
INTERNAL AUDIT CHARTER

Director Risk and Compliance

16/11/2021
Version 1.0

1. Purpose

This Internal Audit Charter details the functional and organisational environment in which the internal audit function operates. This document sets out the role, authority and responsibilities of the function.

The Internal Audit Charter should be read in conjunction with the Compliance, Audit and Risk Committee Terms of Reference. The Internal Audit Charter is reviewed and approved by the Compliance, Audit and Risk Committee on an annual basis.

2. Role

The internal audit function is an integral part of the University's governance framework.

The internal audit function operates as a third line of defence providing the Council and the Compliance, Audit and Risk Committee with independent and objective assurance that:

- 2.1 internal controls are operating as intended;
- 2.2 key risks are appropriately identified and managed;
- 2.3 resources are acquired economically, used efficiently and protected adequately;
- 2.4 significant legal or regulatory issues are recognised and adequately addressed; and
- 2.5 operational processes are being carried out as effectively and efficiently as possible and subject to ongoing review.

3. Regulatory requirement

Further to the *Financial Management Act 1994 (Vic)* and the Standing Directions of the Minister for Finance (Direction 3.2.2), the University Council must establish and maintain the internal audit function, independent of management.

In accordance with Schedule 1 section 15 (3) and section 18 of the *Victoria University Act 2010 (Vic)* the University Council has authorised the Compliance, Audit and Risk Committee to establish and maintain the internal audit function.

4. Compliance Audit and Risk Committee

The University Council has established a Compliance, Audit and Risk Committee to provide strategic advice on and oversight and monitoring of the risk management, legislative and regulatory compliance frameworks as well as internal accountability requirements and controls for the University and its controlled entities. This includes oversight of the internal audit function.

On an annual basis, the Compliance Audit and Risk Committee reviews the scope of work, performance and independence of the internal audit function.

5. Roles and Arrangements

In addition to the role of the Compliance, Audit and Risk Committee, the internal audit function encompasses the following roles with their respective accountabilities and responsibilities:

<p>Outsourced Provider</p>	<p>The University engages an external provider to execute the internal audit program. The outsourced provider must make sure that internal audits are carried out by officers suitably experienced and qualified, to a high level of quality and independent of management.</p> <p>The outsourced provider operates as the third line of defence providing external assurance that controls are implemented as intended and are effective in operation.</p> <p>The work of the outsourced provider may be supplemented from time to time by other providers and engagements.</p>
<p>Director Risk and Compliance</p>	<p>The Director Risk and Compliance is responsible for coordinating the execution of the internal audit program and managing the contract with the outsourced internal audit service provider.</p> <p>The Director Risk and Compliance operates as the second line of defence working with and challenging the business to ensure that effective controls are implemented in every day practice.</p>

Senior management	<p>Senior management, including members of the Vice Chancellor's Executive, have responsibility to assist the internal audit function and to participate in requested activities in a timely manner. Managers are expected to assist in the development of processes that respond to and measure the effectiveness of recommendations made.</p> <p>Senior management are responsible for implementing effective controls in day to day operations that operate as the first line of defence.</p> <p>The Vice Chancellor's Executive will regularly monitor and report on the implementation of internal audit findings to ensure timely and effective implementation.</p>
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6. Reporting Lines

As a function, internal audit has an independent reporting status within the University and will report to the Compliance, Audit and Risk Committee at meetings during the year.

The Outsourced Provider and Director, Risk and Compliance, also have regular opportunities to meet directly with the Compliance, Audit and Risk Committee and the Chair of the Committee.

7. Authority and access to information

In order to effectively deliver the internal audit program, the internal audit function will have full and open access (subject to legal restrictions) to:

- 7.1. Council and its Standing Committees, Vice Chancellor, Chief Financial Officer, members of the Vice Chancellor's Executive Team and Director, Risk and Compliance; and
- 7.2. all relevant functions, records, property and information of the University.

Information obtained during the performance of internal audit activities must only be used for auditing purposes and maintain confidentiality protocols.

8. Independence and objectivity

In order to ensure independence and objectivity, the internal audit function will remain free from interference from management, including matters of audit selection, scope, procedures, frequency, timing or report content.

The internal auditors must not have direct operational responsibility or authority over any of the activities audited. Accordingly it will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair objective judgment.

The internal audit function and its activity will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. The internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The internal auditors will follow the Internal Audit Service Provider Non-Audit Work Procedure for the bidding or acceptance of non-internal audit work from the University. Any proposed non-internal audit work must be disclosed to the University in order to avoid an actual, potential or perceived conflict of interest with the role of the internal audit function. Following consultation with the Director Risk and Compliance, the Chair of the Compliance, Audit and Risk Committee, will be notified of any intended non-internal audit work and will make a decision as to whether the engagement should proceed. The Chair will report to the next Committee meeting on the substance of any request and the decision made.

A review of the independence and objectivity of the internal audit function will be undertaken on an annual basis.

9. Strategic internal audit planning

A strategic internal audit plan and annual work program is to be prepared and implemented based on the University's governance, risks and controls. The strategic internal audit plan will be prepared in consultation with senior management and the internal audit function for submission to the Compliance, Audit and Risk Committee. The plan should cover a rolling period of three or four years and is submitted for review and approval by the Compliance, Audit and Risk Committee at least annually with 6 monthly updates as required.

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The strategic internal audit plan must reflect the University's status as a body corporate and politic further to the *Victoria University Act 2010 (Vic)* and is expected to include audits covering:

- 9.1. business processes or portfolios likely to be vulnerable to:
 - 9.1.1. fraud, corruption and other losses; or
 - 9.1.2. risks as identified in the University's strategic and enterprise risk profiles;
- 9.2. key risk management systems and operations;
- 9.3. financial and internal control systems, reporting processes and activities including assessments as to whether resources are acquired economically, used efficiently and are adequately protected; and
- 9.4. significant legal or regulatory issues.

It is expected that internal audit reports, where relevant, identify improvements to make operational processes more effective and efficient.

The strategic internal audit plan and work program will focus on maximising value and risk coverage within available resources.

The internal audit function will consult with the external auditor at least once a year to share work plans and audit findings.

10. Risk management integration

Internal audit activities including internal audit planning will consider and integrate with the University's risk management framework, including:

- 10.1. through consideration of the strategic and enterprise risk registers as a key input into the internal audit planning process;
- 10.2. through clear articulation of the links between the internal audit activities planned and the strategic and enterprise risk registers; and
- 10.3. providing commentary and analysis within internal audit reports on the impact of recommendations on the linked risk register.

11. Standards of audit practice

The internal audit function will be guided by Australian and international auditing and professional standards relating to internal audit. This includes the Institute of Internal Auditors' guidance, Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (Standards).

12. Reporting

A written report will be prepared and tabled with the Compliance, Audit and Risk Committee following the conclusion of each internal audit engagement and will be distributed as appropriate.

Each internal audit report will include management responses and corrective action to be taken regarding the specific findings and recommendations. Management responses should be included within the audit report and should include clear deliverables and milestones for completion of action to be taken and an explanation for any corrective action that will not be implemented.

13. Monitoring performance

To assist in monitoring and improving internal audit performance, the following activities will be instigated and overseen by the Director, Risk and Compliance:

- 13.1. report annually to the Compliance, Audit and Risk Committee on the effectiveness of the internal audit function to help inform the Committee's review of functional performance;
- 13.2. provide surveys and gather feedback to inform the Committee's review and identify opportunities for continuous improvement.

Approved by the Compliance, Audit and Risk Committee on 16 November 2021