



INTERNAL AUDIT CHARTER

University of Southern Queensland

Trim Location	
Responsible Officer	Director Assurance Services
Approval Date	08/07/19
Approval Authority	Council

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1. Introduction

Internal Audit Unit is a key component of the University of Southern Queensland's governance framework.

This Internal Audit Charter provides a framework for the conduct of the internal audit function in the University of Southern Queensland (USQ). It is approved by Council on advice of the Audit and Risk Committee. The Internal Audit function will conform to the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and Standards (the Standards) as well as Core Principles for the Professional Practice of Internal Auditing. This document should be read in conjunction with the Audit and Risk Committee [Terms of Reference](#).

The Director Assurance Services or as advised from time to time by USQ management is Head of Internal Audit and responsible for the management of the internal audit function.

2. Purpose of Internal Audit

Internal audit activity covers all programs and activities of the University of Southern Queensland together with associated entities as provided for in relevant agreements, memorandums of understanding or contracts. The activity encompasses the review of all financial and non-financial policies and operations. At USQ, the purpose of Internal Audit is to

- Deliver an independent assessment of financial, regulatory, and operational risks and control effectiveness to the University's management and Council.
- Provide assurance to the Vice-Chancellor on the adequacy and effectiveness of risk management, internal control and governance processes
- Provide assurance to the Vice-Chancellor and Council that the University of Southern Queensland's financial and operational controls are designed and operating in an efficient, effective, economical and ethical manner within acceptable risk
- Assist management in improving the University's performance.

3. Code of Ethics – principles

The Institute of Internal Auditors (IIA) provides guidance on *ethics* by way of a formal Code of Ethics which is mandatory for all members of the IIA and all Certified Internal Auditors. Under this code (<https://www.iaa.org.au/technical-resources/professionalGuidance/codeOfEthics.aspx>), internal auditors are expected to apply and uphold the principles of integrity, objectivity, confidentiality and competency. .

4. Authority

The establishment of the internal audit function and the conduct of internal audit work will comply with relevant sections of the:

- *Financial Accountability Act 2009*
- *Financial and Performance Management Standard 2009*

- Financial Accountability Handbook (published by Queensland Treasury Department).

In the conduct of an Internal Audit, the Head of Internal Audit is authorised to:

- Have appropriate access to all relevant functions, records, property, and personnel within USQ policy and applicability of the law
- Have full and free access to Chancellor, Vice-Chancellor (and University Executive), the Chair and other members of the Audit and Risk Committee
- Meet with the Audit & Risk Committee chair without management permission or attendance
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply techniques required to accomplish audit objectives for the approval of the Audit & Risk Committee
- Obtain necessary assistance of USQ personnel, as well as other specialised services from within or outside USQ including a co-sourced contractor for this purpose.

5. Independence and Objectivity

To provide for the independence¹ and objectivity² of the internal audit function, Internal Audit will report to the Audit & Risk Committee as needed. It will include as part of its reports to the Audit & Risk Committee, a periodic report on internal audit resourcing.

Objectivity will be presumed to have been impaired if an assurance review is to be performed of an activity where an internal auditor held any authority or responsibility for a period significant enough to influence judgement or opinion. To maintain objectivity, the professional services partner (co-sourced arrangement) will conduct any required engagement.

Internal Audit has no direct authority or responsibility for the activities it reviews and has no responsibility for developing or implementing procedures or systems and does not perform in-line management functions [except as noted below].

Internal Audit reports functionally to the Audit and Risk Committee. The Head of Internal Audit is accountable to the Vice-Chancellor for the efficient and effective operation of the internal audit function.

¹ Independence is the freedom from conditions that threaten the ability of the internal audit activity or the chief audit executive to carry out internal audit responsibilities in an unbiased manner (Source: Institute of Internal Auditors, Standard 1100 Independence and Objectivity, <http://www.iaa.org.au/technicalResources/knowledgeitem.aspx?ID=256> January 2013).

² Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made (Source: Institute of Internal Auditors, Standard 1100 Independence and Objectivity, <http://www.iaa.org.au/technicalResources/knowledgeitem.aspx?ID=256> January 2013).

6. Confidentiality

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The Head of Internal Audit and individual audit staff (including co-sourced partners) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Under legislation, the Queensland Audit Office has access to all relevant University of Southern Queensland documents including internal audit reports and working papers.

7. Roles and responsibilities

In the conduct of its activities, Internal Audit will play an active role in:

- Developing and maintaining a culture of accountability, integrity and adherence to high ethical standards
- Facilitating the integration of risk management into day-to-day business activities and processes
- Promoting a culture of control-consciousness and self-assessment
- Advice provision regarding governance, risk management and control issues and report inadequately addressed risks and non-effective control processes to management and/or the Audit and Risk Committee. Reporting will be escalated to a level consistent with the internal audit assessment of the risk.

Internal audit activities includes:

a) Assurance activities

Internal audit assurance activities include audits with the following orientation:

Internal control environment

- Review and appraise the adequacy and effectiveness of the system of internal control
- Appraise relevance, reliability and integrity of management, financial and operating data/reports.

Internal Audit should be consulted during the system development process for financial systems, and be advised of variations or new developments.

Compliance

- Compliance with legislative requirements, Australian Government (Federal and State) and University of Southern Queensland policies and procedures, including grant acquittals (where authorised).
- Adequacy and effectiveness of internal controls, including information technology system controls relating to finance, operations, information technology systems and information security
- Ethical conduct of the University and its employees, contractors and agents

- Safeguarding, recording, control and use of assets.

Performance improvement

- Evaluate the economy, efficiency and effectiveness of the University's academic and business systems and processes
- Review operations to ascertain whether results are consistent with University objectives and are carried out as planned.

b) Advisory Services

Internal Audit can advise management on a range of matters including:

New programs, systems and processes

- Providing advice on the development of new programs and processes and/or significant changes to existing programs and processes, including the design of appropriate controls
- Recommending operating improvements.

Risk management

- Facilitate identification of risks and development of risk mitigation and monitoring strategies by management as part of the enterprise risk management framework
- Consolidate reporting on risks through the *Corporate Risk Register*
- Coordinate submissions of the *Corporate Risk Register* to the Council
- Monitor and report on the implementation of risk mitigation strategies.

The Divisional Heads are responsible for identifying and managing risk. The Council ensures that risks are identified, understood and managed to an acceptable level. Internal Audit has an understanding of the University's strategies and associated risks and how these risks are being managed.

Fraud control

- Assist management to identify the risks of fraud and develop fraud prevention and monitoring strategies
- Coordinate the *Fraud Control Plan*.

Investigation

- Conduct special assignments and investigations as requested by the Audit and Risk Committee, Vice-Chancellor, or Public Interest Disclosure Coordinator.

c) Audit support activities

Internal Audit is also responsible for:

- Assisting the Audit and Risk Committee to discharge its responsibilities
- Developing internal audit standards, protocols, processes and procedures
- Developing and controlling the internal audit strategy and annual plan
- Scoping engagements

- Authorising the deployment of resources to realise internal audit plans
- Monitoring the implementation of recommendations
- Disseminating better practice and lessons learnt arising from its audit activities across the entity
- Managing the internal audit function.

d) *Non-audit activities*

Internal Audit has management responsibility for the following areas:

- Championing establishment and development of the enterprise risk management framework.

Internal Audit can be requested to undertake other assignments at the discretion of the Audit and Risk Committee or the Vice-Chancellor. Prior to accepting an assignment, the Head of Internal Audit must consider:

- Limitation on Internal Audit’s ability to give independent assistance
- Impact on core internal audit functions
- Availability of skills and knowledge required to effectively perform the assignment.

e) *Follow-up activities*

Internal Audit is required to give the Audit Review Sponsor (person in charge of an audited area –typically a Divisional Head) a copy of a final draft report, and include any comments from that person in the report. The draft report is submitted to Audit and Risk Committee who will forward a summary to Council.

The Vice-Chancellor must consider the contents of the report and effect action necessary to address any issues raised.

Internal Audit is responsible for monitoring appropriate follow-up by management of audit engagement findings and recommendations. This is reported periodically to ARC for their information.

8. Competency and Standards

The Head of Internal Audit will ensure internal auditors:

- adhere to audit policies, standards, procedures, tools and techniques used to guide staff to achieve consistent and effective internal auditing services
- comply with professional standards of ethical conduct
- possess the appropriate qualifications, skills and experience essential to the performance of internal audits
- are skilled in dealing with people and in communicating audit issues effectively
- maintain their technical competence through continuing professional development and training
- exercise due professional care in performing audits

- are subject to the department's individual Performance Development Planning system to ensure a high level of knowledge and skills is maintained.

Membership of relevant professional body Institute of Internal Auditors is encouraged.

Furthermore any outsourced Internal Audit service provider will obtain formal feedback from Head of Internal Audit and other key stakeholders at USQ informally throughout the year and formally at least annually.

9. Resource arrangements

The Head of Internal Audit must ensure resources are appropriate and effectively deployed to execute the Internal Audit strategy and plan.

USQ has adopted a co-sourced model involving professional internal and external resources through a partnership arrangement.

A collaborative approach is managed by the Head of Internal Audit to ensure the internal audit function delivers value protection and value enhancement opportunities for the University.

10. Relationship with external audit and other assurance activities

Internal Audit will establish an open relationship with the External Auditor and any other assurance providers. Consistent with the internal audit strategy, Internal Audit will plan its activity to help ensure the adequacy of overall audit coverage and to minimise duplication of assurance effort.

External auditors have full and free access to all internal audit strategies, plans, working papers and reports. It is the responsibility of the external auditor to determine the extent to which it can rely on the documentation.

11. Planning

The extent and frequency of reviews is recommended by the Head of Internal Audit in consultation with management and is approved by the Audit and Risk Committee based on an assessment of the risks to the achievement of the University of Southern Queensland's objectives.

The Head of Internal Audit will prepare, for the Audit and Risk Committee's approval, an internal audit strategy (three-year plan) and an internal audit work plan (annual) in a form and in accordance with the Audit and Risk Committee's work plan.

The Head of Internal Audit will communicate the impact of resource limitations and any significant changes in the strategy and plan to the Audit and Risk Committee.

12. Reporting to the Audit and Risk Committee

The Head of Internal Audit will report to each meeting of the Audit and Risk Committee on:

- Audits completed
- Progress in implementing the internal audit strategy and annual work plan
- The status of the implementation of agreed internal and external audit and other relevant external assurance body recommendations.

The Head of Internal Audit will also report to the Audit and Risk Committee at least once annually on the overall state of internal control in the University of Southern Queensland and any systemic issues requiring management attention, based on the work of Internal Audit and other assurance providers.

13. Administrative arrangements

The Head of Internal Audit will be selected through the University's Human Resources employee appointment processes. The Vice-Chancellor and the Chair of the Audit and Risk Committee, or their nominee, will form part of the selection committee. The Audit and Risk Committee must approve the appointment and any substantive changes to the position. Any proposed termination of the employment of the Head of Internal Audit by the University also requires the approval of the Audit and Risk Committee.

The Head of Internal Audit through the University's procurement process shall instigate appointment of an external service provider under a co-sourced arrangement. The Chair of the Audit and Risk Committee and the Vice-Chancellor (or their nominee) shall each be represented on the selection committee.

14. Quality assurance

The Head of Internal Audit will undertake ongoing quality assurance of internal audit activity, including engagement, supervision and performance management of staff and the professional services partnership arrangement.

A process has been established to undertake periodic internal assessment of activity, such as client satisfaction surveys, assessment against standards and peer review of working papers.

As part of a comprehensive quality assurance program, the Head of Internal Audit will arrange for a periodic independent external review of the efficiency and effectiveness of the operations of the internal audit function at least every five years.

The results of the quality assurance program and, in particular, of the external review, will be reported to the Audit and Risk Committee.

15. Review of the Charter

The Audit and Risk Committee will review the Internal Audit Charter at least annually and will endorse any substantive changes to Council for approval.

16. Modification History

Date	Source	Details
22.10.2012	Council	Revised Internal Audit Charter
16.05.2014	Council	Revised Internal Audit Charter
13.05.2015	VC/SBMI	Revised Internal Audit Charter as part of annual review
06.07.2015	Council	Noted annual review of Internal Audit Charter and minor amendments approved via Audit and Risk Committee, 11/06/2015
24.09.2015	Audit and Risk Committee	Approved minor amendments to Internal Audit Charter (to include definition of Internal Audit and reference to Code of Ethics)
11.07.2016	Council	Revised Internal Audit Charter as part of annual review (endorsed by Audit and Risk Committee, 16/06/16)
11.09.2017	Council	Revised Internal Audit Charter as part of annual review and following changes in the International Standards for Professional Practice of Internal Auditing (endorsed by Audit and Risk Committee, 17/08/2017)
08.07.2019	Council	Revised Internal Audit Charter as part of annual review. (endorsed by Audit and Risk Committee, 13/06/2019)

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