Introduction:
1. This Charter defines the purpose, authority and the responsibility of internal audit activity at UNSW. This Charter supersedes the 2012 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 (IIA))

Authority, Scope, and Responsibility:
3. The Risk Advisory and Internal Audit (RAIA) unit is authorised by the Audit Committee through the President and Vice Chancellor (VC) to undertake internal audit activity at UNSW. The Director Risk Advisory and Internal Audit (Director RAIA) is responsible for the operation of RAIA.

4. The authority, scope and responsibility extended to RAIA in this Charter extends only to the internal audit activities defined herein and the designated staff engaged in these activities. Other RAIA functions not within the scope of this Charter will be governed by the relevant UNSW policies and procedures.

5. 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 RAIA 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.

6. The RAIA 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 RAIA.

7. The RAIA 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.

8. All staff of UNSW are required to provide RAIA with all the assistance it requests in fulfilling its internal audit roles and responsibilities.

The Three Lines of Defence Model
9. UNSW adopts the IIA endorsed Three Lines of Defence Model in allocating responsibilities for risk management and internal control.

10. As a First Line of Defence, UNSW’s management have ownership, responsibility and accountability for assessing, controlling and mitigating risks.
11. Some UNSW management units also have responsibility for the Second Line of Defence activities such as oversight and support for First Line risk management activities through setting direction, ensuring compliance, and provide assurance reporting. As a key coordinator of the Second Line of Defence, the RAIA will in accordance with the Risk Management Policy facilitate and monitor the implementation of effective risk management practices by management and assist the risk owners in reporting adequate risk related information up and down the organization.

12. As a key assurance provider in the Third Line of Defence, RAIA 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. RAIA will ensure assurance activities provided by RAIA and other external or independent parties are co-ordinated in an effective manner, and not result in duplication of resources.

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

Guiding Principles and Standards

14. In addition to UNSW policies and procedures and the relevant legislations, the RAIA 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:

15. The Director RAIA reports 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 RAIA has direct communication access to the VC and the Audit Committee and reports to them directly on internal audit plans and results of internal audit activities. The Audit Committee also holds confidential briefing sessions with the Director RAIA to discuss any matters the Audit Committee or the Director RAIA consider necessary.

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

Independence and Objectivity:

17. Independence is essential to the effectiveness of the RAIA’s internal auditing activity. 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.

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. RAIA also performs First and Second Line of Defence activities: First Line – insurance and workers compensation and Second Line – business continuity and enterprise risk management. It will implement the safeguards recommended by the IIA as noted below to maintain audit independence and objectivity.

20. A key safeguard is that RAIA and individual internal auditors therein must have no direct authority or responsibility for the activities they review. Accordingly, they will not normally implement internal controls, authorise or approve procedures, install systems, prepare records, or engage in any other activity that may subsequently be audited by RAIA and these internal auditors. Where RAIA has involvement in any of these activities in particular those mentioned in paragraph 19, measures must be put in place to ensure independence and objectivity is maintained. These measures include:
   a. Internal audit reviews on RAIA’s First and Second Line activities are to be performed by a suitably qualified party independent of RAIA and the external firm engaged as the co-source partner in the delivery of UNSW’s internal audit activities;
   b. The terms of reference of such reviews and the party performing the reviews are to be approved by the Presiding Member of the Audit Committee;
   c. The independent party performing the reviews reports directly to the Presiding Member of the Audit Committee during the term of the engagement; and
   d. The final reports are to be addressed to the Presiding Member of the Audit Committee.

In addition to paragraphs a. to d above, the Director RAIA will not engage the internal audit / risk service unit (IA / Risk Unit) of the co-source partner to provide any non-internal audit services to RAIA without the prior approval
of the Audit Committee if the fees of these non-internal audit services provided by the IA / Risk Unit to UNSW as a whole exceed 75% of the budgeted internal audit fees payable to the co-source partner in any calendar year.

The co-source partner will advise the Director RAIA of any potential engagement of the firm by UNSW (other than by RAIA). The Director RAIA will refer such engagement to the Presiding Member of the Audit Committee for approval.

21. The Director RAIA 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. This annual confirmation will include any other services that these firms might have provided in the First and Second Line of Defence activities, and the quantum of these fees as percentage of internal audit fees.

Resourcing:

22. The RAIA 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.

23. 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. 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.

24. Despite the adoption of an outsourcing or co-sourcing model, the Director RAIA is fully accountable for internal audit activity at UNSW. The Director RAIA 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:

25. 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.

26. The Plan will be updated annually as a three year rolling plan. An annual review schedule will be based on this three year plan.

27. The Plan will be prepared using a risk-based methodology so as to focus internal audit effort on areas of high risks to UNSW.

28. The Plan will be approved by the Audit Committee after it has been reviewed by the VC and the Executive Team and with input from the Risk Committee.

29. 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:

30. A written report will be issued by the Director RAIA 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. Vice President Finance and Operations (Full Report)
   e. Managers and staff relevant to the activities covered by the review and the responsible action parties for the agreed management actions (Full Report)

31. 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.

32. The RAIA 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 Committee. RAIA will review and test on a selective basis the implemented agreed management actions.

33. The RAIA 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.
34. The Director RAIA attends the meetings of the Audit and Risk Committees and may assist with the deliberations of the Committees.

**Assessment and Quality Improvement:**

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

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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