



THE UNIVERSITY OF ZAMBIA

**INTERNAL AUDIT
CHARTER**

APPROVED BY: Audit Committee

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The University of Zambia

**INTERNAL AUDIT
CHARTER**

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1. INTRODUCTION

DEFINITION OF A CHARTER

The Charter of an internal audit activity is a formal written document that defines the purpose of the Internal Audit office, gives authority to conduct audits and defines areas of responsibility. The Charter also defines other responsibilities for providing access and cooperation during audits or other reviews.

The purpose of a Charter is to:

- (i) establish the Internal Audit office's position within the organisation;
- (ii) authorise access to records, personnel and physical properties relevant to the performance of audit work; and
- (iii) define the scope of Internal Audit's work; establish its principle and the framework that governs it.

2. INTERNAL AUDIT AND ITS ROLE

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation to accomplish its objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The objective of the Internal Auditing Unit is to assist Management and the Audit Committee of the University Council in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. It is a managerial control that functions by examining and evaluating the adequacy and effectiveness of internal controls. It provides Management and the Audit Committee with an objective assessment of whether internal control systems throughout the University are working properly. Where this is not the case, Internal Audit should facilitate appropriate improvements. Internal Audit is a key part of the University's Management systems because it measures and evaluates the adequacy and reliability of internal controls so that:

1. The Vice-Chancellor and the Audit Committee know the extent to which they can rely on the whole system of internal control in the University.
2. Individual Managers (i.e. Principal Officers, Deans, Directors and Heads of Department/Unit) can assure themselves that the systems and controls for which they are responsible are sound.

Other specific objectives include:

- (a) to provide an objective and independent evaluation of the adequacy, efficiency, and effectiveness of management controls over the University's financial, human and physical resources. This includes reviewing and appraising the economy, effectiveness, and efficiency with which resources are employed;
- (b) to monitor and evaluate risk management procedures and internal controls, and to ensure financial and operational risks are understood and appropriately managed.
- (c) to advise stakeholders of findings and recommendations regarding significant risks, performance and governance issues. Also, to identify business, finance and internal control/business system risks to key decision-makers;
- (d) to determine the extent to which University assets are accounted for and safeguarded from losses of all kinds and to verify the existence of assets;
- (e) to monitor whether organisational units are operating in compliance with University policies and procedures, provincial and Government laws and regulations, contractual obligations and sound business practices;
- (f) to review operations or programmes to ascertain whether results are consistent with established objectives and goals and are being carried out as planned;
- (g) to review the reliability, integrity and adequacy of financial and operating information and means in use to identify, measure, classify and report information;

- (h) to execute audits of specific areas or functions in accordance with generally accepted auditing standards as required from time to time;
- (i) to enhance the transparency and accountability of the University's fiscal operations by making available the work of the internal auditor to external auditors in their examination of the University's financial records and the annual financial statements.

However, the Internal Audit review and appraisal of an area shall not in any way relieve Management of its assigned responsibilities.

3. SCOPE

The Scope of Internal Audit should include the whole system of internal controls of the University including all its staff, activities and locations, funded from whatever source. Internal Audit should consider the adequacy of systems and controls necessary to secure property, economy, efficiency and effectiveness in all areas. It should seek to confirm that management has taken the necessary steps to achieve these objectives.

The whole system of internal control of the University to be examined by the Internal Audit Unit should include:

1. All those systems that are established to achieve the University's entire set of strategic objectives.
2. All Schools, Directorates, Departments/Units.

Internal Audit should comply with UNZA Council policy decisions. However, Internal Audit may examine the management arrangements in the University by which such decisions are made, monitored and reviewed.

Internal Audit may also conduct special reviews/investigations requested by Management or the Audit Committee, provided such reviews/investigations do not compromise its objectivity, independence or achievements of its annual plan. If such special reviews significantly affect the achievement of the annual Internal Audit plan, they should be approved in advance by the Audit Committee on the advise of the Vice-Chancellor.

4. APPOINTMENTS

The Head of Internal Audit shall be called the Chief Internal Auditor. The officer shall be appointed by the University Council on recommendation of the Audit Committee. The officer may be dismissed or transferred by the written recommendation of the Chairperson of the Audit Committee of Council on the advice of the Vice-Chancellor. The Chief Internal Auditor shall be responsible for the direction, personnel, budget, and day-to-day operations of the Internal Audit Unit.

5. INDEPENDENCE

Independence, objectivity and integrity are the foundations of an effective internal audit and assurance system. To achieve the highest degree of independence, the Internal Audit:

- (a) Shall be directly responsible to the Audit Committee functionally and administratively to the Vice-Chancellor. The Internal Audit Unit will be independent of any unit, department, School or office or employee or official of the University.
- (b) Has a duty to bring directly to the attention of the Chairperson of the Audit Committee and the Vice-Chancellor, where appropriate, any concerns about audit matters or other significant risks not being adequately dealt with by the University.
- (c) The Chief Internal Auditor shall draw the attention of the Vice-Chancellor and the Audit Committee, to all matters that warrant reporting in this manner:
 - (i) shall have no executive or managerial powers, authority, functions or duties except those relating to the management of the Internal Audit function;
 - (ii) shall not be involved in the daily operation of the accounting and financial management and control systems of the University;
 - (iii) shall not be responsible for the detailed development or the implementation of new systems

and procedures. The office of Internal Audit should offer advice on incorporating adequate controls in new systems and procedures. The office should also provide assurance to Management that the new systems and procedures will contribute to the achievement of the University's objectives; and

- (iv) Internal Audit will have no direct responsibility or authority for any of the activities or operations they review. It should not develop and install procedures, prepare records, or engage in activities that would normally be reviewed by internal auditors. Furthermore, Internal Audit does not in any way relieve other persons in the University of the responsibilities assigned to them.

6. AUTHORITY

The Chief Internal Auditor and auditors of the Internal Audit Unit are authorised to:

- (a) Have unrestricted access to all functions, records (including computer files), property and personnel.
- (b) Have full and free access to the Audit Committee.
- (c) Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- (d) Obtain the necessary assistance of personnel in units of the organisation where they perform audits, as well as other specialised services from within or outside the organisation. Documents and information given to internal auditors during a periodic review will be handled in the same prudent manner as by those employees normally accountable for them.
- (e) Be free from undue influence in selecting activities to be examined and the audit techniques and procedures to be used. To the extent permitted by law, Internal Audit will have unrestricted access to all sources of

information, property and personnel relevant to an area under review.

- (f) Make special efforts to protect the confidentiality of information obtained in a review and, to the extent possible, accommodate an area's daily operations in scheduling and conducting reviews.
- (g) Inform the Vice-Chancellor or the Audit Committee, if considered necessary by the Chief Internal Auditor, in the cases where access to information is denied and in the professional opinion of the Chief Internal Auditor, the information is needed for the successful completion of the audit.

The Chief Internal Auditor and staff of the Internal Audit Unit are NOT authorised, except for pre-audits, to:

- (i) perform any operational duties for the University or its affiliates;
- (ii) initiate or approve accounting transactions external to the Internal Audit Unit; and
- (iii) direct the activities of any University employee not employed by the Internal Audit Unit, except to the extent such employee has been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

7. RESPONSIBILITIES

1. Responsibility for internal control rests fully with Management who should ensure that appropriate and adequate arrangements for internal control exist in addition to any internal audit activity.
2. The Chief Internal Auditor should give an annual opinion to the Audit Committee and the Vice-Chancellor on the adequacy and reliability of the University's system of internal control and the extent to which the Audit Committee and the Vice-Chancellor can rely on.
3. The Internal Audit Unit shall execute a comprehensive programme to ensure that all activities of the University

are reviewed at appropriate intervals, as determined by the Chief Internal Auditor and approved by the Audit Committee.

4. An annual audit plan shall be prepared and submitted to Audit Committee for approval.
5. The Internal Audit Unit shall review and evaluate systems of control and the quality of ongoing operations, recommend action to correct any deficiencies, and follow-up on Management's response to ensure that corrective action is taken on a timely basis. Annually, the Chief Internal Auditor shall report on the adequacy of the internal control structure of the University.
6. The Internal Audit Unit shall appraise the quality of management performance in terms of compliance with policies, plans, procedures, laws and regulations.
7. The Internal Audit Unit shall identify operational opportunities for improvement in performance by appraising functional effectiveness against industry standards and sound business practices.
8. The Internal Audit Unit will coordinate internal investigations of suspected fraud with the appropriate University officials (e.g., Office of Legal Counsel, Security, University officers, the Compliance Office, and/or departmental personnel).
9. The Internal Audit Unit shall conduct special reviews as directed by the Vice-Chancellor. Special reviews requested by departmental management may be performed at the discretion of the Chief Internal Auditor. Care should be taken as to retain independence and avoid conflicts of interest when performing audit services.
10. As part of an implementation team, internal auditors may serve as non-voting members on related steering committees.
11. The Internal Audit Unit shall evaluate the adequacy of Management's corrective action and perform

necessary follow-up procedures to ensure that the corrective action has been implemented.

12. The Chief Internal Auditor shall report at each regular meeting of the Audit Committee on any condition that, in his or her judgement, could adversely affect the University. Suspected theft, fraud, or misuse of funds will be reported to the Vice-Chancellor and the Audit Committee.
13. The Internal Audit Unit shall submit quarterly activity reports to the Audit Committee that summarise audit findings and trends.
14. The Internal Audit Unit shall serve as facilitator and coordinator for external audit agencies.

8. STANDARDS AND AUDIT PRACTICE

1. The Internal Audit Unit will meet or exceed the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.
2. The members of the Internal Audit Unit will conduct their activities in accordance with:
 - (i) International Standards for the Professional Practice of Internal Auditing;
 - (ii) The Institute of Internal Auditors' (IIA) Code of Ethics;
 - (iii) Members of the Internal Audit Unit will undertake continuing professional development, and maintain sufficient knowledge, skills, experience, and professional certification to meet the requirements of their position.

9. REPORTING

1. The Head of Internal Audit shall report audit results to the Principal Officers, Deans, Directors, and Heads of Department/Unit within the University. The Head of Internal Audit should keep the Vice-Chancellor informed of audit results and draw the attention of the Audit Committee to significant findings or recommendations.

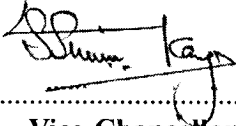
2. The Head of Internal Audit should submit annually to the Audit Committee, for approval, the Unit's work schedule and staffing plan.
3. The Head of Internal Audit should submit significant interim changes for approval and information. The Head of Internal Audit should also submit activity reports to the Vice-Chancellor and to the Audit Committee annually or more frequently as necessary.
4. Internal Audit should produce its reports, usually within one month of completion of each audit, giving an opinion on the area reviewed and making recommendations where appropriate. Recommendations should be prioritised. All reports should be provided simultaneously to the Audit Committee and the Vice-Chancellor. Principal Officers, Deans, Directors, Heads of Department/Unit should be required to respond to each audit report, usually within one month of issue. In their response, they should state, for agreed recommendations, their proposed action, the person responsible for implementation and a date by which action will be completed.
5. The Chief Internal Auditor shall ensure that written reports with the Auditees' responses are prepared for each internal audit review and that such reports are furnished to appropriate administrative personnel and the Head of School or Unit responsible for the audited activity. All completed internal audit reports shall be submitted to the Vice-Chancellor and the Audit Committee as soon as they are completed, and provided to all responsible officers. The Audit Committee and the Vice-Chancellor shall have the opportunity to discuss any report with the Chief Internal Auditor.
6. Material recommendations should be followed up at least six to twelve months later. In addition, the Audit Committee should monitor implementation of audit recommendations regarding significant matters.

Internal Audit's annual report to the Vice-Chancellor and the Audit Committee should include:

- (a) A statement of the extent to which the Vice-Chancellor can rely on the whole system of internal control of the University.
- (b) An analysis of common or significant weaknesses arising.
- (c) A comparison of Internal Audit's activity during the year with that planned, placed in the context of Internal Audit need.
- (d) Details of any major audit findings where action appears to be desirable but has not been taken and which thus need to be brought to the attention of the Audit Committee and the Vice-Chancellor.
- (e) The extent of achievement of any objectives which may have been agreed for Internal Audit.

10. IRREGULARITIES, INCLUDING FRAUD AND CORRUPTION

Internal Audit should report to the Vice-Chancellor and the Audit Committee, without delay, any serious weaknesses, significant frauds, major accounting and other control breakdowns that may occur.



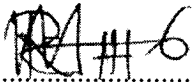
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Vice-Chancellor



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Audit Committee Chair



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Chief Internal Auditor

18/02/2013

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Dated



Internal Audit Unit

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