

# UNSW Internal Audit Charter

*Effective 19 June 2023*

## 1. Introduction

This charter establishes the purpose, authority, and responsibilities in respect of the internal audit activity within the University of New South Wales (UNSW). For the purposes of this Charter, UNSW means the legal entity The University of New South Wales and its Controlled Entities.

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

- Institute of Internal Auditors (IIA) Standards for The Professional Practice of Internal Auditing (Standards).

## 2. Purpose

Internal Audit 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<sup>1</sup>.

## 3. Role

The Internal Audit function was established as a key component of UNSW's governance framework, and its responsibilities are defined in this Charter which is approved by the President and Vice-Chancellor (VC) and the Audit Committee of Council (AC).

Internal Audit Reviews and Project Assurance Reviews may cover all programs and activities of UNSW together with controlled and associated entities. Internal Audit activity encompasses the review of all financial and non-financial policies and operations.

## 4. Authority

The Internal Audit function, with strict accountability for confidentiality and safeguarding records and information, is authorised to gain full, free, and unrestricted access to any and all of UNSW records, personnel, and physical properties considered necessary to enable the internal audit function to meet its responsibilities. The Internal Audit function will also have free and unrestricted access to Council, to Audit Committee and to Risk Committee.

The Presiding Member of the Audit Committee (the Chair of the Audit Committee) is a member of (and appointed by) Council and reports through to the Council meeting immediately following each Audit Committee meeting. The Presiding Member will be consulted on the appointment, removal, and performance of the Director Internal Audit.

All staff of UNSW are required to provide Internal Audit with all the assistance it requests in fulfilling its Internal Audit roles and responsibilities.

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<sup>1</sup> As defined by the International Standards for the Professional Practice of Internal Audit (IIA) (2013). Where relevant, sections of this Charter also incorporate other elements of the International Standards for the Professional Practice of Internal Auditing.

## 5. Independence and Objectivity

Independence is essential to the effectiveness of internal auditing. This independence is obtained primarily through organisational status and objectivity as a Line three function.

All internal audit staff and contractors report to the Director Internal Audit, who will take up the responsibility of the University's Chief Audit Executive (CAE). The Director Internal Audit reports functionally to the Audit Committee and administratively to the Deputy Vice Chancellor Planning and Assurance and the President and Vice Chancellor.

The Audit Committee's involvement in functional reporting includes the following:

- Approving the Internal Audit functions' overall charter.
- Approval of the Internal Audit plan and related assurance map.
- Receiving communications from the Director Internal Audit on the results of internal audit activities or other matters that the Director Internal Audit determines are necessary, including private meetings with the Director Internal Audit without management present.
- Consulting on all decisions regarding the appointment, or removal of the Director Internal Audit.
- Making appropriate inquiries of management and the Director Internal Audit to determine whether there is audit scope or budgetary limitations that impede the ability of the internal audit function to execute its responsibilities.

The performance evaluation of the Director Internal Audit will have input from the Audit Committee Chair and the Deputy Vice Chancellor Planning and Assurance.

The Director Internal Audit will have direct access to the Audit Committee Chair and the Vice-Chancellor at all times.

The Director Internal Audit and individual internal audit staff must confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit function, including that of any external firms which execute the Audit and Project Assurance Plans. This annual confirmation will include any other services that these firms might have provided in the First and Second line activities.

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest, actual or perceived.

The Director Internal Audit and individual staff internal audit staff will, on an annual basis, declare and manage conflicts of interest in accordance with the UNSW Conflict of Interest Policy and UNSW Code of Conduct.

## 6. Internal Audit Responsibilities

### Planning

Internal Audit will develop a flexible annual Audit Plan (the "Plan") and a rolling three-year work plan, using appropriate risk-based methodology, considering any risks or control concerns identified by management.

The Plan, linked to UNSW risks, will be reviewed and approved by the Audit Committee after it has been reviewed by the VC and Management Board and with input from Management Board, the Audit Committee and the Risk Management function of the university. The Plan will also be presented to the Risk Committee.

A rolling Project Assurance plan is maintained for UNSW's Portfolio of Projects. Project Assurance is reliant on the quality assurance activities under the University Portfolio Office's (UPO) Quality Assurance framework, therefore Internal Audit will reassess the rolling Project Assurance Plan for presentation at each Audit Committee to ensure the focus of Project Assurance remains relevant and coordinated with the UPO.

## Other responsibilities

- Consider the scope of work of other assurance providers, internal and external, as appropriate, for the purpose of providing optimal audit coverage to the University efficiently and effectively.
- Implement the annual Internal Audit plan and Project Assurance Plan, as approved, including if appropriate, any special tasks or projects requested by management or the Audit Committee.
- Any likely or actual significant deviation from the formally approved program shall be advised to the Vice-Chancellor and the AC through periodic activity reports and is subject to directions from both concerning relative priorities.
- Evaluate the effectiveness and contribute to the improvement of risk management processes.
- Assist the university in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
- Assist in the investigation of significant suspected fraudulent activities within the university and notify management and the AC of the results as approved by the AC.
- Keep the AC informed of emerging trends and successful practices in internal auditing.
- Prepare an Annual Report of Themes and Insights that provides a summary of the key themes and insights from work that has been performed over that year.
- At least annually, the Director Internal Audit is to meet privately with the AC, without the presence of management.
- Maintain a professional audit staff and/or utilising contractors with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Establish a quality assurance and improvement program for the internal audit activity.
- Issue periodic reports to the Audit Committee summarising results of audit activities, status of corrective actions and the internal audit activity's performance to measurement criteria.
- Monitoring the implementation of agreed audit recommendations and to immediately alert the Audit Committee Chair of any issues with timing and management's method of completion of actions from past audit reports. and the results will be analysed and reported to the Audit Committee. Internal Audit will review and test on a selective basis the implemented agreed management action.
- Ongoing attendance, monitoring and oversight at key Portfolio Boards and Project Steering Committees as part of delivering the Project Assurance Plan.
- The Director Internal Audit attends the meetings of the Audit Committee and may assist with the deliberations of the Committee.

The Internal Audit function is also responsible for the following support activities:

- managing the Internal Audit function and budget
- assisting the Audit Committee to discharge its responsibilities
- disseminating across the entity better practice and lessons learnt arising from its audit activities

The Director Internal Audit has a duty to bring directly to the attention of the Chair of the AC and/or the Chancellor any concerns about audit matters or other significant risks, not being adequately dealt with by the University. Any such concerns will be raised with the Vice-Chancellor first.

In performing its activities, the Internal Audit function shall have no direct responsibility or authority over any of the operations reviewed. It shall not design and install procedures, prepare records, or engage in any other activity that it would normally review and appraise.

Where the person occupying the role of Chief Audit Executive may be responsible for non-audit activities, there are independence safeguards in place:

- When responsible for non-audit activities, the Chief Audit Executive is not performing audit duties when managing or performing those activities; and
- Review of non-audit activities must be managed and performed independently of the Chief Audit Executive and reported directly to the Audit Committee.

## 7. Reporting and Monitoring

A report on Internal Audit and Project Assurance reviews completed during the period will be presented at each meeting of the Audit Committee.

A written report will be issued by the Director Internal Audit at the conclusion of each internal audit and Project assurance review and will be distributed to the appropriate parties, specifically including the Vice-Chancellor and the Chair of the AC. The Audit Committee will receive the Executive Summary/One page summary and a full report for those reviews rated “Requires Immediate Attention”. The Internal Audit/Project Assurance reports will include specific findings, management’s agreed actions and target completion dates of these actions.

An Annual Report of Themes and Insights will be prepared that provides a summary of the key themes and insights from work that has been performed over that year.

The Internal Audit function will also report to the Audit Committee at least annually on the overall state of internal controls at UNSW and any systemic issues requiring management attention based on the work of the Internal Audit function (and other assurance providers).

## 8. Standards of Audit Practice

Internal Audit will govern itself by adherence to mandatory guidance contained in the ‘International Professional Practices Framework’ (IPPF) issued by the Institute of Internal Auditors (IIA):

- ‘Core Principles for the Professional Practice of Internal Auditing’.
- ‘Definition of Internal Auditing’.
- ‘Code of Ethics’.
- ‘International Standards for the Professional Practice of Internal Auditing’.

This mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of Internal Audit performance. The Chief Audit Executive is responsible for maintaining an up-to-date risk-based internal audit methodology that aligns with good practices promoted by the internal audit profession.

Internal Audit, including service providers, will perform their work in accordance with the IPPF. While the IPPF applies to all internal audit work, technology audits may also apply the ISACA standards contained in the ‘Information Technology Assurance Framework’ (ITAF).

In addition, the internal audit activity will adhere to UNSW policies and procedures, including the UNSW code of conduct and UNSW Internal Audit Procedures Manual.

To enable continuous evaluation of conformance to the Standards of Audit Practice, the Director Internal Audit is responsible for ensuring a Quality Assurance and Improvement Program is in place and includes the following:

- Internal assessments
  - Ongoing monitoring of the performance of the Internal Audit function will be undertaken as part of the normal staff performance review process for the Director Internal Audit and individual Internal Audit members.
  - An evaluation of the Internal Audit function by the Audit Committee is also undertaken every 2 years. The results of these reviews will be reported to the Audit Committee.
- External assessments conducted, at least every five (5) years, of the efficiency and effectiveness of the operations of the Internal Audit function, by an independent reviewer or review team from outside the university.

## 9. Review of the Charter

This charter will be reviewed every two years by the Audit Committee. Any substantive changes will be formally approved by the VC on the recommendation of the Audit Committee.