

# **Internal Audit Charter**

## **PURPOSE OF THE CHARTER**

This Internal Audit Charter (the Charter) was approved by the Council at its meeting on 7 November 2006 and became effective at this date. The Charter sets out the purpose and defines the authority and responsibility of the Internal Audit Office (IAO) of the University.

## **VISION**

2. IAO strives to assist management in effectively and efficiently fulfilling the needs and expectation of the University by achieving best practice auditing.

## **MISSION**

3. IAO provides value-added services by delivering effective, independent, and objective review, analyses, appraisal and reporting of recommendations on operations and activities of the University with a view to assisting management in accomplishing its goals and objectives, which are in alignment with the University's strategic plan.

## **ROLE OF IAO**

4. IAO is part of the University's Governance framework. It is established to provide an independent appraisal and advisory function to examine and evaluate the activities of the University to determine whether applicable policies and procedures are followed, relevant statutory requirements and established standards are met, resources are acquired and used efficiently and economically.

5. IAO is to assist management in achieving objectives consistent with the University's strategic plan and to assure key business processes and associated risks of the University are being appropriately managed, with adequate policies and procedures.

## **SCOPE**

6. All the activities and operations of the University, funded from whatever sources, fall within the remit of IAO.

7. The scope of IAO's work includes but is not limited to:

- Provide assurance to management that systems, processes and activities are in compliance with applicable policies, standards, procedures, laws and regulations.
- Review the efficiency and effectiveness of operations and to provide assurance that resources are acquired economically, used efficiently, and adequately protected.
- Review the means of safeguarding assets and verifying the existence of such assets.
- Review the adequacy, reliability, integrity and security of financial and operating information.

8. The work of IAO shall not diminish the responsibilities of the University's management for the development, implementation, maintenance and review of management control systems in their work areas. The management shall not rely solely on the results of periodic internal audit reviews for monitoring the adherence and compliance of auditable systems and processes to the established controls and regulations.

9. IAO may also conduct any special reviews requested by the Council or the Audit Committee.

## **RESPONSIBILITIES**

10. IAO reviews the financial policies, procedures, records, accounts and plans of the University and appraises the effectiveness by which the University meets its objectives. Its work includes:

- Developing a flexible annual audit plan using an appropriate risk based methodology, including any risks or control concerns identified by management, and submitting that plan to the Audit Committee for review and concurrence, as well as periodic updates as to the status of the plan.
- Implementing the annual audit plan, as approved, and any other special tasks or projects requested by the Council and the Audit Committee.
- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Issuing periodic reports to the Audit Committee and management summarising results and recommendations of audit activities.
- Conducting investigation of alleged financial and operational misconduct.

## **INDEPENDENCE AND OBJECTIVITY**

11. To uphold the independence of the internal audit function, IAO shall have no direct responsibility for any of the activities or operations under review. The services performed by the auditors are staff and advisory functions, and in no way relieve the assigned responsibilities of the line management.

12. To ensure that the objectivity and impartiality of IAO is not adversely affected nor unduly influenced, staff members of IAO shall not develop and/or install systems, procedures, prepare records, make management decisions, nor engage in any other activities which could be construed to compromise their independence.

13. IAO shall have a consultative role in making recommendations on the methods and the standard of controls to be incorporated in any new system.

14. IAO may have the status of observer and advisor on reviewing and/or enhancing existing and new systems and procedures.

## **AUTHORITY**

15. The authority of IAO is derived from the Council via the Audit Committee and is granted through this Charter.

16. The Director and the staff members of IAO are authorised to:

- Have right of access to all relevant functions, records, correspondences, files, accounts, assets, systems, personnel and physical properties of the University and its affiliates as are necessary for the proper conduct of audits and special reviews.
- Have full and free access to the Audit Committee.
- Allocate resources within IAO, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Have the right to obtain information and explanations as are necessary for the performance of audit duties.

17. IAO, in return, undertakes to handle the documents and information during the course of an audit or review in a prudent and professional manner.

## **ACCOUNTABILITY**

18. The Audit Committee, as delegated by the Council, shall oversee the resources, operations and implementation of IAO. The Director of IAO reports functionally to the Audit Committee and administratively to the President and Vice-Chancellor.

## **AUDIT REPORT**

19. For all audit projects, the person responsible for the activity under review shall be advised and given the opportunity to discuss the findings and the proposed recommendations on the completion of an audit, and, where appropriate, make comment.

20. A written audit report summarising the findings and recommendations will be prepared and issued by IAO at the conclusion of each audit, and will be distributed as considered appropriate. A periodic summary report is to be made available on a timely basis to the members of the Audit Committee.

## **STANDARDS OF AUDIT PRACTICE**

21. All internal audit assignments must be undertaken with due professional care. IAO will carry out its responsibilities in accordance with the University's policies, codes of ethics and the relevant standards and guidelines as laid down by the Institute of Internal Auditors and the Hong Kong Institute of Certified Public Accountants.

## **AMENDMENT TO THE CHARTER**

22. This Charter shall only be amended on the recommendation of the Audit Committee and with the approval of the Council.

(Approved by the Council in November 2006. Revised 09/16, 11/21.)