

## 1. Introduction

This charter establishes the purpose, authority and responsibilities in respect of internal audit activity within the University of New England. The charter has been approved by the Audit and Risk Committee.

It has been prepared having due regard to the requirements of:

- Sections 16(1B)(e) and 16(1B)(f) of the University of New England Act 1993; and
- Institute of Internal Auditors (IIA) Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Professional Practices Framework (IPPF) and the Definition of Internal Auditing. The IIA's Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the internal audit activity's performance.

## 2. Role of Internal Audit Function

The Internal Audit function has been established within the University as an independent, objective appraisal function to examine and evaluate the University's activities as a service to management.

Specifically the Internal Audit function exists to assist the University's Council, Audit and Risk Committee and Vice-Chancellor and CEO in the effective discharge of their responsibilities. Internal Audit is an integral part of the internal control and risk management framework as it functions by evaluating the effectiveness of the University's governance processes.

Internal audit provides an independent and objective review and advisory service to:

- provide assurance to the University's Council, Audit and Risk Committee and Vice-Chancellor and CEO that the University's financial and operational controls, designed to manage the organisation's risks and achieve the entity's objectives, are operating in an efficient, effective and ethical manner, and
- assist management in improving the University's business performance.

## 3. Definitions

Audit and Risk Directorate adopts the Institute of Internal Auditors (IIA) definition of internal auditing as follows:

- 3.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Audit and Risk Directorate adopts the following definition of the nature of assurance services:

- 3.2 An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Audit and Risk Directorate adopts the following definition of the nature of consulting services:

- 3.3 Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk

management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

## 4. Scope

4.1 The Director Audit and Risk is responsible for the audit of the activities of all Business Units within the University.

4.2 The scope of work of the Audit and Risk Directorate can be described in the following manner:-

4.2.1 Systems, reporting processes and activities: –

Through assessing and providing regular advice to senior management in relation to issues such as how well the University is:

- Managing its exposure to risk and fraud in an effective and efficient manner;
- Delivering its outputs efficiently, effectively and economically so as to obtain best value for money;
- Maximising its performance in delivery of UNE goals and objectives;
- Reporting its financial and operational performance in a relevant, reliable and timely manner;
- Applying and complying with the requirements of relevant legislation, applicable Australian accounting standards and other authoritative pronouncements and prescribed requirements;
- Ensuring the integrity and consistency of the UNE's corporate culture relative to ethical conduct and probity, including in relation to its tendering, contracting and other procurement processes and
- Ensuring that its assets, liabilities and contingencies are managed competently and protected against loss or other negative consequences.

The activities of Internal Audit should not be limited to appraisals of the accounting systems but should extend to all systems and processes. The ability of the Director Audit and Risk to identify and provide timely advice to the University's Council, Audit and Risk Committee and Vice-Chancellor and CEO on the deficiencies in UNE's internal controls and potential risks will add value and improve the University's accountability and performance.

4.2.2 Risk Management

The Director Audit and Risk should assist the University in the identification and evaluation of significant risk exposures, particularly in relation to:

- the reliability and integrity of financial and operational information
- effectiveness and efficiency of operations
- safeguarding the assets and
- compliance with laws, regulations and contracts.

If the Director Audit and Risk believes management has assumed unacceptable levels of risk to the University, the Director Audit and Risk must report and discuss the matter with senior management. If the issues are not resolved satisfactorily with senior management, the Director Audit and Risk must take the matter to the Audit and Risk Committee.

4.2.3 Code of Ethics

Internal Audit aims to achieve full compliance with the Institute of Internal Auditors Standards and the Code of Ethics, however, should there be any instance when non-

compliance impacts the overall scope or operation of the internal audit activity, disclosure will be made to the Audit and Risk Committee.

All Internal Audit staff and service providers are required to sign a Code of Ethics and Conflict of Interest statement each financial year.

## 5. Accountability

- 5.1 The Internal Audit function, through the Director, Audit and Risk, reports functionally to the Audit and Risk Committee and administratively to the Chief Legal and Governance Officer. If required the Director, Audit and Risk, has direct access to Council, the Vice-Chancellor and CEO and the Chair of the Audit and Risk Committee.
- 5.2 The Director, Audit and Risk, is accountable to the Audit and Risk Committee to:
- report high risk issues and provide information on the mitigation of those issues; and
  - provide information on the status and results of the internal audit plan.

## 6. Authority

- 6.1 The Audit and Risk Directorate has authority to conduct such audits as are necessary to exercise its responsibilities, to determine their nature and scope and to develop methods of investigation for the appraisal of operations.
- 6.2 In carrying out their duties and responsibilities, members of the Audit and Risk Directorate have full, free and unrestricted access to all University activities, records, property and personnel as authorised by the University Council, Audit and Risk Committee and Vice-Chancellor and CEO in accordance with the approval of this Charter.
- 6.3 The Director Audit and Risk will escalate matters to the Chair of the Audit and Risk Committee for action where there is insufficient co-operation received from senior management, or agreed protocols are not met.

All internal audit documentation is to remain the property of the University of New England, including where internal audit services are performed by an external third party provider.

## 7. Independence

The Audit and Risk Directorate has independent status within the University and for that purpose shall:

- have no executive or managerial powers, authorities, functions and duties except those relating to the management of the Audit and Risk Directorate;
- not be involved in the day to day internal checking system of the University; and
- not be responsible for the detailed development or implementation of new financial or administrative systems or any amendment, variation or alteration to any such system, but should be consulted before any such system or amendment, variation or alteration thereto is approved.

The Director Audit and Risk will confirm to the Audit and Risk Committee, at least annually, the organisational independence of the internal audit activity

Audit and Risk Directorate staff and service providers are required to report any real or perceived conflicts of interest to the Director Audit and Risk as soon as such conflicts arise. The Director Audit and Risk is required to report any such conflicts to the Chair of the Audit and Risk Committee.

Audit and Risk Directorate staff may undertake special audits and investigations at the request of the relevant senior executive or after consultation with the Vice-Chancellor and CEO or as required in the course of general operations.

Audit and Risk Directorate activities do not relieve management of its responsibilities and accountabilities. It is management's responsibility to maintain appropriate human resource, financial, administrative, information management, facilities and asset policies and procedures and to ensure the maintenance of adequate accounting records and internal controls, the selection and application of appropriate accounting policies, the safeguarding of its assets and the conduct of system upgrades.

## 8. Confidentiality

- 8.1 Audit and Risk Directorate staff and contractors will be required to disclose real or potential conflicts of interest and to maintain the confidentiality of information obtained in the course of their duties. Information will not be released to third parties unless required or authorised by or under law. Information will only be used for the purpose for which it is obtained.
- 8.2 Appropriate arrangements may be made, with other Universities to share internal audit staff on a case-by-case basis. Specific requirements regarding confidentiality obligations to the host University and access to information authorised for shared audits must be documented in all agreements.

## 9. Conduct of Work

### 9.1 Audit Planning

- A Three Year Operational Plan will be developed. The development phase of the Operational Plan will include consultation with all stakeholders, e.g. Vice-Chancellor, senior management, the Audit and Risk Committee and all audit staff. The Three Year Operational Plan will be submitted to the Audit and Risk Committee for approval.
- The Three Year Operational Plan will be reviewed on a yearly basis prior to the development of the detailed Annual Audit Plan to ensure its continuing relevance.
- The Annual Audit Plan will define the objectives, scope, priority, timing and resource requirements for each audit task in the coming year. This plan will be prepared and submitted to the Audit and Risk Committee for approval.
- The Annual Audit Plan shall be sufficiently comprehensive to ensure the complete and effective reviews of specified University activities and allow flexibility to accommodate special tasks and projects.
- A risk assessment will be incorporated into the planning process and due regard will be given in relation to the responsibilities of the University Council and the Vice-Chancellor.
- Performance measures will be developed as part of the annual planning process each year and the Audit and Risk Directorate's performance against those measures will be included in the annual operations report

### 9.2 Competence of Audit Resources

- Internal auditors will be objective and carry out their work with due professional care. Due professional care does not imply infallibility.
- Internal auditors will maintain technical competence through a program of continuing education. The annual Performance Planning and Review activity will identify areas of skill deficiency or enhancement requiring attention in the coming year.
- Internal Auditors will be skilled in dealing with people and communicating effectively.

- Contracted internal audit services may be required when particular skills are scarce or during workload peaks. Negotiations for contracted services will be documented in accordance with the requirements of the University's Purchasing Policy.

### 9.3 **Quality Assurance**

- The Director Audit and Risk will establish and maintain a continuous quality assurance program to evaluate, manage and improve the operations of the Audit and Risk Directorate.
- The Director Audit and Risk will maintain documented policies and procedures to guide audit staff in consistent compliance with professional standards of performance of internal audit activities.
- The Director Audit and Risk shall oversee the conduct of audit activity to ensure there is ongoing quality control of the audit work.
- The Director Audit and Risk will ensure processes are in place to identify improvements to be made to the audit process for future audits. Client feedback is requested at the conclusion of each audit. This process will elicit management's perception of the audit function and may also result in suggestions to make audits more effective and responsive to management's needs.
- The Director Audit and Risk will direct that an internal quality assessment be conducted by a qualified member of the Directorate on an annual basis and report the findings of this assessment to the Audit and Risk Committee.
- An external review of the Audit and Risk Directorate will be conducted at least every five years. The primary objective of the review will be to appraise the quality of Audit and Risk Directorate, and therefore provide independent assurance of quality to clients who rely on the work of the Audit and Risk Directorate. The external review will include a review of Internal Audit and Risk Management activities.
- The Director Audit and Risk will ensure that all Internal Audit activity is conducted in conformance with the professional internal auditing standards.
- The Director Audit and Risk, Audit and Risk Directorate staff and service providers are required to adhere to the Institute of Internal Auditors Code of Ethics.

### 9.4 **Audit Activities**

- The Audit and Risk Directorate will undertake audit activity that includes compliance audit, operational audits and review and information systems and technology audits identified through the annual risk assessment process.
- The Audit and Risk Directorate will provide assistance and advice to management on the development of processes and practices to a best practice standard.
- Staff of the Audit and Risk Directorate may also assist in the conduct of relevant training programs to implement best practices.

### 9.5 **Special Investigations**

- The Audit and Risk Directorate will assist in the investigation of suspected corrupt conduct, fraud or misappropriation within the University and notify management and the Audit and Risk Committee of the corrective action to be taken.
- Other reviews as requested by the Vice-Chancellor or as a service to senior management may be conducted. Such requests will be risk assessed, as appropriate, to determine their priority within the approved annual audit plan.

- Public Interest Disclosure investigations within the meaning of the NSW Public Interest Disclosures Act 1994.

## 10. Relationship with External Audit

- 10.1 Audit and Risk Directorate will liaise with external audit during the development of planning documents. The objectives of this activity are to:
- minimise unnecessary duplication of audit effort; and
  - promote economy of audit activities.
- 10.2 External audit have unrestricted access to all Audit and Risk Directorate working papers and reports in accordance with their powers outlined in Section 36 of the Public Finance and Audit Act 1983.
- 10.3 Audit and Risk Directorate Staff will liaise with external audit at such other times as the Director Audit and Risk considers appropriate.
- 10.4 In formulating the Audit and Risk Directorate plan for the year, the Director Audit and Risk will consult with the external auditor in determining the extent and scope of activities to be reviewed to ensure proper audit coverage with minimum duplication of effort.

## 11. Reporting

### 11.1 Internal Audit Reports

- Audit reports will convey the results of the audit clearly, objectively and in a timely manner so as to facilitate appropriate corrective action.
- The final audit report will be forwarded to the responsible officer in the form of a recommendation implementation plan with responses to be provided to the authorised auditor within twenty (20) working days.
- Audit and Risk Directorate Staff will enter these details in an internal follow-up system to action as appropriate.

### 11.2 Internal Audit Activity Reports

The Director, Audit and Risk, will provide a summary of Internal Audit activity to each meeting of the Audit and Risk Committee covering:-

- Activities since the previous report ;
- Progress on attaining approved audit plan activities; and

On a regular basis, but at least twice annually, the Director, Audit and Risk, will provide a report to the Audit and Risk Committee on the implementation status of all agreed management actions and recommendations.

At the conclusion of each financial year, the Director, Audit and Risk will supply an annual report covering the audits conducted during the financial year, to the Audit and Risk Committee. This report will include

- Internal audit objectives for the period,
- Status of Internal audit and risk management performance indicators,
- Achievements
- Internal Audit and Risk Management Maturity Assessments
- Internal Audit Attestation Statement and
- A Statement of Assurance

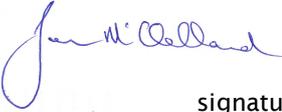
### 12. Administrative Arrangements

Any change to the role of the Director, Audit and Risk, will be approved by the Vice-Chancellor and CEO in consultation with the Audit and Risk Committee.

### 13. Review of the Charter

This charter will be reviewed at least annually by the Audit and Risk Committee. Amendments to the Internal Audit Charter are approved by the Audit and Risk Committee.

### 14. Administration Data

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	Chair, Audit and Risk Committee Jan McClelland
signature	
Help Contact	Director, Audit & Risk Directorate - 6773 2124
Related policies or other documents:	<ul style="list-style-type: none"> <li>• University of New England Act 1993 No 68</li> <li>• University of New England By-law 2005</li> <li>• International Standards for the Professional Practice of Internal Audit</li> <li>• Risk Management International Standard (ISO 31000)</li> </ul>