

Mohamed bin Zayed University of Artificial Intelligence

# Internal Audit Charter

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APPROVALS		
<b>Initiated by: Ali Baqer</b> Director of Internal Audit	<b>Date</b> 6 December 2023	<b>Signature</b> Email submission
<b>Endorsed by:</b> Audit Committee	<b>Date</b> 8 December 2023	<b>Signature</b> Email endorsement
<b>Approved by:</b> Board of Trustees	<b>Date</b> 11 February 2024	<b>Signature</b> Email approval

REVISION CONTROL			
REVISION NO.	DATE	DESCRIPTION	COMMENTS
0	13/9/2020	Initiation and Review	
1	7/3/2021	Updated post comments from Audit Committee	Updated section 9.4
2	22/7/2022	Annual review	Amendments made to sections 2, 5, 8, and 10.
3	5/12/2023	Annual review	<ul style="list-style-type: none"> <li>Replaced Head of Internal Audit with Director of Internal Audit.</li> <li>Amended lines 6.2 j &amp; k to align with lines 3.5.4 and 3.5.5 from the Audit Committee Charter.</li> <li>Amended line 8.1m to include the Audit Committee.</li> <li>Amended line 11.2 to include reference to periodic self-assessments.</li> <li>Formatting and language edits.</li> </ul>

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## 1. GLOSSARY

Board: Board of Trustees

Committee: Audit Committee

Executive Management: Senior leadership team of the University

IIA: Institute of Internal Auditors

University: Mohamed bin Zayed University of Artificial Intelligence

## 2. PURPOSE – MISSION AND VISION

2.1. It is the intent of the University to maintain and support an internal audit function as an independent appraisal function to examine and evaluate the University activities as a service to the management and the Board.

2.2. **Mission:**

To enhance and protect the value of the University by providing objective, risk-based assurance, advisory and insight services.

2.3. **Vision:**

To be a trusted advisor acting in partnership with stakeholders delivering professional assurance and consulting services to assist the University to achieve its mission, strategic planning goals and initiatives in an atmosphere of respect and accountability. The internal audit activity strives to support the University in establishing and leveraging technology in its controls.

## 3. ROLE

3.1 The primary role of the internal audit activity is to help the Board and Executive Management protect the assets, reputation, and sustainability of the University.

## 4. PROFESSIONALISM

4.1 The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The IIA's Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the internal audit activity's performance.

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- 4.2 The internal audit activity will adhere to:
- The IIA Implementation Guidance and Supplemental Guidance, as applicable, to guide operations.
  - The University's relevant policies and procedures.
  - Any relevant laws and regulations relating to internal audit in the countries where the University has a presence.
- 4.3 Internal audit staff will demonstrate ongoing improvements and enhancements in their knowledge through continuous professional development to meet the requirements of the IIA or other applicable professional bodies.

## 5. AUTHORITY

- 5.1 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the University records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board, its Committees, third parties and external agencies that the University engages with, regulatory bodies, and the statutory auditors.
- 5.2 Director of Internal Audit shall also have free and unrestricted access to the Chairman, the members of the Board, and the members of the Committee at all times.

## 6. ORGANIZATION

- 6.1 The Director of Internal Audit will report functionally to the Committee and administratively to the President.
- 6.2 The Committee will:
- Review and approve the internal audit charter.
  - Review and approve the risk based internal audit plan.
  - Review and approve the organizational structure of the internal audit activity.
  - Review and approve the internal audit budget and resource plan.
  - Receive communications from the Director of Internal Audit on the internal audit activity's performance relative to its plan and other matters.
  - Review and approve the key performance indicators of the internal audit activity.
  - Review and approve decisions regarding the appointment and removal of the Director of Internal Audit.
  - Review and approve the remuneration of the Director of Internal Audit.
  - Make appropriate inquiries of management and the Director of Internal Audit to determine whether there is inappropriate scope or resource limitations on the internal audit activity.

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- 6.3 The Director of Internal Audit will communicate and interact directly with the Committee.

## **7. INDEPENDENCE AND OBJECTIVITY**

- 7.1 The internal audit activity will remain free from interference by any element in the University, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
- 7.2 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.
- 7.3 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 7.4 Where the Director of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 7.5 The Director of Internal Audit will confirm to the Committee, at least annually, the organizational independence of the internal audit activity.
- 7.6 Internal auditors will declare any potential conflicts of interest as soon as they are identified and will make an annual declaration of any conflicts of interest they have or confirmation of no conflicts of interest. The Director of Internal Audit will inform the Committee immediately if a conflict of interest is identified as having impacted the objectivity of the internal audit activity.
- 7.7 A cooling-off period of twelve months will apply in the case of any internal transfers to the internal audit activity.

## **8. RESPONSIBILITIES**

- 8.1 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the University's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the University's stated goals and objectives. This includes, but is not limited to:
- Evaluating risk exposure relating to achievement of the University's strategic objectives.
  - Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
  - Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the University.

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- d. Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
  - e. Evaluating that the actions of the University's officers, directors, employees, and contractors are in compliance with the University's policies, procedures, and applicable laws, regulations, and governance standards.
  - f. Evaluating the effectiveness and efficiency with which resources are employed.
  - g. Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
  - h. Monitoring and evaluating governance processes.
  - i. Monitoring and evaluating the effectiveness of the University's risk management processes.
  - j. Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.
  - k. Performing consulting and advisory services related to governance, risk management and control as appropriate for the University.
  - l. Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
  - m. Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board or Committee.
  - n. Evaluating specific operations at the request of the Board or management, as appropriate.
- 8.2 The scope of work of the internal audit activity does not relieve management from the responsibilities for compliance with, maintenance and improvement of controls in their respective areas of authority.
- 8.3 Internal Auditors shall maintain professional standards and technical competencies through continuing professional education and training.
- 8.4 Internal Audit shall perform audits in the spirit of partnership with objectivity, fairness, openness, business understanding, and the highest level of professional and ethical standards.

## 9. INTERNAL AUDIT PLAN

- 9.1 At least annually, the Director of Internal Audit will submit to Executive Management and the Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next year. The Director of Internal Audit will communicate the impact of resource limitations and significant interim changes to Executive Management and the Committee.
- 9.2 The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of Executive Management and the Committee. The Director of Internal Audit will review and adjust the plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls.

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- 9.3 Any significant deviation from the approved internal audit plan will be communicated to Executive Management and the Committee through periodic activity reports.
- 9.4 Changes to the approved internal audit plan that have a budgetary impact will be subject to the Committee's approval. All other changes will be assessed and approved by the Director of Internal Audit and communicated to the Committee through periodic activity reports.

## **10. REPORTING AND MONITORING**

- 10.1 A written report will be prepared and issued by the Director of Internal Audit following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Committee.
- 10.2 The internal audit report will include the control deficiency, risk and impact, root cause, recommendation, and management's response and corrective action taken or to be taken in regard to the specific findings. Management's response will include a deadline for anticipated completion of action to be taken or an explanation for any corrective action that will not be implemented.
- 10.3 Each finding will be rated, and the report will include an overall conclusion.
- 10.4 The internal audit activity will be responsible for appropriate follow-up on engagement corrective action plans. All action plans will remain open in the internal audit activity's records until cleared by the Director of Internal Audit.
- 10.5 Director of Internal Audit shall establish and maintain a follow-up system to monitor and ensure timely implementation of management actions. Director of Internal Audit shall report to the Committee all cases in which management accepts the risk of not taking action.
- 10.6 The Director of Internal Audit will periodically report to Executive Management and the Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Executive Management and the Committee.
- 10.7 The Director of Internal Audit shall have two scheduled meetings with the Chairman each year to discuss audit matters.
- 10.8 The Director of Internal Audit shall present to the Board annually on internal audit activities.

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## **11. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

- 11.1 The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 11.2 The Director of Internal Audit will communicate to Executive Management and the Committee on the internal audit activity's quality assurance and improvement program, including results of internal assessments (ongoing and periodic self-assessments) and external assessments which are conducted at least once every three years.

## **12. COORDINATION**

- 12.1 The Director of Internal Audit will share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.
- 12.2 The Director of Internal Audit will consider the competency, objectivity, and due professional care of the assurance and consulting service provider. Additionally, the scope, objectives, and results of the work performed by the other providers of assurance and consulting services will be taken into consideration prior to placing reliance on the activity.
- 12.3 Where reliance is placed on the work of others, the Director of Internal Audit is still accountable and responsible for ensuring adequate support for the conclusions and opinions reached by the internal audit activity.
- 12.4 The internal audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit activity does not assume management responsibility.

## **13. FRAUD**

- 13.1 The identification and prevention of fraud is the responsibility of management. The Compliance function in the University sits outside the Internal Audit function and is responsible for investigating cases of potential fraud. In line with section 12 above, the Director of Internal Audit will coordinate with the Compliance function to support investigations and to ensure that the University complies with any relevant reporting requirements.

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#### 14. ADDING VALUE

- 14.1 The internal audit activity will endeavor to add value to the organization by offering ways to enhance governance, risk management, and control processes.
- 14.2 The Director of Internal Audit will keep the Executive Management and the Committee informed of emerging trends and best practice in internal auditing.

#### 15. REVIEW

- 15.1 The Director of Internal Audit will review this Charter on an annual basis. Any proposed adjustments to the Charter will be presented to the Committee for approval.

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