

INTERNAL AUDIT CHARTER

Purpose and Mission

The purpose of the internal audit function is to provide independent, objective assurance and consulting services designed to add value and improve the Institute of Internal Auditors - Australia (IIA-Australia) operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. It helps IIA-Australia accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Core Principles

The Core Principles, taken as a whole, articulate internal audit effectiveness. Internal auditors will possess and demonstrate the Core Principles for the Professional Practice of Internal Auditing:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement

Standards of audit practice

The internal audit function will be subject to the requirements of The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Authority

The outsourced Internal Audit Provider is authorised to:

- Have unrestricted access to all relevant functions, records, property, and personnel within the law.
- Have full and free access to the Audit & Risk Committee.
- Meet with the Audit & Risk Committee chair without management.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives for

- the approval of the Audit & Risk Committee.
- Obtain the necessary assistance of IIA-Australia personnel, as well as other specialised services from within or outside the IIA-Australia.

Independence & objectivity

To provide for the independence¹ and objectivity² of the internal audit function, the outsourced Internal Audit Provider will report to the Audit & Risk Committee in a manner outlined in the below section on Accountability. It will include as part of its reports to the Audit & Risk Committee, a periodic report on internal audit resourcing.

Scope of Internal Audit Activities

The scope of work of the internal audit function is to determine whether the governance, risk management and control processes of the IIA-Australia, as designed and represented by management, are adequate and functioning in a manner to provide a reasonable level of confidence:

- Significant key risks are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and protected adequately.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the IIA-Australia's control process.
- Significant legislative or regulatory issues impacting the IIA-Australia are recognised and addressed properly.

Opportunities for improving management control, profitability, and the image of the IIA-Australia may be identified during audits. They will be communicated to the

¹ Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organisational levels. (Source: Institute of Internal Auditors, *Standard 1100 Independence and Objectivity*, <http://www.iaa.org.au/technical-resources/professionalGuidance/standards.aspx> January 2017).

² Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organisational levels. (Source: Institute of Internal Auditors, *Standard 1100 Independence and Objectivity*, <http://www.iaa.org.au/technical-resources/professionalGuidance/standards.aspx> January 2017).

appropriate level of management.

The Internal Audit function will apply and uphold the principles of integrity, objectivity, confidentiality, and competence as required by the Institute of Internal Auditors Code of Ethics.

Accountability

The outsourced Internal Audit Provider, in the discharge of his/her duties, shall be accountable to the Audit & Risk Committee to:

- Provide annually an assessment, based on the work completed, of the adequacy and effectiveness of the IIA IIA-Australia's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the IIA-Australia, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with, and provide oversight of, other control and monitoring functions, e.g. risk management.

Responsibility

The Chief Audit Executive will be the contract manager for the outsourced Internal Audit Provider, and will be responsible for ensuring internal audits and other agreed activities are conducted in compliance with this Charter and the Internal Audit Contract.

The outsourced Internal Audit Provider has responsibility to:

- Develop flexible annual and strategic audit plans using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit the plans to the Audit & Risk Committee for review and approval.
- Coordinate implementation of the approved annual audit plan including, as appropriate, any special tasks or projects requested by management and the Audit & Risk Committee.
- Supply professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Establish a quality assurance & improvement program to assure the

operation of internal audit activities.

- Coordinate consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, advice on process design, training, and advisory services.
- Coordinate evaluation and assessment of significant changes to operations and control processes coincident with their development, implementation, and/or expansion.
- Coordinate management responses to internal audit reports.
- Follow up implementation of outstanding audit recommendations and report results to Audit & Risk Committee.
- Issue periodic reports to the Audit & Risk Committee and management summarizing results of audit activities.
- Keep the Audit & Risk Committee informed of emerging trends and successful practices in internal auditing, risk or financial management.
- Provide a list of significant measurement goals and results to the Audit & Risk Committee.
- Assist in the investigation of significant suspected fraudulent activities within the IIA-Australia and notify management and the Audit & Risk Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the IIA-Australia at a reasonable overall cost.

Approval and amendment of charter

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

Chief Executive Officer

Audit & Risk Committee Chair

Dated

Noted by Internal Auditor

Dated