

# 2020 INTERNAL AUDIT CHARTER

## INTRODUCTION

This Charter defines the purpose and scope of the internal audit function and establishes the authority and responsibilities conferred on it by the Council of Swinburne University of Technology.

## PURPOSE AND MISSION OF INTERNAL AUDIT

***“Internal audit’s mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight”<sup>1</sup>***

Internal audit is an important part of the University’s governance framework. The principal objective of Internal Audit within the University, is to provide the Council, via the Audit and Risk Committee, with an independent and objective advisory service that evaluates the overall adequacy and effectiveness of the University’s framework of governance, risk management and controls. In doing so, internal audit assists management in improving the entity’s business performance.

## SCOPE

This Charter applies to all internal audits and additional advisory engagements as approved by the Audit and Risk Committee.

The scope of the internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments on the adequacy and effectiveness of governance, risk management, and control processes. It may also include:

- Ascertaining the level of compliance with legislation and regulatory requirements and with University policies and procedures.
- Assessing the economic and efficient use, management and protection of resources.
- Evaluating the potential for fraud and how the University manages fraud risks.
- Working with management to identify threats to the achievement of the University’s objectives and to assess the appropriateness of management’s response to those threats.
- Provision of tailored, practical recommendations.
- Consideration of better practice opportunities.

## REPORTING

The Associate Director, Risk and Audit (ADRA), reports functionally to the Council via the Chair, Audit and Risk Committee and administratively to the General Counsel.

The Audit and Risk Committee and senior management will receive periodic reports on the results of the Internal Audit department and the work the activity performs.

## INDEPENDENCE and OBJECTIVITY

Internal Audit must be, and must be seen to be, independent of the activities and processes which it appraises so as to ensure it is able to perform its duties in an unbiased manner and provide impartial advice to management, the Audit and Risk Committee and Council.

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<sup>1</sup> IIA position paper – Internal Audit Charter <https://na.theiia.org/about-ia/PublicDocuments/PP-The-Internal-Audit-Charter.pdf>

The internal audit activity will have no direct operational responsibility or authority over any of the activities audited. Accordingly, the ADRA will not be involved in auditing areas such as Risk or Business Continuity Management where they are responsible for second line of defense activities.

The ADRA will confirm at least annually the independence of the internal audit activity to the Audit and Risk Committee.

Support from the Vice-Chancellor and senior management and the Council assists the internal audit activity in gaining the cooperation of University stakeholders and performing their work free from interference.

## **ACCESS and AUTHORITY**

Internal Audit shall have:

- Unrestricted access to the Vice-Chancellor and Chair of the Audit and Risk Committee;
- free and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information;
- The right to require all officers of the University and its controlled entities to supply such information, explanations and documentation as is necessary for the performance of audit duties.

## **RESPONSIBILITIES**

### **Role of Audit and Risk Committee**

The Audit and Risk Committee has the internal audit oversight functions and responsibilities set out in its Terms of Reference.

It will establish and maintain, and may dismiss, the internal audit function, which may comprise internal or external resources and services or a combination of both.

It will assure that the internal audit activity has sufficient authority to fulfill its duties by:

- Approving the Internal Audit Charter;
- Approving a timely, risk-based, and agile internal audit plan;
- Approving the internal audit budget and resource plan;
- Receiving timely communications from the ADRA on performance relative to its internal audit plan; and
- Actively participating in discussions about and ultimately approving decisions regarding the appointment and removal of the ADRA;
- Making appropriate inquiries of management and the ADRA to determine if there are any inappropriate scope or resource limitations;

### **Role of Management**

Management is responsible for risk management and the operation and enhancement of internal control systems. This includes responsibility for implementing the Internal Audit action plans resulting from internal audit reviews as endorsed by the Audit and Risk Committee

### **Role of Internal Audit**

The role of Internal Audit includes:

- Developing the internal audit strategy and annual risk-based internal audit plans in consultation with the Audit and Risk Committee and management;
- Communicating with senior management and the Audit and Risk Committee the impact of resource limitations on the plan;
- Performing the Internal Audit function in accordance with approved strategies and plans including: oversight of, and reporting on, the overall quality of the Internal Audit activities and ensuring the timely completion of audit assignments;

- Ensuring conformance with IIA Standards;
- Coordination with other assurance providers, including the University's external auditors; □
- Monitoring and tracking the status of internal audit recommendations and corrective actions by management and reporting on the same to the Audit and Risk Committee;
- Engaging with all stakeholders to make sure that they are fully aware of the internal audit function and processes;
- Developing strong relationships based on trust and mutual respect with the Audit and Risk Committee, the Vice-Chancellor and executive group, all university staff, and external auditors
- Presenting audit reports to the Vice-Chancellor, Executive Group and Audit and Risk Committee, including providing advice and guidance on Internal Audit matters
- Reporting to the Audit and Risk Committee on all Internal Audit activities including on all significant risk and control issues identified in the course of those activities
- Holding regular meetings with the Vice-Chancellor and the Chair of the Audit and Risk Committee to discuss Internal Audit activities.
- Conducting internal audits as per approved internal audit plan and the Swinburne Internal Audit Practice Statement
- Sharing any observation on the University's governance, internal control and risk management practices with the Audit and Risk Committee
- Assisting when requested with the investigations of significant suspected fraudulent activities and notifying management and the Audit and Risk Committee of the results
- Keeping management and the Audit and Risk Committee informed of emerging trends and successful practices
- Regularly updating the internal audit charter with the approval by or in consultation with the Audit and Risk Committee and in accordance with the profession's better practices<sup>2</sup>.

## **PROFESSIONAL STANDARDS**

The internal audit activity will govern itself by adherence to the mandatory elements of:

- The IIA's International Professional Practices Framework (IPPF) including its Standards, Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, and Code of Ethics; and
- The statement on Information Systems Auditing Standards issued by the Information Systems Audit and Control Association (ISACA)

Internal Audit shall:

- Keep abreast of relevant best practice and new developments affecting its work and in matters affecting the University's activities;
- Comply with professional standards of conduct;
- Possess the knowledge, skills and technical proficiency essential to the performance of internal audits;
- Maintain their technical competence through a program of continuing education;
- Exercise due professional care in performing internal audits.

## **AUDIT PLAN**

Internal Audit is to develop a strategic internal audit plan annually in consultation with University management. The Plan shall be submitted to the Audit and Risk Committee for approval showing the areas proposed for review during the forthcoming year. It shall be reviewed every year or as necessary during the course of the year.

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<sup>2</sup> <https://na.theiia.org/about-ia/PublicDocuments/PP-The-Internal-Audit-Charter.pdf>

The plan shall be based on an assessment of the University’s risks. Alterations may be made to the plan upon consultation between Internal Audit, the Vice-Chancellor and the relevant Executive Group member(s) and the Audit and Risk Committee. The Audit and Risk Committee will approve changes to the internal audit plan.

**SPECIAL AUDITS**

Internal Audit will carry out special audits requested by management, the Audit and Risk Committee or the Council.

**AUDIT REPORTING**

Internal Audit shall submit to each Audit and Risk Committee meeting:

- Completed internal audit reports
- Quarterly progress report in implementing the internal audit plan
- Status report on the implementation of agreed internal audit recommendations.

**LIAISON WITH EXTERNAL AUDITORS**

Internal and external audit activities should be coordinated to ensure adequate audit coverage and to minimise duplication of effort. Periodic meetings between internal and external audit may be held to discuss matters of mutual interest. Access to internal audit plans, working papers and reports may be made available for review by external auditors.

**QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity including its evaluation of conformance to IIA Standards;

The ADRA will report periodically the results of its quality assurance and improvement program to the Audit and Risk Committee and will seek an external assessment of the activity at least once every five years.

The Audit and Risk Committee and the Vice-Chancellor and Executive Group will provide regular feedback on internal audit activities to Internal Audit.

Management feedback will be sought for each internal audit. via the “Auditee satisfaction Survey”

**REVIEW OF INTERNAL AUDIT CHARTER**

The ADRA is responsible for the maintenance of the Charter to ensure that it remains relevant and up to date.

The Charter will be reviewed annually, any appropriate amendments recommended by the Audit and Risk Committee will go to Council for approval.

**CHANGE CONTROL HISTORY**

Version	Date	Comment	Author
1.0	July 2014	Creation of draft	Internal Audit
2.0	July 2015	Annual Review	Internal Audit
3.0	March 2016	Annual Review	ARC
4.0	November 2016	Annual Review	ARC
5.0	November 2020	Review against IIA position paper on Internal Audit Charter	ADRA

