

The University of Queensland Internal Audit Charter

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 and Audit Committee (SRAC) in consultation with the Vice-Chancellor's Risk and Compliance Committee (VCRCC) and the UQ Senior Executive Team (UQSET). This Charter should be read in conjunction with the SRAC Charter and VCRCC Terms of Reference.

UQ Internal Audit Function

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 2019 (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.

Mission and Definition of Internal Audit

The mission of UQ Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

The International Standards for the Professional Practice of Internal Auditing (the Standards) promulgated by the Institute of Internal Auditors (the Institute) provide a mandatory definition of Internal Auditing. Accordingly, at UQ, Internal Audit is defined as "an independent, objective assurance and consulting activity designed to add value and improve UQ's operations. It helps UQ accomplish its objectives (embodied in the UQ Strategic Plan) by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes".

Standards of Professional Internal Audit Practice

In managing and undertaking internal audit activities, UQ Internal Audit conforms to the mandatory elements of the International Professional Practices Framework (the Framework) promulgated by the Institute. The *Standards*, together with the Definition of Internal Auditing and the Code of Ethics, encompass the mandatory elements.

Three Lines Model

The objectives and scope of UQ's internal audit function is significantly influenced by the "Three Lines Model" which the University has adopted as part of its governance, risk management and compliance frameworks. This model helps organisations identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management. The VCRCC has oversight of the three lines as follows:

- *First Line:* UQ's operational management has ownership, responsibility and accountability for identification, assessment, and management of risk and ensuring compliance.
- *Second Line:* Enterprise Risk, Health, Safety and Wellness, Compliance and other relevant risk-oversight functions are responsible for facilitating, monitoring and supporting effective risk management and compliance practices by operational management.
- *Third Line:* Internal Audit are responsible for providing oversight, review and assurance on the adequacy and effectiveness of governance and risk management to support the achievement of organisational objectives and to promote and facilitate continuous improvement.

Objectives and Scope of Internal Audit

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

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 external service providers.

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 SRAC endorses the use of co-sourced or outsourced providers.

Organisational Relationships

The Associate Director, Internal Audit reports administratively to the Vice-Chancellor and functionally to the SRAC.

The Associate Director, Internal Audit has direct access to the Chancellor, Vice-Chancellor and SRAC in relation to audit matters, including meeting with the Chair of the SRAC at least twice per year, without the presence of management.

The Vice-Chancellor's responsibilities include:

- Facilitating the performance evaluation, appointment, renewal or removal of the Associate Director, Internal Audit (including the position description of the Associate Director, Internal Audit) with the approval of the SRAC;
- Determining the annual compensation and salary adjustment of the Associate Director, Internal Audit, with the approval of the SRAC; and
- In the case of disagreement between Internal Audit and management on Internal Audit matters, if necessary, the Vice-Chancellor will raise the matter with SRAC.

While the Internal Audit function reports administratively to the Vice-Chancellor, day-to-day practical reporting is via the Director, Office of the Vice-Chancellor. The administrative reporting line includes:

- Internal audit resources and annual budget.
- Provision of corporate services to internal audit including office accommodation, administration, computers and equipment, budgeting and management accounting.
- Human resources administration.

All Internal Audit staff and co-sourced providers report directly to the Associate Director, Internal Audit. Within the constraints of the independent Internal Audit budget allocated, the Associate Director, Internal Audit is authorised to:

- Exercise autonomy in applying Internal Audit resources.
- Appoint external service providers to co-source internal audit activities (routine and ad hoc).
- Determine scope and apply procedures necessary to accomplish the objective(s) of each individual audit assignment.
- Develop the function's operating standards, policies and procedures.

The UQSET has an important role in providing a synthesized cross-portfolio perspective of the key risks facing the University:

- UQSET will be consulted in regard to the Strategic and Annual Internal Audit Plan.
- Internal Audit will be invited to attend UQSET twice a year, including to enable UQSET to provide input into the Annual Plan.
- If the Associate Director Internal Audit determines that a matter has not been resolved and may pose an unacceptable risk to UQ, the Associate Director Internal Audit must communicate the matter to the SRAC, with consultation with the Vice-Chancellor, VCRCC and UQSET.
- The results of annual Internal Audit Client Satisfaction Surveys conducted with Executive and Senior Management and SRAC as part of the Internal Audit Quality Assurance and Improvement Program will be provided to UQSET annually.

The SRAC's functional reporting responsibilities include:

- Approving the Internal Audit Charter.
- Approving the Strategic and Annual Internal Audit Plan including any significant revisions as required, noting that the plans are informed by the UQ Strategic Plan and UQ's Top Risks, with consideration of the assurance mechanisms in place in the first and second lines.
- Reviewing reports on the results of internal audit assurance engagements, audit-related activities, audit team capability, audit performance and other important matters that the Associate Director Internal Audit determines are necessary, including meetings with the Associate Director Internal Audit without management present.

- If the Associate Director Internal Audit determines that a matter has not been resolved and may pose an unacceptable risk to UQ, the Associate Director Internal Audit must communicate the matter to the SRAC, with consultation with the Vice-Chancellor, VCRCC and UQSET.
- Approving, with input and recommendations from the Vice-Chancellor, the appointment, performance evaluation, renewal and removal of the Associate Director Internal Audit.
- Approving, with input and recommendations from the Vice-Chancellor, the annual compensation and salary adjustment of the Associate Director Internal Audit.
- Monitoring compliance with standards, together with quality and improvement arrangements.
- 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.

Internal Audit Independence, Rights and Responsibilities

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 SRAC.

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 VCRCC, Chair SRAC, 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 SRAC, at least annually, the organisational independence of the internal audit activity.

To support this declaration, Internal Audit staff complete an annual declaration outlining:

- Adherence to UQ Values,
- Adherence to the UQ Code of Conduct,
- Conformance with the Institute of Internal Auditor's International Professional Practices Framework Code of Ethics:
 - The Code applies to both entities and individuals that perform internal audit services.
 - The Code states the principles and expectations governing the behavior of individuals and organisations in the conduct of internal auditing, and
- Any potential, perceived or actual Conflicts of Interest.

Where Service Providers are used, a Conflict of Declaration will be requested in relation to each audit undertaken.

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 and in compliance with applicable legislative requirements, is authorised for approved Internal Audit engagements to:

- Have full, free and unrestricted access to any and all of UQ's information, records, property, and personnel.
- 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, UQSET 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.

Internal Audit Responsibilities

Internal Audit has responsibility to:

- Develop a risk-based and adaptable Strategic and Annual Internal Audit Plan, considering any risks or control concerns identified by management, obtain input from UQSET, submit that plan to the VCRCC for review and input and then to the SRAC 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 and advisory engagements as per the approved Annual Internal Audit Plan (with any approved changes).
- Undertake other assurance or advisory assignments requested by the Vice-Chancellor, VCRCC, or SRAC, subject to availability of resources and capabilities.
- Consider management requests for advisory engagements, in light of risk profile and 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 VCRCC and SRAC summarising results of audit activities, advisory engagements undertaken, status of corrective audit actions and the internal audit activity's performance.
- Keep VCRCC and SRAC 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.

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.

Qualifications of the Associate Director Internal Audit

The officer assuming responsibilities of the Associate Director Internal Audit must, as a minimum, hold and maintain 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 does not address the identified risks, the internal audit function will consult with management of the operations being reviewed and attempt to reach a mutually agreeable resolution. If no agreement is reached, the Internal Audit Report will reflect the final position.
- If the Associate Director Internal Audit determines that a matter has not been resolved and may pose an unacceptable risk to UQ, the Associate Director Internal Audit must communicate the matter to the SRAC, with consultation with the Vice-Chancellor, VCRCC and the VCC.
- UQ management is responsible for confirming the implementation of agreed actions. Internal Audit will validate the assertions before closure of the issue/s.
- UQ management is responsible for liaising with Internal Audit to re-draft agreed actions if circumstances or systems have changed and original agreed actions no longer address the identified risks.
- UQ management is responsible for liaising with Internal Audit to seek an extension of action timeframes if resolution cannot be finalised within the dates originally agreed.
- Summary reports on the status, and significant findings and issues arising from the work of Internal Audit will be presented to the VCRCC and SRAC together with any other information requested by them including full reports of individual audits.

Quality Assurance and Improvement Program

To enable continuous evaluation of conformance to the Standards , 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 VCRCC and approved by SRAC at least every two years. In compliance with the Standard, the Internal Audit Charter must be made readily available to UQ staff.

Modification History	24 November 2020:	Modified primarily to create consistency of terminology, take into account changes in terminology in the Three Lines Model and to change VCC to UQSET throughout.
	21 February 2019:	Modified to take into account endorsed recommendations in the 2018 Independent Quality Assessment of UQ Internal Audit.
	1 June 2017:	Modified to reflect changed reporting arrangements to Director Governance and Risk.
Prepared by:	Tamra Saayman, Associate Director, Internal Audit	
Consultation:	Deborah Terry AO, Vice-Chancellor and President Vice-Chancellor’s Risk and Compliance Committee Senate Risk and Audit Committee	
Approved by:	Senate Risk and Audit Committee	
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