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# AUDIT AND RISK POLICY

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| Date of Recommendation by Management: | Aug. 2019 |
| Date of Approval by the University Council: | December 2019 |
| Commencement Date: | January 2020 |
| Review Date: | Institutional Review every after five years |
| Signature by Chairman Council | |

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## 1.0 Interpretation of Operational Terms of the Policy

i) Internal Auditing:

Is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of MRU. It assists MRU to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve on its effectiveness regarding risk management, control and governance processes.

ii) Monitoring:

Is purposeful observation, checking and recording or a systematic review of the progress, in terms of both quality and quantity, of MRU's planned or programmed or projectized activities over a clearly defined period of time.

iii) Planning:

Is the process of thinking carefully through MRU's activities that are required to achieve specific goals and objectives as spelt out in its Strategic Plan.

iv) Professionalism:

Are the skills and competencies required to execute specific tasks and responsibilities at MRU. It is also about conduct, behavior and attitude of MRU staff as they execute their prescribed duties.

v) Reporting:

Is a written account of an activity, whether through observation, hearing, practical execution or investigation, that is carried out by a member of MRU who relates with it in a formal capacity.

vi) Responsibility:

Is the state of fact of being held accountable for any assignment someone is bestowed upon at MRU.

vii) Risk:

Is an uncertain event or condition or situation where anyone entrusted with responsibility at MRU is exposed to danger or harm/injury, or loss or any adverse or unwelcome circumstance.

## 1.1 Background of MRU

Muteesa I Royal University (MRU) was offered an operational license by the NCHE in 2005 and started its operations in 2007. The founding Chancellor of the University, who is also its Visitor, is His Majesty the Kabaka, Ronald Muwenda Mutebi II. The genesis of modern education in Uganda is historically associated with the Kingdom of Buganda owing to the role that

Sekabaka Muteesa I played in inviting the missionaries who introduced education in Uganda Owing to this history, it is only befitting that the University was named after this visionary leader. Hence, the University was named after the 31st King of Buganda who was a monarch of great vision, Kabaka Muteesa I (1856-1884). MRU is a skills training, academic and research-oriented institution of higher learning that was established as a private institution. The initiative was promoted by the Executive Committee (EC) of the Buganda Kingdom, headed by the *Katikkiro* (i.e., Prime Minister).

## 1.2 Strategic Goals of MRU

The Strategic Goals of MRU are as follows:

i) To produce graduates with all-round competencies and skills to be able to initiate self-employment activities or compete for jobs in the global market;
ii) To promote research and encourage students and staff to publish;
iii) To build and expand collaboration and engagement with the community, the alumni, and industry and business, and to equip students with practical skills while empowering the community, industry & business to develop local solutions;
iv) To strengthen MRU's human resource capacity;
v) To achieve a sustainable financial resource base;
vi) To improve the administrative and organizational arrangements of MRU with a view to achieving efficiency and effectiveness in all sections of MRU; and
vii) To construct or acquire, rehabilitate and maintain buildings, equipment, implements, ICT facilities and land particularly for the growth and development of its niche.

## 1.3 Vision of MRU

The Vision of MRU is to be "a leading university responding to contemporary challenges through teaching and learning, research and technical guidance".

## 1.4 Mission of MRU

The Mission of MRU is "to provide training, research and technical guidance responsive to national socio–economic needs".

## 1.5 Core Values of MRU

The core values of MRU are as follows:

i) Professionalism; Professionalism is a trait that's highly valued in the human resource of any organization. It has many attributes, including: (a) Specialized knowledge, (b) Competency, (c) Honesty and integrity, (d) Respect, (e) Accountability, (f) Self-regulation, and (g) Image.
ii) Respect for Diversity;
iii) Cultural Sensitivity;
iv) Tenacity; and
v) Team Spirit.

## 2.0 Introduction of the Policy

The Council and management of MRU are committed to an open and accountable system of governance and the embedding of continuous improvement processes across the University to support achievement of its strategic and operational objectives. The implementation of an effective Audit and Assurance framework is fundamental to these principles. Thus, Council is required to efficiently, effectively and economically manage and control MRU's operations and must act in the way that promotes its interests, including to:

(a) Establish and maintain appropriate systems of internal control and risk management;
(b) Establish and keep funds and accounts in compliance with prescribed requirements;
(c) Ensure that annual financial statements are prepared, certified and tabled to Council in accordance with prescribed requirements;
(d) Undertake planning and budgeting that is appropriate to its Strategic Plan; and
(e) Perform other functions legally entrusted to it or under a financial and performance management standard.

## 3.0 Objectives of the Policy

The policy provides an independent and objective review and advisory service on:

a) The analysis, findings and recommendations to Council on MRU's financial management;
b) Operational controls that are efficient, effective and ethical manner;
c) MRU's risks to achieve its objectives; and
d) Assisting management in improving MRU's business performance.

## 4.0 Application of the Policy

This policy applies to all staff, students, agents and members on decision-making and advisory bodies of the University.

## 5.0 Audit and Assurance Framework

It is the policy of MRU to establish an Audit and Assurance Framework to assist in the effective discharge of its stewardship and leadership responsibilities, to strengthen the MRU's control environment including the control of institutional resources in accordance with its mandated responsibilities. MRU's Audit and Assurance Framework is based on four lines of defense model to demonstrate and structure roles, responsibilities, linkages and accountabilities for decision-making, risk and control purposes to achieve effective governance. Each line of defense provides higher levels of independence and objectivity, thereby delivering greater assurance to key stakeholders:

i) First line of defense is 'Line management in business operations '– line management are responsible for operationalizing risk management and internal controls and implementing business improvement reviews and outcomes;
ii) Second line of defense is 'Management review and oversight' – executive and senior management are responsible for establishing and monitoring MRU's policies and standards;

iii) Third line of defense is 'Internal review' – internal audit and assurance mechanisms are responsible for providing independent and objective assurance and advice on governance, risk and compliance matters to MRU, and includes the Internal Audit function, Audit and Risk Management Committee, and Council; and
iv) Fourth line of defense is 'External review' – external audit and assurance agencies are responsible for providing independent monitoring and review of MRU including regulatory oversight.

The assurance elements at MRU which are covered by this Policy include the following three key components:

i) Establishment of an Internal Audit;
ii) Establishment of an Audit and Risk Management Committee in accordance with the requirements of MRU's Charter; and
iii) External Audit whereby MRU is required to prepare annual financial statements, certify whether these statements comply with prescribed requirements, ensure that the audited statements are included MRU's Annual Report.

6.0 Internal Audit

i) MRU is committed to maintaining an efficient, effective and economically sound internal audit function and will ensure that all internal audit activities remain free of influence by any organizational elements;
ii) Internal audit responsibilities are defined by Council, on advice of Audit and Risk Management Committee, as part of their oversight role in the associated Internal Audit Charter. Internal Audit's role may include, but is not limited to, the review of MRU's risk, internal controls, efficiency, effectiveness, governance, performance and compliance matters;
iii) The primary purpose of Internal Audit is to add value to MRU's operations by providing an independent appraisal and advisory function for Council, Audit and Risk Management Committee and Top Management thereby assisting it in realizing its corporate goals. This is achieved by examining and evaluating the adequacy, effectiveness and efficiency of risk management, systems of internal control and the quality of management systems in an independent and professional manner; and
iv) A review or appraisal by Internal Audit does not in any way relieve officers of MRU of their individual responsibilities and accountabilities, nor does it in any way diminish the Vice-Chancellor's and Top Management's responsibilities for the implementation and maintenance of effective systems of internal control and prevention and detection of fraud.

7.0 Authority of Internal Audit

i) The authority is granted to Internal Audit for full, free and unrestricted access to any and all of MRU's records, physical properties, personnel and other documentation pertinent to carrying out any engagement, with strict accountability for confidentiality and safeguarding of records and information. All employees are to assist the Internal Audit in fulfilling its roles and responsibilities;
ii) Internal Audit will have unfettered access to the Council, the Vice-Chancellor and Audit and Risk Management Committee; and

iv) Other MRU policies, procedures and documents must not contradict the authorized access by the Internal Auditors as expressed in the Internal Audit Charter. In the event of any conflict this policy should take precedence.

8.0 Professionalism

a) Internal Audit staff must be cognizant of the functions conferred upon them and comply with professional standards of conduct;
b) Internal Audit will:
   i) Govern itself by adherence to the Institute of Internal Auditors' mandatory guidance, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards); and
   ii) Adhere to MRU's relevant policies and procedures and the Internal Auditor's Standard Operating Procedures Manual;
c) Internal Audit staff will be required to maintain the confidentiality of information obtained in the course of their duties and any information accessed in the course of audits is to be used strictly for audit purposes. Information should not be used for personal benefit. If there is any doubt over the conveying of information to a person, the Vice-Chancellor is to be notified and will determine the appropriateness of information transfer; and
d) Internal Audit staff must possess the knowledge, skills and technical proficiency essential to satisfactorily perform the tasks required of an Internal Auditor.

9.0 Organizational Relationships and Independence

i) Internal Audit has an independent and neutral status in MRU and will be directly responsible to Audit and Risk Management Committee, and will report administratively to the Vice-Chancellor but functionally to Audit and Risk Management Committee;
ii) The Council, usually upon recommendation from Audit and Risk Management Committee, will approve the Internal Audit Charter and all decisions regarding the performance evaluation, appointment or removal of an outsourced Internal Audit service;
iii) The Audit and Risk Management Committee will approve the risk based Internal Audit strategic and operational plans;
iv) Internal Audit 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 their judgment;
v) Internal Audit will remain free from interference by any element in MRU, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective attitude;
vi) Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments;
vii) Internal Audit will confirm to Audit and Risk Management Committee, at least annually, the independence of the Internal Audit activity;

viii) All correspondences received from Internal Audit by the Vice-Chancellor or Committee members will be tabled at the next available Audit and Risk Management Committee meeting; and

ix) The existence of Internal Audit does not diminish the responsibilities of the Vice-Chancellor and senior management and staff to implement and maintain effective systems of internal control.

10.0 Responsibility

i) The scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of MRU's governance, risk management and internal processes (including work health and safety matters), as well as the quality of performance in carrying out assigned responsibilities to achieve MRU's stated goals and objectives. This includes:

a) Evaluating the reliability, timeliness, integrity and adequacy of information and the means used to identify, measure, classify and report such information;
b) Evaluating and appraising the soundness, adequacy and application of accounting and operating controls (financial and non-financial) and recommending improvements where necessary;
c) Evaluating the systems established to ensure compliance with those policies, plans, procedures;
d) Laws and regulations which could have a significant impact on MRU;
e) Evaluating the accounting for and the safeguarding of assets and, as appropriate, verifying the existence of such assets;
f) Evaluating the effectiveness and efficiency with which resources are employed;
g) Evaluating operations 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 at MRU;
i) Monitoring and evaluating the effectiveness of risk management processes within MRU;
j) Consult with External Auditors regarding the degree of coordination between Internal and External Audit;
k) Performing consulting and advisory services related to governance, risk management and control as appropriate for MRU;
l) Reviewing specific operations at the request of the Council, Vice-Chancellor, and Audit and Risk Management Committee; and
m) Conducting investigations in relation to allegations of fraud, corruption and whistleblower complaints.

ii) The scope of Internal Audit will include all parts of MRU including controlled entities.

iii) Any dispute relating to whether an activity falls within the Internal Audit scope or whether access to records, information or officers should be provided, shall be determined by the Vice-Chancellor or may be referred to Audit and Risk Management Committee.

11.0 Audit Planning

i) Internal Audit will submit the Three-year Strategic Internal Audit Plan and the One-year Operational Internal Audit Plan to Audit and Risk Management Committee for review and

approval. This should include overall objectives, work schedules, staffing, financial budgets and a description of any limitations placed on Internal Audit's scope of work.

ii) The general direction of MRU's internal audit activities over the medium term is to be documented in a Three- year Strategic Internal Audit Plan, namely:

   a) It will identify the broad goals to be achieved and strategies to be adopted over the three year period;
   b) Internal Audit must prepare the Three-year Strategic Internal Audit Plan based upon the results of a risk assessment and focuses on the areas of high risk and those where internal controls are weak;
   c) The Three-year Strategic Internal Audit Plan is to be reviewed annually by both Internal Audit and the Audit and Risk Management Committee and altered to take account of any changes in priorities or risks; and
   d) The Three-year Strategic Internal Audit Plan forms the basis for the preparation of the One-year Operational Internal Audit Plan.

iii) The One-year Operational Internal Audit Plan details the program for the forthcoming year and indicates the time schedules and budget for each proposed review or project. The actual audit performance shall be regularly reviewed against the Operational Internal Audit Plan by the Audit and Risk Management Committee. Any necessary amendments to the Plan shall be submitted to Audit and Risk Management Committee for consideration and approval.

iv) Internal Audit will prepare an individual audit plan, or scoping document, for all proposed audits. This document will be agreed to by Internal Audit and the cost centre manager and signed-off by the relevant senior staff member prior to commencement of the audit. This document should include: audit title; objectives; description and scope; and expected timeframes including starting and finishing dates.

v) Audit Plans will be developed using a risk-based methodology including input of senior management and Audit and Risk Management Committee, to identify and prioritize audit tasks based on a risk assessment of MRU's operations. This will take account of materiality, level of assessed risk, significance in terms of organizational impact and public accountability.

vi) The activities and plans of Internal Audit are to be coordinated with those of External Audit to ensure coordination of internal and external audit coverage.

vii) All significant auditable areas should be covered in the risk assessment process and each critical risk area (as agreed by Internal Audit, the Vice-Chancellor and President and Audit and Risk Management Committee) should be covered annually, having regard to current risk assessment.

viii) The Vice-Chancellor is granted authority to amend the Internal Audit Plans from time to time, to reflect emerging risks and priorities and to ensure that the Plans remain responsive to changes in business requirements. Any significant deviation from the approved Internal Audit Plan will be reported at the next Audit and Risk Management Committee meeting.

## 12.0 Reporting and Monitoring

i) On the conclusion of each audit, Internal Audit will issue a copy of the report on the audit outcome to the Vice-Chancellor, the relevant cost centre manager and members of management. This report shall then be circulated to Committee members;

ii) The report will cover the audit objectives, scope and conclusion based on the outcome of the audit as well as management's response to the report. This response should include

corrective action taken (or to be taken) in regard to the specific findings and recommendations and an agreed implementation timetable, or an explanation for any corrective action that will not be implemented;

iii) Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an Open Issues File until completed, reviewed by Internal Audit and the closure of the item approved by Audit and Risk Management Committee. Internal Audit will also perform an annual follow-up audit to review extreme and high risk recommendations that have been previously closed by Audit and Risk Management Committee;

iv) Internal Audit will periodically report to senior management and Audit and Risk Management Committee on Internal Audit purpose, authority, responsibility and 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 the Vice Chancellor or Audit and Risk Management Committee; and

v) Internal Audit will establish and maintain a quality assurance and improvement program to evaluate the operations of the Internal Audit function in accordance with the requirement of the Institute of Internal Auditors, and communicate to the Vice-Chancellor and Audit and Risk Management Committee on this program.

13.0 Audit and Risk Management Committee

i) The University is committed to maintaining an Audit and Risk Management Committee.

ii) The primary functions of Audit and Risk Management Committee are to:

a) Promote accountability, and support measures to improve management performance and internal controls throughout MRU;
b) Oversee and monitor MRU's internal audit, compliance and risk functions including work health and safety matters;
c) Oversee the integrity of MRU's financial reporting systems;
d) Ensure effective liaison between MRU's Internal and External Auditors, including coordination of internal and external audit coverage; and
e) Ensure effective liaison between senior management and MRU's External Auditors including oversight of MRU's external audit program, recommendation of the annual financial statements to Council for approval, and monitoring MRU's response to the annual audit.

iii) The responsibilities of the Audit and Risk Management Committee are defined by Council as part of their oversight role. Detailed roles, responsibilities, composition and operating guidelines for Audit and Risk Management Committee are outlined in its Terms of Reference.

14.0 External Audit

i) MRU and its consolidated entities are required to have an external audit of statutory compliance.

ii) External Audit must be given full, free and unrestricted access to any and all records, physical properties, personnel and other documentation belonging to, in the custody of, or

under the control of, MRU. All employees are to assist External Auditors in fulfilling their roles and responsibilities.

iii) MRU's external audit program is developed through two approaches:

a) On an annual basis a core External Audit program is set by External Auditors and an outline including scope and related costs is provided to Audit and Risk Management Committee for signing off prior to commencement. Final audit statements and reports are provided in sufficient time for MRU to meet its financial and reporting requirements; and

b) As part of a comprehensive program of audit activities across entities.

iv) It is the responsibility of External Audit to audit the annual financial statements and prepare an Auditor's Report in accordance with legal requirements, prescribed accounting standards and government guidelines.

v) External Audit representatives may be invited to be in attendance at each Audit and Risk Management Committee Meeting.

## 15.0 Review

This Policy and the Internal Audit Charter will be reviewed by Audit and Risk Management Committee. All amendments to the Policy and Charter require Audit and Risk Management Committee's endorsement, prior to submission to Council for discussion and approval.

## 16.0 Internal Audit Charter

The Internal Audit Charter is intended to provide a broad framework, professional standards and guidelines for the conduct of Internal Audit services at MRU. This Charter should be read in conjunction with MRU's Audit and Assurance Framework and applies to all staff, students, agents and members of decision-making and advisory bodies of MRU.

**END**