



Australian Graduate School of Leadership Policy Register

Policy name	Internal Audit		
Version	1.0	Status	Approved by Board of Directors
Communication	To all staff	Date	21 January 2013

Printing this document may render it out of date. Please refer to the latest online version at <http://imia.edu.au/reference>

Related Documents	<ul style="list-style-type: none">• Terms of Reference – Audit Committee
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1. Preamble

The strength and reputation of AGSL has evolved from its establishment back in 1970, initially as the International Marketing Institute of Australia, and has evolved to become a highly respected pioneer in executive development and at the forefront of the application of systems thinking to leadership and leader development. Having been the first in Australia to launch (in collaboration with CSU) a Master of Business Leadership and Doctorate of Business Leadership and one of the first in the world to launch this type of specialist postgraduate leadership degree, AGSL rises or falls on its reputation and the quality of its educational and management practices.

It is vital and fundamental to AGSL's ongoing success and standing in the educational marketplace that it never detracts from the highest ethical and practical standards.

Therefore, AGSL's internal governance procedures and ongoing evaluation of its probity standards are of the utmost importance and internal audit and related review, assessment and evaluation processes need to be of the highest order and implemented on an ongoing, regular basis.

Whilst AGSL is a long-established and highly respected education institution, it is imperative that it remains financially strong and sustainable. It follows that, as with all businesses, relevant business risks need to be identified, evaluated and mitigated.

The aim of undertaking internal audits is to manage and add value to AGSL's operations by providing an independent appraisal and advisory function for the Board of Directors by examining and evaluating the adequacy, effectiveness and

efficiency of risk management, systems of internal control and the quality of management in an independent and professional manner. Internal audits provide independent advice and assurance to the various Boards, management and other stakeholders of AGSL that policies, operations, systems and procedures meet appropriate standards of effectiveness, efficiency and propriety.

2. Scope

This policy applies to members of the Audit Committee of the Board of Directors.

The scope of internal audit shall be sufficiently comprehensive to ensure the effective and regular review of all operational, financial and related activities including:

- reviewing the reliability, timeliness, integrity and adequacy of the financial and operating information and the means used to identify, measure, classify, and report such information;
- evaluating and appraising the soundness, adequacy and application of accounting, financial, and non-financial and operating controls and recommending improvements where necessary;
- ascertaining the extent of compliance with established policies, plans, procedures, laws, and regulations and determining whether they are effective in securing their intended purpose;
- reviewing and benchmarking procedures and systems against leading practices;
- reviewing the accounting for, and safeguarding of assets and, as appropriate, verifying the existence of such assets;
- appraising the economy and efficiency with which resources are employed;
- reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- assessing the effectiveness of risk management processes within the University;
- reviewing specific operations at the request of the Chairman, Directors and the Audit Committee; and
- conducting investigations in relation to allegations of fraud, corruption and whistle-blower complaints.

3. Principles

The Audit Committee (the “Committee”) is established as a committee of the Board of Directors. The purpose of the Committee is to assist the Board of Directors of AGSL in fulfilling its responsibilities in respect of:

- Overseeing AGSL's financial reporting process, including the internal control structure and procedures for financial reporting and monitoring the integrity and appropriateness of AGSL's financial statements;
- The manner in which AGSL management ensures and monitors the adequacy of financial, operational and compliance internal controls and risk management processes designed to manage significant risk exposures; and
- The selection, compensation, independence and performance of AGSL's external auditors.

Internal auditors have an independent and neutral status and are directly responsible to the Audit Committee of the Board of Directors. Internal auditors must be free from any interest that may be regarded as incompatible with integrity, impartiality and objectivity.

The existence of an internal audit function does not relieve the Board of Directors, Academic Board, CEO, COO or other relevant staff members from their responsibility to implement and maintain effective systems of internal control.

Competence and Standards

Internal audit staff must possess the knowledge, skills, and technical proficiency essential to satisfactorily perform the tasks required of an auditor.

Internal audit staff must be cognisant of the functions imposed in applicable standards and comply with professional standards of conduct. The applicable standards include standards issued by the Institute of Internal Auditors, the Certified Practising Accountants (Australia), the Institute of Chartered Accountants (Australia), the Information Systems Audit and Control Association and the standard relevant to Risk Management being AS/NZS 4360:2004.

Where the required competence and standards of the audit function cannot be adequately satisfied by AGSL staff, an appropriately qualified external auditor is to be engaged to undertake the audit task.

4. Procedures

Timing

The extent and frequency of internal audits depends upon varying circumstances such as results of previous audits, relative risk associated with activities, materiality, and the adequacy of systems of internal control. However, a comprehensive internal

audit shall be undertaken at least every three years. The Board of Directors may specify that internal audits be undertaken more frequently.

The Board of Directors may direct the Audit Committee to undertake, or the Audit Committee may undertake, a special-purpose reduced-scope internal audit at any time to investigate any issue it sees fit.

In addition to the comprehensive internal audit undertaken at least every three years, the Audit Committee shall conduct a review of all documented internal control procedures for their adequacy and appropriateness at least annually.

Access

Internal auditors shall be provided timely access to any and all information, data, reports, presentations or any other material that exists in the company (and in controlled entities) that they request.

Audit Planning

The Audit Committee shall develop a three-year Strategic Audit Plan. This shall include overall objectives, work schedules, staffing, financial budgets, and a description of any limitations placed on the scope of work.

Effective audit planning is important to the success of the audit function and to this purpose:

- the audit work schedule is to be developed based on the prioritisation of the audit universe using relevant risk factors;
- the technical proficiency and professional qualifications of internal audit staff are to be commensurate with the audit assignment to be performed;
- the Audit Committee must be informed of any actual or suspected fraud or illegal acts for inclusion in reviews as considered appropriate;
- the CEO, COO and external auditors (where relevant) should consider and communicate their views to the Audit Committee on the potential risk areas to be covered;
- all significant auditable areas should be covered in a three year cycle and each critical risk area (as agreed by the Board of Directors, Academic Board, Audit Committee, CEO and COO) should be covered annually, having regard to current risk assessment;
- audit plans should provide for audit input into the process of specifying, developing and testing new or revised systems; and

- audit planning will take account of materiality, level of assessed risk, significance in terms of organisational impact and public accountability.

Reporting

At the conclusion of each internal audit, a copy of the audit report shall be distributed to the Board of Directors, Academic Board, CEO and COO. The report shall cover the audit objectives, scope, the conclusion based on the outcome of the audit and an agreed implementation timetable for audit recommendations. At a minimum, the report shall consider the Internal Audit Checklist set out in Appendix A.

Confidentiality

Audit staff are required to maintain the confidentiality of information obtained in the course of their duties. Information shall not be used for personal benefit. If there is any doubt over the conveying of information to a person, the CEO or COO is to be notified. The CEO or COO will determine the appropriateness of information transfer.

5. Responsibilities

The following are responsible for the application of this policy:

- Audit Committee
- Board of Directors
- CEO
- COO

6. Appendix A – Internal Audit Checklist

Overall Control Environment	Y	N
Business risks are identified, assessed and mitigated against (where possible)		
Risks are regularly reassessed through an ongoing program		
Procedures are in place to monitor risks identified as critical		
Risk exposure is compatible with company objectives		
Employees are informed of what is expected of them to act in the best interests of the company		
Accounting policies reflect the nature of operational and business risks		
Premises and assets are adequately secured		
Adequate insurance policies are in place		
Bank accounts are reconciled monthly		
Internal Controls	Y	N
Expected levels of competence and ethics from new employees are communicated to recruiters		
Employees are evaluated, remunerated and promoted based on formal evaluations related to competencies and standards		
Delegations of authority and responsibility are appropriately determined		
Employees are formally advised of their delegated authorities and responsibilities		
Senior accounting employees have a recognised accounting qualification		
Internal controls are documented and communicated to employees		
There is a formal process to review the adequacy of accounting and internal control systems for new organisational activities		
Internal controls protect the organisation's assets and provide reasonable assurance that fraud will be prevented or detected early		
Compensation arrangements related to short term targets that may encourage unethical behaviour are subject to compensating controls		
No single person initiates and approves significant transactions		
Competitive bidding is required for significant purchases and contracts		
Procedures exist to detect and report unusual payments		
Management receives timely information that compare KPIs against budgets or other criteria		
Ongoing reviews of key internal controls are undertaken and suggestions for improvement are acted on promptly		
General ledger accounts are regularly reconciled and cleared		
Formal mechanisms exist to follow up communications from any party that indicate problems in control or that employees have acted improperly		
There is a plan for prompt and effective action when fraud or an illegal act is discovered		
Employees are encouraged to report suspicious behaviour or override of established internal controls		
All recommendations made by external and internal auditors since the previous		

internal audit have been implemented to correct identified material weaknesses in controls and systems		
Information Technology	Y	N
Formal processes are in place to assess technology risks		
The business is consulted regarding the decision, strategy and prioritisation of IT initiatives		
Where activities are outsourced, appropriate performance criteria and monitoring procedures are established.		
Computers, programs and data are adequately protected from improper use, loss and destruction		
Employees have been informed of their responsibilities and accountabilities relating to the secure and confidential use of IT assets (including data)		
The security of data and systems is regularly assessed, tested and monitored, including remote access mechanisms		
The business impact of a computer breakdown has been assessed and mitigated against		
There is a business continuity plan in place		
The business continuity plan has been tested since the previous internal audit		
IT development projects employ formal change management and project management processes		
IT systems have operated efficiently and effectively for the past 12 months with no significant failures		
Accounting systems are considered adequate to meet the business needs now and into the foreseeable future		
IT matters raised by internal and external auditors since the previous internal audit have all been appropriately actioned		
IT equipment connected to external networks (e.g. the internet) are adequately secured against viruses, malware and intrusions		
Code of Ethics	Y	N
Appropriate ethical standards have been established and are effectively maintained		
Procedures are in place to inform employees of expected ethical standards and monitor adherence		
Customers and suppliers are advised of the organisation's ethical standards		
There have been no breaches of ethical standards since the previous internal audit		

Signed: _____

Print Name: _____ Date: ___/___/___