

# Internal Audit Charter

**Internal Audit  
Effective 25 June 2021**

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## **1. Objective**

- 1.1 This Charter provides a framework for the conduct of Internal Audit in the Australia Post Group (Group) and is approved by the Australia Post Board.

## **2. Role**

- 2.1 Internal Audit is an independent, objective assurance and consulting function designed to add value and improve the organisation's operations including the internal control environment. It assists the organisation to accomplish its objectives by bringing a systematic, disciplined, third line of defence to the evaluation of internal processes and controls, and improve the adequacy, effectiveness and efficiency of the risk, control and governance processes.

## **3. Authority**

- 3.1 The General Manager Internal Audit is authorised to direct a broad, comprehensive program of internal auditing within the organisation. Internal Audit staff are authorised to have full, free and unrestricted access to the Board, the Group Chief Executive Officer and Managing Director, all functions, property, personnel, records, accounts, files and other documentation to enable Internal Audit to carry out its functions and activities.
- 3.2 The General Manager Internal Audit has the authority to initiate audit reviews and investigations based upon their professional judgement, beyond the immediate scope of the approved Internal Audit program.
- 3.3 Internal Audit may conduct audits of joint ventures to the extent permitted under the terms of the relevant shareholder agreement or to the extent that the joint venture company consents to the audit.
- 3.4 Information accessed in the course of internal audit work is used strictly for Internal Audit purposes. The General Manager Internal Audit and staff are responsible for the confidentiality of the information they receive.

## **4. Independence & Objectivity**

- 4.1 Internal Audit is independent to line management. It has no direct authority over the activities it reviews – this independence from operating management is essential for Internal Audit staff to be objective in the conduct of reviews. The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective attitude.
- 4.2 Internal Audit does not design, develop or implement procedures or systems and does not prepare records or engage in front line processing functions.

- 4.3 From an administrative perspective, Internal Audit is part of the Finance and Commercial Services business unit. From a functional perspective, Internal Audit reports to the Audit & Risk Committee (Committee). This is to ensure a broad range of audit coverage and adequate consideration of audit reports and management action on audit recommendations. Private session meetings will be held between the General Manager Internal Audit and the Committee without management present.
- 4.4 A review by Internal Audit does not in any way relieve Group officers of their individual responsibilities for implementing and maintaining effective systems to manage risk and monitor and control organisation activities and practices.
- 4.5 Protocols will be in place, and approved by the Committee annually, to oversee the independence and objectivity of the co-source partner, or any other third-party provider to the internal audit function.

## **5. Responsibility**

- 5.1 Internal Audit provides assurance over the effectiveness and efficiency of the control environment, using a risk-based auditing methodology focussing on material risk mitigation, organisational processes, programs/projects and strategic initiatives.
- 5.2 Internal Audit will play an active role in helping the Group:
- maintain a culture of accountability, integrity and adherence to the Group's ethical standards; and
  - promote the integration of risk management into the business as usual activities, processes and programs.
- 5.3 The Committee's endorsement is required for the Internal Audit Charter, while the Committee's approval is required for the risk-based Internal Audit annual plan.

## **6. Standards**

- 6.1 Internal Audit will govern itself by adherence to the Institute of Internal Auditors' mandatory guidance which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing, and the principles against which to evaluate the effectiveness of Internal Audit performance.
- 6.2 All audit activities are conducted in accordance with Group values, policies, and procedures including the:
- International Professional Practice Framework (IPPF) of Internal Auditing issued by the Institute of Internal Auditors;

- Information Technology Assurance Framework; and
- Audit Practice statements as appropriate to internal auditing of CPA Australia and Chartered Accountants Australia and New Zealand.

## **7. Audit Plan**

- 7.1 An Internal Audit Plan (Plan) for the Group will be prepared for approval by the Committee at the June meeting. The Plan will be prepared in consultation with the Executive Team to ensure alignment of the Plan against material risks, strategic objectives, and key processes of the business. The Plan will include some flexibility to ensure the Internal Audit team can absorb ad hoc requests or re-prioritisation.
- 7.2 Internal Audit will continually assess the Plan ensuring that any changes to, or emerging significant risks (arising from external and internal factors such as changes in regulation, processes, systems and new products, mergers and restructures) are evaluated and factored into the Plan as considered appropriate. Internal Audit may perform special tasks or ad hoc reviews, whether assurance or consulting based, as requested by the Committee and the Executive Team.
- 7.3 The Committee will regularly review the Plan against actual audit performance. Any necessary amendments, including audits that are removed or significantly modified, to the Plan will be submitted to next Committee meeting for consideration and approval.
- 7.4 Internal Audit will establish and maintain an open relationship with the external auditor and any other assurance providers. Internal Audit will consider the work of other assurance providers and activities to provide an integrated annual Plan that minimises duplication of assurance effort.
- 7.5 External auditors have full and free access to all Internal Audit plans and reports.

## **8. Audit Scope**

- 8.1 The scope of Internal Audit encompasses the examination and evaluation of the adequacy, effectiveness and efficiency of the systems of internal control within the Group, and the risk-assessed ability to achieve the organisation's stated goals and objectives
- 8.2 Activities are designed to evaluate:
- material risks have been appropriately identified, assessed and managed;
  - governance processes are operating effectively;
  - significant information, whether financial, managerial or operating, is accurate, reliable and timely;
  - resources are used effectively and efficiently and are adequately protected; and

- activities are in compliance with Group policies and procedures which are designed to comply with industry standards, legislation and regulations.
- 8.3 Internal Audit reviews cover all activities of the Group together with controlled entities and their commercial activities. It involves the review of all operations (financial and non-financial), either manual or computerised.
- 8.4 The scope of audit engagements is aligned to the key financial, operational, compliance and strategic risks of the Group.
- 8.5 Whilst maintaining independence, Internal Audit may undertake management requests (formal and informal) including reviews subject to scope and deliverables as well as participation on standing committees, projects, ad hoc meetings and information exchange. Internal Audit can conduct or assist in the investigation of suspected fraudulent activities within the Group.

## **9 Reporting**

- 9.1 At the conclusion of a review, a report will be issued. The report will present the objectives and scope, the outcome(s) and a timetable for addressing observations and actioning recommendations arising from the review. Reporting will be escalated to a level consistent with the internal audit assessment of risk and controls.
- 9.2 The General Manager Internal Audit will submit a report to the Committee summarising all review activities undertaken during the quarter and will include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board. This report will include:
- reviews completed or in progress;
  - outcomes of each review undertaken and significant actions to be taken;
  - the status of previously raised medium or higher rated actions;
  - remedial action taken; and
  - any changes to the Plan.

## **10 Quality Assurance**

- 10.1 The General Manager Internal Audit will establish and maintain a quality assurance program to evaluate the operations of the Internal Audit services. The purpose is to provide assurance that all review work conforms to relevant auditing standards, the Internal Audit Charter, and is cost effective and efficient.
- 10.2 The quality assurance program will incorporate benchmarking against other internal audit functions across industry including a periodic external 'peer' review of the Internal Audit function.

## **11 People**

- 11.1 The appointment, dismissal or replacement of the General Manager Internal Audit is the responsibility of the Group Chief Executive Officer and Managing Director in consultation with the Committee.
- 11.2 Selection, promotion, performance assessment and professional development of Internal Audit staff are the responsibilities of the General Manager Internal Audit in consultation with the Group Chief Financial Officer.
- 11.3 The General Manager Internal Audit in conjunction with the Committee Chair, will ensure that the Internal Audit function is resourced appropriately to execute the approved Plan.

## **12 Conflicts of Interest**

- 12.1 A Conflict of interest is when an Internal Auditor has a potential, actual or perceived competing professional or personal interest. Such competing interests can make it difficult to fulfil internal audit duties impartially.
- 12.2 Directly employed internal auditors must comply with the Group's Conflict of Interest policy as well as the IPPF.
- 12.3 All externally engaged internal auditors, including the co-sourced partner, must comply with the Conflict of Interest requirements stated in the supplier contract as well as the IPPF.
- 12.4 Processes to manage Conflict of Interest for internal audit are contained in the Australia Post Internal Audit Manual.

## **13 Other**

- 13.1 This Charter will be reviewed annually in alignment with the Audit and Risk Committee Charter to ensure a 'fit for purpose' level of cost effective, value-added internal audit service is provided to the corporation. Any proposed changes to the Charter will be presented to the Committee for endorsement prior to Board approval.
- 13.2 The Internal Audit team maintains a budget to ensure extra capacity or capability can be sourced as required to execute the Plan.
- 13.3 Internal Audit has a co-source partner. Where necessary, Internal Audit may broker the services of independent external providers when niche or specific industry knowledge is required to conduct a review where that expertise is not held within the Internal Audit team or its co-sourced partner (or where the co-sourced partner has a conflict of interest), to ensure the review is effective.