

<b>Name of Guideline</b>	Internal Audit Sponsor's Guide
<b>Description of Guideline</b>	This Guideline provides support for Internal Audit Sponsors in understanding their role and obligations within ACU's Internal Audit programme and process
<b>Guideline applies to</b>	<input checked="" type="checkbox"/> University-wide
	<input checked="" type="checkbox"/> Staff only <input type="checkbox"/> Students only <input type="checkbox"/> Staff and students <i>Tick the appropriate box to indicate whether the policy applies to Staff, Students, or Staff and Students.</i>
<b>Guideline status</b>	<input type="checkbox"/> New policy <input checked="" type="checkbox"/> Revision of existing policy <i>Tick the appropriate box to indicate if this is a new policy or a revised policy.</i>

<b>Responsible officer</b>	Chief Audit Executive
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<b>Effective date of last revision</b>	16/09/2022
<b>Date of guideline review*</b>	16/09/2023

*\*unless otherwise indicated, this policy will still apply beyond the review date*

<b>Related legislation, policies, procedures, guidelines, and local protocols</b>	<a href="#">Internal Audit Policy</a> <a href="#">Internal Audit Charter</a>
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## 1. Purpose

The purpose of this guide is to provide Internal Audit Sponsors with background to the Internal Audit function, it explains related internal audit processes, and outlines the obligations and responsibilities of the Internal Audit Sponsor in order to maximise the value and efficiency of Internal Audit within ACU

## 2. The Internal Audit Function

Internal audit is an objective review and advisory service which provides assurance to the Vice-Chancellor and the ACU Audit and Risk Committee that ACU's operational and financial controls are designed to manage risks and are operating in an efficient, effective, and ethical manner.

According to the Institute of Internal Auditors, Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an ACU's operations. It helps ACU accomplish its objectives and statutory obligations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.<sup>1</sup>

For all audits, Internal Audit references relevant legislative requirements at all levels of Government, including guidelines, codes and best practice documents. In addition, Internal Audit references ACU policies and procedures relevant to the process under review. Reference to legislative and other requirements enables Internal Audit to identify and document criteria by which University activities should be operating, and any particular compliance requirements.

At ACU, and in accordance with the Internal Audit Charter, Internal Audit is an independent contracted function, responsible to ACU Senate and reporting functionally through the Audit and Risk Committee. The Internal Audit contract is managed through the Data Analysis and Strategic Insights (DASI) under the direction of the Chief Audit Executive (Chief Data and Insights Officer – DASI).

Unit work programs which form part of the Internal Audit Plan, are developed through discussion and agreement between the Audit and Risk Committee, the Chief Audit Executive, and the independent Internal Audit contractor.

The scope of each separate Internal Audit is determined through consultation with the Internal Audit Sponsor, who is normally the senior executive of the portfolio to host an Internal Audit.

The Internal Audit contractor is required to enter into a Nondisclosure Agreement with the University, and in undertaking their audit activity has been granted access to University personnel and records. If there is a concern regarding confidentiality, please contact the RISK (DASI) team for guidance.

## 3. The Internal Audit Value Proposition

Internal audit assists ACU to better understand issues, opportunities, and challenges of the area under review. It can identify enterprise-wide cost efficiencies, provide strategic insights which may improve business performance, and provide key insights which focus on risks that have a significant impact on the achievement of strategic goals.

Operating effectively, Internal Audit should deliver positive recommendations for strengthening ACU's operations and service.

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<sup>1</sup> Institute of Internal Auditors – Definition of Internal Auditing  
2 INTERNAL AUDIT SPONSOR'S GUIDE

## 4. Key Stakeholders

**1. Audit and Risk Committee (ARC)** is the standing committee with powers to act, delegated to it by the ACU Senate. It is chaired by an expert in audit committee and financial matters who may be external to the University and Senate. Internal audit reports functionally through the ARC to the ACU Senate.

**2. Chief Audit Executive (Chief Data & Insights Officer – DASI)** is responsible for the overall internal audit programme administration, reporting and compliance and in such capacity, reports to the University Chancellor.

**3. Internal Audit Sponsor** is the senior portfolio executive of the operational area under review. The internal audit sponsor is responsible for ensuring for logistics, resources, information access, clarifications, management responses and action commitments to ensure the internal audit value proposition is realised and internal control weaknesses identified are closed off effectively and efficiently.

**4. Internal Audit Contractor ('Partner')** may be both in-sources or outsourced (or a combination of these) as determined under the direction of the Audit and Risk Committee. The internal audit partner is responsible for the development and undertaking of audit plans to assess and evaluate the effectiveness and efficiency of ACU's financial and operational systems, internal controls, reporting processes, and activities and supports ACU's risk management through identifying deficiencies and opportunities in the University's risk management activities. The internal audit service is conducted in line with the International Professional Practices Framework which requires the demonstration of integrity, competence, due professional care, objectiveness, and independence. ACU has contracted Ernst and Young (EY) as its partner to perform its internal audit function. EY's Internal Audit team brings external expertise, innovation, and perspectives to assist ACU in achieving its strategic goals and objectives and to enhance its performance. By engaging with our outsourced Internal Audit delivery partner EY, ACU is able to access an extensive range of subject-matter expertise and business insights and look to convert these to strategic advantage. Working with process owners as referred by the Internal Audit Sponsor, EY's Internal Audit team can propose observations and ideas which can challenge existing practices and lead to ongoing business performance improvements. As a trusted partner in this process, EY can offer opportunities for our staff to grow capability in the area under review through exposure to different process approaches.

### CHIEF AUDIT EXECUTIVE

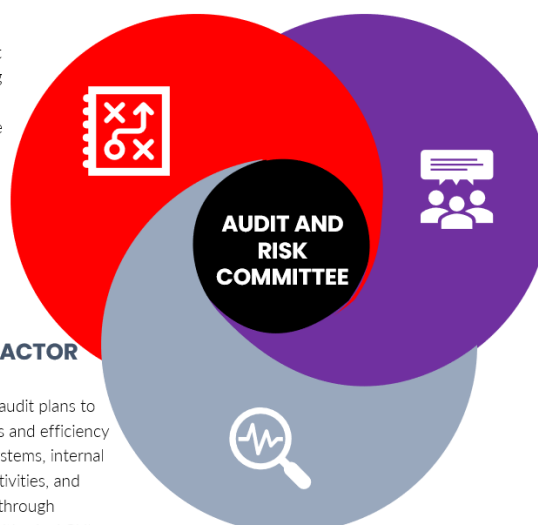
(Chief Data & Insights Officer -  
Data Analysis and Strategic Insights)

Responsible for overall internal audit programme administration, reporting and compliance (including contract management, internal audit schedule development, quality assurance, performance and effectiveness)

### INTERNAL AUDIT CONTRACTOR

EY under contract 2022-2025

Responsible for the development of audit plans to assess and evaluate the effectiveness and efficiency of ACU's financial and operational systems, internal controls, reporting processes, and activities, and support for ACU's risk management through identifying deficiencies and opportunities in ACU's risk management activity



### INTERNAL AUDIT SPONSOR

Senior Executive of the operational area under review.

Responsible for ensuring logistics to support internal audit contractor's requirements (including access to information, assets, relevant staff, resources, workspaces, clarifications, management responses, and action commitments).

## 5. Understanding the Internal Audit Process and your Role as the Internal Audit Sponsor

The Internal Audit Sponsor performs a critical role in ensuring the value proposition of an internal audit is realised for ACU.

**Initial contact:** When Audit and Risk Committee confirm that an internal audit of an operational activity or unit within your portfolio is scheduled, the Chief Audit Executive (via DASI Risk) will contact you to advise you of relevant details including scheduled commencement so that you can plan accordingly. Where possible, timing for the audit will be negotiated during the annual internal audit planning process to accommodate business obligations.

**Commencement Meeting:** The Chief Audit Executive (via DASI Risk) will schedule a commencement meeting during which the Internal Audit team will be introduced to the Sponsor.

**Nominating a key contact/liaison person:** Prior to commencement, the Internal Audit Sponsor for the area under review will be asked to identify a key contact/liaison person to assist the audit by acting as a link for ACU to the internal audit partner and vice versa. This person will manage logistics for the review, arrange for access to required staff, facilities, and records and organise a space for the audit team to work from when they need to be on site.

**Scoping the Internal Audit:** At the commencement meeting, the Internal Audit Sponsor (and the key contact/liaison person if necessary), will be invited to work with the internal auditor and the Chief Audit Executive, to develop an appropriate scope for the internal audit. Discussion about the scope may result in a number of iterations – ultimately it is the internal audit partner's obligation to independently set the internal audit scope, but their understanding of concerns and opportunities for improvement will be informed by the Sponsor and useful in defining focus. Examples of relevant considerations may include issues that have arisen during previous internal audits, historical or current University risk areas, emerging sector, environment or operational trends, system, process or personnel changes, or concerns directly raised or indirectly inferred by other staff, students, industry regulators, the Audit and Risk Committee, or the Vice Chancellor. Ultimately, the scope should be broad enough to allow the internal auditor to satisfy itself that appropriate operational controls have been tested effectively, while also allowing flexibility to permit a dive deeper to consider more specific issues if considered necessary. Limitations to the internal audit should be expressly clarified with the Chief Audit Executive and the internal auditor so that boundaries can be transparently understood and planning and assessments can be conducted accordingly. When the internal audit partner has finalised its scope, the sponsor will be asked to provide sign-off, signaling endorsement, and commitment to support the process and promote the value proposition for improved business operations. The scope will then be counter-signed by the lead internal audit partner, acknowledging its commitment to perform the internal audit in accordance with the terms defined.

**Audit Activity:** Once the scope has been agreed upon, audit activity will begin. In the first instance, an initial walkthrough of operational activities will be conducted by the internal audit team, in order to understand the area's processes, purposes and the existing control environment. The internal audit partner will then develop an internal audit process plan which will be provided to the Sponsor and/or the key contact/liaison person with a detailed data request. Fieldwork will then commence. Fieldwork might include:

- **Observation** – observing procedures in place, e.g. preparing cash takings for banking;
- **Review of Documentation** – reviewing documentation to ensure it is appropriate and current, e.g. policies and procedures;
- **Re-performance** – Re-performing an operation, e.g. recalculating a transaction;
- **Compliance Testing of Transactions** – selecting a small sample of transactions and ensuring they have been processed in compliance with systems, processes, and controls; and

- **Substantive Testing of Transactions** – selecting a large sample of transactions and ensuring completeness, accuracy, and validity of the data.

During the audit, the Internal Audit team may benchmark activities of the area under review with similar areas in other universities or government agencies. Where possible, results of such benchmarking will be shared with the business unit as part of the audit report.

**Communications and Updates:** Throughout the internal audit, all appropriate unit staff, the internal audit Sponsor and/or the key contact/liaison person will be provided with considerable opportunity to provide input and feedback. It is expected that all internal audit data or information requests will be responded to by relevant ACU staff efficiently, accurately and honestly. If the internal audit partner is experiencing difficulty sourcing relevant and timely information or responses, it will raise with the Sponsor and/or the key contact/liaison person to secure support. It remains the Sponsor's obligation (via the key contact/liaison person) to ensure the internal audit process is effective and efficient as possible.

The internal audit partner will provide regular written status reports to the Sponsor, key contact/liaison person, and the Chief Audit Executive. This report will include information such as timeline progress, achievements to date, potential roadblocks, plans for upcoming work, emerging observations, as well as interview and data request schedules and status. Sponsor concerns regarding progress or issues highlighted should be immediately addressed with the internal audit partner.

**Close out of audit:** Once the internal auditor has concluded fieldwork and considered its observations, a close-out meeting will be held with the Internal Audit Sponsor and/or the key contact/liaison person and the Chief Audit Executive. This meeting will provide an opportunity to discuss issues identified and clarify concerns or questions relating to the audit. A draft of observations will be provided as time permits with a meeting agenda, to assist the Sponsor's consideration and engagement.

**Draft of Internal Audit Report:** Based on the discussions from the close-out meeting, the internal audit partner will draft an internal audit report which will detail their observations, findings, and recommendations. The draft report will be provided to the Sponsor (and/or the key contact/liaison person) and the Chief Audit Executive. The Sponsor will be required to provide a formal management response, which will include details of any necessary remediation actions, committed due dates, and assigned responsibilities. A seven-day window for response is normally provided unless otherwise negotiated. The internal audit partner will then satisfy itself that responses are appropriate and may initiate further discussion with the Sponsor (and/or the key contact/liaison person) and the Chief Audit Executive to resolve if required.

**Final Internal Audit Report:** The internal audit partner will finalise their report and assign an overall risk rating for the unit or operations audited (Refer to Appendix 1). The report will be signed by the lead internal audit partner and provided to the Sponsor (and/or the key contact/liaison person) and the Chief Audit Executive and submitted to the Audit and Risk Committee for noting and consideration. In some circumstances, the Sponsor may be asked to attend the Audit and Risk Committee meeting to present their planned actions to address audit findings and recommendations. The internal audit partner may discuss the report directly with the Chair of the Audit and Risk Committee prior to the committee meeting if considered necessary.

Please note that the internal audit partner is engaged by the Audit and Risk Committee and must complete its audit in compliance with the IPPF. Findings are typically evidence-based and the internal audit partner remains responsible for providing an objective, reliable and competent opinion. They are required to report back to the Audit and Risk Committee according to a fixed schedule, so it remains vitally important that the audit progresses in accordance with the agreed scope and is finalised on time. Ample opportunities are provided throughout the course of the audit to raise concerns regarding observations, findings, and recommendations. Concerns regarding the integrity of the internal audit should be raised immediately either directly with the lead internal audit partner and the Chief Audit Executive so as not to unduly delay Audit and Risk Committee reporting.

## 6. Follow-up of audit recommendations and committed actions

ACU's internal audit partner EY, in conjunction with the Chief Audit Executive through the Data Analysis and Strategic Insights - Risk team, will track and validate implementation of internal audit report recommendations and actions. EY have a specific tool (VIA) into which all internal audit findings, recommendations, and agreed actions (including due date and responsible officer) will be loaded and maintained and status updates will be recorded. In some cases, the internal audit partner will be required to undertake follow-up of audit recommendations and committed actions. Validation of status and effectiveness of the committed action may involve compliance and substantive testing. EY will report regarding the status and effective mitigation of identified risks as per closed out internal audit actions, to the Audit and Risk Committee regularly.

Actions identified as unvalidated or overdue will be reported to the Internal Audit Sponsor (and/or the key contact/liaison person) for attention. If an extension is required due to resourcing issues, de-prioritisation or conflicting dependencies, for example, the Internal Audit Sponsor must agree the new action with EY, with a new completion date set. The Sponsor must also negotiate with EY and provide approval for actions to be considered redundant due to changes in systems, or activities for example. If specific actions are redundant but the control weakness remains, a new action must be agreed with EY and approved by the Internal Audit Sponsor. All changes to original commitments will however be recorded and reported to the Audit and Risk Committee for completeness and transparency accordingly.

## 7. Sponsor Logistics

To achieve a timely commencement of the internal audit review, please identify, nominate and brief an audit contact/ liaison person in your area to work with the Internal Audit team. This person will be the key contact person in your team and help facilitate the review process. This person should be able to assist with logistics for the audit visit, arrange meetings with appropriate staff, arrange access to records, access to an appropriate workspace on site, reference point to clarify content, etc.

We want to ensure your involvement with internal audit does not overly disrupt your core business, so please ensure your liaison person is aware of any block-out dates and other factors and we will endeavour to work around these wherever possible.

If the area has never been audited before, Internal Audit will want to identify and obtain:

- Copies of relevant policies and procedures for your activities;
- Copies of forms, templates and guidelines;
- Staff member details;
- Background information about your activities;
- Data in relation to your activities, such as number or value of transactions processed or assets managed;
- Details of any stand-alone information systems used; and
- Other relevant documents or information unique to your business area.

If the area has been previously audited, the Internal Audit team will want to check to see if there have been any major changes to the policies, processes and systems in place before the audit is commenced. If the audit is being conducted to follow up on the implementation of recommendations from a previous audit, only those issues will be reviewed, unless otherwise requested. During the audit, the Internal Audit team will need to spend time with the staff of the area under review to document the processes and test transactions. It is understood and appreciated everyone is busy with their jobs, and we appreciate the staff being available upon request to talk to the Internal Audit team or provide documentation in a reasonable timeframe. A reasonable timeframe can be negotiated when the request for documentation is made. It is not reasonable for the Internal Audit team to demand time from staff to discuss issues or provide documentation when they are working to a deadline or it is a peak processing period, e.g. payroll cut-off. Whenever possible, EY's Internal Audit team will make appointments to discuss issues or obtain documents.



## 8. Revisions made to this Guideline

<b>Date</b>	<b>Major, Minor or Editorial Revision</b>	<b>Description of Revision(s)</b>
14/07/21	Major	Sponsor's guideline has been updated/redrafted to provide additional clarity regarding sponsor's role within the internal audit process and to align with required policy/procedure formatting.
16/09/22	Minor	Change in Directorate name and lead (OPSM to DASI) Change of internal audit partner from PwC to EY Change of action tracking responsibility to reflect role of EY under contract.

## 9. Further Assistance

For further assistance, please contact the Chief Audit Executive (Chief Data and Insights Officer - Data Analysis and Strategic Insights).

## 10. Glossary of Terms/Definitions\*

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Compliance testing	Checks for the presence of controls.
Internal audit	An independent, objective assurance service designed to add value and improve an organisation's operations. It helps ACU accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
Internal Audit Sponsor	The senior portfolio executive of the operational area under review. The internal audit sponsor is responsible for ensuring for logistics, resources, information access, clarifications, management responses, and action commitments to ensure the internal audit value proposition is realised and internal control weaknesses identified are closed off effectively and efficiently.
International Professional Practice Framework (IPPF)	An international framework consisting of standards and a code of ethics which together outline essential and professional responsibilities of internal auditors and value add internal audit activity. ACU's Internal Audit Charter requires all contracted internal audit partners to comply with the IPPF.
Substantive testing	Checks to evaluate completeness, accuracy, and validity of data

## Appendix 1: Internal Audit Risk ratings and Classifications

If the finding is rated as:	Actions to address findings and recommendations must be committed to be complete within:
<b>HIGH</b>	<b>3 MONTHS</b>
<b>MODERATE</b>	<b>6 MONTHS</b>
<b>LOW</b>	<b>12 MONTHS</b>

Report Classification	The internal audit identified one or more of the following:
<b>Cause for considerable concern</b>	<ul style="list-style-type: none"> <li>• Significant control design improvements identified to ensure that risk of material loss is minimized, and functional objectives are met.</li> <li>• An unacceptable number of controls (including a selection of both significant and minor) identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Material losses have occurred as a result of control environment deficiencies.</li> <li>• Instances of fraud or significant contravention of corporate policy detected.</li> <li>• No action taken on previous significant internal audit findings to resolve the item on a timely basis.</li> </ul>
<b>Cause for concern</b>	<ul style="list-style-type: none"> <li>• Control design improvements identified to ensure that risk of material loss is minimized, and functional objectives are met.</li> <li>• A number of significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Losses have occurred as a result of control environment deficiencies.</li> <li>• Little action taken on previous significant internal audit findings to resolve the item on a timely basis.</li> </ul>
<b>Some minor concerns noted</b>	<ul style="list-style-type: none"> <li>• Control design improvement identified however the risk of loss is immaterial.</li> <li>• Isolated or “one-off” significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Numerous instances of minor controls not operating for which sufficient mitigating backup controls could not be identified.</li> <li>• Some previous significant internal audit action items have not been resolved on a timely basis.</li> </ul>
<b>No or limited scope for improvement</b>	<ul style="list-style-type: none"> <li>• No control design improvements identified.</li> <li>• Only minor instances of controls identified as not operating which have mitigating back-up controls or the risk of loss is immaterial.</li> <li>• All previous significant internal audit action items have been closed.</li> </ul>