

INTERNAL AUDIT CHARTER

Internal Audit shall provide an 'Internal Audit Charter', which designates the responsibilities of the Area in the provision of independent audit services.

Commencement Date: 7 May 2008

Category:

A. PURPOSE

Internal Audit shall provide an 'Internal Audit Charter', which designates the responsibilities of the Area in the provision of independent audit services.

B. APPLICATION

All University staff.

C. EXCEPTIONS

None.

D. DEFINITIONS

Internal Audit Charter means the *Internal Audit Charter* provided at Appendix A to this policy.

The University means Curtin University of Technology.

Internal Auditing is defined in the Institute of Internal Auditors (IIA) *Definition of Internal Auditing* as an independent, objective assurance and consulting activity designed to add value and improve the 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.

E. POLICY STATEMENT

- The University Council is required under Section 53(1)(d) of the Financial Management Act 2006 to maintain an effective internal audit function.
- In facilitating the effective performance of the Internal Audit function within the University, the Internal Audit Charter operates in accordance with the related legislation/policies/procedures as stipulated below.
- The Charter serves as an authoritative source of information on the purpose, authority, responsibilities and limitations of the Internal Audit function.

- The Director, Internal Audit is responsible for:
 - (i) Development and maintenance of the *Internal Audit Charter*, and
 - (ii) Ensuring that Internal Audit Staff members have access to the information provided therein.

F. OBJECTIVES

To facilitate the effective performance of the Internal Audit function within the University.

G. PROCEDURES

Refer to separate Internal Audit Manual.

H. OTHER RELEVANT DOCUMENTS/LINKS

- Section 53(1)(d) of the *Financial Management Act 2006 (WA)*
- Section 22 of the *Curtin University of Technology Act 1966 (WA)*
- Institute of Internal Auditors (IIA) *Definition of Internal Auditing*
- Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing*
- The Institute of Internal Auditors (IIA) and/or ISACA (Information Systems Audit and Control Association) *Code of Ethics*
- Auditing standards and practice statements issued jointly by CPA Australia and the Institute of Chartered Accountants in Australia, and standards issued by the ISACA.
- Corruption and Crime Commission Policy and Procedures.
- Internal Audit Manual

RESPONSIBILITIES

Policy Owner:	Director Internal Audit
Contact:	Director, Internal Audit Tel: 9266 1230 Fax: 9266 2084
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CURTIN UNIVERSITY OF TECHNOLOGY
INTERNAL AUDIT CHARTER

1. THE CHARTER

- 1.1 This Charter establishes the purpose, authority and responsibilities conferred by the Council of Curtin University of Technology (“the University”) on the Internal Audit area, with respect to the carrying out of internal auditing duties.
- 1.2 It has been prepared in order to support an effective internal audit service, consistent with Section 22 of the Curtin University of Technology Act 1966 (WA) and Section 53(1)(d) of the Financial Management Act 2006 (WA).

2. ROLE

- 2.1 The effective operation of the Internal Audit area is an integral part of the University's corporate governance framework.
- 2.2 Internal Audit's primary objective is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations.
- 2.3 It helps the Council and management accomplish their objectives, including meeting corporate governance accountability requirements, by assessing the adequacy and effectiveness of risk management, internal control, and governance processes.

3. INDEPENDENCE

- 3.1 Independence is essential to the effectiveness of internal auditing. This independence is obtained primarily through organisational status and objectivity.
- 3.2 The Director, Internal Audit is administratively directly responsible to the Deputy Vice-Chancellor Strategy, operationally responsible to the Chair of the Audit and Compliance Committee, and reports to the Council through the Audit and Compliance Committee.
- 3.3 The Director, Internal Audit has unrestricted access to the Chair of the Audit and Compliance Committee, to whom all significant concerns relating to the adequacy and effectiveness of risk management, internal control and governance activities are reported, and to the Vice-Chancellor.
- 3.4 Internal Audit is independent of the activities that it audits to ensure unbiased judgements essential to its proper conduct and impartial advice to management.

4. AUTHORITY

- 4.1 The Council delegates to the Internal Audit area its responsibilities for the independent appraisal, examination and evaluation of the University's activities, and the reporting to it through the Audit and Compliance Committee.
- 4.2 In carrying out its duties and responsibilities, the Internal Audit area is entitled to have full and unrestricted access to all of the University's activities, records, property, personnel and information, which it considers to be necessary to properly fulfil its function.

- 4.3 Every possible assistance should be rendered by other University staff in order to facilitate the progress of audit work.
- 4.4 The Director, Internal Audit and audit staff of the Internal Audit area are authorised to:
- have full and free access to the Audit and Compliance Committee;
 - allocate resources, set frequencies, select subjects, determine scopes of work, and apply techniques required to accomplish audit objectives; and
 - obtain the necessary assistance of staff in units of the University where they perform audits, as well as other specialised services from within or outside the University.

5. RESPONSIBILITIES

- 5.1 The Internal Audit area has responsibility for reviewing the adequacy and effectiveness of risk management, internal control and governance systems within the University, as agreed with the Audit and Compliance Committee.
- 5.2 To discharge this, Internal Audit will assess the level of risk involved in each auditable entity and establish a risk-focused programme of work that ensures effective and efficient audit coverage. Thereby the Internal Audit area evaluates whether management has an effective process at all levels to identify, manage and control risk.
- 5.3 The scope of work and performance against the plan is approved and monitored by the Audit and Compliance Committee.
- 5.4 University management has the responsibility for internal control and risk management of their activities. The Internal Audit area has responsibility for bringing a systematic, disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- 5.5 In order to achieve this, the Internal Audit area evaluates whether management has an effective process at all levels to identify, manage and control risk.
- 5.6 The Director, Internal Audit ensures:
- sufficient and appropriately skilled audit personnel are available to implement the audit programme, either internally within the audit team, externally through the use of outsourcing/co-sourcing agreements, or through recruitment;
 - internal control weaknesses and associated improvements are identified and corrective action recommended to management based on an acceptable and practicable timeframe;
 - management is made aware of such improvements through the reporting process;
 - through tracking that management implements the agreed internal control improvements on a timely basis, performing such follow-up work as Internal Audit deems necessary to ensure the improvements are both adequate and effective; and
 - appropriate and adequate internal controls are introduced into new areas of activity, through major systems development work and other major process changes.
- 5.7 To assist in the discharge of its responsibilities, the Internal Audit area:
- maintains regular contact with all parts of the University at senior level to ensure continued understanding of the University's activities, co-operation between University Faculties/Schools/Areas and audit teams, and awareness of plans and strategies that may affect the audit universe and audit activity;
 - liaises regularly, and co-ordinates work, with other areas of the Office of Executive Services, in particular, Corporate Risk & EduSafe and Legal & Compliance Services; and

- maintains regular and formal dialogue with the external auditors to ensure coordination of effort (where possible, to avoid duplication), uniformity of opinions, effective use of resources, sharing of information and awareness of key audit findings.
- 5.8 The existence of Internal Audit does not diminish the financial and operational responsibilities of University management for the proper execution and control of activities, including responsibilities for the periodic conduct of system appraisals, internal controls and risk management.

6. SCOPE

- 6.1 In achieving its objectives, the scope of Internal Audit activity should be sufficiently comprehensive to meet the needs of management and the Council. It should include, but not necessarily be limited to:
- reviewing systems and operations to assess the extent to which the University's objectives are achieved, and the adequacy of internal controls over activities leading to such achievement;
 - assessing the relevance, reliability, timeliness and adequacy of management information;
 - appraising expenditure with regard to "value for money";
 - ascertaining the extent of compliance with established internal policies, plans and procedures, and significant legislative/regulatory requirements;
 - reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
 - recommending improvements in procedures and systems to prevent waste, extravagance and loss;
 - advising on appropriate systems of internal control and other operational matters in a consulting capacity;
 - participating in the planning, design and development, and reviewing the implementation, of computer-based financial and other administrative systems;
 - drawing attention to any failure by management to take remedial action; and
 - carrying out ad hoc appraisals, inspections, investigations, examinations or reviews in the related areas of fraud control, risk management, safety and security, and any other areas of focus as approved by the Audit and Compliance Committee.
- 6.2 The role also covers any controlled entities, including offices, committees, instrumentalities or other entities that are part of, attached to, subsidiary to or otherwise controlled by, the University. Where a separate Internal Audit function operates for the controlled entity, the scope of the University Internal Audit function with regards to that entity will take into account its oversight responsibility in ensuring that the Audit and Compliance Committee is informed of audit issues on a timely basis.
- 6.3 The scope of Internal Audit work does not extend to:
- exercising executive or managerial authority or functions, except those which relate to the Internal Audit function;
 - performing any operational duties for the University or its controlled entities;
 - initiating or approving accounting transactions external to the Internal Audit area;
 - directing the activities of any staff member not employed by the Internal Audit area, except to the extent such staff have been appropriately assigned to audit teams or to otherwise assist the Internal Auditors; or
 - involvement in any day to day operations of the University or its day to day internal checking functions.
- 6.4 The Director, Internal Audit is responsible for overseeing the development and effective operation of a comprehensive Fraud and Corruption Control Program ("the Program") within the University, which includes the performance of investigations into suspected fraud, corruption and other forms of misconduct.

- 6.5 To ensure that the Internal Audit area meets the independence requirements specified under section 3.4 of the Charter, any formal assessment of the adequacy and effectiveness of the Program will not be undertaken by the Internal Audit area. Where such an assessment is required, a suitably qualified, independent party will perform the necessary work and report the outcome to Executive Management and the Audit and Compliance Committee.

7. REPORTING

- 7.1 The Director, Internal Audit shall report the results of audits to relevant University management at the conclusion of each audit project.
- 7.2 At the next meeting of the Audit and Compliance Committee immediately after the end of each quarter, the Director, Internal Audit shall provide the Committee with a report summarising all audit activities undertaken during the previous quarter, and any other information requested by the Committee.
- 7.3 The following escalation procedure will apply in matters of concern arising from audit work:
- Audit staff at an operating level will raise issues initially at the appropriate operating level with University management;
 - Failure to reach agreement or a satisfactory conclusion will result in the auditor concerned raising the issue at a management level in the University up to and including the Director, Head of School or equivalent;
 - Continued failure to reach agreement or a satisfactory conclusion will lead to the Director, Internal Audit raising the issue at executive level as appropriate;
 - The next stage is escalation to the Vice-Chancellor;
 - The ultimate stage is reporting to the Audit and Compliance Committee.
- 7.4 The Director, Internal Audit shall assist the Vice-Chancellor in meeting the statutory reporting requirements of the Corruption and Crime Commission Act 2003 (WA), and assist the Corruption and Crime Commission (and other external bodies) in any subsequent investigations. Relevant procedures are described in the Corruption and Crime Commission Policy and Procedures.

8. PLANNING

- 8.1 At the end of each financial year, the Director, Internal Audit shall recommend a forward plan of audits to be undertaken in the new year (known as the Annual Operational Plan), for approval by the Audit and Compliance Committee.
- 8.2 Identification and prioritisation of work in this plan will be based on a comprehensive universe of auditable areas, and an assessment of risk pertaining to the achievement of the University's objectives.
- 8.3 In finalising the plan, Internal Audit will consult with the:
- external auditors;
 - Audit and Compliance Committee;
 - Vice-Chancellor and Executive Management; and
 - Corporate Risk and EduSafe.
- 8.4 Corporate Risk & EduSafe, through its ongoing consultation with executive and senior management, will provide Internal Audit with relevant and up-to-date risk data to ensure that the final plan is properly aligned with the University's risk profile.

- 8.5 At each quarterly meeting of the Audit and Compliance Committee, any revisions to the original approved plan will be submitted to Committee for review and approval.
- 8.6 For each audit review identified within the annual plan, Audit staff will prepare an individual audit plan and audit programme of work, for approval by the Director, Internal Audit, prior to the commencement of field work.

9. QUALITY ASSURANCE

- 9.1 The Director, Internal Audit is to maintain a process of review of the Internal Audit area to provide reasonable assurance that its work conforms with the relevant standards and to the requirements of this Charter.
- 9.2 The Director, Internal Audit will ensure:
- all internal audit work is undertaken with proficiency and due professional care;
 - all information gained by Audit staff in the course of their audit work remains confidential and is not used or conveyed for purposes outside the scope of approved responsibilities;
 - the skills, competence, experience and qualifications of audit members are appropriate for the audits being performed;
 - that all audit projects are properly supervised and, where required, on the job training provided;
 - compliance with all relevant Internal Audit policies and procedures;
 - compliance with professional standards, as laid down by the Institute of Internal Auditors (IIA) i.e. the *International Standards for the Professional Practice of Internal Auditing*;
 - compliance with the IIA and/or ISACA (Information Systems Audit and Control Association) *Code of Ethics*;
 - where applicable, regard is had for auditing standards and practice statements issued jointly by CPA Australia and the Institute of Chartered Accountants in Australia, and standards issued by ISACA; and
 - that audit staff undertake continuing professional activities, maintain membership of relevant professional bodies, and are encouraged to undertake further tertiary studies, where considered appropriate.
- 9.3 The Director, Internal Audit will formally assess the value provided by the Internal Audit area to the University, by regularly seeking the views of major stakeholders and external bodies. This may take the form of interviews, audit evaluation surveys, or external/peer review processes conducted on a five yearly basis to benchmark against best practice.

10. AMENDMENT OF CHARTER

- 10.1 The Director, Internal Audit is the officer responsible for regular review of the Internal Audit Charter.
- 10.2 Amendment of this Charter is subject to the approval of the Council, after review by the Audit and Compliance Committee.