



## **INTERNAL AUDIT CHARTER**

## **1. Introduction**

- 1.1 Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the University of Limerick. It assists the University of Limerick in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the University's governance, risk management and internal controls.
- 1.2 The Governing Authority has overall responsibility for ensuring that there are effective systems of control in operation throughout the University, that the University complies with all applicable laws and regulations and that the systems of control ensure the integrity and reliability of the University's external reporting requirements. It is the policy of the Governing Authority to ensure that a comprehensive Internal Audit is in place to enable it address these responsibilities. The Internal Audit may be resourced either by outsourcing all or part of the service or by establishing an internal audit function within the University.
- 1.3 The purpose of this Charter is to set out the Internal Audit terms of reference and its approach to projects and assignments in the University of Limerick.
- 1.4 The Internal Audit is responsible for conducting an independent appraisal of all of the University's activities, financial and otherwise and those of the University's subsidiaries in accordance with agreed Audit Plans. The Internal Audit is responsible also for providing assurance to the President and the University's Governing Authority, through its Audit & Risk Committee, on the University's system of controls.
- 1.5 The Internal Audit assists management of the University by evaluating and reporting to them on the effectiveness of the controls for which they are responsible. However, it remains the responsibility of management to establish, operate and monitor appropriate systems of control within their area of responsibility.

## **2. Internal Audit Role**

- 2.1 The role of the Internal Audit is to provide independent and objective reviews and assessments of the University of Limerick's activities, operations, financial systems, internal controls and corporate governance processes and those of the University's subsidiaries. It also provides analysis to ensure the University is in compliance with policies, accounting standards, procedures and legislation. Each assignment undertaken by the Internal Audit is intended to provide an independent, objective assurance as well as recommendations designed to add value and improve the operations of the University.

- 2.2 The Internal Audit accomplishes its role by carrying out an annual audit plan that utilises risk analysis to review critical areas of operation.
- 2.3 The Internal Audit directly aligns itself with the University's mission by contributing to the fulfilment of the goals and objectives articulated in the University's Strategic Plan.

### **3. Governing Authority Policy Statement**

- 3.1 The University recognises the significant contribution to good governance and effective internal control made by an efficient and effective internal audit function.
- 3.2 The University pledges its full support to the Internal Audit in discharging the authorities and responsibilities contained in this Charter and undertakes to provide adequate resources to the Internal Audit to properly discharge its function.
- 3.3 The Internal Audit function is established by the Governing Authority through its Audit & Risk Committee with responsibilities as set down in this Charter.

### **4. Authority**

- 4.1 The Internal Audit derives its authority from the President and the Governing Authority through its Audit & Risk Committee.
- 4.2 The Internal Audit, with strict accountability for confidentiality and safeguarding of records and information, is authorised full, free, and unrestricted access to any and all of the University of Limerick records, physical properties, and personnel and those of the University's subsidiaries pertinent to carrying out any engagement. All employees are required to assist the Internal Audit in fulfilling its roles and responsibilities. The Internal Audit has free and unrestricted access to the Governing Authority.

### **5. Organisation**

- 5.1 The Internal Audit reports functionally to the Chairperson of the Audit & Risk Committee and administratively to the Corporate Secretary. The Internal Audit also has direct access to the Chairperson of the Governing Authority, the President of the University and the Audit & Risk Committee. The Audit & Risk Committee will:
  - Review the Internal Audit Charter and submit it to Governing Authority for approval.
  - Approve the risk based Internal Audit plan annually and report on the Plan to the Governing Authority.
  - Approve the Internal Audit budget and resource plan.

- Receive communications from the Internal Audit on the internal audit activity's performance relative to its plan and other matters.

## **6. Quality Assurance**

- 6.1 The Internal Audit will carry out its work professionally and ethically having regard to the Standards for the Professional Practice of Internal Auditors, published by the Chartered Institute of Internal Auditors and the Auditing Practices Board.
- 6.2 In order to demonstrate that due professional care has been taken in performing its work, the Internal Audit will retain comprehensive records of activity showing that the work undertaken has been performed in accordance with accepted standards of best practice.

## **7. Independence and Objectivity of Internal Audit**

- 7.1 The Internal Audit will remain free from interference by any element in the University and/or its subsidiaries, including matters of audit selection, scope, procedures, frequency, timing, or report content in order to enable the maintenance of a necessary independent attitude.
- 7.2 The Internal Audit will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the Internal Audit's judgement.
- 7.3 The Internal Audit will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. The Internal Audit 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.

## **8. Responsibility**

- 8.1 All the University's activities funded from whatever source, fall within the remit of the Internal Audit, which is not confined solely to financial matters. The Internal Audit will consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas, including subsidiary and associated companies of the University and any other bodies controlled or funded by the University.
- 8.2 The scope of Internal Audit activities will be determined using appropriate risk assessment tools to ensure adequate coverage of risks and exposures, and will consider the special needs of management. Specifically, Internal Audit scope of activities is to ascertain that the processes for controlling operations, as they have been designed and represented by management, are adequate and functioning. The Internal Audit has responsibility to:

- Develop and maintain a strategic audit plan covering a three-year period based on significant exposures to loss or failure and submit that plan to the Audit & Risk Committee for approval and reporting to Governing Authority.
- Develop annual audit plans based on significant exposures identified in the strategic audit plan and submit such annual plans to the Audit & Risk Committee for approval and reporting to Governing Authority.
- Consider the scope of work and liaise with external auditors for the purpose of providing optimal audit coverage.
- Implement the audit plans as approved, including any value for money auditing and special projects assigned by the Audit & Risk Committee or requested by senior management.
- Disseminate Best Practice Guidelines.
- Report to the President and Audit & Risk Committee significant issues relating to the processes for controlling the activities of the University arising from the internal audit work undertaken.
- Issue reports to the Audit & Risk Committee addressing the results of audits conducted summarising observations and recommendations made and include management responses to the implementation of recommendations.
- As part of findings follow-up reviews, Internal Audit will monitor and report to the Audit & Risk Committee on progress towards the implementation of agreed audit recommendations.
- Meet with the Audit & Risk Committee on an agreed regular basis, first to obtain approval for the annual audit plan and then to present reports to the Audit & Risk Committee on audits carried out.
- Evaluate and assess controls coincident with the introduction of major changes to systems.
- Provide technical assistance to management to assist in the investigation of suspected fraudulent activity and other matters within the university.

## **9. Internal Audit Plan**

- 9.1 At least annually, the Internal Audit will submit an internal audit plan to the Audit & Risk Committee for review and approval. The Internal Audit Plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year.
- 9.2 The Internal Audit plan will be developed based on a prioritisation of the Audit Universe using a risk-based methodology, including input of the President, Executive Committee and the Governing Authority. The latter will be requested for input when the Audit & Risk Committee presents the proposed Internal Audit Plan to the Governing Authority.

- 9.3 The Internal Audit will review and adjust the plan, as necessary, in response requests from the Executive, the Audit & Risk Committee and/or Governing Authority as well as in response to changes in the University's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to Executive Committee and approval for the change will be sought from the Audit & Risk Committee and reported to Governing Authority through that Committee.

## **10. Reporting and Monitoring**

- 10.1 Prior to commencement of the Internal Audit work, the Internal Audit will discuss the intended scope of the planned review with the member of the University's Executive Committee responsible for the function to be audited. Where there is more than one member of the Executive Committee's functional area involved in the audit, a lead contact should be designated and their role will be to ensure effective liaison at all stages of the audit engagement;
- 10.2 Prior to the commencement of the Internal Audit review of a specific area, the Internal Audit and the relevant manager will agree a timeframe to provide for the following:
- Response times by staff to Internal Audit queries during the audit;
  - Upon receipt of responses the timeframe within which Internal Audit will complete the draft review;
  - Timeframe within which management responses on the Internal Audit report are to be provided to Internal Audit;
  - Internal Audit will normally complete the draft report incorporating management responses within one calendar month;
- 10.3 Draft Internal Audit Reports are to be issued by Internal Audit to operational management for the inclusion of management responses in the report. If it is considered appropriate the Internal Audit may revise the report based on feedback received from management. Management responses will include corrective action taken or to be taken in response to the specific findings and recommendations. Where there is agreement on the implementation of recommendations arising from the review, management responses will include a timeframe for their implementation. Where agreement is not reached on the implementation of recommendations, then the management responses must include a reason for their proposed non-implementation.
- 10.4 Upon receipt of management responses, the report is forwarded by Internal Audit to the relevant line manager who is a member of Executive Committee for review normally within one calendar month of receiving management responses. This is to ensure there are no queries outstanding from the report and that management responses are considered adequate. At the same time, the Internal Audit will submit the report to the Corporate Secretary and Chief Corporate Officer.

- 10.5 The Internal Audit report will then be communicated in the first instance to Executive Committee for approval of the management responses to the Internal Audit recommendation in the Report. Following approval of these responses, the Report will be finalised by the Internal Audit and it will be issued to the Audit & Risk Committee. The Executive Committee member with responsibility for the area audited will attend the meeting of the Audit & Risk Committee at which the relevant report is being considered. This facilitates liaison between the Audit & Risk Committee and senior management on the findings of the report and operational improvements which need to be undertaken. Additionally, as part of this auditee engagement process, the Audit & Risk Committee will elicit views and opinions on the audit process, the quality of work, the extent to which audit expectations were met or not, the communications process and the value of findings and recommendations.
- 10.6 Following presentation to the Audit & Risk Committee, the Report will be disseminated by Internal Audit to the President, members of the Internal Audit Review Group<sup>1</sup> and the managers responsible for the implementation of recommendations in the Report.
- 10.7 The Internal Audit will periodically report to senior management and the Audit & Risk Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its internal audit plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Executive Committee and the Governing Authority.

## **11. Post Audit Action**

- 11.1 It is the responsibility of management and not that of the Internal Audit to take action when Internal Audit Reports are issued. The Internal Audit report owner should initiate actions to address all recommendations raised.
- 11.2 The Corporate Secretary will seek a report from the relevant manager to establish the status of implementation of recommendations twelve-months following finalisation of the internal audit report. The reasons for the non-implementation of the recommendation will be included in the report.
- 11.3 Upon receipt of a number of reports, the Corporate Secretary will convene a meeting the Internal Audit Review Group to consider the reports. Outstanding recommendations will be considered and addressed by the Review Group. The Review Group's agreed actions and accompanying timelines regarding outstanding recommendations will be reported back to the Audit & Risk Committee and the Internal Audit.

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<sup>1</sup> Members of the Internal Audit Review Group include Provost & Deputy President (Chair); Chief Corporate Officer, Chief Operating Officer, the Chief Financial & Performance Officer, the Director, Management Planning & Reporting, the Director, HR & Communications and the Corporate Secretary.

- 11.4 Where it is not possible to reach a solution to enable the implementation of an Internal Audit recommendation or where the decision is made not to implement the recommendation for whatever reason, then the reason/explanation will be conveyed in the first instance to Internal Audit for comment and subsequently to the President for final consideration and decision by the Corporate Secretary on behalf of the Review Group. The decision of the President will be conveyed to the Audit & Risk Committee and the Internal Audit by the Corporate Secretary.
- 11.5 The Internal Audit will undertake follow-up reviews of a sample of recommendations deemed implemented and will report back to the Audit & Risk Committee on same.
- 11.6 A summary of key trends arising from the findings, recommendations and management responses in the various Internal Audit reviews that have applicability to internal controls on a corporate-wide basis will be submitted to the Executive Committee on an annual basis for consideration and action as appropriate by the Corporate Secretary.
- 11.7 The Audit & Risk Committee will review the work undertaken by Internal Audit on an annual basis to ensure it remains efficient and effective and constitutes value for money to the University.

## 12. Document Control

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