Introduction:

1. This Charter defines the purpose, authority and responsibility of internal audit activity at UNSW. This Charter supersedes the 2005 Charter.

   (For the purpose of this Charter, UNSW means the legal entity The University of New South Wales and its controlled entities)

2. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. (Definition of Internal Auditing – The Institute of Internal Auditors)

Authority, Scope, and Responsibility:

3. The Internal Audit Office (IAO) is authorised by the Audit Committee through the President and Vice-Chancellor (VC) to undertake internal audit activity at UNSW. The Director of Internal Audit is responsible for the operation of IAO.

4. The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of UNSW's internal governance, risk management, internal process, controls and compliance culture as well as the quality of performance in carrying out assigned responsibilities to achieve the University's stated goals and objectives.

   The IAO will review the governance of an audited area by examining its strategies and plans and how its activities are being directed and monitored through a framework of accountability, delegation, and reporting structure to assess the alignment of these activities with UNSW's goals, values, and compliance culture. It will also review the effectiveness of risk management and controls as key components in the governance process in optimising the audited area's performance.

5. The IAO is authorised to conduct fact-finding and forensic investigations that may be required by management to address complaints of fraud, corruption, or misconduct which are received by management or IAO.

6. The IAO is authorised, with strict accountability for confidentiality, full, free, and unrestricted access to any and all of UNSW records, physical properties, and personnel pertinent to carrying out an engagement.

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

The Three Lines of Defence Model

8. UNSW accepts the Institute of Internal Auditors (IIA) endorsed Three Lines of Defence Model in allocating responsibilities for risk management and internal control.

9. As a First Line of Defence, UNSW's management has ownership, responsibility and accountability for assessing, controlling and mitigating risks.

10. As a Second Line of Defence, the Risk Management Unit facilitates and monitors the implementation of effective risk management practices by management and assists the risk owners in reporting adequate risk related information up and down the organization.

11. As a Third Line of Defence, internal audit will, through a risk-based approach, provide assurance to UNSW's Audit and Risk Committees and management, on how effectively UNSW assesses and manages its risks, including the manner in which the First and Second Lines of Defence operate. IAO will ensure assurance activities provided by IAO and other external or independent parties are co-ordinated in an effective manner, and not result in duplication of resources.

12. The independent check provided by internal audit activity will not absolve management and staff from any of their risk management and internal control responsibilities.

COUNCIL RESOLUTION CL12/12
(16 April 2012)

That Council resolve to (a) rescind Council resolution CL11/40, and (b) approve the revised Internal Audit Charter.
Guiding Principles and Standards

13. In addition to UNSW policies and procedures and the relevant legislations, the IAO operates under the guidance of the following authorities and standards:
   a. UNSW’s Audit Committee Terms of Reference
   b. UNSW’s Risk Committee Terms of Reference
   c. International Standards for the Professional Practice of Internal Auditing issued by IIA
   d. The IIA’s Code of Ethics

Reporting Structure:

14. The Director of Internal Audit reports both to the Audit Committee and the VC for full accountability of internal audit activity at UNSW, and to the Vice-President, Finance and Operations for administration and daily operational matters. The Director of Internal Audit has direct communication access to the VC and the Audit Committee and reports to each of them on internal audit plans and results of internal audit activities. The Audit Committee also holds confidential briefing sessions with the Director of Internal Audit to discuss any matters the Audit Committee or the Director of Internal Audit consider necessary.

15. The Presiding Member of the Audit Committee will be consulted on the appointment, removal, and performance of the Director of Internal Audit.

Independence and Objectivity:

16. Independence is essential to the effectiveness of the IAO. Internal auditing activity must be independent, and internal auditors must be objective in performing their work. Internal auditors must have an impartial, unbiased attitude and avoid any conflicts of interest.

17. The IAO and internal auditors must have no direct authority or responsibility for the activities they review. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an internal auditor's judgment.

18. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

19. The Director of Internal Audit will confirm to the Audit Committee annually the organizational independence of internal audit activity, including that of any external firms which execute the audit plan under his/her direction.

Resourcing:

20. The IAO organises internal audit activities so that they are performed by adequate and professionally competent resources. The adopted model of resourcing to this end will be determined by the VC in consultation with the Audit Committee.

21. Where an outsourcing or co-sourcing model is adopted, the external service provider will be selected on the basis of their competence, skills and knowledge against a set of criteria that are critical to meet UNSW’s internal audit requirements, and the appointment will be approved by the Audit Committee. The selection process will follow normally accepted probity principles. The independence and objectivity of a potential provider will also be considered to ensure there is no existence of relationships that may prevent the provider from discharging its services to UNSW in a manner which is impartial and unbiased.

22. Despite the adoption of an outsourcing or co-sourcing model, the Director of Internal Audit is fully accountable for internal audit activity at UNSW. The Director of Internal Audit must maintain an oversight of the work performed by the provider, including but not limited to the adequacy of the scope and objectives of the reviews, the basis on which conclusions are drawn in the reviews, as well as being satisfied with the provider’s internal compliance and quality control processes.

Internal Audit Planning:

23. Internal audit reviews will be determined through the planning process of a three year Internal Audit Plan (the Plan) that will align the focus of internal audit activity with UNSW’s strategic initiatives; and will include input from the members of the Audit and Risk Committees, management, as well as the Audit Office of NSW.

24. The Plan will be updated annually as a three year rolling plan. An annual review schedule will be based on this three year plan.
25. The plans will be prepared using a risk-based methodology which is co-ordinated with the Risk Management Unit’s risk assessment process so as to focus internal audit effort on areas of high risks to UNSW.

26. Plans are to be approved by the Audit Committee after they have been reviewed by the VC and the Executive Team.

27. Input and update to the scheduled internal audit reviews occur continuously as circumstances dictate and will not be restricted by the aforementioned planning cycle. Any significant deviation from an approved internal audit plan and any impact of resource limitations will be communicated to the Audit Committee and the VC.

**Activity Reporting and Monitoring:**

28. A written report will be issued by the Director of Internal Audit following the conclusion of each internal audit review to the VCAC member who has management responsibility for the entity or activity being audited. Other recipients will be:

   a. President and Vice-Chancellor (Executive Summary)
   b. Audit Committee of Council (Executive Summary)
   c. The Audit Office of New South Wales (Full Report)
   d. Director Risk Management (Full Report)
   e. Vice-President, Finance and Operations (Full Report)
   f. Managers and staff relevant to the activities covered by the review and the responsible action parties for the agreed management actions (Full Report)

29. The internal audit report will include specific findings, management’s agreed actions and target completion dates of these actions. A full report will be made available to the VC and the members of the Audit Committee on request.

30. The IAO will be responsible for following up the progress and completion of management agreed actions and the results will be analysed and reported to the Audit and Risk Committees. IAO will review and test on a selective basis the implemented agreed management actions.

31. The IAO will prepare regular reports to the Audit and Risk Committees which summarise internal audit activities during the reporting period, any significant matters concerning risk, internal control, compliance culture and internal governance, or matters needed or requested by the Committees.

32. The Director of Internal Audit attends the meetings of the Audit and Risk Committees and may assist with the deliberations of the Committees.

**Assessment and Quality Improvement:**

33. Independent external quality assessment on UNSW’s internal audit activity will be performed no less frequently than recommended by IIA. The Director of Internal Audit will report to management and the Audit and Risk Committees on quality assessment and improvement programs.

- END -

**Sources:**

1. IIA Model Charter, The Institute of Internal Auditors (August 2009)


3. IIA Practice Advisory 1210. A1-1: “Obtaining External Service Providers to Support or Complement Internal Audit Activity (January 2009)”, The Institute of Internal Auditors

4. IIA Global Council 2011 Background Paper No.3, Principle 2: “Organisations need clear accountability for risk management and internal control”, The Institute of Internal Auditors