Internal Audit Charter

Introduction

1. The University of New South Wales (UNSW) Internal Audit Office (IAO) provides support and contributes to the University’s governance and risk management framework. The Public Finance and Audit Act 1983 is the governing legislation in terms of the internal audit function of public agencies, including universities.

2. The purpose, authority, and responsibility of the UNSW Internal Audit Office (IAO) are formally defined in this Charter, consistent with all applicable legislation, regulatory guidelines, and the Institute of Internal Auditors’ Standards for the Professional Practice of Internal Auditing—2005 (the IIA Standards).

3. The Charter defines also the assurance, the consulting, and the investigative services provided by the IAO, and reporting by the Director Internal Audit Office to the Audit Committee and Risk Management Committee of University Council.

4. This Charter complements and should be read together with the Terms of Reference of the University’s Audit and Risk Management Committees of Council.

Applicability

5. The IAO may conduct internal audit and investigation activities in any and all Faculties (including schools, centres, and programs) or administrative divisions (including departments), at all campuses of UNSW and representative offices (onshore and offshore), and in all controlled entities of the university.

6. The IAO may also conduct internal audit and investigation activities in any other entity, organisation, or contractor, as agreed or directed by the Vice-Chancellor, where the interests of UNSW and/or its controlled entities are represented and where these arrangements are formally agreed upon.

7. In respect of a direction under Clause 6 above, the IAO may audit, on behalf of UNSW, relevant contracts, deeds, venture agreements and instruments of incorporation, books, records, and other documents, to the extent that they concern the financial affairs, property, assets, liabilities, and interests of UNSW and/or its controlled entities.

Superseded Policy

8. This Charter supersedes the UNSW IAO Charter of 2001.

Independence, Objectivity, and Guiding Principles

9. Consistent with this Charter and the functions of the University Council and the Vice-Chancellor as set out in relevant legislation (the University of New South Wales Act 1989, the Public Finance and Audit Act 1983, and the University of New South Wales By-law 2005, as amended from time to time), the IAO is independent in determining its tasks and priorities, in performing its work, and in communicating results.

10. Internal auditing, investigations, and corruption prevention initiatives at UNSW form part of the responsibilities of the Director Internal Audit Office, who reports to the Vice-
Chancellor. This reporting relationship ensures the necessary independence in determining the scope of internal audit activities, in performing work, and in communicating results.

11. The Director Internal Audit Office reports directly to the Vice-Chancellor as to the results of any appraisal, inspection, investigation, examination, or review carried out by, or on behalf of, the IAO.

12. NSW legislation and public sector guidelines with bearing on the functions and responsibilities of the IAO are found in:

- **Public Finance and Audit Act 1983**—establishes the responsibility of the Vice-Chancellor to ensure that there is an effective system of internal control (s11(1)) and that an effective internal audit function is maintained to assess the effectiveness of internal control and of operations (s11(2));
- **University of New South Wales Act 1989**—provides the authority for Council to exercise the functions of the University and to control and manage the affairs and concerns of the University;
- **University of New South Wales By-law 2005**—in recognition of emerging governance responsibilities a recent amendment of the By-law provides for the Vice-Chancellor vacating his position on the Audit Committee of Council: this amendment has no impact on the legislative responsibilities and authority of the Vice-Chancellor as set out in other relevant legislation;
- **NSW Treasury, Statement of Best Practice Internal Control and Internal Audit (1995)**—defines responsibilities for internal control and internal audit;
- **NSW Treasury, Risk Management and Internal Control (1997)**—assists in improving risk management and internal control practices;
- **Audit Office of NSW, Fraud Control—Developing an effective strategy (1994)**—assists in implementing strategies for the prevention of internal and external fraud;
- **Independent Commission Against Corruption Act 1988**—requires the reporting of corrupt conduct to the Independent Commission Against Corruption (ICAC) and the investigation of these matters, and those referred from the ICAC; and
- **Protected Disclosures Act 1994**—requires arrangements for the internal reporting and investigation of protected disclosures and the taking of appropriate action with respect to those disclosures in a protective environment.

(Not all of the above references are prescriptive for UNSW.)

**Policy Statement**

13. The IAO will undertake internal audit activities to provide assurance to the Vice-Chancellor, the Audit Committee of Council, and the Risk Management Committee of Council that University and related entity activities are conducted in a manner that provides sufficient control and accountability over risks that could prevent or impede the achievement of the University's strategic and operational goals and objectives.

14. Assurance may relate to evaluating adequacy of risk mitigation strategies; effectiveness of internal controls; achievement of objectives; efficiency of operations; compliance with applicable laws, regulations, policies, and procedures; and accuracy, timeliness, and completeness of financial and operational information.

15. Assurances may be provided also to Deans of Faculties, Heads of Schools, Heads and senior managements of Divisions and Departments, senior managements of the University's controlled and other related entities (including their Boards or governing bodies), other government agencies, and, if circumstances so warrant, other stakeholders.
16. Internal audit activities will include assurance services, consultancy services, and investigations. These activities may be performed by internal resources within the IAO, or by outside, contracted, service providers. At all times the Director Internal Audit Office shall advise on, and shall allocate, the most competent resources (available to the IAO) in the interest of UNSW.

IAO Practice Standards

Assurance and Audit Services

17. The Director Internal Audit Office will liaise with senior management to determine compliance, risks, and identified or emerging high-priority areas ahead of finalising the IAO Strategic Audit Plan (SAP) and Annual Work Program (AWP). The scope and focus of scheduled audits will be determined in consultation with client unit managements prior to commencement of audit. The IAO SAP and AWP shall have regard for compliance practices in the procurement (economy), deployment (efficiency), and use (effectiveness) of University resources in meeting organisational goals and objectives. The Director Internal Audit Office shall liaise with the University’s External Auditor in the preparation of the SAP and AWP. The SAP and the AWP shall be approved by the Vice-Chancellor and endorsed by the Audit Committee of Council before the start of every calendar year.

18. Draft audit reports will be made available to clients prior to finalisation of the audit, and recommendations agreed on. The IAO shall maintain a record of requests to client unit managements for management responses and shall advise senior management (SMG) and the Vice-Chancellor progressively of all outstanding requests.

19. Where a management response is 30 days or more in arrears, the Director Internal Audit Office shall inform the Vice-Chancellor of the circumstances of the matter, steps taken to alleviate the situation, the outcome of such initiatives, and recommended remedial action.

20. Clients’ senior managements shall keep the Director Internal Audit Office informed of progress in the implementation of agreed recommendations. Agreed recommendations will be evaluated in subsequent follow-up reviews by the IAO.

Consultancy Services

21. Senior managers may request advisory and related services (including special audit projects) from the Director Internal Audit Office. The IAO shall endeavour to respond to such requests in a prompt and supportive manner, taking into account practical limitations to the range of services that can be accommodated by in-house audit resources if the IAO is to provide the required level of competence for the services contemplated.

22. Consultancy services may produce informal recommendations for improved internal controls and/or changes in operations but the client entity is not required to report on their implementation unless otherwise agreed.

23. The IAO may charge a service fee for consultancy and/or special audit services, on a cost recovery basis. Any service fee (or the basis of its future calculation) will be agreed upon before commencement of the assignment.

Investigation Services

24. The IAO is the principal investigative agency of the UNSW in respect of allegations of fraud or corrupt or other improper and/or illegal conduct (including protected disclosures of the same). Serious breaches of legislation, policy, procedure, or contract involving or potentially involving such matters will be assessed by the IAO to determine the appropriate course of action and advice to the Vice-Chancellor. The Director Internal Audit Office shall ensure that matters reportable by the University under section 11 of the Independent

L:\Council.gen\Policy and research\For Council Policy Web Page\088_Internal_Audit_Charter.doc
Commission Against Corruption Act 1988 are advised to the Vice-Chancellor and the Audit Committee of Council.

25. In cases where the assessment and investigation of suspected theft, fraud, or serious breaches of legislation, policy, procedure, or contract are not undertaken by the IAO, the Director Internal Audit Office shall be advised of the outcomes of such assessment and investigation in sufficient detail to determine whether sufficient investigative work has been done and whether all legislative obligations of external reporting have been met and to permit consideration of their impact on the IAO audit programs.

26. The Vice-Chancellor and the senior management member responsible for the person or unit investigated will be kept informed of progress in the investigation and will receive the investigation report advising of outcomes and proposed action together with advice on referring the matter investigated to the appropriate regulatory agency. Where recommendations form part of the final report, the person responsible for their implementation will report to the Director Internal Audit Office on the progress of their implementation.

The Standards

27. Consistent with clause 2 of this Charter, all work of the IAO is performed in conformity with the Code of Conduct and practice advisory provisions of the Institute of Internal Auditors’ Professional Practices Framework (the IIA Standards). Guidance audit methodology of the IAO is set out in the Handbook for Internal Auditors Volumes I & II, published and maintained by Lexis Nexis. Guidance investigations methodology is set out in the IAO Investigator’s Toolkit.

Responsibility and Delegation

28. The authority to conduct audits and investigations under this Charter is delegated to and is the responsibility of the Director Internal Audit Office. Under this delegation the Director has access to reasonable professional, technical, and financial resources to manage and direct the work of the IAO.

29. To this end IAO staff may be authorised by the Director to:
   - inspect, copy and/or take possession of any document, record, information, or thing, regardless of where or how it is stored; and
   - interview any persons in relation to any UNSW related activity—this includes activities wholly or partly funded and/or administered by the University.

30. Where documents, records, information, personnel, physical assets, or property relevant to an audit or an investigation are not made available within five (5) working days of a request by the IAO, the Director Internal Audit Office shall inform the Vice-Chancellor of the circumstances of the matter, steps taken to remedy the situation, the outcome of such initiatives, and recommended remedial action. Unresolved matters shall be brought to the attention of the Audit Committee of Council.

Scheduling of Audits

31. The IAO SAP determines the core annual schedule of audits. Timeframes for the planning and conduct of audits are established in the IAO AWP following consultation with Faculty Deans, Division Heads, and senior management.

32. A follow-up process monitors the disposition of recommendations agreed with management. The Director Internal Audit Office shall advise the Vice-Chancellor and Audit Committee of Council of the outcomes of the follow-up process.
Reporting Audit Outcomes and Progress Against the AWP

33. The Director Internal Audit Office provides written reports on the outcomes of all audits and investigations to the Vice-Chancellor. These reports are also provided to senior members of management responsible for the implementation of agreed recommendations. Such persons may be the responsible SMG member, a Dean or Head of Division, or a General Manager and/or Chair of a controlled entity, division, or subsidiary.

34. The Director Internal Audit Office provides the Vice-Chancellor with monthly progress reports, ad hoc briefings, and updates from time to time as requested by the Vice-Chancellor, or as considered appropriate and timely by the Director Internal Audit Office.

35. Reports referred to in this part include reports of progress during the year in pursuance of the approved IAO AWP.

36. Members of the Vice-Chancellor’s Senior Management Group (SMG) are regularly updated on progress in the work of the IAO, together with practical issues arising warranting the attention of, or action by, a SMG member, as provided in this Charter.

37. The Director Internal Audit Office provides copies of reports on the outcomes of audits and investigations, progress reports, and other reports to the Audit Committee of Council and the Risk Management Committee of Council.

38. The Director, Internal Audit Office shall have at least one confidential meeting with members of the Audit Committee in each calendar year and at least one confidential meeting with the Convening Member of the Audit Committee in each calendar Quarter.

Audit Committee of Council

39. Audit Committee meetings are attended by the Director Internal Audit Office, select members of senior management, representatives of the Audit Office of NSW, and nominated officers from time to time who may assist the deliberations of the Committee.

40. The Audit Committee of Council oversees internal audit activity on behalf of University Council and endorses the IAO AWP and the strategic direction of the IAO (SAP), as approved by the Vice-Chancellor.

41. The Director Internal Audit Office reports to meetings of the Audit Committee upon the effectiveness of the University’s internal control (including supervisory control) and compliance environment, accountability, fraud mitigation strategies and systems, and any significant exposures for the University revealed by the work of the IAO. These reports shall be provided to the Audit Committee in respect of each calendar quarter.

Risk Management Committee of Council

42. Risk Management Committee meetings are attended by the Director Internal Audit Office, select members of senior management, and nominated officers from time to time who may assist the deliberations of the Committee.

43. The Director Internal Audit Office reports to meetings of the Risk Management Committee upon the effectiveness of risk mitigation strategies and systems and significant exposures for the University revealed by the work of the IAO.

End-of-Year Reporting

44. Following the end of each year the Director Internal Audit Office furnishes to the Vice-Chancellor, the Audit Committee, and the Risk Management Committee a report on the year’s work of the IAO with focus on the following areas of IAO effectiveness:
- significant findings during the year and remedial action taken;
- percentage completion of the approved AWP and the reasons for any shortfall;
- details of any significant additional work undertaken by the IAO during the year;
- significant impediments to the work of the IAO;
- the quality and effectiveness of the systems of internal controls within the University and its controlled and other entities;
- the reliability and effectiveness of the University’s legal compliance framework;
- the effectiveness of the University’s fraud and corruption management, awareness, and mitigation strategies;
- the effectiveness of the University’s risk management framework and strategies; and
- any other matter the Director Internal Audit Office considers warranted.

Further Information

Requests for further information may be directed to the Internal Audit Office, UNSW, (02) 9385 2900.