

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) 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 report to the Director Internal Audit, who will take up the responsibility of the University's Chief Audit Executive (CAE). The Director Internal Audit reports administratively to the University Secretary and functionally to the Vice-Chancellor and the ARC.

The Audit and Risk Committee's involvement in functional reporting includes the following:

- Approving the internal audit activity's overall charter.

- Approval of the internal audit assurance map and related audit plan, after endorsement 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 performance evaluation of the CAE will have input from the Audit Committee Chair and the Vice-Chancellor.

The CAE will have direct access to the Audit Committee Chair and the Vice-Chancellor at all times.

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. Any conflicts of interest need to be declared to the Audit and Risk Committee.

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.
- To immediately alert the Committee Chair of any issues with timing and management's method of completion of actions from past audit reports.
- 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.

Where the person occupying the role of Chief Audit Executive may be responsible for non-audit activities, there are independence safeguards in place:

- When responsible for non-audit activities, the Chief Audit Executive is not performing audit duties when managing or performing those activities; and
- Review of non-audit activities must be managed and performed independently of the Chief Audit Executive and reported directly to the Audit and Risk Committee.

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 at request.

The internal audit report will include an overarching management comment as part of the executive summary and agreed actions taken or to be taken regarding specific findings. Management's response should include a timetable for anticipated completion of each action to be taken. Management has 15 working days from the receipt of the draft report to provide their response to the report.

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 report on a continuously basis within Risk Connect, progress on 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 regularly submitted to the Vice-Chancellor and the ARC.

8. Standards of Audit Practice

Internal Audit will govern itself by adherence to mandatory guidance contained in the 'International Professional Practices Framework' (IPPF) issued by the Institute of Internal Auditors (IIA):

- 'Core Principles for the Professional Practice of Internal Auditing'.
- 'Definition of Internal Auditing'.

- 'Code of Ethics'.
- 'International Standards for the Professional Practice of Internal Auditing'.

This mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of Internal Audit performance. The Chief Audit Executive is responsible for maintaining an up-to-date risk-based internal audit methodology that aligns with good practices promoted by the internal audit profession.

Internal Audit, including service providers, will perform their work in accordance with the IPPF. While the IPPF applies to all internal audit work, technology audits may also apply the ISACA standards contained in the 'Information Technology Assurance Framework' (ITAF).

In addition, the internal audit activity will adhere to UTS policies and procedures, including the UTS code of conduct and UTS Internal Audit Procedures Manual.

To enable continuous evaluation of conformance to the Standards of Audit Practice, 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, including an annual internal appraisal of the performance of the Director Internal Audit against the UTS individual annual workplan as part of the normal performance review process of the university.
 - There will also be an annual performance review of the Internal Audit Function by the members of the Audit and Risk Committee
 - 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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