

## **Terms of Reference of the Internal Audit Service (Internal Audit Charter)**

### **1. Introduction**

- 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 University of Nottingham's Internal Audit Service is a co-sourced service resourced by an in-house team and an external partner.
- 1.3 The Internal Audit Service is responsible for giving assurance to Council, through the Audit and Risk Committee, and the Vice-Chancellor, on the arrangements for risk management, control and governance, and value for money. It also assists management by evaluating and reporting to them on the effectiveness of these arrangements. It remains the duty of management, not the internal auditor, to operate these arrangements.
- 1.4 The working principles of the Internal Audit Service are aligned with the Global Internal Audit Standards mandated Institute of Internal Auditors.
- 1.5 Audit and Risk Committee is responsible for approving the Terms of Reference of the Internal Audit Service, which meet the Chartered Institute of Internal Auditors requirements for an "Internal Audit Charter".

### **2. Scope**

- 2.1 All the University's activities, funded from whatever source, fall within the remit of the Internal Audit Service. The Internal Audit Service will consider the adequacy of arrangements necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that management have taken the necessary steps to achieve these objectives and manage the associated risks.
- 2.2 The scope of internal audit work covers the whole of the University's risk management, control and governance arrangements and any aspect of value for money (VFM) delivery. This does not imply that all areas will be subject to review, but that all will be included in the audit risk assessment and hence considered for review following the assessment of risk. The work of other providers of assurance on the University's activities will be taken into account.
- 2.3 It is not within the remit of the Internal Audit Service to question the appropriateness of policy decisions. However, the Internal Audit Service is required to examine the arrangements by which such decisions are made, monitored and reviewed, and related risks identified and reviewed.
- 2.4 The Internal Audit Service may also conduct any special reviews requested by Council, the Audit and Risk Committee or the Vice-Chancellor, provided such reviews do not compromise its objectivity or independence, and take account of the impact on achievement of the approved audit plan.
- 2.5 Limited assurance services may also be provided to some organisations related to the University; the nature of this assurance is agreed in advance in each case.

- 2.6 UNM and UNNC are joint ventures where the University is a minority partner. As such the Internal Audit Service does not seek to provide a full audit service relating to UNM or UNNC. However the University can request to conduct internal audits at the campuses.

### **3. Responsibilities**

- 3.1 The Director of Internal Audit is required to give an annual opinion to Council and the Vice-Chancellor, through the Audit and Risk Committee, on the adequacy and effectiveness of the arrangements for risk management, control and governance (including information technology governance and ethics-related activities); and for economy, efficiency and effectiveness (value for money) within the University; and the extent to which Council can rely on these. The Director of Internal Audit should also comment on other activities for which Council is responsible, and to which the Internal Audit Service has access.
- 3.2 To provide the required assurance, the Internal Audit Service will undertake a programme of assurance or consulting work, based on a strategy authorised by Council on the advice of the Audit and Risk Committee. The programme will evaluate the arrangements in place to:
- (a) establish and monitor the achievement of organisational objectives
  - (b) identify, assess and manage risks to those objectives
  - (c) advise on, formulate and evaluate policy within the responsibilities of the Vice-Chancellor
  - (d) ensure compliance with policies, laws and regulations
  - (e) ascertain the integrity and reliability of financial and other information provided to management and stakeholders, including that used in decision making
  - (f) ascertain that systems of control are laid down and operate to promote the economic, efficient and effective use of resources and to safeguard assets
  - (g) manage fraud risk.

### **4. Standards and approach**

- 4.1 The Internal Audit Service's work will be performed with due professional care and ethical standards, in line with a documented principles-based approach. The approach should conform with the Global Internal Audit Standards and also with any relevant requirements of the Office for Students.
- 4.2 To achieve its objectives the Internal Audit Service will develop and implement an audit strategy that assesses the University's arrangements for risk management, control and governance and for achieving value for money.
- 4.3 The Director of Internal Audit will implement measures to monitor the effectiveness of the service and compliance with standards, and operate a Quality Assurance and Improvement Programme (QAIP). The Audit and Risk Committee will consider and approve these performance measures and may also seek an independent assessment of the Internal Audit Service's effectiveness.
- 4.4 The Internal Audit Service will handle and retain information in line with the University's data handling standards.

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## **5. Independence**

- 5.1 The Internal Audit Service has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control and governance, value for money and related matters, subject to resource constraints.
- 5.2 For day to day administrative purposes, the Director of Internal Audit will report to the Chief Governance and Risk Officer. The Director of Internal Audit shall have right of direct access to the Vice-Chancellor.
- 5.3 The Internal Audit Service should be free from interference in determining the scope of auditing, performing work and communicating results. Any such interference should be disclosed to Council.
- 5.4 Within the University, responsibility for risk management, control and governance arrangements and the achievement of value for money rests with Council and management, who should ensure that appropriate and adequate arrangements exist without reliance on the University's Internal Audit Service.
- 5.5 To preserve the objectivity of the internal auditors' professional judgement, it is for management to determine whether or not to accept audit recommendations, to recognise and accept the risks of not taking action, and to implement appropriate actions.

## **6. Rights of access**

- 6.1 The Internal Audit Service has rights of access to all the University's records, information and assets which it considers necessary to fulfil its responsibilities. Rights of access to other bodies funded by the University should be set out in the conditions of funding.
- 6.2 The Director of Internal Audit has a right of direct access to the Chair of Council, the Chair of the Audit and Risk Committee and the Vice-Chancellor.
- 6.3 The Director of Internal Audit controls access to Internal Audit Service reports and records, and will give appropriate consideration (in liaison with other senior managers or Legal Counsel if appropriate) to requests for access from the external auditors; the Office for Students or other funding bodies and the police (in the case of investigations) for access to any information, files or working papers obtained or prepared during Internal Audit Service work that they need to discharge their responsibilities.

## **7. Relationships with other assurance providers**

- 7.1 The Internal Audit Service will liaise with other assurance providers internally and externally, including any in-country audit providers for UNM and UNNC, and the external auditor, to optimise the assurance provided to the University.

## **8. Reporting**

- 8.1 The Director of Internal Audit must submit an annual report to Council and the Vice-Chancellor through the Audit and Risk Committee. The report must relate to the University's financial year, and include any significant issues up to the date of preparing the report which

affect the opinion. The report should give an opinion on the adequacy and effectiveness of the University's arrangements for:

- (a) risk management, control and governance, and
- (b) economy, efficiency and effectiveness (VFM)

and the extent to which the Council can rely on them.

- 8.2 The Director of Internal Audit should also prepare, on a six-month rolling basis, an audit needs assessment and audit plan supported by an assessment of resource needs. These should be submitted to Audit and Risk Committee for approval following consultation with relevant managers and the Vice-Chancellor.
- 8.3 The Director of Internal Audit is accountable to the Vice-Chancellor and Council through the Audit and Risk Committee for the performance of the service. The Director of Internal Audit should also report audit findings to relevant managers (including the Vice-Chancellor) and draw the attention of the Audit and Risk Committee to key issues and recommendations.
- 8.4 The Internal Audit Service will produce draft reports, usually within one month of completing each audit, giving an opinion on the area reviewed and making recommendations for improvement where appropriate. These will be discussed with the line managers responsible who will provide responses to the report, giving management comments and details of a plan of action with timescales for completion. A final report will then be issued to line managers, usually within one month of issuing the draft report. Such reports will also be provided to the Vice-Chancellor, Deputy Vice-Chancellor and other UEB members as agreed.
- 8.5 Internal audit reports will be considered by the Assurance Committee, which will scrutinise and endorse the management action plan to address the audit findings.
- 8.6 Summary reports will be provided to the Audit and Risk Committee and the attention of the Audit and Risk Committee will be drawn to significant findings and recommendations.
- 8.7 The Director of Internal Audit will draw the attention of the Vice-Chancellor and Audit and Risk Committee to any significant recommendations that have not been accepted by management, and to the risks arising.
- 8.8 The implementation of management action plans will be tracked regularly with updates sought from the Responsible Officers and reported to Audit and Risk Committee by the Internal Audit Service. Evidence of completion of the actions will be reviewed on a sample basis by the Internal Audit Service.
- 8.9 The Director of Internal Audit should report to the Vice-Chancellor any serious weaknesses, significant fraud or major accounting breakdown discovered during the normal course of audit work. If the Vice-Chancellor refuses to report the matter to the Office for Students, the Chair of the Audit and Risk Committee and the Chair of Council, then the Director of Internal Audit must report to them directly.