



## **AUDIT AND RISK COMMITTEE**

### **INTERNAL AUDIT CHARTER**

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#### **1. Introduction**

- 1.1 The University is required to establish and maintain an effective internal audit unit, responsible to the Vice-Chancellor and President in compliance with Section 11, Part 2, Division 2 of the Public Finance and Audit Act 1983 (NSW).
- 1.2 This Charter sets out the role, authority and responsibility conferred by the Board of Trustees of the Western Sydney University to the Audit and Risk Assessment unit (ARA).
- 1.3 The purpose of this Internal Audit Charter is to address the role, responsibilities, authorisation, activities and reporting relationships of the Internal Audit function. The Charter is reviewed on a regular basis to ensure that it is consistent with the changes in the University's financial, risk management and governance arrangements and reflects developments in Internal Audit professional practice.
- 1.4 Risk assessment is a systematic process used to identify, analyse and evaluate risks (as defined in AS/NZ ISO 31000:2009 – Risk Management) that could impact on the objectives of the University.

#### **2. Purpose of internal audit**

- 2.1 Internal auditing (as defined by the Institute of Internal Auditors) is an independent, objective assurance and consulting service, designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
- 2.2 Internal audit provides an independent and objective review and advisory service to:
  - Provide assurance to the Secretary and the Audit and Risk Committee, that the University's financial and operational controls, designed to manage the organisation's risks and achieve its objectives are operating in an efficient, effective and ethical manner, and
  - Assist management in improving the business performance of the University and its related entities.

#### **3. Role of Audit and Risk Assessment**

- 3.1 The primary role of ARA is to provide a comprehensive, value added internal audit and risk assessment service to management. In doing so, ARA plays an active role in promoting a culture of integrity and accountability across the University.
- 3.2 The internal audit function must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.



3.3 While the internal audit function is primarily undertaken by ARA, external providers are also engaged under contractual arrangements from time to time.

3.4 The ambit of the audit and risk assessment function encompasses all aspects of the University's and related entities' activities, including strategic, financial and operational matters. The extent and nature of audit and risk oversight of the related entities will be as specified in their respective constitutions, or, in the case of partly owned entities pre-dating this Charter, specified in formal agreements between the University and those other entities.

3.5 Internal audit activities will encompass the following areas:

**Audit activities** including audits with the following orientation:

*Risk Management*

- Evaluate the effectiveness and contribute to the improvement of risk management processes
- Provide assurance that risk exposures relating to the organisation's governance, operations and information systems are correctly evaluated including:
- Reliability and integrity of financial operations information
- Effectiveness, efficiency and economy of operations, and
- Safeguarding of assets
- Evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programs and activities
- Assess whether the information technology governance of the organisation sustains and supports the organisation's strategies and objectives

*Compliance*

- Compliance with applicable laws, regulations and University policies and standards

*Performance improvement*

- The efficiency, effectiveness and economy of the University's business systems, processes and programs.

**Advisory services** - The internal audit function can advise the management of the University and other entities on a range of matters including:

*New programs, systems and processes*

- Providing advice on the development of new programs and processes and/or significant changes to existing programs and processes including the design of appropriate controls

*Risk management*

- Assisting management to identify risks and develop risk mitigation and monitoring strategies as part of the risk management framework

*Fraud control*

- Evaluating the potential for the occurrence of fraud and how the organisation manages fraud risk
- Assisting management to investigate fraud, identify risks of fraud and develop fraud prevention and monitoring strategies



#### **4. Role of the Director**

- 4.1 The role of the Director, Audit and Risk Assessment (Director) is to manage and coordinate the activities of ARA and to ensure that these are conducted in a professional manner and within the framework of the objectives and scope of this Charter.
- 4.2 The Director is also responsible for overseeing and monitoring the performance of external service providers.
- 4.3 The Director has no other executive or managerial powers, authorities, functions or duties except for the operations of the ARA and subject to the *Delegations (Administrative) Policy*.
- 4.4 Any change to the role of the Director will be approved by the University Secretary and General Counsel in consultation with the Audit and Risk Committee.

#### **5. Independence and objectivity**

- 5.1 The ARA is an independent business unit within the University.
- 5.2 The ARA is located within the Office of the University Secretary and General Counsel.
- 5.3 The Director reports through the University Secretary and General Counsel and at all times has the right of direct access to:
  - The Chancellor
  - The Chair, Audit and Risk Committee of the Board of Trustees; and
  - The Vice-Chancellor and President.
- 5.4 The Director of ARA is to meet privately at least once a year with the Chair and the Committee.
- 5.5 The ARA is not involved in the day-to-day operations of the University other than those required for the normal functioning of the office itself.

#### **6. Access to information and records**

- 6.1 The Director and auditors within the ARA have authority to access all information and records under the possession and control of the University and its related entities. This authority is subject to compliance with relevant laws and policies, including policies relating to record keeping and access to workplace surveillance, personal or health information and records.
- 6.2 Access to any information or records is conditional upon these being accessed or used directly for the purpose of carrying out audits or investigations or for risk management purposes.
- 6.3 All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The Director and individual internal audit staff are responsible and accountable for maintaining confidentiality of the information they receive during the course of their work.



- 6.4 Internal auditors are also required to declare any real or perceived conflicts of interest proactively and promptly. An annual conflicts of interest declaration is to be signed by each member of the internal audit team including the outsourced service providers.
- 6.5 All University staff are required to provide assistance and supply information and records reasonably necessary to enable ARA and any external providers to perform their duties.

## **7. Scope**

- 7.1 The program of the ARA will be sufficiently comprehensive to enable an effective and regular review of high risk activities both within Australia and overseas.
- 7.2 The scope of ARA's activities extends to all areas of the University including University controlled entities.

## **8. Work plans**

- 8.1 The Director will prepare annual Work Plans for the approval of the Vice-Chancellor and President and the Audit and Risk Committee. Work plans are generally presented to and approved at the last meeting of the Audit and Risk Committee in each calendar year.
- 8.2 Each Work Plan will be based on an assessment of the University's risks and will be aligned to the University's Strategic Risk Register and any areas of high risk identified in the preceding year.
- 8.3 All major management and administrative systems, functions and organisational units should be examined over cycles from one to three years, frequency being set out in the Work Plan.

## **9. Key activities of the ARA are:**

- 9.1 Reviewing systems and operations and appraising the adequacy of controls and procedures and, where appropriate, recommending improvements.
- 9.2 Assessing the strength of management controls to ensure accuracy and adequacy of information.
- 9.3 Providing advice on the design and implementation of, and testing planned controls when major changes are made to systems (but this does not include detailed implementation or acceptance testing of those systems).
- 9.4 Ensuring the adequacy of the University's Compliance and Risk Management Frameworks (including the University's Strategic Risk Register), and recommending improvements or updates as required.
- 9.5 Appraising and monitoring the extent of compliance across the University with policies, procedures, plans and legislation.
- 9.6 Ensuring that available resources are directed towards areas of highest risk.
- 9.7 Appraising the economy, efficiency and effectiveness with which University resources are employed.



- 9.8 Providing advice (including audit advice or certifications) on a range of administrative and financial matters.
- 9.9 Conducting ad hoc and confidential investigations at the request of the Vice-Chancellor and President, Audit and Risk Committee or the University Secretary and General Counsel. Such University policies and procedures, including the Academic and Professional Staff Enterprise Agreements or the *Public Interest Disclosures Policy*.
- 9.10 Co-ordinating strategic and operational risk assessment activities.
- 9.11 Liaising with and monitoring the performance of the University's external auditors to ensure there is effective use of resources and to avoid duplication.
- 9.12 Any other activities or tasks delegated by the Audit and Risk Committee or the Vice-Chancellor and President.

## **10. External service providers**

- 10.1 An external service provider, whether long-term or single-engagement, will be expected to operate according to the Western Sydney University Internal Audit Operations Manual. They will be engaged under a formal contract and work to a formal scope.
- 10.2 When internal audit activity is provided by an external service provider, ARA retains the responsibility for maintaining an effective internal activity.
- 10.3 External service providers must have sufficient skills, knowledge and other competencies to perform their assigned work, and must decline the work if they lack these attributes in relation to performing all or part of the engagement. They must exercise due professional care by considering:
- The extent of work needed to achieve the engagement's objectives.
  - The relative complexity, materiality or significance of matters to which assurance procedures are being applied.
  - The adequacy and effectiveness of governance, risk management and control processes.
  - The probability of significant errors, fraud, or non-compliance.
  - The cost of assurance in relation to potential benefits; and
  - Application to engagements of technology based auditing and data analytic techniques.
- 10.4 External service providers are required to declare any real or perceived conflicts of interest proactively and promptly. An annual conflict of interest declaration is to be signed by each member of the internal audit team.

## **11. Record keeping**

- 11.1 In compliance with the *State Records Act 1998* (NSW) and the University's *Records Management Policy*, the ARA is required to establish and maintain records of all work performed.



## 12. Quality assurance

- 12.1 The Director is to ensure that ARA maintains quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activities conformance with Attachment 1 Item 6.1 Internal Auditing and the *Core Principles and Standards for the Practice of Internal Auditing* and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 12.2 The Director, in consultation with the University Secretary and General Counsel is to also develop and maintain a system of quality assurance reviews (including periodic external reviews) of the operations and systems of ARA. These reviews will include benchmarking and performance indicators. The outcomes of these reviews will be reported to the Vice-Chancellor and to Audit and Risk Committee.
- 12.3 The Director, Audit and Risk Assessment is to establish and maintain written policies and procedures for the guidance of ARA staff.

## 13. Reporting

- 13.1 The University Secretary and General Counsel reports to the Vice-Chancellor and President and the Audit and Risk Committee on the activities and outcomes of the reviews, audits and investigations conducted by the ARA.
- 13.2 Reports are generally provided to the Audit and Risk Committee at its regular meeting (which are held at least 5 times each year) or as otherwise appropriate or required. These reports include University management responses to recommendations made by ARA.
- 13.3 The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared. The Director will escalate to the relevant departmental head or to the University Secretary as required where the actions have not been implemented in the agreed timeframes. The Audit and Risk Committee may request the accountable issue owner to present to the Committee on their outstanding actions.
- 13.4 An implementation status report noting details of corrective actions taken in regard to specific recommendations is to be provided on a quarterly basis by staff responsible for action. Internal audit staff may validate the effectiveness of corrective actions prior to closure.

## 14. Review

- 14.1 The Audit and Risk Committee will review this Charter at two yearly intervals to ensure it remains relevant and effective.
- 14.2 The Board of Trustees approves this Charter and any changes to it.