

Internal Audit Charter

2018

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1.0 Mission and Vision Statement

Internal Auditing as defined by the Institute of Internal Auditors (IIA) is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Mission and Vision of Internal Audit Unit (IAU) is to use our knowledge, experience and professional judgement to facilitate and strengthen the internal control environment in the University by furnishing Management, Audit Committee (AC) and Council with:

- On-going risk assessment,
- Constructive recommendations and analysis,
- Reliable opinions and
- Report on the adequacy of internal controls, accuracy, reliability and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with Policies, Procedures, Laws and Regulations.

2.0 The Charter

As defined by the Institute of Internal Auditors (IIA), the Charter of the Internal Audit Activity is a formal document that defines the activity's purpose, authority, and responsibility. It provides the Internal Audit Unit with a formal mandate to do its work. It gives appropriate powers and reporting responsibilities to carry out auditing functions effectively.

The Internal Audit Unit of the University has prepared this Charter to serve as a guide in the performance of its duties. The Charter sets out the broad policies, objectives and scope of the Internal Audit function and establishes the purpose, structure, authority and responsibility conferred by the University Council on the Internal Audit area of activity. No Department, Section or Unit is excluded from the applicability or coverage of this Charter.

3.0 Policy Statement

The University is required by Section 16 (1) of the Internal Audit Agency Act 2003, (Act 658) to maintain an effective Internal Audit function. In facilitating the effective performance of the Internal Audit function within the University, the Internal Audit Charter operates in accordance with the related Legislation/Policies and Procedures of the University. The Charter serves as authoritative source of information on the purpose, authority, responsibilities and limitations of the Internal Audit function.

4.0 Role and objective of Internal Audit

The primary role of Internal Audit Unit is to assist Management, Audit Committee and Council in the effective discharge of their responsibilities. The IAU responsibilities have been defined by Section 83 of Public Financial Management Act, 2016 (Act 921). The role and objective of the Internal Auditor as stipulated in the Public Financial Management Act, 2016 (Act 921) but not limited to the following are to:

- Report administratively to the Principal Spending Officer and functionally to the Audit Committee of the covered entity;
- Appraise and report on the soundness and application of the system of controls operating in the covered entity;
- Evaluate the effectiveness of the risk management and governance process of a covered entity and contribute to the improvement of that risk management and governance process;
- Provide assurance on the efficiency, effectiveness and economy in the administration of the programmes and operations of a covered entity
- Evaluate compliance of a covered entity with enactments, policies standards, systems and procedures;
- Prepare and submit Annual Audit Work Plan of the activities required to be performed to the Principal Spending Officer, the Audit Committee and Director-General of Internal Audit Agency;
- Submit quarterly reports on the execution of the Annual Audit Work Plan to the Principal Spending Officer of the covered entity concerned, the Audit Committee, the Auditor General and the Director-General of the Internal Audit Agency.

The activities of Internal Audit Unit are to assist the University in the assessment and improvement of the effectiveness of the internal control framework, risk management, compliance and governance processes.

5.0 Authority

In order to fulfil its responsibilities, The Internal Auditor shall be free from control or undue influence in the selection and application of audit techniques, procedures and programmes. The Internal Auditor is authorized to direct programme of Internal auditing within the University and have full, free and unrestricted access to the University's records, facilities, data bases, personnel, documents, External Auditors reports and other University information or material or individuals needed to accomplish its objectives. No legitimate source of information is to be closed to the Internal Auditor. The Internal Audit Unit has the authority to:

- have full and free access to Management, Audit Committee, Council Chair and the External Auditors
- have resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.

- obtain the necessary assistance of personnel in Departments/Units/Section of the University, as well as other specialized services from within the University.

It is understood that certain information of the University are confidential in nature and special arrangements will be made by the Internal Auditor when examining and reporting on such items.

6.0 Scope of work

The scope of the internal auditing encompasses the examination, evaluation, and contribution to the improvement of the adequacy, effectiveness and efficiency of the University's system of internal control and risk management, governance, and the quality of performance in carrying out assigned responsibilities. It includes all significant processes, systems, activities and operations to cover:

- **Risk Management and Governance Process Improvement:** Internal Audit Unit assists in detecting risks, assessing them and manages them effectively. It ensures that interaction with the various governance and groups occurs as needed and risks appropriately identified and managed.
- **Reliability and Integrity of Information:** Internal Audit reviews the reliability and integrity of financial, managerial and operating information. It ensures that significant financial, managerial, and operating information are accurate, reliable and timely.
- **Compliance with Policies, Standards, Procedures, Laws and Regulations:** Internal Audit reviews the systems established to ensure employees' actions and transactions are in compliance with Policies, Standards, Procedures, Laws and Regulations with significant impact on the operations.
- **Safeguarding of Assets:** Internal Audit reviews the means of safeguarding assets and verify the existence of these assets. It satisfies itself that unserviceable, obsolete or surplus stores, plant and equipment are properly disposed of in line with regulations, and proceeds properly accounted for as per Section 83 of Public Procurement Act, 2003 (PAA), (Act 663) as Amended by Section 45 of PPA, 2016 (Act 914).
- **Economic and Effective Use of Resources:** Internal Audit appraises the economy and efficiency with which resources are used as well as the frame work for the protection of assets. It ensures resources are acquired economically, and efficiently, and adequately protected.
- **Achievement of Goals, Objectives, and Outcomes for Operations:** Internal Audit reviews operations to ascertain whether results are consistent with established goals and objectives. This ensures that programmes, plans and objectives are achieved.
- **Monitoring of Performance Indicators:** Internal Audit performs such monitoring activities to assist Management, Audit Committee and Council to achieve their targets. It ensures that Quality and Continuous

Improvement Techniques are fostered in the University's control process.

- *Evaluating the potential for the occurrence of fraud, investigating such instances, and how the University manages fraud risk or the deterrence of fraud.*
- *Reviewing or consulting on specific operations or activities at the request of the Audit Committee, Management or Council.*
- *Ensuring that significant legislative or regulatory issues impacting the University are recognized and addressed appropriately.*

7.0 Limit of Authority and Scope of work

The scope of Internal Audit work and Authority of Internal Auditors does not extend to:

- performing any daily internal checking functions, operational duties or developing and installing systems and procedure for the University or its controlled entities;
- preparing records, initiating or approving accounting transactions external to Internal Audit Unit;
- leaking information obtained during the cause of audits and should not use such information other than strictly for audit purpose;
- exercising executive or managerial authority or functions, except those which relate to the Internal Audit function;
- engaging in any other activity which they would normally review and appraise and which could reasonably be construed to compromise in appearance of fact, the independence and/or objectivity of the Internal Auditor.

8.0 Responsibility

The Internal Auditor has a responsibility to:

- develop a flexible Annual Audit Work Plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management or Audit Committee, and submit that plan as well as periodic updates to Management and the AC for review and approval by the University Council.
- Implement the Annual Audit Work Plan as approved, including, as appropriate, any special tasks or projects requested by Management, the AC or Council that are consistent with the Audit's mission and independence.
- perform consulting services, beyond internal auditing assurance services, to assist Management in meeting its objectives. Examples may include facilitation, process design, and training.
- assist in the investigation of significant suspected fraudulent activities within the University and notify Management and the AC of the results.
- issue quarterly reports to the AC, Management and the Director-General of Internal Audit Agency summarizing results of Audit activities. Evaluate and monitor dispositions of proposed actions and their expected effectiveness. Instances of residual risk that may be unacceptable to the University will be discussed with

Management and, if unresolved, report to the AC.

- Maintain a professional Audit Staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirement of this Charter.
- Provide copies of activity reports to Management and the Audit Committee to ensure that they are informed of the Internal Audit's activities.
- Use outside services, where appropriate, to obtain specific expertise which is not available internally to meet the requirements of this Charter.
- Keep the AC informed of emerging trends and successful practices in internal auditing.
- Coordinate with other control and monitoring functions within the University to avoid duplication of efforts and cost.
- Consider the scope of work of the External Auditors and Regulators, as appropriate, for the purpose of providing optimal audit coverage to the University at a reasonable cost.
- Review the University's Internal Audit Charter annually with Management and the AC.
- Establish a quality assurance programme by which the Internal Auditor assures the operation of Internal Audit activities.

9.0 Accountability

The Internal Auditor, in the discharge of his/her duties, shall be accountable to Management, the AC and the Director-General of Internal Audit Agency to:

- Provide regular assessment on the adequacy and effectiveness of the University's processes for controlling its activities and managing its risks in the areas set forth under the Mission and Scope of work.
- Report significant issues related to the processes for controlling the activities of the University, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the Annual Audit Work Plan and the sufficiency of resources.
- Coordinate and provide oversight responsibility of other control and monitoring functions (example, risk management, compliance, security, legal, ethics, and environmental).

10.0 Organizational Independence, Structure and Reporting Responsibilities of IAU

The "Independence" of Internal Audit means that its activities are conducted in a manner free from conditions that threaten its ability to carry out its responsibilities in an unbiased manner. The Head of Internal Audit Unit shall report **administratively** to the Principal Spending Officer (Vice Chancellor) and **functionally** to the AC of the University as stated in Section 83 (2) of the Public Financial Management Act, 2016

(Act 921).

Administrative reporting line should enable adequate communication flow such that the Internal Auditor and the Internal Audit function have adequate and timely flow of information concerning the activities, plans, and business initiatives of the University, to include open and direct communications with Executive and line Management. At all times, the Internal Auditor should have open and direct access to the Vice Chancellor and the AC.

Internal Audit's objectivity and independence depend largely on having no responsibility for or authority over any of the activities or operations subject to its review. The Internal Audit Unit should be provided with the needed resources to protect its independence.

11.0 Quality assurance and improvement programmes

The Internal Auditor shall develop and maintain an effective quality assurance and improvement programme that covers all aspects of Internal Audit activities. This will enable the evaluation of the conformance of Internal Audit activities with the Institute of Internal Auditing International Professional Practices Framework (IPPF) and Code of Ethics. The program will also allow for the assessment of efficiency and effectiveness and identify opportunities for improvement of the Internal Audit Practice.

The programme will consist of periodic internal and external assessment. The external assessment will be conducted in accordance with requirements of IIA's International Standards for the Professional Practice of Internal Auditing. The Internal Auditor will present and discuss the results of any assessment with the AC and Management. The Internal Auditor may state that the Internal Audit activity conforms to the IIA International Standards for the Professional Practice of Internal Auditing only if results of the quality assurance and improvement programme support the statement. The Internal Auditor shall:

- Develop and maintain comprehensive work reporting systems;
- Maintain a regular review of Audit Work Plan Reports, working papers, and provide Staff training to ensure that Audit Staff undertake continuous professional activities, maintain Membership of relevant Professional Bodies, and are encouraged to undertake further studies, where considered appropriate
- Comply with IIA's Code of Ethics;
- Ensure that skills, competences, experience and qualifications of Audit Staff are appropriate for the audits being performed;
- Ensure that all Audit activities are properly supervised and, where required, on the job training provided;
- Ensure compliance with all relevant Internal Audit Policies and Procedures;
- Ensure that all Internal Audit work is undertaken with proficiency and due

professional care;

- Ensure that all information gained by Audit Staff in the course of their audit work remain confidential and is not used or conveyed for purpose outside the scope of approved responsibilities

12.0 Audit Committee (AC)

The Head of Internal Audit Unit shall report functionally to the AC of the University. The AC has the following basic responsibilities with regards to Internal Audit to:

- Pursue the implementation of recommendation (s) contained in Internal Audit report,
- Prepare an annual statement showing the status of implementation of recommendations contained in Internal Audit Report,
- Indicate the remedial action taken or proposed to be taken to avoid or minimize the recurrence of an undesirable feature in the accounts and operations of a covered entity.
- Indicate the period for the completion of the remedial action.
- Ensuring the Internal Auditor's access to the Audit Committee, encouraging communication beyond scheduled Committee meetings
- Reviewing Internal Audit Work Plan, Internal Audit Charter, Risk assessment (including fiscal risk) reports.

The Audit Committee will support and ensure that Internal Audit Unit is functioning effectively. The committee will also ensure that the Head of the covered entity pursues the implementation of recommendations contained in both External and Internal Audit reports, Parliament's decision on the Auditor General's report as well as reports of Internal Monitoring Units.

The relationship between the Internal Auditor and the AC should be characterized by openness, frequency of interaction and focus on issues important to the AC's scope of responsibility and an active orientation. The AC and Internal Auditors are interdependent and should be mutually accessible, with the Internal Auditors providing objective opinions, information, support, and education to the AC; and the AC providing validation and oversight responsibility to the Internal Auditor.

13.0 Audit Methodology

For all planned audits, the Departmental/Unit/Sectional Heads responsible for the activity under review shall be advised of the objectives and scope of the procedures to be conducted, prior to the commencement of such procedures. This should be discussed at the entry conference level. Observations/findings and recommendations will be discussed with the individual(s) responsible for the areas in question during the audit process.

At the conclusion of each audit, a draft report will be provided to the responsible Departmental/Unit/Sectional Head for discussion and review. The Department/Unit/Sectional Head is to provide a written response to the draft report. An exit conference will be held with responsible Officer. All observations/findings, conclusions, and recommendations will be discussed and differences of opinion will be noted.

14.0 Audit Reports

A formal Audit Report will be issued after the exit conference. This report will normally contain the scope, audit objectives, methodology, observations/findings and recommendations or advise where appropriate. A section of the report will include Management response. Management's written action plan shall include the individuals responsible for implementing the recommendations, time line for anticipated completion of action to be taken and explanation for any recommendations not addressed or agreed upon. Management shall be given 10 working days from the date of the exit conference to provide written responses to the Internal Auditor.

Upon receipt of Management response, the Internal Auditor will issue the final written report. A copy of the report is provided to the Department/Unit/Section being reviewed and a copy provided to those in the chain of command from the Departmental/Unit/Sectional Head to the Vice Chancellor and the AC as provided by the Statute of the University.

Section 83 (7) of the Public Financial Management Act, 2016 (Act 921) mandates the Internal Auditor of a covered entity to submit quarterly reports on the execution of the Annual Audit Work Plan to the Principal Spending Officer (Vice Chancellor) of the covered entity, the Audit Committee, the Auditor General and the Director-General of the Internal Audit Agency.

Internal Audit Unit will conduct a follow-up review on audits performed to ensure that recommendations have been considered and acted upon based upon the risk. Distribution of the follow-up report will be the same as the original report. When follow-up is performed, the Auditor is expected to find one of the followings:

- The concern has been adequately addressed by implementing the original corrective action,
- The concern has been adequately addressed by implementing an alternative corrective action,
- The concern no longer exists because of changes in the processes
- The corrective action has been initiated but is not complete
- The concern has not been addressed

The auditor should determine which of the conditions above apply and report

accordingly.

15.0 Fraud and Investigation

Managing the risk of fraud is the responsibility of the University's leadership (Management). Internal Audit Unit is responsible for examining and evaluating the adequacy and the effectiveness of action taken to fulfil this obligation. Internal Auditors should have sufficient knowledge of fraud to be able to identify red flags and indicators that fraud might have occurred. If significant control weaknesses are detected, additional tests to be conducted by Internal Auditors should include tests directed toward the identification of other indicators of fraud.

An act is illegal if it is against the Law, Rules and Regulations. Illegal act can also be defined as an act or omission that violates any Law or Rule having the force of the Law. If IAU is responsible for the investigation, it may conduct an investigation using in-house staff, outsourcing, or a combination of both. In some cases, IAU may also use non audit employees (Experts) of the organization to assist in investigation.

The IAU should consider the following in planning investigative activities:

- Gathering of evidence through surveillance, interviews, or written statements.
- Documenting and preserving evidence, considering legal rules of evidence, and the use of the evidence by the University.
- Determining the extent of the fraud
- Determining the techniques used to perpetrate the fraud
- Evaluating the cause of the fraud
- Identifying the perpetrators

The Internal Auditor will assist in the investigation of suspected fraudulent activities within the University in all cases where assets have lost (or suspected to have lost) or there is reasonable suspicion of fraud or security breaches in financial or operating systems in order to:

- determine if controls need to be implemented or strengthened,
- design audit tests to help disclose the existence of similar frauds in the future, and
- help meet Internal Auditing responsibility to maintain sufficient knowledge of fraud.

At the conclusion of the investigation, the Internal Auditor will issue a report on internal control findings, conclusions, recommendations, and corrective actions planned or taken.

16.0 Responsibility for the detection of error or irregularities

The Internal Auditor and the Internal Audit Staff have a professional responsibility to conduct reviews with an attitude of professionalism. The Internal Auditor must recognize that the application of Internal Audit procedures may produce evidence

indicating the possibility of errors or irregularities. The detection and prevention of errors and irregularities which may occur is a shared responsibility by all Members of Management Team.

When Internal Audit Unit (IAU) concludes, based on evidence obtained during the conduct of an audit that an illegal act has occurred or is likely to have occurred, and there is sufficient evidence pointing to the fact that illegal act has occurred or is likely to have occurred, the Head of IAU should report to the appropriate authorities. Section 83 (9) of the Public Financial Management Act, 2016 (Act 921) mandates the Internal Auditor of a covered entity to report to the Principal Spending Officer concerned any incidents of suspected fraud or misuse of public funds.

17.0 Audit Standards

Internal Auditors must conduct audits and reviews according to Generally Accepted Auditing Standards using such audit programmes, techniques, and procedures considered necessary under the circumstances. The standards for the performance of the Internal Audit functions are to be developed and carried out consistent with the Code of Ethics and International Standards for the Professional Practice of Internal Auditing and Practice Advisories as defined by the Institute of Internal Auditors (IIA) and the Internal Audit Agency (IAA) Act, 2003, (Act 658).

18.0 Resource Requirement

The Internal Auditor will communicate audit resource requirement to Management and the AC for review and approval. The resource requirement shall take into account the need to ensure operational independence and effective functioning of the Internal Auditor to achieve the required objectives of his/her mandate.

The budget and staffing levels will be determined as part of the University's annual business planning and budgeting process. The Internal Auditor will report to Management and AC on regular basis regarding the adequacy of the department's Staff and budget, and any adjustments that may be made to the audit plan or budget as appropriate during the course of the year.

The Internal Auditor, Management and the AC will ensure that Internal Audit function comprises professional Staff with sufficient skills, experience and professional knowledge, and promote continuous professional development to meet the requirement of this Charter. The Internal Auditor will also communicate the impact of resource limitations.

19.0 Coordination/liaison with External Auditors and other Parties

The Internal Audit shall liaise with External Auditors and other Parties to:

- Coordinate all review, evaluation and/or investigate activities related to the University;
- Ensure that the audit programmes are complementary;
- Foster a cooperative working relationship;
- Reduce the incidence of duplication of effort and cost; and
- Promote appropriate sharing of information.

20.0 Development, amendments and approval of the Charter

The Internal Audit Unit is responsible for the development and maintenance of the Internal Audit Charter and ensuring that Internal Audit Staff have access to the information provided therein.

The Internal Auditor should regularly assess and review the Internal Audit Charter and recommend it for approval by Council, after review by Senior Management and the Audit Committee.

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