

## 1. Introduction

This charter establishes the purpose, authority and responsibilities in respect of the internal audit activity within the University of Technology Sydney (UTS).

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

- Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*.

## 2. Purpose

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the University's operations. It helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 3. Role

The internal audit function was established by the UTS Council, and its responsibilities are defined in this charter, which is approved by the Audit and Risk Committee (ARC) of Council.

## 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 UTS records, personnel and physical properties relevant to the performance of engagements. The internal audit function will also have free and unrestricted access to Council and the ARC.

## 5. Independence and objectivity

Independence is essential to the effectiveness of internal auditing. This independence is obtained primarily through organisational status and objectivity.

All internal audit staff and contractors will report to the Director Internal Audit, who will take up the responsibility of the University's Chief Audit Executive. The Director Internal Audit will report administratively to the Provost and functionally to the Vice-Chancellor and the ARC.

Functional reporting to the Audit and Risk Committee involves the Audit and Risk Committee:

- approving the internal audit activity's overall charter
- endorsing the internal audit risk assessment and related audit plan, after approval by the Vice-Chancellor
- 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 activity to execute its responsibilities.

Administrative reporting includes:

- budgeting and management accounting
- human resource administration, including personnel evaluations and compensation internal communications and information flows
- administration of internal audit activity's policies and procedures.

The Director Internal Audit must confirm to the ARC, at least annually, the organisational independence of the internal audit activity.

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

## 6. Internal audit responsibilities

- Develop a flexible annual audit plan using appropriate risk-based methodology, considering any risks or control concerns identified by management, and submit that plan to the Vice-Chancellor for approval and to the ARC for review and endorsement.
- 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 audit plan, as approved, including, if appropriate, any special tasks or projects requested by management or the ARC.
- Any likely or actual significant deviation from the formally approved program shall be advised to the Vice-Chancellor and the ARC through periodic activity reports, and is subject to directions from both concerning relative priorities.
- Assess and make appropriate recommendations for improving the University's governance process in its accomplishment of its objectives.
- 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 ARC of the results, as approved by the ARC.
- Keep the ARC informed of emerging trends and successful practices in internal auditing.
- At least annually, the Director Internal Audit is to meet privately with the ARC 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 and Risk Committee summarising results of audit activities, status of corrective actions and the internal audit activity's performance to measurement criteria.
- Annually review the internal audit charter, modify as appropriate and submit to the ARC for approval.

In performing its activities, the internal audit activity 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.

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

## 7. Reporting and monitoring

A written report will be issued by the Director Internal Audit at the conclusion of each internal audit engagement and will be distributed to the appropriate parties, specifically including the Vice-Chancellor and the Chair of the ARC. Each internal audit report in the annual audit program will also be provided to the full ARC as part of their working papers at the next regularly scheduled meeting. An executive summary of other reports may be provided to the full ARC, on request.

The internal audit report will include management's response and corrective action taken or to be taken in regard to specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken. Management has 15 working days from the receipt of the draft report to provide their response.

If management's response to any finding is not considered adequate, the internal audit activity will consult with management of the function being reviewed and attempt to reach a mutually agreeable resolution. If an agreement is not reached, the internal audit function shall pursue the matter through channels to appropriate levels of management and, if required, the ARC for resolution.

Management is required to continuously report on a six-monthly basis, to the Director Internal Audit, their actions taken for each specific finding until they assert to the effectiveness of corrective action. Depending on the significance of the finding, the internal audit activity will validate those assertions before recommending closure of the issue. A status report on the implementation of these action plans arising from internal audit reports will be submitted to the Vice-Chancellor and the ARC.

## 8. Standards of audit practice

The internal audit activity will meet or exceed the mandatory guidance provided in the International Professional Practices Framework (IPPF), published by The Institute of Internal Auditors: *The Definition of Internal Auditing, Code of Ethics and Standards*.

The internal audit activity will adhere to IPPF strongly recommended guidance: Position Papers, Practice Advisories and Practice Guides as applicable to the individual review being undertaken.

In addition, the internal audit activity will adhere to UTS policies and procedures and *UTS Internal Audit Procedures Manual*.

To enable continuous evaluation of conformance to the *International Standards for the Professional Practice of Internal Auditing*, 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 activity, and
  - periodic reviews performed through self-assessment or by other persons within the University with sufficient knowledge of internal audit practices.
- external assessments conducted at least once every five years by a qualified, independent reviewer or review team from outside the University.

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