

# Internal Audit Charter

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## CONTENTS

1. Purpose and Scope.....	1
2. Definitions, Abbreviations and Acronyms .....	1
3. References .....	1
4. Authority.....	2
5. Accountability.....	2
6. Resourcing and responsibilities.....	3
7. Standards of practice .....	3
8. Independence .....	4
9. Planning.....	4
10. Reporting .....	4
11. Review of this charter.....	4
12. Relationship with external audit and other statutory bodies.....	4
13. Attachment 1.....	5
13.1. Figure 1 – Major constituents for Internal Control & Audit .....	5
13.2. Figure 2 – Engagement Process for each Internal Audit .....	6

## 1. PURPOSE AND SCOPE

Energy Queensland Limited's ("Energy Queensland") Internal Auditing (IA) function provides assurance of compliance with risk management, control, and governance processes to enable the company to achieve its goals and objectives in alignment with the Board's stated risk appetite by reviewing and reporting on the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws, regulations, and contracts.

As part of EQL's governance framework, IA provides an independent appraisal and advisory function for management and the Audit Committee by assessment of controls governing strategic, operational, financial and legal risk exposures so that:

- a. Risks are appropriately identified and managed;
- b. Interaction with the various governance groups occurs as needed;
- c. Significant financial, managerial, and operating information is accurate, reliable, & timely;
- d. Business activities are in compliance with policies, standards, procedures, and applicable laws and regulations;
- e. Resources are acquired economically, used efficiently, and adequately protected;
- f. Programs, plans, and objectives are achieved;
- g. Quality and continuous improvement are fostered in the organisation's control process; and
- h. Significant legislative or regulatory issues impacting the organisation are recognised and addressed appropriately.

IA's scope includes all business activity of Energy Queensland and its subsidiary companies.

IA may also assess issues or concerns at the request of the Audit Committee or management as to consistency of results with expected goals and objectives, and provide advice to management on the efficiency and effectiveness of systems and processes, whilst maintaining its independence and objectivity.

As the internal control and audit function leader, the General Manager Risk & Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

The internal audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the sponsoring executive, on the basis that the activity does not assume management responsibility or compromise internal audit's independence in any way.

## 2. DEFINITIONS, ABBREVIATIONS AND ACRONYMS

Nil

## 3. REFERENCES

Nil

## 4. AUTHORITY

This Charter is established by the authority of Energy Queensland's Audit Committee to define the IA function's roles, responsibilities, authorisation, activities and reporting relationships.

The ICA Leader retains unrestricted access to the Chief Executive Officer, the Chair of the Audit Committee and the Board Chair to discuss any matter.

IA is authorised to:

- a. Have unrestricted access to all functions, records, property, and personnel;
- b. Have full and free access to the Audit Committee; and
- c. Obtain necessary assistance of personnel in departments under review, as well as other specialised services from within or outside the organisation – subject to budget constraints and the approval of the Audit Committee.

The IA department is not authorised to:

- i. Perform any operational duties for the organisation or its affiliates; or
- ii. Initiate or approve accounting transactions external to the IA department; or
- iii. Direct the activities of any employee not employed by IA except to the extent such staff have been appropriately assigned to assist IA.

## 5. ACCOUNTABILITY

The ICA Leader is accountable to the Audit Committee for:

- a. Submitting to senior management and the Audit Committee a risk-based internal audit plan for review and approval;
- b. Reviewing and adjusting the internal audit plan, as necessary, in response to changes in business, risks, operations, programs, systems, and controls and to communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan;
- c. Periodically providing information on the status and results of the audit plan and the sufficiency of department resources;
- d. Reporting significant issues related to the processes for directing the organisation, including potential improvements to those processes, and providing information concerning such issues through to resolution;
- e. Assuring that appropriate engagement supervision is provided of audit planning, fieldwork, result evaluation, communication, and follow-up of findings;
- f. Developing and maintaining a quality assurance and improvement program that covers all aspects of the IA function, and continuously monitor its effectiveness;
- g. Ensuring that the IA function is externally reviewed at least every 5 years, by a qualified, independent external review team, and that the results of this external assessment are communicated to the Audit Committee;
- h. Governing itself by adherence to the mandatory elements of the Institute of Internal Auditor's International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing;
- i. Reporting annually to the Audit Committee on the IA function's conformance with the Standards; and
- j. Providing informal updates to the Chair as required.

## 6. RESOURCING AND RESPONSIBILITIES

The Audit Committee has control for the approval, monitoring and continuance of:

- a. the employment and remuneration decisions concerning the ICA Leader;
- b. the scope and budget (including any co-sourced provider) of IA on the recommendation of the ICA Leader;
- c. the Internal Audit Plan and corrective actions for significant issues;
- d. agreed IA performance measures;
- e. meeting periodically 'in camera' with the ICA Leader.

Management is responsible for implementing solutions that provide corrective actions agreed during audits. Solutions shall be subject to follow-up assessment.

The ICA Leader and IA staff are to:

- i. Develop a flexible audit plan using an appropriate risk-based methodology, for review and approval by the Audit Committee;
- ii. Implement the approved audit plan including any special tasks or projects requested by management and the Audit Committee;
- iii. Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- iv. Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion;
- v. Issue periodic reports to the Audit Committee and management summarising results of audit activities, management comment and agreed actions;
- vi. Advise the Audit Committee of emerging trends & practices in Internal Auditing;
- vii. Design and periodically report on IA performance goals and expected results to the Audit Committee and management;
- viii. Investigation of significant suspected fraudulent activities within the organisation and notify management and the Audit Committee of the results;
- ix. Report the condition of the company's statutory compliance and internal control systems; and
- x. Identify & develop staff with expertise in internal controls for deployment throughout Energy Queensland.

## 7. STANDARDS OF PRACTICE

IA staff will comply with all company policies, the Standards for Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors (IIA).

IA staff will undertake training required to ensure they possess the knowledge, skills and technical proficiency relevant to the performance of their duties. The ICA Leader will regularly report to the Audit Committee on IA personnel development & training.

## 8. INDEPENDENCE

To provide independence of the Internal Auditing department, its personnel report to the General Manager Risk & Internal Audit, who as the ICA Leader reports functionally to the Chair of the Audit Committee in a manner outlined below (see Accountability section herein). The ICA Leader will report administratively to the Company Secretary. Matters concerning the independence of the ICA Leader or the influence of the Company Secretary or Chief Executive Officer may be raised directly with the Chair of the Audit Committee by any member of Internal Audit.

The ICA Leader may engage independent external experts to review any function under the purview of the Company Secretary.

## 9. PLANNING

The IA Plan schedules work to be conducted by prioritisation of the audit universe and is risk based. IA shall monitor risks within the business, the internal control environment and results of previous internal audits to develop the plan and any subsequent amendments for consideration of the Audit Committee. Approval or amendment of the plan is at the discretion of the Audit Committee.

In preparing the plan, the ICA Leader will identify and consider the expectations of senior management, the Board and other stakeholders regarding their perspective on key risk areas and required areas of IA focus.

The Risk and Compliance Committee will have visibility of the IA plan in assessing the management of risks and alignment with the company's risk profile, as appropriate.

## 10. REPORTING

The ICA Leader will ensure that the Audit Committee is regularly updated on any systemic issues within internal control environment requiring management attention and the status of agreed improvements to the control environment.

IA will issue written reports for each review to:

- a. Chair of the Audit Committee;
- b. Chief Executive Officer;
- c. Company Secretary
- d. EGMs and GMs of the functions / business areas subject to the audit; and
- e. The Queensland Auditor-General (or nominated delegate) as required.

## 11. REVIEW OF THIS CHARTER

This Charter will be reviewed at least every two years by the Audit Committee with substantive changes to be formally approved by the Board on recommendation of the Audit Committee.

## 12. RELATIONSHIP WITH EXTERNAL AUDIT AND OTHER STATUTORY BODIES

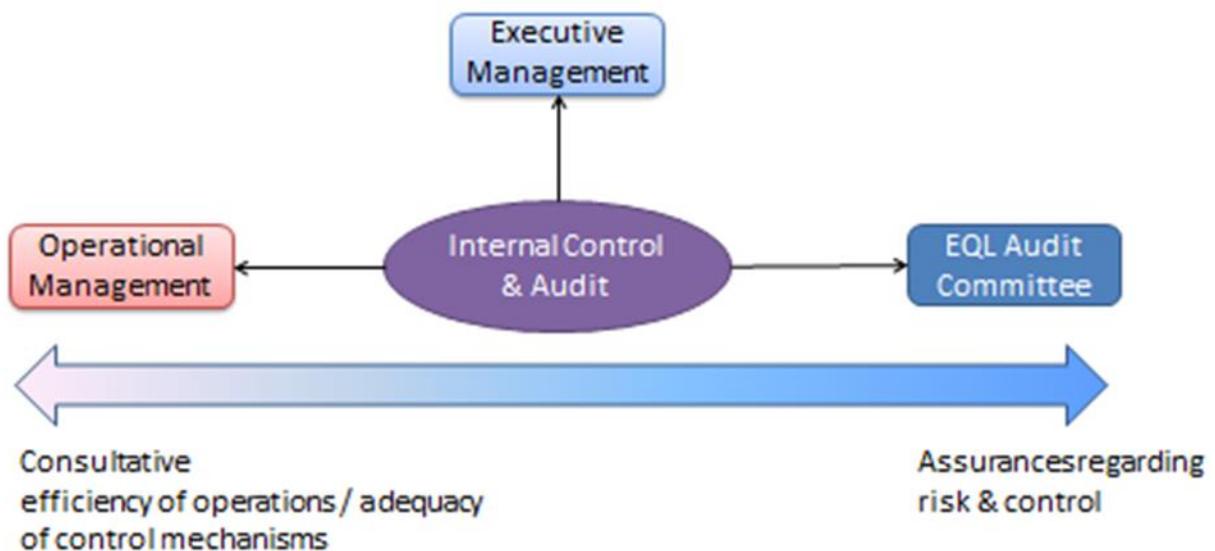
Internal audit will maintain a professional relationship with external audit. IA will liaise regularly with external audit and seek to minimise any possible duplication of assurance effort. Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest.

## 13. ATTACHMENT 1

### EQL's Integrated Approach to assurance across the Three Lines of Defence

1st Line of Defence	2nd Line of Defence	3rd Line of Defence
<i>Owns &amp; manages risk</i>	<i>Monitors Risk</i>	<i>Assures Risk is managed</i>
<b>Management Controls</b> Strategic and real-time focus	<b>Management of Risk</b> Strategic and real-time focus + Review of 1st Line	<b>Independent Assurance</b> Review focus of 1st and 2nd Line
<ul style="list-style-type: none"> <li>Review governance &amp; compliance</li> <li>Implement improvements</li> </ul>	<ul style="list-style-type: none"> <li>Confirm governance &amp; compliance</li> <li>Recommend improvements</li> </ul>	<ul style="list-style-type: none"> <li>Independently confirm governance &amp; compliance</li> <li>Recommend improvements</li> </ul>
<b>Management &amp; Project controls, including:</b> <ul style="list-style-type: none"> <li>Policy</li> <li>Procedure</li> <li>Systems</li> <li>Process</li> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management</li> <li>Compliance</li> <li>Legal</li> <li>Asset Safety &amp; Protection</li> <li>HS&amp;E</li> <li>Security</li> <li>Quality &amp; Inspection</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit</li> <li>Internal Control</li> </ul>

13.1. Figure 1 – Major constituents for Internal Control & Audit



13.2. Figure 2 – Engagement Process for each Internal Audit

