

Governance & Risk

Internal Audit Charter

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1. Introduction

This Charter establishes the purpose, authority and responsibility of the Internal Audit Function, to ensure that:

- Audit activities fulfil the general purpose and responsibilities approved by the Audit and Risk Committee and Executive Team consistent with the governance policies established by the Board.
- Resources of the Internal Audit Function are efficiently and effectively employed.
- Audit activities conform to the Standards for the Professional Practice of Internal Auditing.

2. Objective

The Internal Audit Function has been established to serve the Board, Audit & Risk Committee, Executive Team and Senior Leadership Group as an independent, objective assurance and advisory activity designed to add value and improve Activ's operations.

The primary objective of the Internal Audit Function is to assist Activ to accomplish its objectives by adopting a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

3. Role

The Internal Audit Function supports Activ's corporate governance framework by providing the Board (through the Audit and Risk Committee) and management with:

- Assurance Activ has effective, adequate and efficient internal controls in place to support the achievement of its objectives, including the management of risk; and
- Advice with respect to Activ's internal controls and business processes.

This assurance and advice is a review activity which continuously reinforces management's responsibility for effective internal controls.

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Management is responsible for risk management, and the operation and enhancement of internal controls. This includes responsibility for implementing recommended actions.

The scope of Internal Audit's role is to focus on continuous improvement through review, assessment and report on:

- The adequacy and effectiveness of the systems of operational, financial and management control, and their operation in practice in relation to the key risks facing Activ;
- The extent of compliance with and relevance of policies, standards and procedures established by Activ and the extent of compliance with relevant laws and regulations;
- The extent to which the assets and interests are acquired economically, adequately accounted for and safeguarded from losses and fraud, and that adequate business continuity plans exist;
- The accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information for those business processes identified in the risk based Audit Plans;
- The integrity of processes and systems, including those under development for those business processes identified in the risk based Audit Plans; and
- The achievement of objectives of major projects which affect Activ's key risks.

4. Independence

The Internal Audit Function has independent status within Activ and for that purpose shall:

- be directly responsible through its Governance and Risk Manager to the Executive Manager Strategy and shall report to the Board through the Audit & Risk Committee. Notwithstanding the aforementioned, the Governance and Risk Manager shall have the right to direct access to the Chief Executive Officer, and the Chief Executive Officer to the Governance and Risk Manager and audit staff and contractors, if required.
- have no executive or managerial powers, authorities, functions or duties except those relating to the management of the Internal Audit Function;

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- not be involved in the day to day operation of the accounting and financial management information and control systems of Activ; and
- not be responsible for the detailed development or implementation of new systems but should be consulted on these matters and provide assurances to management that:
 - completed systems will contribute to the achievement of
 - intended corporate objectives,
 - they include meaningful performance measures and
 - they meet quality assurance standards.
- in extreme circumstances, where a matter is unresolved, then the Governance and Risk Manager may meet with the Chairperson of the Audit and Risk Committee (without the Chief Executive Officer in attendance) to discuss the matter further.

The Governance and Risk Manager can meet with the Audit and Risk Committee without management present.

5. Authority

The Governance and Risk Manager and members of the Internal Audit Function are authorised to have full, free, and unrestricted access to all of Activ's activities, records, accounts, information, documents, property and personnel.

When exercising their authority, staff of the Internal Audit Function shall conduct themselves in accordance with the Institute of Internal Auditors Code of Ethics, Activ's Code of Conduct and Code of Ethics For Staff. Staff of the Internal Audit Function shall also apply expected observance of courtesies, timing and security matters as appropriate for the audit activity being undertaken. Internal Audit Staff should be cognisant that services to internal and external customers must not be disrupted.

Every staff member of Activ shall provide the Internal Audit Function's staff with such information, advice, explanation and assistance requested in the performance of audit activities.

An audit, review or appraisal by staff of the Internal Audit Function shall in no way relieve other staff in Activ of the responsibilities assigned to them.

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6. Responsibility

Planning

The Internal Audit Function shall develop a three year Strategic Audit Plan to effectively, efficiently and economically achieve the objectives of this Charter.

The Strategic Audit Plan will include Annual Audit Plans that will:

- identify assurance activities performed on all business processes by all assurance providers;
- Be risk based and will highlight the key inherent risks impacting on each business process and the control strategies applied to mitigate those risks; and
- Be based on a three year projection and will be prioritized and resourced to take into account the relative inherent risks of all the business processes.

The rolling Strategic Audit Plan and the current Annual Audit Plan will be submitted to the Audit and Risk Committee for review and approval.

The Internal Audit Function will communicate to management and the Audit and Risk Committee any significant changes to the approved Annual Audit Plan.

Performance

Implement the annual audit plan, as approved, including if appropriate, any special tasks or projects requested by management or the Audit and Risk Committee.

Assess and make appropriate recommendations for improving Activ's governance process in its accomplishment of its objectives.

Evaluate the effectiveness and contribute to the improvement of risk management processes.

Assist Activ in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

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Perform advisory services, beyond the internal audit function's assurance services, to assist management in meeting its objectives. Examples are usually activities requested outside the scope of the Annual Audit Plan and may include facilitation process design, training, and advisory services and are to be approved by the Audit and Risk Committee prior to performance.

May at the request of management and the Audit and Risk Committee, contribute to the evaluation and assessment of significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.

Assist in the investigation of significant suspected fraudulent activities within Activ and notify management and the Audit and Risk Committee of the results as approved by the Audit and Risk Committee
Keep the Audit and Risk Committee informed of emerging trends and successful practices in internal auditing.

At least annually, the Governance and Risk Manager is to meet privately with the Audit and Risk Committee, without the presence of management.

Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.

Establish a quality assurance and improvement program for the Internal Audit Function.

Issue periodic reports to the Audit and Risk Committee summarising results of audit activities, status of corrective actions and the Internal Audit Function's performance to measurement criteria.

Review the internal audit charter at least every two years, modify as appropriate, and submit to the Audit Committee for approval.

In performing its activities, the Internal Audit Function shall have no direct responsibility or authority over any of the operations reviewed. It shall not design and install procedures, prepare records, or engage in any other activity that it would normally review and appraise.

Audit Reporting Standards

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All reports will be signed under the title of the Governance and Risk Manager. Audit reports will be discussed with the appropriate responsible management and staff prior to issue.

Audit issues arising during an audit review will be recorded with information of the standard condition of controls that should be in place, the actual condition, the cause for the actual condition not being aligned with the standard condition and the business implication if the actual condition were allowed to continue.

These issues will be communicated to relevant staff and management and an agreed action determined that would adequately correct the situation. This will be supported by identifying the person responsible for correcting the situation and the expected completion date of the agreed tasks. The Executive Group will be provided with the Executive Summary from each audit report for review each month.

A summary of reports issued, issues raised and outstanding responses will be tabled for Audit & Risk Committee consideration and further action as necessary.

All Internal Audit Function reports shall:

- Be clear, concise and complete;
- Clearly explain the scope and objectives of the audit;
- Present findings and conclusions in an objective manner;
- Include only factual information, findings and conclusions, which are adequately supported by properly documented evidence;
- Include as appropriate, suggestions for remedial action and provide information concerning the cause of deficiencies identified;
- Place emphasis on improvement for the future rather than criticism of the past; and
- Acknowledge management initiated improvements when appropriate.

7. Competence and Standards

The Internal Audit Function will meet or exceed the mandatory guidance provided in the International Professional Practices Framework (IPPF),

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published by The Institute of Internal Auditors: the Definition of Internal Auditing, Code of Ethics and International Standards.

The Internal Audit Function will adhere to IPPF strongly recommended guidance: Position Papers, Practice Advisories and Practice Guides as applicable to the individual review being undertaken.

In addition, the Internal Audit Function will adhere to Activ policies and procedures and the Risk Control Audit and Assurance (RCAA) framework.

8. Quality Assurance

The Internal Audit Function will maintain a Quality Assurance and Improvement Program including the following:

- Internal assessments:
 - Ongoing monitoring of the performance of the Internal Audit Function; and
 - Periodic reviews performed through self-assessment or by other persons within the organisation with sufficient knowledge of internal audit practices
- External assessments conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation.

9. Review of Charter

The Audit and Risk Committee will review the Charter every two years and approve changes as required.