

INTERNAL AUDIT CHARTER POLICY (FMPM)



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1 PURPOSE

- 1.1. To formally define the purpose, authority, responsibility and reporting relationships of the internal audit function at CQUniversity.

2 SCOPE

- 2.1. This document applies to all areas and employees of CQUniversity and its controlled entities.

3 POLICY STATEMENT

Introduction

- 3.1. The CQUniversity Council has established the internal audit function as a key component of the University's governance framework.
- 3.2. This charter provides the framework for the conduct of the internal audit function in the University and has been approved by the Council on the advice of the Audit, Risk and Finance Committee.

Internal audit purpose

- 3.3. Internal auditing is an independent, objective assurance and consulting function designed to add value and improve the University's operations. It helps the University accomplish its objectives by bringing a

systematic, disciplined approach to evaluate and improve the effectiveness of the University's governance, risk management, and internal control.

Role

- 3.4. The mission of internal audit is to enhance and protect organisational value by providing stakeholders with risk-based, objective and reliable assurance, advice and insight. (IPPF, 2017)¹
- 3.5. Internal audit provides an independent and objective review and advisory service to:
 - provide assurance to the Council, and Audit, Risk and Finance Committee, that the University's financial and operational systems and controls, reporting processes and activities, designed to manage the University's risks and achieve the University's objectives, are operating in an efficient, effective and ethical manner, and
 - assist management in improving the University's business performance.
- 3.6. The internal audit function responsibilities are defined in this charter, which is approved by the University Council.
- 3.7. In the performance of its activities, internal audit will play an active role in:
 - developing and maintaining a culture of accountability, integrity, adherence to high ethical standards, and consistency with all of the defined University's values
 - facilitating the integration of controls and risk management into day-to-day business activities and processes, and
 - promoting a culture of cost-consciousness and self-assessment.

Authority

- 3.8. All internal audit work is undertaken under the oversight of the Audit, Risk and Finance Committee.
- 3.9. The internal audit function, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all records, personnel, and physical properties relevant to the performance of engagements. All employees are expected to assist and facilitate the internal audit activity in fulfilling its roles and responsibilities. The internal audit function will also have free and unrestricted access to the University Council, and the Audit, Risk and Finance Committee.
- 3.10. Management may request internal audit services in response to emerging business issues or risks. Internal audit will attempt to satisfy these requests, subject to the assessed level of risk, availability of resources, and endorsement of the Manager, Internal Audit.

Professionalism

- 3.11. The internal audit function will govern itself by adherence to the mandatory guidance provided in the [International Professional Practices Framework](#) (IPPF), published by the Institute of Internal Auditors: the Core Principles, Definition of Internal Auditing, Code of Ethics and International Standards.
- 3.12. Conformance with the mandatory guidance, constitutes fundamental requirements, for the professional practise of internal auditing and for the principles for which to evaluate the effectiveness of the internal audit function's performance.
- 3.13. The internal audit function will adhere to IPPF strongly recommended guidance: Position Papers, Implementation Guides/Practice Advisories and Supplemental Guidance as applicable to the individual review being undertaken.
- 3.14. In addition, the internal audit function will adhere to the University's policies and procedures, Code of Conduct, defined Values, and the University's Internal Audit Procedures Manual.

¹ IPPF refers to the [International Professional Practices Framework](#)

Organisation

- 3.15. All internal audit employees report to the Manager, Internal Audit, who reports administratively to the Vice-Chancellor and President (through the Deputy Vice-Chancellor (Student Experience and Governance)) and functionally to the Audit, Risk and Finance Committee.
- 3.16. The Audit, Risk and Finance Committee will:
- review, and recommend to the University Council for approval, the Internal Audit Charter Policy (FMPM)
 - approve the internal audit strategy annually
 - approve the cyclical, risk-based internal audit plan
 - receive communications from the Manager, Internal Audit on the internal audit function's performance relative to its plan and other matters
 - have appropriate input regarding the appointment or removal of the Manager, Internal Audit, and
 - make appropriate inquiries of management and the Manager, Internal Audit to determine whether there is inappropriate scope or resource limitations that impede the ability of the internal audit activity to execute its responsibilities.
- 3.17 The Manager, Internal Audit will communicate and interact directly with the Audit, Risk and Finance Committee, including at least annually, executive sessions without management present, and between Committee meetings as appropriate.
- 3.18. Administrative reporting includes:
- administration of internal audit function's policies and procedures
 - budgeting and management accounting
 - human resource administration, and
 - internal communications and information flows.

Independence and objectivity

- 3.19. Internal audit is required to be independent and objective, with independence essential to its effectiveness.
- 3.20. The internal audit function will remain free from interference by any element with the University, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
- 3.21. Internal auditors shall have no direct operational responsibility or authority over any of the operations reviewed. Internal audit has no responsibility for the management of business activities, or for development or implementation of operational systems or procedures. They shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that would impair judgement.
- 3.22. Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. 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 judgements and conclusions.
- 3.23. The Manager, Internal Audit will confirm to the Audit, Risk and Finance Committee, at least annually, the organisational independence of the internal audit function. Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest, actual or perceived.
- 3.24. Internal auditors must declare any potential or actual, or the perception of any conflicts of interests. Any declared conflicts, will be managed in the context of the internal audit function and taken into account in the allocation of resources to applicable audits to avoid any conflicts.

Nature and scope of work

- 3.25. The scope of internal audit work embraces the wider concept of corporate governance and risk, recognising that controls exist within the University to manage risks and promote effective and efficient governance and performance, to achieve the University's stated strategy and objectives.
- 3.26. Internal Audit services may include:
- assurance services – objective examination of evidence for the purpose of providing an independent assessment of risk management, control and governance processes
 - consulting services – advisory and related client activities, the nature and scope of which are agreed upon with the client and which are intended to add value and improve business operations, or
 - value-adding services – focusing on efficiency, effectiveness and ethical conduct to improve processes, and the economical use of finances and other university resources.
- 3.27. The types of internal audit work at the University are:
- internal audit projects with a compliance, financial or performance improvement focus
 - management initiated reviews where business areas within the University may request internal audit services, usually in response to an issue or an emerging risk, or
 - multi-stage audit projects at key milestones for University projects.
- 3.28. The scope and coverage of internal audit work is not limited in any way, and may cover any University activity.

Responsibilities

- 3.29. Internal Audit will support the University by:
- assessing the established controls/risk treatments that contribute to the achievement of the University's strategic and operational objectives
 - evaluating and facilitating continuous improvement recommendations on the University's governance processes
 - monitoring and evaluating the effectiveness of risk management processes, and where appropriate, contribute to improvement of the risk management framework
 - assisting the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement; and sharing these insights with other areas within the University
 - evaluating the reliability and integrity of information and systems, established to ensure compliance with those policies, plans, procedures, contracts, laws and regulations which could have a significant impact on the University
 - evaluating operations, programs or allocation of resources to assess whether are effective, efficient, and properly authorised and to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned
 - reviewing the means of safeguarding assets and, as appropriate, verify the existence of such assets
 - evaluating and assessing significant merge/consolidation functions; and new or changing services, processes, operations, and control processes; coincident with their development, implementation, and/or expansion, as approved by the Audit, Risk and Finance Committee
 - assisting in the investigation and reporting of significant risk exposures and control issues, including fraud and corruption risks, governance issues, or other significant matters and notify management and the Audit, Risk and Finance Committee of the results, and
 - developing and fostering a relationship with external auditors, and other regulatory bodies.

3.30. The responsibilities of the internal audit function include, but not limited to:

- identifying and maintaining the University's audit universe, in response to changes in the University's business risks, operations, programs, systems, and controls, including input from senior management and the Audit, Risk and Finance Committee
- developing a flexible audit plan using appropriate risk-based methodology, considering any risks or control concerns identified by management, and submit that plan to the Audit, Risk and Finance Committee for review and approval
- considering 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
- implementing the audit plan, as approved, including where appropriate, any special evaluations, tasks or projects requested by management or the Audit, Risk and Finance Committee
- performing consulting services, beyond the internal audit function's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services. Any consulting services undertaken must be reported to the Audit, Risk and Finance Committee at its next meeting
- keeping the Audit, Risk and Finance Committee informed of emerging trends and successful practice in internal auditing
- maintaining professional audit employees with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter, and
- annually reviewing this Charter, modifying as appropriate, and submitting to the Audit, Risk and Finance Committee for review and recommendation to the University Council.

Reporting and monitoring

- 3.31. A written report will be issued by the Manager, Internal Audit at the conclusion of each internal audit engagement containing recommendations for improvement, and will be distributed to the appropriate parties. A copy of each internal audit report will be provided to the Audit, Risk and Finance Committee as part of their papers at the next regularly scheduled meeting.
- 3.32. The internal audit report will include management's responses and/or endorsed action taken or to be taken in regard to specific findings and recommendations. Management's responses should include a timetable for anticipated completion of action to be taken.
- 3.33. If management's responses to any finding is not considered adequate, internal audit will consult with management of the function being reviewed and attempt to reach a mutually agreeable resolution. If an agreement is not reached, the internal audit function shall pursue the matter through channels to appropriate levels of management and, if required, the Audit, Risk and Finance Committee for resolution.
- 3.34. Internal audit will establish and maintain a system to monitor progress by management to implement internal audit and external audit recommendations, together with recommendations contained in reports by other relevant external and regulatory bodies.
- 3.35. Management will provide updates on a quarterly basis, on progress to implement audit recommendation action plans.
- 3.36. Internal audit will follow-up and obtain evidence that audit recommendation action plans are effectively implemented by management before recommending closure to the Audit, Risk and Finance Committee.
- 3.37. The Manager, Internal Audit, will liaise closely with the Chair of the Audit, Risk and Finance Committee and issue periodic reports to the Audit, Risk and Finance Committee to provide an update on:
- a summary of results of audit activities
 - status of implementation of agreed internal audit recommendations
 - status of implementation of agreed external audit, and other relevant external and regulatory body recommendations, and

- the internal audit function's performance to plan and measurement criteria; including an explanation of any significant deviations.

Quality assurance and improvement program

- 3.38. Internal audit will maintain a Quality Assurance and Improvement Program that covers all aspects of the internal audit function.
- 3.39. The program will include a regular evaluation of the internal audit function's conformance with the Definition of Internal Auditing and the Standards, and an evaluation of whether internal auditors apply and demonstrate the Core Principles and Code of Ethics.
- 3.40. The program also assesses the efficiency and effectiveness of the internal audit function, identifies opportunities for improvement and provides an opportunity to undertake benchmarking against recognised best practise.
- 3.41. The Quality Assurance and Improvement Program must include the following:
- internal assessments
 - ongoing monitoring of the performance of the internal audit function, and
 - periodic reviews performed through self-assessment or by other persons within the University 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 University.

Evaluation of performance

- 3.42. Internal audit performance will be evaluated and the results reported to the Audit, Risk and Finance Committee. This will include:
- results of the Quality Assurance and Improvement Program, and
 - feedback from management of areas where internal audit projects have been performed. Feedback will be provided by questionnaire.
- 3.43. Feedback on internal audit performance will be sought annually from members of the Audit, Risk and Finance Committee.

4 RESPONSIBILITIES

Compliance, monitoring and review

- 4.1 The Deputy Vice-Chancellor (Student Experience and Governance) and the Manager, Internal Audit are responsible for guiding the implementation of this Charter.
- 4.2 The Audit, Risk and Finance Committee is responsible for monitoring compliance with this Charter.

Reporting

- 4.3 No additional reporting is required.

Records management

- 4.4 Records of the internal audit function are to be managed in accordance with the [General Retention and Disposal Schedule for Administrative Records](#) (QLD). Records management for the internal audit function is the responsibility of the Manager, Internal Audit.
- 4.5 All records relevant to this document are to be maintained in a recognised University recordkeeping system.

5 DEFINITIONS

5.1 Terms not defined in this document may be in the University [glossary](#).

6 RELATED LEGISLATION AND DOCUMENTS

[Financial Accountability Act 2009](#) (Qld)

[Financial and Performance Management Standard 2009](#) (Qld)

7 FEEDBACK

7.1 University staff and students may provide feedback about this document by emailing policy@cqu.edu.au.

8 APPROVAL AND REVIEW DETAILS

Approval and Review	Details
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Notes	