



Internal Audit and Assurance Charter

Corporate

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Internal Audit and Assurance Charter

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Internal Audit and Assurance Charter

1 INTRODUCTION

The Internal Audit and Assurance (IA&A) Charter formally:

- Defines the purpose, authority and responsibility of the IA&A Department;
- Details the functional reporting relationship between the General Manager (GM) IA&A and the Board of Directors (Board) through the Audit and Risk Committee (ARC). The ARC is a committee of the Board of Energy Queensland Limited (EQL);
- Authorises access to records, personnel and physical properties relevant to the performance of engagements; and
- Defines the scope of IA&A activities.

This Charter, once approved, operates under the authority of the Board.

2 PURPOSE

The primary role of IA&A is to strengthen EQL's ability to achieve its mission and objectives by providing the Board and management with independent, risk-based, and objective assurance, advice and insight into the strength of the control environment across the organisation. IA&A enhances EQL's ability to:

- Successfully achieve its objectives;
- Create a culture of accountability, integrity and adherence to high ethical standards;
- Integrate governance, controls and risk management into day-to-day activities;
- Enhance decision-making and oversight;
- Build a strong and credible relationship with its stakeholders; and
- Serve the public interest.

3 PROFESSIONAL STANDARDS

IA&A will govern itself by adherence to the mandatory guidance contained in the International Professional Practices Framework (IPPF), which is comprised of the Global Internal Audit Standards (GIAS), Topical Requirements and Global Guidance issued by the Institute of Internal Auditors (IIA). This includes internal audit work performed by service providers.

The IA&A Department will undertake training required to ensure they possess the knowledge, skills and technical proficiency relevant to the performance of their duties.

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4 AUTHORITY

In order to effectively deliver the IA&A program, the Board grants the GM IA&A full and open access (subject to legal restrictions) to:

- The Board (through the ARC), Chief Executive, the Executive Leadership Team, Senior Leadership team, all employees and personnel, as well as other specialised services from within or outside the organisation to discuss relevant matters in accordance with the role requirements and escalation protocols set out in this Charter; and
- All relevant functions, records, property and information of the organisation.

Information obtained during the performance of internal audit activities must only be used for assurance, advisory and investigation purposes and maintain confidentiality protocols.

5 CONFIDENTIALITY

All records, documentation and information accessed while undertaking IA&A engagements are to be used solely for the performance of those activities.

IA&A and service providers are responsible and accountable for maintaining the confidentiality of the information they receive during their work.

All IA&A documentation and work papers remain the property of EQL, including where IA&A services are provided by service providers under a co-sourced model.

6 INDEPENDENCE

The GM IA&A is positioned at a level within EQL that enables IA&A services and responsibilities to be performed without interference from management, thereby establishing the independence of the IA&A Department as a whole. The IA&A Department is comprised of Internal Audit, Internal Control and Integrity teams.

The following independence safeguards will be in place for the GM IA&A and the IA&A Department:

- The GM IA&A will not perform third-line assurance activities over the services performed by the Internal Control or Integrity teams;
- If assurance is performed over the services performed by these teams, this assurance engagement (including action monitoring and closure) will be managed and performed independently of the GM IA&A (for example, by the Company Secretary or other independent entity nominated by the ARC) and results will be reported directly to the ARC;
- IA&A teams have no direct authority or responsibility for the activities they provide assurance over;
- IA&A teams have no responsibility for management of business activities, or for development or implementation of operational systems or procedures;
- IA&A will remain free from interference by any part of EQL, including matters of assurance selection, scope, procedures, frequency, timing or report content to permit maintenance of an independent and objective opinion;

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- An annual declaration will be performed by the GM IA&A to the ARC on any impacts to independence identified throughout the year, together with the actions taken to manage those impacts; and
- Independent review of the effectiveness of these safeguards will be performed as part of the external assessment against the GIAS.

7 CONFLICTS OF INTEREST AND IMPAIRMENT OBJECTIVITY

Internal auditors will perform their work with impartiality, professional judgement and freedom from conflicts of interest.

Conflicts of Interest

Instances of perceived, potential or actual conflict of interest identified by the IA&A team members or service providers will be reported to the GM IA&A who may escalate to the ARC Chair or any other member of the ARC.

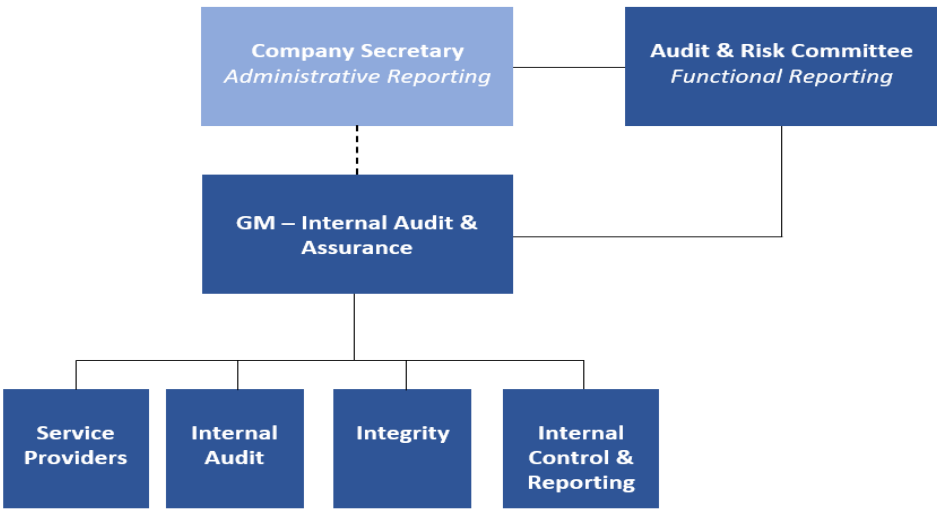
When engaging service providers, the GM IA&A shall take steps to identify, evaluate, and manage any perceived, potential or actual conflicts of interest.

Impairments to objectivity

IA&A will not provide assurance services over activities where it has previously had operational responsibility. The Institute of Internal Auditors (IIA) suggests a period of one year, however each instance will be assessed by the GM IA&A and reported to the ARC.

8 POSITIONING

IA&A is positioned within EQL as follows:



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9 REPORTING ARRANGEMENTS

IA&A Department and service providers report to the GM IA&A, who reports:

- Functionally for operations to the ARC through the Chair; and
- Administratively to the Company Secretary.

Functional reporting to the ARC includes:

- Regular meetings with ARC Directors without management present;
- Adequacy of budget and resources to complete the IA&A program;
- The annual risk-based Annual Internal Audit Plan (IAP) and Annual Internal Control Plan (ICP), including significant changes throughout the year;
- Progress against and delivery of the approved the IAP and ICP;
- IA&A Strategic Plan and delivery against approved initiatives and measures;
- IA&A reports and deliverables;
- Common themes emerging from IA&A engagements;
- Implementation status of IA&A, external audit, and other relevant external and regulatory body recommendations;
- IA&A Department capability and resourcing;
- Overall performance of IA&A, including compliance with standards, performance measures agreed with the ARC, quality and improvement arrangements;
- Annual assertion on Internal Audit independence and compliance with IIA standards.

Administrative reporting to the Company Secretary includes:

- IA&A resources and annual budget;
- Corporate services; and
- Human resource administration.

10 RELATIONSHIP WITH OTHER ASSURANCE ACTIVITIES

EQL uses the Three Lines integrated assurance model to allocate responsibilities for risk management and control, as follows:

- Line 1 - Management has ownership, responsibility and accountability for assessing, controlling and mitigating/managing risks;
- Line 2 - Second line roles are predominantly specialists who provide expertise, support, monitoring, and challenge to those with first line roles in managing their risks. Second line roles report to management and may focus on specific objectives of risk management, for example ethics, information technology and data security, sustainability, legal compliance or quality assurance.

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- Line 3 - Internal Audit utilises a risk-based approach to provide assurance to the Board via the ARC and management on how effectively EQL assesses and manages its risks, including the way the first and second lines operate.

In the performance of its duties, IA&A does not absolve management and staff from any of their risk management and control responsibilities.

IA&A will establish and maintain an open relationship with the external auditor and other assurance providers and will plan its activities to ensure adequacy of overall assurance coverage and to minimise duplication of assurance effort across EQL.

External audit has full and free access to all internal audit plans, work papers and reports.

11 STAKEHOLDER ENGAGEMENT PLAN

Stakeholder relationships are critical to the successful delivery of IA&A engagements. To support engagement and development of relationships with key stakeholder, a meeting cadence has been established. Refer to the Internal Audit and Assurance Stakeholder Engagement Plan for current key stakeholder engagement cadence.

12 ROLE

The GM IA&A is responsible for the IA&A Department, comprised of the Internal Audit, Internal Control and Integrity teams.

12.1 Internal Audit

Internal Audit provide an independent third line assurance and advisory function, supporting management and the ARC through the provision of reasonable assurance over the adequacy of controls governing risks, including strategic, operational, financial, information technology and legal requirements.

Management may request internal audit services in response to emerging business issues or risks. Internal Audit will attempt to satisfy these requests, subject to the assessed level of risk, availability of resources, and endorsement of the ARC.

12.2 Internal Controls

The Internal Control team is a second line function, the primary role being to perform continuous auditing and build continuous control monitoring solutions to assist the third line of defence (internal audit) in informing assurance priorities in the IAP as well as assisting in the delivery of data-informed internal audit results. Through the performance of the ICP, the Internal Control team assists the Board and management to assess the operation and effectiveness of internal controls and the Internal Control Framework in mitigating risk.

The Internal Control team provides advice on design of controls and assist with the design and implementation of continuous monitoring solutions. However, to maintain independence, the Internal Control team will not assist with implementation of controls.

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12.3 Integrity

The Integrity team is a second line function, the primary role being the independent and objective investigation of complaints of suspected fraud, unethical and illegal behaviour. This will be achieved through:

- A systematic process to gather and assess information related to an alleged workplace incident or issue; and
- Collection of facts and evidence to guide the business in resolving workplace issues, including the assessment of allegations to determine if they meet the threshold of being reportable to the Crime and Corruption Commission (CCC) or the Queensland Ombudsman as a Public Interest Disclosure (PID).

Allegations received that relate to inappropriate employee behaviours, grievances or safety incidents will be directed to the Industrial Relations team within the People, Property and Safety Division for investigation.

13 NATURE AND SCOPE OF WORK

The scope of IA&A encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal control processes that facilitate the achievement of the organisation's defined goals and objectives.

The approved IAP and ICP outline the proposed assurance activities for the period, which demonstrates how IA&A is supporting the Board and management in providing assurance that risks preventing the achievement of the organisation's objectives are appropriately managed.

The scope of IA&A activity will include assurance and advisory services as follows:

- **Assurance services:** performed in accordance with the professional requirements under the IIA's IPPF. These services involve the internal auditor's objective assessment to provide an independent opinion or conclusions about an entity, operation, function, process, system, or other subject matter of EQL;
- **Advisory services:** performed in relation to governance, risk management or specific operations at the request of the Board, ARC or management. The nature and scope are agreed with the client, are intended to add value and improve EQL's governance, risk management, and control processes without the IA&A Department assuming management responsibility; and
- **Investigations:** independent and objective investigation of complaints of suspected fraud, unethical and illegal behaviour received through the EQL Integrity Line (confidential whistleblower hotline) or directly from management or complainants.

All areas of EQL are subject to IA&A coverage, including all systems, processes, operations, functions and activities.

14 RESOURCING

The GM IA&A must advise the ARC if IA&A resources are not sufficient to fulfil responsibilities. Any assessment of the IA&A operational budget is to be supported by appropriate and objective analysis

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and benchmarking. Should resources be insufficient, the GM IA&A will provide the ARC with options to address the shortfall.

Where subject matter specialists are required, these may be sourced from external providers or from across the organisation, allowing for a collaborative approach.

15 RESPONSIBILITY

15.1 GM IA&A

The GM IA&A responsibilities include (but are not limited to):

- Establish a mature internal audit function that complies with the mandatory guidance contained in the IPPF issued by the IIA; and
- Develop and implement an Internal Audit Strategic Plan that supports the strategic objectives of the organisation.

15.1.1 Internal Audit and Internal Control Planning

- Develop an organisation-wide assurance plan built on an organisation-wide assurance map.
- Develop a risk-based IAP and supporting ICP that considers organisational objectives and risks, including those identified by management, and submit these plans to the ARC for review and approval at least annually;
- Review and adjust the IAP and ICP as required in response to changes in business, risks, operations, programs, systems, and controls and communicate to senior management and the ARC any significant changes; and
- Periodically provide information on the status and results of the IAP and ICP, and the sufficiency of resources to deliver these plans.

15.1.2 Internal Audit and Internal Control Engagements

- Deliver internal audit projects and continuous auditing projects contained in the approved IAP and ICP;
- For Internal Audit engagements, produce a final report containing a conclusion against the engagement objectives, positive commentary on what is working well, and improvement actions;
- For Internal Audit engagements, negotiate appropriate management actions that address the internal audit recommendations in the internal audit report, identifying a responsible person and realistic timetable for completion; and
- Provide the final internal audit report to management of the area audited, Chief Executive Officer and the ARC.
- Should material mistakes or omissions be identified in a final report, a formal correction will be issued to management of the area audited, Chief Executive Officer and the ARC. A material mistake or omission is one that would change the overall opinion stated in the internal audit report.

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- For Internal Control or advisory engagements, provide a summary of the scope and outcome of the engagement to management of the area audited and the ARC.

15.1.3 Internal Audit Recommendations

- Establish a system to monitor progress by management to implement Internal Audit and External Audit recommendations, together with recommendations contained in reports by other relevant external and regulatory bodies;
- Obtain regular management updates on progress to implement recommendations; and
- Follow-up and obtain evidence that recommendations are effectively implemented by management before recommending closure to the ARC.

15.1.4 Integrity

- Report to ARC on integrity matters and investigations.

15.2 EQL Staff and Management

Responsibilities include, but are not limited to:

- An Engagement Sponsor will be nominated as the management owner of each engagement;
- Management and staff are obligated to professionally and constructively contribute to IA&A work and implement agreed management actions in response to recommendations contained in final reports;
- Provide management responses and proposed actions within 10 working days from receipt of a draft report;
- Where management responses to a recommendation are not considered adequate to address the risk, the GM IA&A will consult with management and attempt to reach a mutually agreeable resolution. If agreement is not reached, the GM IA&A will escalate the matter to the Chief Executive Officer. If agreement is still not reached, the final arbiter will be the ARC;
- Where management seeks to accept a risk from a recommendation raised, this will be submitted to the ARC for approval;
- Management may be required to put in place interim control arrangements where there is a long lead time to implement an action;
- In exceptional circumstances, an extension may be granted by the ARC to enable management more time to implement an agreed action;
- IA&A will request regular updates from management on progress of action implementation. Timing will align to the ARC meetings; and
- The Executive Sponsor or responsible action owners may be required to attend an ARC meeting to present details how risks raised by internal audit are being addressed.

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16 QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The GM IA&A is responsible for developing and maintaining a quality assurance and improvement program that includes:

- Ongoing internal assessments for each assurance engagement against the GIAS;
- Annual internal self-assessments for compliance with the GIAS; and
- Independent external assessments performed at least once every five years by a qualified, independent assessor or assessment team from outside EQL against the GIAS.

17 EVALUATION OF PERFORMANCE

GM IA&A will report on performance of the function at least annually to the ARC, including:

- Results of the quality assurance and improvement program;
- Results of IA&A performance measures approved by the ARC;
- Feedback from management on IA&A performance; and
- Feedback from ARC members.

18 REVIEW AND APPROVAL OF THE CHARTER

This Charter will be reviewed at least every two years by the GM IA&A. The updated document will be discussed with the ARC, who will endorse and submit to the Board for approval.