UNSW Internal Audit Charter (Charter)

Effective 24 March 2025

1. Introduction

This charter provides the framework for the conduct of the Internal Audit function at the University. It establishes purpose, authority, and responsibilities in respect of the internal audit activity within the UNSW group,[1] and has been prepared having regard to the requirements of the Institute of Internal Auditors (IIA) Standards for The Professional Practice of Internal Auditing (Standards).

2. Purpose

The Internal Audit function provides an independent and objective assurance on the design and operating effectiveness of processes and associated controls to mitigate key risks, ensuring these controls operate as efficiently as practical. This function is designed to add value and improve UNSW's operations. It helps the University accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.[2] This includes providing assurance to the Vice-Chancellor and President (VC) and the Audit Committee of Council (Audit Committee) that the University's financial and operational controls are designed to manage risks and achieve its strategic objectives, and assisting management to improve business performance.

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.

Internal audit reviews may cover all programs and processes of UNSW, with the annual plan being defined through UNSW's assurance maps and insights from senior executives and the Audit Committee. The internal audits may include an audit of controlled and/or associated entities. Internal audit activity encompasses the review of all financial and non-financial policies and operations.

4. Authority and confidentiality

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 UNSW records, personnel, and physical properties considered necessary to enable the internal audit function to meet its responsibilities. This is subject to compliance with the *Information Governance Policy* and the Chief Legal Officer approving the provision of any records that are subject to legal professional privilege.

All internal audit staff and contractors report to the Director Internal Audit. The Director Internal Audit reports functionally to the Audit Committee and administratively to the Provost and the President and Vice-Chancellor. If necessary to perform their role effectively, the Director Internal Audit has direct access to the Chair and members of the Audit Committee. Any high or critical risk matters are required to be notified by the Director to the Provost and/or the Vice Chancellor in the first instance before being escalated to the Chair of the Audit Committee or any other member of the Audit Committee,

[1] For the purposes of this charter, the UNSW group means the legal entity The University of New South Wales and its controlled entities.

[2] As defined by the IIA Standards. Where relevant, sections of this charter also incorporate other elements of the IIA Standards.

unless it is a matter in which the Provost or Vice Chancellor have a conflict of interest.

Any information accessed or obtained during internal audit activities must be used solely for the conduct of these activities.

UNSW staff will assist with Internal Audit requests made in accordance with internal audit roles and responsibilities.

All reviews are undertaken under the authority of the Provost, Vice Chancellor and the Audit Committee of Council. The Audit Committee chair is a member of Council and reports to Council following each Audit Committee meeting. The chair of the Audit Committee will be consulted on the appointment, removal, and performance of the Director Internal Audit. The performance evaluation of the Director Internal Audit will have input from the Audit Committee chair and the Provost.

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 in the three lines of defence framework.

The Internal Audit function has no direct authority or responsibility for the activities it reviews. It also has no responsibility for developing or implementing procedures or systems and does not prepare records, engage in original line processing functions or activities, or perform operational activities.

Internal Audit staff will 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; and
- Any consulting or advisory work performed by any member of the Internal Audit function which has been approved by the Provost, and the steps taken to ensure the continued independence of that member notwithstanding them engaging in line 1 or line 2 activities.

Internal auditors will have an impartial, unbiased attitude and avoid any actual, potential or perceived conflicts of interest. Internal Audit staff will, on an annual basis, declare and manage conflicts of interest in accordance with the *Conflict of Interest Disclosure and Management Policy* and *Code of Conduct & Values*.

6. Internal Audit responsibilities

Planning

Internal Audit will develop a risk-based and agile annual internal audit plan and a rolling three-year work plan, using appropriate risk-based methodology, considering any risks or control concerns identified by management.

The internal audit plan, linked to UNSW risks, will be reviewed and approved by the Audit Committee following review and input by the VC, the University Leadership Team, and the Risk Management function of the university. The internal audit plan will also be presented to the Safety and Risk Committee.

General 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.
- Develop and implement reports including the annual Internal Audit plan, as approved, including if appropriate, any special tasks or projects requested by management or the Audit Committee provided independence of the function is not compromised or perceived to be compromised.
- Provide advice to the VC and the Audit Committee on any likely or actual significant deviation

from the formally approved program through periodic activity reports and subject to directions from both concerning relative priorities.

- Evaluate the effectiveness of, 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.
- At the request of the Director, Conduct & Integrity, the Vice Chancellor or the Audit Committee, assist in the investigation of significant suspected fraudulent activities within the university and notify management and the Audit Committee of the results.
- Keep the Audit Committee 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 Audit Committee, without the presence of management.
- Maintain a team of professional audit staff and/or utilise 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.
- Monitor the implementation of agreed audit recommendations and immediately alert the Provost and/or the Vice Chancellor in the first instance and the Audit Committee chair subsequently, of any issues with timing and management's method of completion of high risk actions from past audit reports. Internal Audit will review and test on a selective basis the implemented agreed management action.
- The Director Internal Audit attends the meetings of the Audit Committee and may assist with the deliberations of the committee.

Support activities

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

Director Internal Audit's responsibilities

The Director of Internal Audit will first notify the VC,[3] followed by the Audit Committee chair and/or the Chancellor of any concerns about material audit matters or other significant risks not being adequately dealt with by the University.

Where the Director Internal Audit is responsible for non-audit activities, the following independence safeguards are in place:

- the Director Internal Audit will not perform audit duties on the non-audit activities they manage or perform; and
- the review of non-audit activities must be managed and performed independently of the Director Internal Audit and reported directly to the Audit Committee.

7. Reporting and monitoring

A report on internal audit reviews completed during the period will be presented at each meeting of the Audit Committee.

IA report will be issued by the Director Internal Audit following each internal audit to the VC, the Audit Committee chair and others. The Audit Committee will receive an executive summary and a full report

[3] unless it is a matter in which the VC has a conflict of interest.

for reviews rated “Requires Immediate Attention”.

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).

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

- Reviewing the charter and recommending approval to the VC
- approving the internal audit plan and related assurance plan
- 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, and
- 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.

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 IIA.

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 Director Internal Audit 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’.

In addition, internal audit activity will adhere to UNSW policies and procedures, including the *Code of Conduct & Values* and 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 Internal Audit staff.
    - 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 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

This charter will be reviewed every 2 years by the Audit Committee. Any substantive changes will be approved by the VC on the recommendation of the Audit Committee.