1. Policy Statement

It is the policy of the University of Pretoria to maintain an effective, independent and objective Internal Audit Function that is properly resourced to assist management in the effective discharging of their responsibilities by:

- providing reasonable assurance that management processes are adequate to identify, manage and monitor significant risks;
- providing confirmation of the effective operation of established internal control systems;
- providing credible processes for feedback on risk management and assurance; and
- providing objective confirmation that Council receives adequate assurance that information from management is reliable, relevant and accurate.

2. Policy objectives

The objectives of the policy are to:

- confirm the University of Pretoria’s commitment to an effective Internal Audit Function;
- confirm the authority and independence of the Internal Audit Function;
- outline the principles guiding the University’s approach to internal auditing;
- explain the internal audit planning cycle and internal audit process; and
- provide clarity on the roles and responsibilities of the Internal Audit Function.

3. Definitions

<table>
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<tr>
<th>Definition</th>
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<tr>
<td>Internal Auditing</td>
<td>Internal Auditing is an independent, objective, assurance and consulting activity designed to add value and improve the University's operations. It helps the University accomplish its objectives by a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.</td>
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<tr>
<td>Internal Audit Function</td>
<td>The Internal Audit Function consists of the in-house auditing staff of the Unit for Internal Audit as well as the allocated staff of the co-sourced internal audit service provider.</td>
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<td>Independence</td>
<td>Independence is established when internal auditors render impartial and unbiased judgments in the conduct of their audit engagement.</td>
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Objectivity means that internal auditors should have no personal or professional involvement with the area being audited and maintain an unbiased and impartial mindset.

Senior Management means Deans of Faculties, Directors and Heads of Support Service Departments/Divisions and entities controlled by the University.

The Executive means the Vice-Chancellor and Principal, Vice-Principals and other senior employees designated by the Vice-Chancellor and Principal.

The Head of the Unit for Internal Audit functions as the Chief Audit Executive of the University.

4. Scope of the policy

This policy applies to all areas of the University including Faculties, Support Service Departments, Institutes, Centres, Bureaus, Units and any other entity controlled by the University.

5. Approach to Internal Audit

The University’s approach to internal audit is embedded in its philosophy that internal audit is an essential part of good corporate governance and one of the mechanisms for providing the necessary checks and balances within the University. The University’s approach to internal audit includes the following essential characteristics:

- Internal Audit will be conducted using a risk based approach;
- Internal Audit will be guided by those elements of the King Report on Corporate Governance for South Africa considered to be relevant for universities;
- Internal audits will be conducted in terms of the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors;
- Internal auditors will maintain the required technical knowledge, independence and objectivity; and
- Internal Audit will be guided by an Internal Audit Charter approved by the Audit, IT and Risk Management Committee of Council.

6. Internal audit strategy and the appointment of internal auditors

The University’s strategy is to maintain a risk-based, independent in-house Internal Auditing Function with a co-sourcing option for accessing specialised external service providers depending on capacity and the need for additional expertise.

The appointment and dismissal of the Head: Internal Audit and co-sourced internal audit service providers are subject to approval by the Audit, IT and Risk Management Committee.

If co-sourced internal audit service providers are required, they will be selected and appointed in line with the requirements of the prevailing procurement policy and procedures of the University.
The Internal Audit Function will commission the external service provider(s) for forensic audit services if and when this is considered necessary.

External co-sourced internal audit service providers will be managed in line with the terms and conditions of the contract and service level agreement.

7. Types of Internal Audits

The Internal Audit Function may be required to conduct any of the following types of internal audits and projects, whether as part of the approved Annual Internal Audit Plan or on an ad hoc basis:

- Internal control reviews to determine whether the section/unit/organisational component or entity is conducting its financial and business processes under an adequate system of internal control, as required by University policies and guidelines and good business practice;
- Compliance audits to determine the adequacy of a section/unit/organisational component or entity’s systems designed to ensure compliance with University policies and procedures and external requirements;
- Information technology (IT) audits that address the internal control environment of computerised information processing systems and how people use those systems; typically the evaluation of system input, output, and processing controls; backup and recovery plans; system security; and computer facilities;
- Financial audits that address the accounting for, and reporting of, financial transactions, including commitments, authorisations, and receipt and disbursement of funds; typically to verify that sufficient controls exist over assets, liabilities, revenues, and expenditures and that there are adequate controls over the acquisition and utilisation of resources;
- Supply-chain management audits to determine whether the University’s resources are procured correctly and in an economical manner and whether their use is in line with the University’s objectives;
- Audits of the information used for calculating performance indicators;
- Special investigative audits that focus on alleged violations of University policies and procedures that may result in prosecution or disciplinary action; and
- Advisory services to management.

The evaluation of academic performance falls in the domain of Senate and is undertaken through a process of independent, external peer review.

It does not fall in the domain of the Unit for Internal Audit, but is a component of the combined assurance provided, inter alia, by the Quality Unit, external academic panels, accreditation assessments by professional boards, the external auditors, the Auditor General of South Africa, and the Internal Audit Function.

8. Internal Audit Charter

The Internal Audit Function is regulated by an Internal Audit Charter approved by the Audit, IT and Risk Management Committee of Council.
9. Strategic Two-year Internal Audit Plan

The Internal Audit Function, on an annual basis, prepares/updates a Strategic Two-year Rolling Internal Audit Plan which will form the basis for the Annual Internal Audit Plan.

This Strategic Rolling Two-year Internal Audit Plan is based on the updated Strategic Risk Register compiled by the Strategic Risk Management Committee of the University, additional inputs from the Executive and Senior Management of the University, as well as risks identified by the Internal Audit Function.

10. Annual Internal Audit cycle

The annual Internal Audit Cycle comprises the following steps:

- The Unit for Internal Audit, in conjunction with the co-sourced partner, develops an Annual Internal Audit Plan based on:
  - The Strategic Two-year Rolling Internal Audit Plan; and
  - Discussions with the Executive and Senior Management as well as the external auditors and the co-sourced internal audit service provider;
- The Annual Internal Audit Plan is prepared in consultation with the Executive and approved by the Audit, IT and Risk Management Committee;
- The Annual Internal Audit Plan is executed by performing the individual audits in the Annual Internal Audit Plan;
- Individual Internal Audit Reports are issued after the completion of each audit and distributed according to the approved distribution protocol1; 
- As summary report on the follow-up outcomes of ad hoc reviews, the Consolidated Interim and Annual Internal Audit Reports on the major findings and recommendations are submitted to the Executive for noting; and
- A summary report on the follow-up outcomes of ad hoc reviews, the Consolidated Interim and Annual Internal Audit Reports on major and significant findings and recommendations are submitted to the Audit, IT and Risk Management Committee for approval and acceptance.

11. Ad hoc audits

In addition to the planned audits performed in terms of the approved Annual Internal Audit Plan, the Internal Audit Function also performs unplanned ad hoc audits which may arise, inter alia, from requests from management, complaints from whistle-blowers and risks identified by the Internal Audit Function.

The audit process for an ad hoc review follows the general process outlined in paragraph below, with appropriate amendments/modifications thereto and/or additional procedural steps as may be deemed necessary in accordance with the nature/type and preliminary findings of a particular ad hoc review.

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1 The reports are distributed to the Vice-Chancellor and Principal, the member of Executive administratively responsible for Internal Audit, members of Executive and Senior Management with responsibility for the applicable portfolio, any other person responsible to taking or securing action arising from the audit recommendations contained in the report.
12. Internal Audit Process

The Internal Audit process is addressed in the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors and consists of four distinct stages, which apply to planned audits as detailed below. However, the audit process for ad hoc assignments may vary from the standard process depending on the nature and type of the assignment.

12.1 Planning

In this stage the internal audit plan for each engagement is developed and recorded, including the scope, objective, timing and resource allocation. This planning phase will include the following:

- Obtain an adequate understanding of the Department/Faculty to be audited;
- Make contact with the Head of the Department/Faculty to inform him/her of the upcoming audit Identify the specific focus area, audit objectives and audit criteria;
- Select the audit team and agree on the audit programme and audit approach;
- Conduct an entrance conference with the Director/Dean/Head of the Department/Faculty or Head of the Unit or Entity and discuss the focus areas and audit objectives and obtain relevant policies and procedures and any other information to assist in performing the audit; and
- Confirm the final scope for the specific project by way of a formal project scope letter signed by the Head: Internal Audit and the Director/Dean/Head of the Department/Faculty or Head of the Unit or Entity.

12.2 Performing the Audit

In this stage the internal auditors should identify, analyse, evaluate and record sufficient information to achieve the engagement’s objectives.

The information obtained during the fieldwork should be:

- Sufficient by being factual, adequate and convincing so that a prudent, informed person would reach similar conclusions to those of the auditor;
- Reliable by using appropriate auditing techniques;
- Relevant by supporting the engagement observations and recommendations and being consistent with the objectives of the engagement.; and
- Useful in helping the University to meet its goals and objectives.

12.3 Communicating the results (Reporting)

In this stage the internal auditors communicate the engagement results and recommendations to the relevant parties. The following procedures will be followed to communicate the audit results:

- A draft report is prepared by the internal audit staff member;
- The draft report is reviewed by a senior staff member in the Unit for Internal Audit;
- The draft report is reviewed and approved by the Head: Internal Audit;
- The draft report is distributed to the Director/Dean/Head of the Department/Faculty or Head of the Unit or Entity to confirm the factual accuracy of the findings and relevance of the recommendations and for eliciting their comments and action plans;
- An exit conference is scheduled, if needed, to finalise the report and recommendations;
- A final report is issued by the Head: Internal Audit; and
• The final report is distributed in terms of an approved protocol (Appendix B).

12.4 Monitoring progress

In this stage the Internal Audit Function establishes and maintains a system to monitor the implementation of the audit results for management. This entails that the internal auditors, at some stage after the report was distributed, will evaluate whether the recommendations made and action plans agreed upon were in fact implemented. A follow-up report will be generated and distributed according to the reporting process as set out above.

13. Responsibilities and accountability

The responsibilities and accountability of the Internal Audit Function are described in the Internal Audit Charter.

14. Associated documents

• International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.
• Code of Ethics of the Institute of Internal Auditors.

15. Implementation

The UP Internal Audit Policy and Procedures are to be implemented throughout the University of Pretoria and entities under its control.

16. Policy life cycle

This policy should be reviewed every three years after approval or earlier if necessary.

17. Document metadata

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