

# Internal Audit Charter

## 1. Introduction

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- 1.1. The Vice-Chancellor and CEO has established the Internal Audit Directorate as a key component of the University of New England's (UNE) governance framework.
- 1.2. This charter provides the framework for the conduct of the internal audit function at UNE and has been approved by the Chair of the Audit and Risk Committee taking into account the advice of the Audit and Risk Committee.
- 1.3. 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*
  - The NSW Government Treasury document, *Internal Audit and Risk Management Policy for the General Government Sector*
  - Institute of Internal Auditors (IIA) Mandatory Guidance, which includes the Core Principles.

## 2. Purpose of internal audit

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- 2.1. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an agency's operations. It helps an agency accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. 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.
- 2.2. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight
- 2.3. Internal audit provides an independent and objective review and advisory service to:
  - provide assurance to the Vice-Chancellor, and the Audit and Risk Committee, that UNE's financial and operational controls, designed to manage the agency's risks and achieve the entity's objectives, are operating in an efficient, effective and ethical manner, and
  - assist management in improving the agency's business performance.

## 3. Independence

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- 3.1. Independence is essential to the effectiveness of the internal audit function. Internal audit activity shall be independent, and internal auditors shall be objective in performing their work. Internal auditors shall have an impartial, unbiased attitude and avoid any conflicts of interest.
- 3.2. The internal audit function has no direct authority or responsibility for the activities it reviews. The internal audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities [except in carrying out its own functions]. Internal Audit will 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 is approved.
- 3.3. The internal audit function is responsible on a day to day basis to the Head, Internal Audit.
- 3.4. The Head, Internal Audit will confirm to the Audit and Risk Committee, at least annually, the organisational independence of the internal audit activity.
- 3.5. Internal Audit Directorate staff and service providers are required to report any real or perceived

impairments (e.g. conflicts of interest) to the Head, Internal Audit as soon as such impairments arise. The Head, Internal Audit is required to report any such impairments to the Chair of the Audit and Risk Committee.

- 3.6. Internal Audit 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.
- 3.7. The following dual reporting line is prescribed where the dotted line represents the ‘administrative’ reporting line and the bold line represents the ‘functional’ reporting line:



The above is used as a guide by the Internal Audit Function. It is provided in the Model Charter.

\*Note: Internal audit is responsible for providing assurance to the Accountable Authority and the Audit and Risk Committee on the effectiveness of the risk management framework. Risk Management is the responsibility of the Director, Governance and University Secretary.

## 4. Accountability

- 4.1. The internal audit function, through the Head, Internal Audit, reports functionally to the Audit and Risk Committee on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the Vice-Chancellor (through the Director, Governance and University Secretary) to facilitate day to day operations. The Head, Internal Audit has direct access to the Vice-Chancellor, Council and Chair of the Audit and Risk Committee to discuss audit and risk issues when required.
- 4.2. The Head, Internal Audit, 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.

## 5. Authority and confidentiality

- 5.1. Internal auditors are authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that the Head, Internal Audit considers necessary to enable the internal audit function to meet its responsibilities. When responding to requests, agency staff and contractors should cooperate with the internal audit function and must not knowingly mislead the internal audit function or willfully obstruct any audit activity.
- 5.2. All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities.

- 5.3. The Head, Internal Audit and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work. Information will not be released to third parties (other than through contracted co-source arrangements) unless required or authorised or under law. Information will only be used for the purpose for which it is obtained.
- 5.4. All internal audit documentation is to remain the property of the UNE. The Head, Internal Audit will determine the appropriate documentation retained for services provided by an external third-party in a co-source arrangement.
- 5.5. The Internal Audit 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.
- 5.6. The Head, Internal Audit 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.

## **6. Roles and responsibilities**

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- 6.1. The internal audit function shall evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.
- 6.2. In the conduct of its activities, the internal audit function will play an active role in:
  - developing and maintaining a culture of accountability and integrity
  - facilitating the integration of risk management into day-to-day business activities and processes and
  - promoting a culture of cost-consciousness, self-assessment and adherence to high ethical standards.

## **7. Internal audit activities:**

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- 7.1. Internal audit activities will encompass the following areas (as appropriate to the Annual Internal Audit Plan):
  - a. Risk Management
    - evaluate the effectiveness, and contribute to the improvement, of risk management processes
    - provide assurance to the Accountable Authority and the ARC on the effectiveness of the risk management framework including the design and operational effectiveness of internal controls
    - provide assurance that risk exposures relating to the agency's governance, operations, and information systems are correctly evaluated, including:
      - reliability and integrity of financial and operational information
      - effectiveness, efficiency and economy of operations and
      - safeguarding of assets
    - evaluate the design, implementation and effectiveness of the agency's ethics-related objectives, programs and activities
    - assess whether the information technology governance of the agency sustains and supports the agency's strategies and objectives.
  - b. Compliance

- compliance with applicable laws, regulations and Government policies and directions.
- c. Performance improvement
  - the efficiency, effectiveness and economy of the entity's business systems and processes.

## **8. Advisory services.**

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- 8.1. The internal audit function can advise the UNE's management on a range of matters including:
- a. New programs, systems and processes
    - providing advice on the development of new programs and processes and/or significant changes to existing programs and processes including the design of appropriate controls.
  - b. Risk management
    - assisting management to identify risks and develop risk treatment and monitoring strategies as part of the risk management framework
  - c. Fraud and corruption control
    - evaluate the potential for the occurrence of fraud and how the agency manages fraud risk
    - assisting management to investigate fraud, identify the risks of fraud and develop fraud prevention and monitoring strategies
    - develop, implement and maintain a fraud and corruption control framework to prevent, detect and manage fraud and corruption.

## **9. Audit Support Activities**

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- 9.1. The internal audit function is also responsible for:
- managing the internal audit function
  - assisting the Audit and Risk Committee to discharge its responsibilities
  - monitoring the implementation of agreed recommendations
  - disseminating across the entity better practice and lessons learnt arising from its audit activities.

## **10. Scope of internal audit activity**

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- 10.1. Internal audit reviews may cover all programs and activities of UNE together with associated entities, as provided for in relevant business agreements, memorandum of understanding or contracts. Internal audit activity encompasses the review of all financial and non-financial policies and operations.
- 10.2. The scope of work of the Internal Audit Directorate can be described in the following manner: -
- a. Systems, reporting processes and activities: – Through assessing and providing regular advice to senior management in relation to issues such as how well the University (and controlled entities) 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.

b. Risk Management

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

c. Code of Ethics

- Internal Audit aims to achieve full compliance with the Institute of Internal Auditors Standards and the Code of Ethics. All Internal Audit staff and service providers are required to sign a Code of Ethics and Conflict of Interest statement each financial year. should there be any instance when non-compliance throughout the year which impacts the overall scope or operation of the internal audit activity, disclosure will be made to the Audit and Risk Committee.

10.3. 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 Head, Internal Audit to identify and provide timely advice to the University's Council, Audit and Risk Committee and Vice-Chancellor and CEO on the improvements in UNE's internal controls and potential risks will add value and improve the University's accountability and performance.

## 11. Standards

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11.1. Internal audit activities will be conducted in accordance with this Charter, the Internal Audit and Risk Management Policy for the General Government Sector and with relevant professional standards including International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

11.2. In the conduct of internal audit work, internal audit staff will:

- comply with relevant professional standards of conduct
- possess the knowledge, skills and technical proficiency relevant to the performance of their duties. This includes consideration of current activities, trends and emerging issues, to enable relevant advice and recommendations
- be skilled in dealing with people and communicating audit, risk management and related issues effectively
- exercise due professional care in performing their duties.

## 12. Relationship with external audit

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- 12.1. Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.
- 12.2. Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and facilitate coordination.
- 12.3. External audit will have full and free access to all internal audit plans, working papers and reports.

## 13. Planning

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- 13.1. The Head, Internal Audit will prepare a risk-based annual internal audit work plan in a form and in accordance with a timetable agreed with the Audit and Risk Committee.

## 14. Reporting

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- 14.1. The Head, Internal Audit will report to each meeting of the Audit and Risk Committee on:
  - audits completed
  - progress in implementing the annual audit work plan, and
  - the implementation status of agreed internal and external audit recommendations (every second meeting).
- 14.2. The internal audit function will also report to the Audit and Risk Committee at least annually on the overall state of internal controls at UNE and any systemic issues requiring management attention based on the work of the internal audit function [and other assurance providers as appropriate].
- 14.3. 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 with agreed timeframes.

## 15. Conduct of Work

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- 15.1. Audit Planning
  - 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.
- 15.2. Special Investigations.
  - Internal Audit 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.
  - Where Internal Audit Directorate assist in the investigation of suspected corrupt conduct, fraud or misappropriation within the University they may notify management and the Audit and Risk Committee of the corrective action to be taken.
  - Other reviews as requested by the Vice-Chancellor and Chief Executive Officer 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.

## **16. Definitions**

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- 16.1. The Internal Audit Directorate adopts the Institute of Internal Auditors (IIA) definition of internal auditing as follows:
- 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.
- 16.2. The Internal Audit Directorate adopts the following definition of the nature of assurance services:
- 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.
- 16.3. The Internal Audit Directorate adopts the following definition of the nature of consulting services:
- 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

## **17. Administrative arrangements**

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- 17.1. Any change to the role of the Head, Internal Audit [and, where the internal audit function uses an outsourced service delivery model, the external service provider] will be approved by the Vice-Chancellor in consultation with the Audit and Risk Committee.
- 17.2. The Head, Internal Audit will arrange for an internal review, at least annually, and a periodic independent review, at least every five (5) years, of the efficiency and effectiveness of the operations of the internal audit function. The results of the reviews will be reported to the Audit and Risk Committee who will provide advice to the Accountable Authority on those results.

## **18. Review of the charter**

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- 18.1. This charter will be reviewed at least annually by the Audit and Risk Committee. Any substantive changes will be formally approved by the Chair on the recommendation of the Audit and Risk Committee.

## 19. Administration Data

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Jan McClelland Date  
Chair, Audit and Risk Committee

Related policies or other documents: University of New England Act 1993 No 6  
University of New England By-law 2005  
International Professional Practices Framework (IPPF)  
International Standards for the  
Professional Practice of Internal Auditing  
Risk Management International Standard (ISO 31000)