

THE UNIVERSITY OF THE FREE STATE

INTERNAL AUDIT CHARTER

This Charter determines the authority and responsibility assigned to the internal audit function by Management and the Audit Committee, and explains the role and scope of the internal audit function at the University of the Free State.

1. Mission and Purpose

- 1.1 Internal auditing is an independent, objective assurance and consulting activity 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 risk management, control, and governance processes.
- 1.2 The aim of Internal Audit is to assist all management levels with information about the establishments and maintenance of adequate internal control over all activities and to ensure that these activities can be carried out efficiently and effectively.
- 1.3 Internal Audit needs to evaluate and improve governance.
- 1.4 Internal Audit expresses an independent opinion on the measures that Management and the Council have taken regarding internal control. Internal Audit will form an opinion on whether internal control measures are sufficient for the University's needs and whether such measures work effectively.
- 1.5 Internal Audit assists the Management of the University to meet its responsibilities effectively by evaluating financial, managerial and operating information, making recommendations for the improvement of systems and procedures, and providing other information aimed at promoting effective control by reducing risk at reasonable cost.
- 1.6 Internal Audit considers risks in general, monitors the University's activities on the terrain of risk management, and makes recommendations to the Rector and the Audit Committee to reduce or eliminate risk.
- 1.7 The scope of the Internal Auditor in financial and non-financial activities of the University, includes academic and support service departments/divisions.

2. Role of the Internal Audit Department

- 2.1 Internal Audit was established by the Council. Administratively and functionally Internal Audit reports to the Rector and the Audit Committee.
- 2.2 When necessary, the Internal Auditor conducts private discussions with the Chairperson of the Audit Committee or with the full Audit Committee, as well as the Executive Management if requested to do so.

3. Authority

3.1 Internal Audit is authorised to:

- 3.1.1 has unrestricted access to all functions, records (whether written or electronic), physical facilities, and personnel;
- 3.1.2 has full and free access to the audit committee;
- 3.1.3 allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- 3.1.4 obtain the necessary assistance of personnel in departments of the University where they perform audits, as well as other specialised services from within or outside the University.
- 3.1.5 to confiscate records if an employee of the University prohibits access to any records, which are required by the Internal Auditor for his activities.

3.2 Internal Audit must carry out its audit function freely, without being hindered, and without interference of officials in order to do an independent and objective audit on all the activities of the University and to report to the management and Audit Committee.

3.3 Documents and information handed over or provided to internal auditors during an audit are handled with the same care as would normally be displayed by the employees who are usually responsible for it.

3.4 Internal Audit staff members need to be, and seen to be independent in the activities that they check.

3.5 In order to avoid responsibility for operational systems, Internal Audit staff members will not develop or install any procedures.

3.6 Recommendations by Internal Audit are implemented by the departments that perform the activities.

3.7 Internal Audit is authorised to perform special investigations including forensic services or to contract special services out to consultants after consultation with the Rector.

4. Scope of activities

4.1 The scope of the audit work will be carried out in terms of the audit standards as prescribed by the Institute of Internal Auditors. This includes the following:

- Evaluating the reliability and usefulness of financial and non-financial information.
- Evaluating the internal control systems established by the University to ensure that policy, plans, procedures, laws and regulations are complied with.
- To determine whether sufficient controls exists for securing assets, and to verify the existence of the assets where necessary.

- Evaluating the effectiveness and efficiency with which administrative procedures are carried out.
- Determining whether the University's activities are completed in accordance with set targets and whether activities were performed as previously planned.

4.2 In meeting its responsibilities, Internal Audit performs the following functions:

- Designs and implements audit plans that reflect both risk and cost-effectiveness.
- Suggests new or amended policy and procedures where applicable.
- Furnishes Management with reports that identify control problems, and makes practical, cost-effective recommendations with a view to improvement.
- Follows up audit problems with audited persons to ensure that the problems have been solved and will be eliminated in future.
- Ensures the effectiveness and quality of the internal audit attempt.

4.3 If, in the initial stage of the audit, it is concluded that the system or department that is being investigated is controlled and managed well, Internal Audit will conclude the project or change its scope.

5. **Internal audit systems**

5.1 The internal audit function should operate within the broad systems set out in this charter which include:

- * Strategic, annual and specific audit project plans.
- * Reporting to management, the follow-up of management's consideration of audit reports and review of action taken.
- * Consultation with the external auditor.
- * Consultation with the Audit Committee of the Council.

6. **Internal audit planning**

6.1 The Internal Auditor is responsible for:

- * preparing an Internal Audit strategic plan which provides a strategy for the internal audit function for a period of three years and ensuring that it is maintained, following discussions and agreement with the Rector and submission for consideration and approval by the Audit Committee;
- * preparing an annual Internal Audit plan having regards to risk assessment pertaining to the achievement of the UFS's corporate goals and following discussions and agreement with the Rector and submission for consideration and approval by the Audit Committee;
- * approving the planning for each internal audit or review performed.

6.2 The above plan should not prevent unplanned work being undertaken due to special circumstances or changes in risk assessments. In such instances the Internal Auditor will normally consult with the Rector and report the nature of such tasks in periodic activity reports for consideration and endorsement by the Audit Committee.

6.3 The internal audit function should consult with the Rector and the UFS's managers in charge of areas to be audited during the preparation of the audit plans.

7. Internal audit reports

7.1 A written report will be prepared to document each audit.

7.2 The manager of the audited department will be requested to give explanations and comment on the report within 30 days. The reply should specify the specific steps that will be taken, and should contain a time schedule for the completion of the planned steps.

7.3 A summarised audit report containing the essential findings, recommendations and comment received back, will be sent to the Executive Committee and the Audit Committee annually as well as the following:

- * Each audit report or a précis thereof.
- * A report about the performance of the Annual Audit Plan and progressive results.
- * Activity reports at least twice yearly.
- * Other reports requested or considered necessary or useful.

8. Relations with independent external auditors and other service providers

8.1 The University appoints independent public accountants to audit the financial statements and render special services.

8.2 The objectives of Internal Audit differ from the above and focus on the effectiveness of systems and the correctness of management reports rather than certifying financial statements. As the work of the two groups overlaps in certain respects, Internal Audit co-ordinates its activities with those of the University's independent external auditors to ensure that a maximum audit cover is obtained at minimum cost.

9. Organisational structure

- 9.1 The internal audit function is independent of influence or direction about its operations and the professional performance of the Internal Audit Section should in no way be restricted by its organisational placement. The Internal Auditor is responsible for the overall operation and management of the Internal Audit Section and oversight of its efficiency, effectiveness and economy. The Internal Auditor is accountable to the Rector who is reporting to the Council via the Audit Committee in relation to the internal audit function.
- 9.2 Whilst recognising the internal audit function is part of the Rector's accountability mechanisms, it is also recognised that to ensure independence of influence about its operations, the Internal Auditor report to the Audit Committee.
- 9.3 The Audit Committee considers and recommends to Council any matter relating to the appointment and termination of the Internal Auditor.
- 9.4 The Internal Auditor shall be responsible for the performance of the internal audit function and the performance of staff in the Internal Audit Section in accordance with the UFS's relevant management performance schemes.
- 9.5 The provisions of the internal audit opinions and recommendations do not diminish the responsibility of other line managers. Before deciding to include any resources (other than available in the Internal Audit function) in the activities of the internal audit function, the following should be considered:
- * Limitations on the internal audit function's ability to give independent advice on the department's/activity's operations.
 - * The impact on the core internal audit function.
 - * The availability of skills and knowledge required to effectively perform the internal audit work.

10. Audit Committee

- 10.1 The Audit Committee acts on behalf of the Council on audit-related matters and advice both Council and the Rector. The committee reports to the Council in connection with the oversight of the independent appraisal activities performed through the audit function to ensure efficiency, effectiveness and economy of the operation of UFS.
- 10.2 The internal audit function reports directly to the Audit Committee of Council. All reports of the internal audit function are provided to the Audit Committee by the Internal Auditor through the Rector.
- 10.3 The Internal Auditor also has direct access to the Audit Committee on request.

11. Resources of the internal audit function

- 11.1 The internal audit function can be staffed by employees of the UFS appointed in the internal audit function or by contracting external consultants.
- 11.2 It shall be the responsibility of the Internal Auditor that resources provided are used to ensure that the function operates efficiently, effectively and economically. Where

Internal Audit resources are provided for the purpose of providing certifications or opinions, an appropriate fee will be charged for this purpose to the extent that such fee can be fully recovered from the external organisation to whom the certification or opinion is provided or issued.

12. Confidentiality

Persons performing the internal audit work and those with access to internal audit work papers and reports are expected to maintain the confidentiality of any data which may be considered to be of a sensitive or confidential nature.

13. Approval and amendment of charter

The Audit Committee of the Council has been delegated the authority to approve and amend the UFS Internal Audit Charter.