

## INTERNAL AUDIT MANDATE AND CHARTER

### 1. INTRODUCTION

The Internal Audit Mandate and Charter ('Mandate' and/or 'Charter') is established under the authority of the University Council. It describes how the internal audit function ('Internal Audit') within the Strategic and Governance Services Centre ('SGSC'), will operate in order to meet its role in the corporate governance of Edith Cowan University ('ECU').

The Internal Audit Mandate and Charter:

- establishes the internal audit function's authority, roles and responsibilities,
- outlines the internal audit function's organisational position, reporting relationships, scope of work, types of services and other specifications, and
- provides the framework for the conduct of Internal Audit activities at ECU.

This ensures that:

- the internal audit function at ECU has sufficient independence to meet its purpose;
- conflicts of interest and perceived conflicts of interest between the internal audit function and other line management functions within SGSC are appropriately managed and resolved;
- disagreements between the internal audit function and management are appropriately addressed; and
- the internal audit function can provide effective and insightful internal audit services to the University.

The Internal Audit Mandate and Charter recognises and is aligned with the Institute of Internal Auditors ("IIA") Global Internal Audit Standards, including the definition of internal auditing provided within:

*"Internal auditing is an independent, objective assurance and advisory 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 evaluate and improve the effectiveness of governance, risk management and control processes."*

ECU will also have regard for the principles of effective internal audit services as set out in Part XII of the Treasurer's Instructions (Internal Audit) issued pursuant to the *Financial Management Act, 2006*.

The Internal Audit Mandate and Charter is approved by Council on the recommendation of the Quality, Audit and Risk Committee ('QARC').

### 2. INTERNAL AUDIT MANDATE

The Internal Audit Mandate establishes internal audit's authority, roles and responsibilities and scope of internal audit services.

The QARC and Senior Management are provided with the information necessary to inform and establish the Internal Audit Mandate.

#### 2.1. Authority of internal audit

The ECU Council, and specifically, QARC authorise the conduct of internal audits.

To ensure that the internal audit function has sufficient authority to fulfil its duties, QARC will:

- a. Recommend to Council that it approves this Mandate and Charter;
- b. Recommend to Council that it approves a strategic, risk-based annual internal audit plan;
- c. Recommend to Council the appointment and removal of the outsourced provider; and

- d. Make appropriate inquiries of the University Executive, the Chief Risk Officer ('CRO'), and the outsourced internal audit provider, to determine whether there are any inappropriate scope or resource limitations.

QARC on behalf of Council authorises Internal Audit to:

- a. Undertake internal audits, assurance activities and other management requested reviews in accordance with plans approved by QARC on behalf of Council.
- b. At all reasonable times have free and unrestricted access to all functions, information, records, property and personnel required to carry out any internal audit engagement, subject to accountability for confidentiality and safeguarding of records and information.
- c. At all reasonable times have discussions with relevant personnel and require them to provide information, advice, explanations and any assistance necessary for internal audit purposes.
- d. Conduct such further internal audits, reviews, investigations or follow up reviews as the Council or Vice-Chancellor (in that order) may from time-to-time, direct, and subject to their approval, decide the nature and scope of such audits and reviews.
- e. Subject to Vice-Chancellor (or nominee) approval, obtain assistance from the necessary ECU personnel as well as other specialised services from within or outside of ECU in order to complete assigned engagements.

Internal Audit is not authorised to:

- a. Perform any operational duties of ECU, including involvement in any day-to-day operations of ECU.
- b. Initiate or approve accounting transactions external to the Internal Audit function.
- c. Perform advisory services that would impede the independence of Internal Audit or materially impact the completion of the audit plan due to availability of resources.
- d. Implement recommendations arising from internal audit reviews, which remain the responsibility of management.

Other ECU policies, procedures and documents must not contradict the authorised access by Internal Audit, as expressed in the Internal Audit Mandate and Charter. In the event of any conflict this Mandate and Charter takes precedence.

## **2.2. Roles and responsibilities of internal audit**

Internal Audit will, in accordance with their roles and responsibilities as defined in this Mandate and Charter:

- a. Submit, at least annually, to the Vice-Chancellor (via the University Executive) and QARC a strategic, risk-based internal audit plan for review and a recommendation to Council that the internal audit plan be approved.
- b. Review and adjust the internal audit plan, as necessary, in response to changes in ECU's strategy, business, risks, operations, programs, systems, and controls.
- c. Communicate to QARC any significant interim changes to the internal audit plan.
- d. Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriately skilled and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement outcomes with applicable conclusions and recommendations to appropriate parties.
- e. Follow up on engagement findings and corrective actions, and report periodically to the Vice-Chancellor (via the University Executive) and QARC of any corrective actions not effectively implemented.
- f. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- g. Ensure that the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this charter.

To assist in the discharge of its responsibilities, Internal Audit, together with the CRO, will:

- a. Maintain regular contact with senior personnel to ensure continued understanding of Internal Audit activities, co-operation between staff and Internal Audit, and for management to inform Internal Audit of operational activities that may influence the Internal Audit function; and
- b. Liaise regularly with personnel and external auditors to ensure co-ordination of effort (and where possible to avoid duplication), effective use of resources, and sharing of information and awareness of key audit findings.

### **2.3. Scope of internal audit**

The scope of Internal Audit encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to QARC, ECU management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for ECU.

Internal audit activities include both assurance activities (where Internal Audit provides an objective assessment of evidence to reach a conclusion regarding the control environment) and advisory activities (where Internal Audit provide advice to management regarding matters of governance, risk or control without providing assurance or taking on management responsibilities).

Selection and prioritisation of internal audit activities is performed with reference to the university's assurance map to support informed decision-making and optimal assurance investment.

#### **2.3.1. Assurance activities**

The scope of assurance activities includes:

- a. Development and delivery of an annual Internal Audit Plan;
- b. Assessment of the design and operating effectiveness of key controls pertaining to operational, financial, risk management information, control systems and activities to provide:
  - i. regular advice as to the adequacy of key controls and whether funds and resources are safeguarded;
  - ii. advice on the reliance, reliability and integrity of management, financial and operating information and reports;
  - iii. advice on the remedial actions required to improve operational effectiveness and efficiency; and
  - iv. periodic reports on remedial actions taken on issues previously reported.
- c. Assessment of the adequacy of established systems and procedures, including compliance with policies, plans, procedures and statutory requirements that could have an impact on ECU's operations;
- d. Carrying out special investigations, appraisals, inspections and examinations in areas that have financial, operational and management impact.

#### **2.3.2. Advisory activities**

The scope of advisory activities includes:

- a. Support for the development and maintenance of the University's assurance map to ensure that risk and assurance activities are coordinated across the lines of defence;
- b. Consideration of strategic initiatives, operations or programs to ascertain whether results are consistent with ECU's established strategy, objectives and goals and whether the operations or programs are being carried out as planned; and
- c. Assistance for management to identify the risks of fraud, bribery and corruption and develop prevention and monitoring strategies.

## **3. INTERNAL AUDIT CHARTER**

### **3.1. Internal audit purpose, function and vision**

In accordance with the IIA Global Internal Audit Standards, the purpose of internal audit is to create, protect and sustain value by providing Council, QARC, Executive and management with independent, risk-based and objective assurance, advice, insight and foresight.

Internal Audit helps the University accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the adequacy, integrity and effectiveness of risk management, compliance, internal control and governance processes and systems across university operations.

In alignment with ECU's values, Internal Audit will operate in accordance with plans and procedures which focus on:

- a. Providing adequate coverage of ECU's key auditable areas and activities, based on risk.
- b. Developing and maintaining a culture of accountability, integrity, professionalism, quality and adherence to high ethical standards.
- c. Facilitating the integration of risk management into day-to-day business activities and processes.
- d. Performing high quality internal audit engagements.
- e. Providing timely reports, information, and advice in order to assist management with the discharge of their responsibilities.
- f. Maintaining a "customer focus" to better fulfil expectations of QARC and Management.
- g. Maintaining the competence of internal audit personnel at a high level.

Internal Audit will act efficiently, with discretion and will be open and responsive to a changing environment.

### **3.2. Adherence with Standards**

Internal Audit will plan for and perform internal audit services in accordance with the mandatory elements of the IIA Global Internal Audit Standards.

Internal Audit will also adhere to relevant ECU policies and procedures and the approved Internal Audit Protocols ('the Protocols').

Where applicable, Internal Audit will have regard to the relevant professional practice standards and practice statements associated with any area subject to review.

The CRO will report to the Vice-Chancellor and QARC regarding concerns about conformance with the relevant Codes of Ethics and Standards, including circumstances where the internal auditors are unable to conform with a requirement.

External audit activities remain prerogative of the Office of the Auditor General, or their agents.

### **3.3. Support of internal audit function**

The CRO will provide Council, QARC and senior management with the information needed to support and promote recognition of the internal audit function throughout the university. The CRO will help coordinate the internal audit function's Council and QARC communications to help both Council and QARC to fulfil their requirements and responsibilities.

### **3.4. Organisational position and independence**

QARC, on behalf of Council is responsible for ensuring the Internal Audit function, its position within the university and the way it conducts its processes, is free from conditions that may impair its ability to carry out its duties in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.

#### **3.4.1. Chief Risk Officer**

The CRO is appointed as a senior officer within the Enterprise Risk Unit within SGSC. The CRO provides administrative oversight of the outsourced service provider and in that capacity will have access to QARC, and administratively report to Director, Strategic and Governance Services.

The role of the CRO at ECU extends beyond the oversight and management of the Internal Audit function to also include risk management and insurance. Should any of the functions assigned to the Enterprise Risk Unit within SGSC, under the direct management of the CRO, be scheduled for an internal audit within the Internal Audit Plan, the Director, SGSC shall have oversight of the scope of the engagement.

The CRO actively ensures the independence of the Internal Audit Provider, as outlined in section 3.4.2 below.

#### 3.4.2. Internal Audit Provider

ECU may appoint an outsourced service provider (outsourced provider) to perform the Internal Audit function. The maximum term by which an outsourced provider can be contracted is six (6) years.

This relationship is operationally managed by the CRO with oversight provided by QARC.

In undertaking its contracted role, the outsourced provider will not implement internal controls, develop policies or procedures, install systems, prepare records, or engage in any other activity that may impair the outsourced provider's independence.

The outsourced provider will:

- a. Immediately disclose any activity which constitutes or may constitute a conflict of interest. Where potential, perceived or actual conflicts of interest arise, they will be assessed and resolved in line with the approved Internal Audit Protocols.
- b. Exhibit the highest level of professional independence and objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- c. Make a balanced assessment of all the relevant circumstances and take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.
- d. Have direct and unrestricted access to QARC, through the chair, to report any matters of significant concern, including, but not limited to incidents of potential fraud or corruption.

#### 3.4.3. Disclosure and oversight

The CRO will confirm to QARC the independence of the internal audit function at least annually.

The appropriateness of the safeguards listed in sections 3.4.1 and 3.4.2 above will be formally re-evaluated for effectiveness as part of the annual review of the Internal Audit Mandate and Charter.

### 3.5. Internal audit delivery

The CRO and the internal audit provider are accountable and responsible for ensuring that internal audit activities and services are conducted in accordance with this Internal Audit Mandate and Charter as well as the Internal Audit Protocols.

The Protocols outline in greater detail expectations and requirements around process and timing for:

- a. **Internal audit planning:** including liaison with relevant stakeholders, planning meetings and planning documentation development and review
- b. **Internal audit fieldwork:** including entrance meetings, fieldwork delivery and preliminary observation discussions
- c. **Internal audit reporting:** including preparation, review and distribution processes for draft and final reports
- d. **Follow-Up:** including timelines, review process and parameters for extension of due dates
- e. **Governance Committee Reporting and Oversight:** including processes by which internal audit reports are tabled to Executive, QARC and Council, as well as other reporting requirements including periodic reporting on:
  - o Internal audit progress and performance relative to its plans
  - o Internal audit conformance with Global Internal Audit Standards, and action plans to address any significant conformance issues

- Significant risk exposures and control issues, including fraud risks, governance issues and other matter requiring the attention of, or requested by, the Vice-Chancellor or QARC.

The CRO will maintain oversight of internal audit delivery to ensure internal audit services are delivered in accordance with the Internal Audit Protocols.

The Protocols will be reviewed by the CRO and approved by QARC on an annual basis.

In addition to the Internal Audit Mandate and Charter, and Internal Audit Protocols, the outsourced provider must also adhere to the University's Code of Conduct, policies and associated reporting requirements, including those under the Fraud and Misconduct Policy.

### **3.6. Budgets and expenditure**

An indicative budget will be provided as part of the development of the annual Internal Audit Plan. The indicative budget will also include indicative fees for internal audit administration, follow up and annual internal audit planning. This will be reviewed and approved by Council, on recommendation by QARC, along with the Internal Audit Plan.

As part of the planning process for each internal audit, the outsourced provider will provide the CRO with a confirmed engagement budget and confirmed engagement delivery team for review and approval.

Expenses to be incurred by the outsourced provider as part of internal audit delivery will be agreed with the CRO prior to commencement. Evidence of expenses incurred will be provided to the CRO for review and approval.

### **3.7. Communications**

#### **3.7.1. Communications between Internal Audit and university stakeholders**

The Internal Audit Protocols outline the processes by which the internal audit function can communicate with stakeholders across the university at strategic, operational and engagement specific levels. This includes the process, nature and timing of communications between the outsourced provider and:

- a. The Chief Risk Officer (Weekly, and more frequently if required)
- b. Executive Sponsors for internal audits (Before, during and after internal audits in their area)
- c. QARC (At each QARC meeting, and in other circumstances where required)
- d. Vice Chancellor (As required and requested)
- e. Chancellor / Council (As required and requested)

The internal audit function has free and unrestricted access to Council through QARC at any time.

Further, in-camera sessions are provided for within QARC meetings twice a year, providing the opportunity for the outsourced provider to share feedback or concerns directly with the Committee without management present.

#### **3.7.2. Disagreement management**

Disagreements arising between the outsourced provider and management will be worked through in a professional and unbiased manner. The CRO should be notified where disagreements arise, so remediation support can be provided where necessary.

In working through disagreements, consideration will be given to:

- Revisiting objectives of both the internal auditors and the parties involved in the disagreement
- Listening to the views of all parties involved in the disagreement and objectively identifying key issues
- Engaging parties to the disagreement in deriving appropriate solutions.

If an appropriate solution cannot be agreed, or if the CRO determines that the proposed resolution exposes the university to an unacceptable level of risk, the CRO will escalate the matter with Senior Management.

If, following discussion with Senior Management, the CRO still determines the matter has not been resolved, the matter will be escalated to the QARC Chair.

### 3.8. Quality assurance and continual improvement

Internal Audit Satisfaction Surveys will be sent to Executive Sponsors and key process owners following the completion of each internal audit. The survey questions will be designed to gauge perceptions around the quality and effectiveness of internal audit delivery and outcomes received, including the degree of alignment with the key performance indicators provided in the Protocols. Results from completed surveys will be summarised and presented to QARC on an annual basis.

In addition, Internal Audit will maintain a quality assurance and improvement program that covers all aspects of its activities. This program will include an evaluation of Internal Audit's conformance with the IIA Standards, identified in this Mandate and Charter. The program will also assess the efficiency and effectiveness of the Internal Audit activities and identify opportunities for improvement.

Internal Audit will communicate to the Vice-Chancellor and QARC on the outcomes of external assessments conducted at least once every five years. External assessments should be performed by a qualified, independent assessor or assessment team from outside of ECU and the appointed outsourced provider.

## 4. Internal Audit Mandate and Charter Review and Approval

QARC is responsible for periodically reviewing the Internal Audit Mandate and Charter. A formal review will be undertaken at least every two years. More frequent reviews may be required where there are circumstances impacting the internal audit services including significant changes to:

- Global Internal Audit Standards
- Organisation or structure of the university
- Council / QARC membership / senior management
- University strategies / objectives / risk profile
- Laws or regulations impacting the nature and scope of internal audit services

Amendments to the mandate and charter are subject to the approval of the Council, after review and endorsement by QARC.

Changes and updates will be discussed with QARC and senior management to ensure they accurately reflect understanding and expectations.

Version	Title	Approval	Date
1	Audit and Assurance Charter	Council Resolution UC 182/13	15 June 2017
2	Internal Audit and Assurance Charter	Council Resolution UC 201/17	20 August 2020
3	Internal Audit Charter	Council Resolution UC 216/05	20 October 2022
4	Internal Audit Mandate and Charter	Council Resolution UC 232/07	17 October 2024