



L-Università
ta' Malta

INTERNAL AUDIT ACTIVITY CHARTER

Version 3

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1. PURPOSE AND MISSION

The purpose of the University's (UM) internal audit function (IAF) is to provide independent, objective assurance and consulting services designed to add value and improve UM's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The IAF helps the UM to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

2. STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The IAF will govern itself by adherence to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional of Internal Auditing, and the Definition of Internal Auditing. The Chief Audit Executive (CAE) will report periodically to senior management and the audit and risk committee (ARC) regarding the IAF's conformance to the Code of Ethics and the Standards.

3. AUTHORITY

3.1 The CAE will report functionally to the ARC and administratively to the University Rector and Secretary. To establish, maintain, ensure that the UM's internal audit has sufficient authority to fulfill its duties, the ARC will:

- i. review the IAF's charter and forward to Council for approval;
- ii. review the IAF's budget and resource plan and forward to Council for approval;
- iii. approve the risk-based internal audit plan and forward to Council for approval;
- iv. receive communications from the CAE on the IAF's performance relative to its plan and other matters;
- v. participate in discussions regarding the appointment and removal of the CAE;
- vi. carry out performance appraisal of the CAE; and
- vii. make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations.

The CAE will have unrestricted access to, and communicate and interact directly with, the ARC, including in private meetings without management present.

3.2 The IAF is authorised to:

- i. Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information;
- ii. Allocate resources, set frequencies, select subjects, determine scope of work, apply techniques required to accomplish audit objectives, and issue reports; and
- iii. Obtain assistance from the necessary personnel of the UM, as well as other specialized services from within or outside the UM, in order to complete the engagement.

4. INDEPENDENCE AND OBJECTIVITY

4.1 The CAE will ensure that the IAF remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

4.2 Internal auditors shall maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in the validity of their work, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

4.3 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- i. Assessing specific operations for which they had responsibility within the previous year;
- ii. Performing any operational duties for UM or its affiliates;
- iii. Initiating or approving transactions external to the IAF;
- iv. Directing the activities of any UM employee not employed by the IAF, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

4.4. Internal auditors will:

- i. Disclose any impairment of independence or objectivity, in fact or appearance, to the chair of the ARC;
- ii. Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
- iii. Make balanced assessments of all available and relevant facts and circumstances; and
- iv. Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm to the ARC, at least annually, the organisational independence of the IAF. The CAE will disclose to the ARC any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

5. SCOPE OF INTERNAL AUDIT ACTIVITIES

5.1 The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the ARC, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the UM. Internal audit assessment include evaluating whether:

- i. risks relating to the achievement of UM's strategic objectives are appropriately identified and managed;
- ii. the actions of UM's employees and contractors are in compliance with UM's policies, procedures, and applicable laws, regulations, and governance standards;
- iii. the results of operations or programs are consistent with established goals and objectives;
- iv. operations relating to the first and second line of defense functions are being carried out effectively and efficiently;
- v. established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the UM;
- vi. Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity; and
- vii. Resources and assets are acquired economically, used efficiently, and protected adequately.

5.2 The CAE will report periodically to Rector or their delegates and the ARC regarding:

- i. IAF's response, authority and responsibility;
- ii. IAF's plan and performance relative to its plan;
- iii. IAF's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues;
- iv. significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the ARC;
- v. results of audit engagements or other activities;
- vi. resource requirements; and
- vii. any response to risk by management considered unacceptable.

The CAE also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The IAF may

provide advisory services, the nature and scope of which will be agreed with the client, provided the IAF does not assume management responsibility and without compromising their independence.

6. RESPONSIBILITY

The CAE has the responsibility to:

- i. Submit, at least annually, to Rector or their delegates and the ARC a risk-based internal audit plan for review and approval;
- ii. Communicate to Rector or their delegates and the ARC the impact of resource limitations on the internal audit plan;
- iii. Review and adjust the internal audit plan, as necessary, in response to change in UM's business, risks, operations, programs, systems, and controls;
- iv. Communicate to Rector or their delegates and the ARC any significant interim changes to the internal audit plan;
- v. Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- vi. Follow up on engagement findings and corrective actions, and report periodically to Rector or their delegates and the ARC any corrective actions not effectively implemented;
- vii. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld;
- viii. Ensure the IAF collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter;
- ix. Ensure trends and emerging issues that could impact the UM are considered and communicated to Rector or their delegates and the ARC as appropriate;
- x. Ensure emerging trends and successful practices in internal auditing are considered;
- xi. Establish and ensure adherence to policies and procedures designed to guide the IAF;
- xii. Ensure adherence to the UM's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to Rector or their delegates and the ARC;
- xiii. Ensure conformance of the IAF with the Standards referred to in Section 2, with the following qualifications:
 - a. If the IAF is prohibited by law or regulation from conformance with certain parts of the Standards, the CAE will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards; and
 - b. If the Standards are used in conjunction with requirements issued by other bodies, the CAE will ensure that the IAF conforms with the Standards, even

if the IAF also conforms with the more restrictive requirements of other authoritative bodies.

- xiv. The development and maintenance of a framework for the management of risk at the University;
- xv. To draft, for review by the ARC and the consideration of the Council a common methodology for the identification, assessment, reporting, monitoring and treatment of risks. Once this is sanctioned, the CAE is responsible for its implementation and improvement through periodic review cycles; and
- xvi. To assume the role of consultant and advisor to the business areas.

7. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The IAF will maintain a quality assurance and improvement programme that covers all aspects of the function. The programme will include an evaluation of the IAF's conformance with the above mentioned Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The programme will also assess the efficiency and effectiveness of the IAF and identify opportunities for improvement.

The CAE will communicate to Rector or their delegates and the ARC on the IAF's quality assurance and improvement programme, including the results of internal and external assessments conducted at least once every five year by a qualified, independent assessor or assessment team from outside the UM.

SIGNATURES

Chief Internal Auditor		Date	
Audit and Risk Committee Chair		Date	
Rector		Date	
Council President		Date	