



INTERNAL AUDIT CHARTER

Purpose of Charter

This Charter formally defines the purpose, authority and responsibility of the Internal Audit function at Deakin University (also referred to as the “University”) as conferred by the Audit and Risk Committee (ARC) under authority of the Deakin University Council.

The Charter has been prepared with due regard to the requirements of the *Financial Management Act (Vic) 1994* and the *Deakin University Act (Vic) 2009* and is consistent with the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors.

This Charter should be read in conjunction with the Audit and Risk Committee Terms of Reference and the Internal Audit policy and Internal Audit procedure.

Purpose of Internal Audit

The Purpose of the Internal Audit, Risk and Compliance function is to enhance and protect organisational value by enabling risk-based decisions and providing objective independent assurance, advice and insight. Progress on achievement of this purpose will be reported in the Internal Audit Annual Report provided to the Audit and Risk Committee.

The Audit function does this in compliance with the IIA International Professional Practices Framework. As such, the Internal Audit function is a key component of the University’s governance framework.

Access

The Director, Internal Audit, Risk and Compliance and the Senior Manager Internal Audit will have unrestricted access to the Audit and Risk Committee and/or its members and the Vice-Chancellor. This access shall include separate and private meetings, as required.

The Internal Audit function will be free from undue influence from University management in allocating audit resources, determining the scope of internal audit activities, performing work and communicating results.

Independence and Objectivityⁱ

To operate effectively, the Internal Audit function must be independent and all internal audit staff must be objective in performing their work.

The independence of the Internal Audit function is facilitated by the following reporting lines:

- all internal audit staff, excluding external co-source provider staff, report directly to the Director, Internal Audit, Risk and Compliance
- the Director, Internal Audit, Risk and Compliance reports functionally to the Audit and Risk Committee

- the co-source provider reports administratively to the Director, Internal Audit, Risk and Compliance
- the Director, Internal Audit, Risk and Compliance reports administratively to the Vice-Chancellor
- the co-sourced partner participates in the Audit and Risk Committee as an attendee
- given the Director, Internal Audit, Risk and Compliance retains a 2nd line accountability for Risk and Compliance, the Senior Audit Manager has direct access on a needs basis to the Chair of the Audit and Risk Committee of Council
- the Risk and Compliance function is to be independently reviewed by an external party at the discretion of the Committee.

Any impairment to the independence or objectivity of the Internal Audit function is to be reported to the chair of the Audit and Risk Committee by the Director Internal Audit, Risk and Compliance. On an annual basis, the Director, Internal Audit, Risk and Compliance will confirm to the Audit and Risk Committee the organisational independence of the Internal Audit function.

Authority

The Director, Internal Audit, Risk and Compliance is authorised to develop and direct a broad, comprehensive internal audit program throughout the University in collaboration with the external co-source provider. The scope of this program is outlined in the Scope of Work section of this Charter.

In the performance of their responsibilities, all staff of the Internal Audit function are authorised by the Audit and Risk Committee to:

- have full, free and unrestricted access to any and all functions, records (whether manual or computerised), equipment, physical property and premises, computer systems and personnel of the University, having due regard to relevant legislation
- obtain the assistance of all University staff, including the provision of relevant information, documentation or explanations.

Limitations

The following limitations apply to the Internal Audit function:

- neither the Senior Audit Manager nor the co-source provider shall have any executive or managerial powers, authorities or functions or duties except those relating to the management of the Internal Audit function
- no staff of the Internal Audit function, including seconded staff or contractors shall:
 - have direct responsibility for, or authority over, any of the activities they review
 - be involved in assurance / review activities of an area for which they have previously performed operational duties within the previous 12 month period
 - perform any operational duties for the University, or initiate or approve accounting transactions outside those of the Internal Audit, Risk and Compliance function
 - direct the activities of any University employee except the activities of the Internal Audit, Risk and Compliance function
 - design and install procedures, prepare records or engage in any other activity that they would normally review and appraise
 - implement action plans on behalf of University management to address any audit recommendations, unless they relate specifically to the Internal Audit, Risk and Compliance function.

Scope of Work

The scope of the Internal Audit function encompasses all of the University's operational areas and their activities. Operational areas include all Faculties, Institutes and Other Areas as well as all University controlled entities. Activities from these areas include all financial, academic and administrative functions and operations.

The Internal Audit function will perform a range of assurance services, with a view to providing independent assurance as well as making appropriate recommendations for improving the governance, risk management and control processes of the University and promoting continuous improvement. These assurance services may include assessment of the:

- adequacy of performance management, ethics and values frameworks,
- adequacy and effectiveness of governance, risk management and control processes,
- effective achievement of University strategic goals and objectives,
- economic and efficient use of resources,
- reliability and integrity of financial and operational information,
- safeguarding of assets, including verifying the existence of assets where appropriate,
- extent of compliance with legislative and regulatory requirements and University statutes, policies, procedures and contracts, or
- potential for fraud to occur and how the University manages fraud risk.

In relation to assurance services, the Internal Audit function is able to provide reasonable, and not absolute, assurance to the Audit and Risk Committee and University management. This is due to the nature of internal audit activities where only a sample of transactions may be subject to detailed evaluation and assessment.

The Internal Audit function may also provide other advisory or investigative services, such as special/fraud investigations, provision of advice, facilitation, and training in existing policies or advice as an independent observer within governance or steering committees. In order to maintain independence, the Internal Audit role at these meetings shall be as an observer with rights of audience and debate only, and no decision-making powers.

Prior to agreeing to perform advisory services, the Director, Internal Audit, Risk and Compliance is to consider: any actual or perceived conflict of interest, any impairment to independence or objectivity, the impact on the audit plan and whether the Internal Audit function has the relevant skills/knowledge to undertake the service.

Internal Audit Standards

The Internal Audit function shall perform its assurance and advisory services in accordance with:

- the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors
- the Code of Ethics issued by The Institute of Internal Auditors
- auditing standards, where appropriate to internal auditing, issued by CPA Australia and the Institute of Chartered Accountants in Australia
- where relevant, the Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association
- the Internal Audit policy, Internal Audit procedure and internal audit methodology.

Where appropriate, the Internal Audit function may report that it conforms to the *International Standards for the Professional Practice of Internal Auditing*.

The work performed by the Internal Audit function, including the results of each audit, shall remain confidential to the University and will not be disclosed to third parties without the consent of the Director, Internal Audit, Risk and Compliance in consultation with the Vice-Chancellor and/or Chair, Audit and Risk Committee. All internal audit documentation remains the property of Deakin University, including where internal audit services are performed by the co-source provider or another external party.

Where non-conformances with the Institute's code of ethics or standards impact the overall scope of the internal audit activity, the Director, Internal Audit, Risk and Compliance will disclose these non-conformances and the impact to the Vice Chancellor and the Audit and Risk Committee of the Council.

Internal Audit Responsibilities

Specifically, the Director, Internal Audit, Risk and Compliance has responsibility for:

- developing and executing an annual and three year risk-based internal audit plan which is consistent with the University's goals (in collaboration with the co-source provider), considering the scope of work of other assurance providers, whether internal or external, for the purpose of providing optimal internal audit coverage to the organisation
- reporting the status of audits completed and the results of those audits outlined in the Annual Audit Plan, to the Audit and Risk Committee
- submitting the annual internal audit plan to the University Senior Executive for consideration and to the Audit and Risk Committee for review and approval
- managing the implementation of the approved annual internal audit plan, including regularly reviewing (at least six-monthly) and, when necessary, adjusting the plan. Any material adjustments to the plan are to be reported to the Vice-Chancellor, and submitted to the Audit and Risk Committee for review and approval
- maintaining regular communication with relevant staff from the Victorian Auditor-General's Office and providing appropriate cooperation to minimise duplication of audit work and enable reliance to be placed on the work of the Internal Audit function
- performing all assurance and advisory services with integrity, proficiency and due professional care
- being objective in performing audit work, which includes having an impartial and unbiased attitude
- enhancing the audit team's knowledge, skills and other competencies through continuing professional development
- providing relevant assistance and cooperation to external regulatory bodies, as required
- ensuring that suitably skilled internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved annual internal audit plan
- working collaboratively with the co-source provider to ensure they have the necessary access and support to perform assigned audits, and that services are provided in accordance with contractual requirements
- promulgating and implementing the Internal Audit policy and Internal Audit procedure
- issuing periodic reports to the Audit and Risk Committee summarising results of audit activities, progress against the annual internal audit plan, status of action plans to address audit recommendations and performance measurements for the Internal Audit function
- on an annual basis, providing the Audit and Risk Committee (after consultation with the co-source provider) with an assessment of the adequacy and effectiveness of the University's governance, risk management and control frameworks based on the results of a number of individual audit engagements and other activities for the preceding calendar year.

Reporting and Monitoring

At the conclusion of each audit activity, a written report will be issued by the Director Internal Audit, Risk and Compliance to the Vice-Chancellor, sponsoring Executive and appropriate University Senior Managers and staff. The report will also be issued to the Vice-Chancellor and will be available to all members of the Audit and Risk Committee.

University management are required to report quarterly on the status of agreed action plans. Internal Audit will also follow-up with University management all outstanding action plans on a quarterly basis and report the results to senior management and the Audit and Risk Committee.

Quality Assurance and Improvement Program

A quality assurance and improvement program for the Internal Audit function will be maintained by the Director, Internal Audit, Risk and Compliance to evaluate the operations of the Internal Audit function in line with the requirements of this Charter, which includes the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors.

Internal assessments may include ongoing monitoring of the performance of the Internal Audit function through measurement against performance indicators agreed with the Audit and Risk Committee and/or periodic benchmarking assessments. External assessments conducted at least once every five years by a qualified, independent assessor from outside the University. The results of the activities conducted as part of the quality assurance and improvement program will be reported to the Audit and Risk Committee.

Review

This Charter is to be reviewed on an annual basis by the Director, Internal Audit, Risk and Compliance and submitted for review and approval to the Audit and Risk Committee.

Change Control History

Version	Date	Comment	Author
Ver 2016.1	23 Nov 2016	Approved at Nov 2016 ARC	Peter Clarke
Ver 2017.1	27 Nov 2017	Approved at Nov 2017 ARC	Peter Clarke
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ⁱ Institute of Internal auditors, Standard 110 Independence and Objectivity

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