibility with its stakeholders; and,
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability the Audit and Assurance Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

2. Standards for the Professional Practice of Internal Auditing

Cervus+ Internal Audit will govern itself by adherence to the mandatory elements of *The Institute of Internal Auditors' International Professional Practices Framework (IPPF)*, including the *Global Internal Audit Standards* and the *Higher Education Committee of University Chairs Audit Code of Practice*.

3. Mandate and Authority

Cervus+ Internal Audit derives its mandate and authority from the Vice Chancellor, and Audit & Assurance Committee (AAC) whose powers are delegated from Council. There is an appointed Head of Internal Audit (Surrey) role which reports administratively, to the CEO of Cervus+ and the Chief Operating Officer of the University of Surrey, and functionally, to the Chair of AAC and the Vice Chancellor. To establish, maintain and assure that the University of Surrey's internal audit activity has sufficient authority to fulfil its duties, the Audit and Assurance Committee will (via Council delegation):

- Approve the internal audit terms of reference.
- Approve the risk-based internal audit plan.
- Receive communications from the head of internal audit on the internal audit functions performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the head of internal audit and informing the remuneration of the head of internal audit.
- Make the appropriate inquiries of management and the head of internal audit to determine whether there is inappropriate scope or resource limitations.
- The head of internal audit will have unrestricted access to, and communicate and interact directly with, AAC, including in private meetings without management present if required.

The AAC authorises Cervus+ Internal Audit to have:

- Full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the University of Surrey, as well as other specialised services from within or outside the University of Surrey, to complete the engagement.

4. Independence and Objectivity

The head of internal audit will ensure that Cervus+ Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the head of internal audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the University of Surrey or its affiliates.
- Initiating or approving transactions external to the internal audit function.

- Directing the activities of any University of Surrey employee not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the head of internal audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The head of internal audit will confirm to the Audit and Assurance Committee, at least annually, the organisational independence of Cervus+ Internal Audit.

The head of internal audit will disclose to the Audit and Assurance Committee the facts and circumstances of any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results. It is the responsibility of the Audit and Assurance Committee to determine whether, in its oversight role, it should intervene and how.

5. The scope of internal audit activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit and Assurance Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the University of Surrey. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the University of Surrey (and its affiliates) strategic objectives are appropriately identified and managed.
- The actions of the University of Surrey (and its affiliates) officers, directors, employees, and contractors are in compliance with the University of Surrey (and its affiliates) policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programmes are consistent with established goals and objectives.
- Operations or programmes are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the University of Surrey.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The head of internal audit will report periodically to senior management and the Audit and Assurance Committee regarding:

- The internal audit function's purpose, authority, and responsibility.
- The internal audit function's plan and performance relative to its plan.
- The internal audit function's conformance with the International Practices Professional Framework and mandatory elements including the Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit and Assurance Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the University of Surrey.

The head of internal audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service

providers as needed. Cervus+ Internal Audit may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided Cervus+ Internal Audit does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

6. Responsibilities

The head of internal audit has the responsibility to:

- Submit, at least annually, to senior management and the Audit and Assurance Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Audit and Assurance Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the University of Surrey's business, risks, operations, programmes, systems, and controls.
- Communicate to senior management and the Audit and Assurance Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programmes and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit and Assurance Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.

- Ensure Cervus+ Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit terms of reference.
- Ensure trends, root causes and emerging issues that could impact the University of Surrey are considered and communicated to senior management and the Audit and Assurance Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit function.
- Ensure adherence to the University of Surrey's relevant policies and procedures, unless such policies and procedures conflict with the internal audit terms of reference. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit and Assurance Committee.
- Ensure conformance of Cervus+ Internal Audit with the Standards, with the following qualifications:

(i) If Cervus+ Internal Audit is prohibited by law or regulation from conformance with certain parts of the Standards, the head of internal audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.

(ii) If the Standards are used in conjunction with requirements issued by [other authoritative bodies], the head of internal audit will ensure that Cervus+ Internal Audit conforms with the Standards, even if Cervus+ Internal Audit also conforms with the more restrictive requirements of [other authoritative bodies].

7. Quality Assurance and Improvement Programme

Cervus+ Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of the internal audit function. The programme will include an evaluation of the internal audit function's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The programme will also assess the efficiency and effectiveness of Cervus+ Internal Audit and identify opportunities for improvement.

The head of internal audit will communicate to senior management and the Audit and Assurance Committee on the internal audit function's quality assurance and improvement programme, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside Cervus+ Internal Audit.

President and Vice-Chancellor



17th February 2025

Head of Internal Audit, Faye Lloyd

5 February 2025

Approved by Audit and Assurance Committee

31 January 2025

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These Terms of Reference satisfy the GIAS requirements for an Internal Audit Charter, Standard 6.2.

