

THE UNIVERSITY OF QUEENSLAND INTERNAL AUDIT CHARTER

Approved by	Senate Risk Committee
Contact	Associate Director, Internal Audit
Date Last Amended	1 June 2017
Next Review Date	June 2019

Purpose

This Charter sets out the responsibilities, organisation, authority, membership and operation of The University of Queensland's (UQ's) Internal Audit function. It is approved by the Senate Risk Committee (SRC) in consultation with the Vice-Chancellor's Risk and Compliance Committee (VC RCC). This Charter should be read in conjunction with the SRC Charter and VC RCC Terms of Reference.

Internal Audit Function

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

To enable it to demonstrate effective governance, risk management and compliance, UQ considers it necessary and appropriate to establish an internal audit function.

As a Queensland Statutory Body, UQ is obliged to observe the requirements of the Financial Accountability Act 2009 (the Act), and Financial and Performance Management Standard 2009 (the Standard) both of which contain mandatory requirements applicable to the internal audit function being:

- Development of an internal audit charter
- Planning the audit program
- Reporting of audit issues, and;
- The relationship with external audit

The objectives and scope of UQ's internal audit function is significantly influenced by the "Three Lines of Defence" assurance model that the University has adopted as part of its governance, risk management and compliance frameworks.

The Vice-Chancellor's Risk and Compliance Committee (VC RCC) has oversight of the three lines of defence as follows:

- *First Line of Defense:* UQ's operational management has ownership, responsibility and accountability for identification, assessment, and management of risk and ensuring compliance.
- *Second Line of Defense:* Enterprise Risk, Occupational Health and Safety, Compliance, Integrity & Investigations and other relevant risk-oversight functions are responsible for facilitating, monitoring and supporting effective risk management and compliance practices by operational management.
- *Third Line of Defense:* Internal audit and other internal review functions independent of management are responsible for providing oversight, review and assurance on the effectiveness of controls and identifying breakdowns and systemic issues in risk and compliance.

Objectives and Scope of Internal Audit

The Internal Audit Function adds value by assisting Senate and Management in the effective execution of their responsibilities by providing assurance on the effectiveness of governance, risk management and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives.

The scope of work of Internal Audit is to assess and provide assurance on whether:

- UQ has an adequate and effective system of internal control including governance, risk management and compliance frameworks.
- Risks are appropriately identified and managed.
- Interaction between the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees act in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately managed.
- Quality and continuous improvement are fostered in the University's control processes.

The scope of Internal Audit includes the whole of UQ including its controlled entities.

Internal Audit Independence, Rights and Obligations

Independence

The Internal Audit function is independent of management. While Internal Audit plans and programs of work will be developed in consultation with management, they will be approved by the Senate Risk Committee.

Internal Audit has no direct responsibilities for or authority over, any of the activities which it audits. Accordingly, the work of Internal Audit does not in any way relieve managers of their responsibilities for the development, implementation and maintenance of management and control systems in their areas.

To provide further for the independence of the Internal Audit function, the Associate Director Internal Audit has direct access to the Chair VC RCC, Chair SRC, Vice-Chancellor and Chancellor.

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest, actual or perceived. The Associate Director Internal Audit must confirm to the Senate Risk Committee, at least annually, the organisational independence of the internal audit activity.

Confidentiality

Internal Audit staff shall respect the confidentiality of information acquired in the course of their work and shall not disclose any such information to a third party without specific authority or unless there is a legal or professional duty to do so.

Powers and Authority

Internal Audit, with strict accountability for confidentiality of records and information, is authorised to:

- Have full, free and unrestricted access to any and all of UQ's information, records, property, and personnel relevant to the performance of approved engagements;
- Attend, even in the absence of any invitation, any meetings relevant to approved projects or committees and access any minutes and documents relevant to those projects and committees. This access right does not apply to any meetings of Senate or its subcommittees, the Academic Board, Vice-Chancellor's Committee and the University Senior Management Group.
- Allocate resources (within approved budget), set frequency, select subjects, determine scopes of work, and apply the techniques required to accomplish approved audit objectives;
- Obtain the necessary assistance of UQ personnel in performance of their duties.

Internal Audit is not authorised to:

- Perform any operational duties for UQ or its affiliates;
- Direct the activities of any UQ employee or contractor (other than those directly engaged by Internal Audit), or
- Engage in any other activity which may compromise their independence or objectivity.

Reporting

Internal Audit reports functionally to the Senate Risk Committee and administratively to the Director Governance and Risk.

Functional reporting to the Senate Risk Committee involves the Senate Risk Committee:

- Approving the Internal Audit Charter;
- Approving the Annual Internal Audit Plan and Program of Work and any material changes to these;
- Receiving communications from the Associate Director Internal Audit on the results of internal audit activities or other matters that the Associate Director Internal Audit determines are necessary, including meetings with the Associate Director Internal Audit without management present;
- Approving, with input and recommendations from senior management, the appointment, performance evaluation and removal of the Associate Director Internal Audit;
- Approving, with input and recommendations from senior management, the annual compensation and salary adjustment of the Associate Director Internal Audit; and
- Making appropriate inquiries of management and the Associate 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 to the Director Governance and Risk includes:

- Management of Internal Audit budget and expenses;
- Human resource administration including leave management, personnel evaluations and staff compensation (subject to any specific requirements applicable to the Associate Director Internal Audit position);
- Internal communications and information flows; and
- Administration of internal audit activity's policies and procedures

Internal Audit Responsibilities

Internal Audit has responsibility to:

- Develop a risk-based and adaptable Annual Internal Audit Plan (AIAP) and Program of Work, considering any risks or control concerns identified by management, and submit that plan to the VC RCC for review and input and then to the SRC for approval. The Annual Internal Audit Plan will include Internal Audit's overall objectives, work schedules, coverage, staffing, financial budgets and a description of any limitations placed on Internal Audit's scope of work.
- Perform audits as per the approved AIAP and Program of Work (with any approved changes).
- Undertake other assurance or consulting assignments requested by the Vice-Chancellor, the Chief Operating Officer, VC RCC, or SRC, subject to availability of resources and capabilities.
- Assist UQ in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
- Evaluate and assess significant projects or change initiatives and activities including structural changes, or changes to processes, systems, services and controls.

- Develop and implement a quality control system to ensure internal audit activities are consistent with applicable professional standards and compliant with applicable laws and regulations.
- Ensure the internal audit function has sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter. Internal audit capabilities may be supplemented by external providers where requisite capabilities are not available internally.
- Issue periodic reports to the VC RCC and SRC summarising results of audit activities, status of corrective actions and the internal audit activity's performance.
- Keep VC RCC and SRC informed of emerging trends, successful practices in internal auditing, and any matters that it determines necessary.
- 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.

Resourcing of Internal Audit

The Internal Audit Function is operated in-house within UQ, but the skills and experience and/or resourcing of the in-house team may be supplemented through co-sourcing or outsourcing to an external provider.

The function is headed by the Associate Director Internal Audit who is accountable for its efficient functioning including resourcing and development of the function's policies and procedures. The SRC will endorse the use of any outsourced or co-sourced providers.

Relationship with related assurance providers and the external auditor

In accordance with the Standard, Internal Audit will consult with the external auditor;

- a) During the preparation of the Annual Internal Audit Plan and internal audit plans for individual audits where relevant; and
- b) At other times Internal Audit considers it appropriate.

To achieve cost-effective and efficient audit coverage, internal audit will also liaise regularly with the external auditor to:

- Discuss and co-ordinate work to avoid or minimise duplication of effort,
- Share internal audit findings and recommendations; and
- Share relevant internal audit working papers and documentation that may assist the external auditor in carrying out its duties.

It is the responsibility of the external auditor to determine the extent to which it can rely on the Internal Audit reports, working papers and other documentation for its external audit or other purposes.

Internal audit will consider the work performed by other assurance providers when planning for each review.

Standards of Internal Audit Practice

Internal Audit is responsible for conducting its work (undertaken by Internal Audit or external providers) in accordance with relevant industry standards and practices and will have regard to relevant requirements of the Chartered Accountants Australia and New Zealand, Certified Practising Accountants (CPA) Australia, Institute of Internal Auditors Australia and other appropriate bodies.

Qualifications of the Associate Director Internal Audit

The officer assuming responsibilities of the Associate Director Internal Audit must, as a minimum, hold a level of professional membership outlined below:

- Certified Internal Auditor (CIA); or
- CPA or above (Certified Practising Accountants Australia) or
- CA or above (Chartered Accountants Australia and New Zealand) or
- Qualifications from an overseas accounting body that are recognised by at least one of the above bodies as having equivalent membership.

Reporting on Audits

- At the conclusion of each audit, written reports will be prepared and issued by Internal Audit in accordance with agreed protocols.
- Internal Audit reports will state the objective, scope, methodology, findings and make recommendations where appropriate.
- The Internal Audit reports 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;
- If management's response to any significant finding is not considered adequate, the internal audit function will consult with management of the operations 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 VC RCC and SRC for resolution.
- Management is required to confirm successful implementation of agreed corrective actions. Depending on the significance of the finding, Internal Audit will validate those assertions before recommending closure of the issue.
- Summary reports on the status, and significant findings and issues arising from the work of Internal Audit will be presented to the VC RCC and SRC together with any other information requested by them including full reports of individual audits

Evaluation

To enable continuous evaluation of conformance to the Standards of Audit Practice, the Associate 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 organisation 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 organisation.

Review of Charter

This Charter is to be reviewed by VC RCC and approved by SRC at least every two years. In compliance with the Standard, the Internal Audit Charter must be made readily available to UQ staff.