



## GROUP AUDIT CHARTER

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### 1. MISSION AND SCOPE OF WORK

- 1.1 The mission of Australian Unity Limited's ("the Group"<sup>1</sup>) internal audit department ("Group Audit") is to provide independent, objective assurance and consulting services designed to add integrity and value and improve the Group's operations. It helps the Group accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control, and governance processes.
- 1.2 The scope of work of Group Audit is to determine whether the Group's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner which supports the following aims:
- a) Approved programs, plans, and objectives are achieved;
  - b) Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
  - c) Interaction with between the various governance groups occurs as needed;
  - d) Quality and continuous improvement are fostered in the Group's risk management, control and governance processes;
  - e) Resources are acquired economically, used efficiently, and adequately protected;
  - f) Risks are appropriately identified, reported and managed;
  - g) Significant financial, managerial, and operating information is accurate, reliable, relevant and timely;
  - h) Significant legislative or regulatory issues impacting the Group are recognised and compliance is addressed appropriately.
- 1.3 Opportunities for improving management control, profitability, and the Group's image may be identified during audits. They will be communicated to the appropriate level of management.

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### 2. ACCOUNTABILITY

- 2.1 Group Audit shall be accountable to management and the Board's Audit Committee to:
- a) Annually provide an assessment of the adequacy and effectiveness of the Group's risk management, control, and governance processes in the areas set forth in Section 1, Mission and Scope of Work;
  - b) Provide annually for approval, an audit plan identifying key risk management, control and governance processes to be reviewed during the forthcoming year;

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<sup>1</sup> "Group" is defined as "AUL Controlled Entities" for the purpose of this Charter.

- c) Periodically provide information on the status and results of the annual audit plan and the sufficiency of Group Audit resources to enable effective execution of the annual audit plan;
  - d) Periodically report significant issues related to the Group's risk management, control, and governance processes, including potential improvements to these processes, and provide information concerning the resolution of such issues;
  - e) Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit); and
  - f) Undertake special projects, as required.
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### **3. INDEPENDENCE**

- 3.1 To provide for the independence of Group Audit, its personnel report to the Chief of Audit, who reports functionally to the Chairman of the Board's Audit Committee and administratively to the Group Managing Director in the manner outlined in Section 2, Accountability. Where deemed necessary, the Chief of Audit has direct access to the Group's Chairman of the Board.
  - 3.2 To ensure that the objectivity and impartiality of Group Audit are not adversely affected nor unduly influenced, the Chief of Audit and Group Audit team shall not develop and/or install systems and procedures, nor engage in any other activity, which they may be required to review. Group Audit shall have a consultative role in determining and making recommendations on the methods and standards of controls to be incorporated in any new process or system.
  - 3.3 Group Audit is to have the status of observer and adviser, as required, on review groups established to plan, and/or implement, any new facilities, processes and systems or to amend existing facilities, processes or systems.
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### **4. RESPONSIBILITY**

- 4.1 The Chief of Audit and Group Audit team have responsibility to:
    - a) Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit & Compliance Committee for review and approval as well as periodic updates;
    - b) Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit Committee;
    - c) Maintain a professional audit staff with sufficient knowledge, skills, experience and professional certifications to meet the requirements of this Charter;
    - d) 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;
    - e) Issue periodic reports to the Audit Committee and management summarising results of audit activities;
    - f) Keep the Audit Committee informed of emerging trends and successful practices in internal auditing;
    - g) Provide a list of significant measurement goals and results to the Audit Committee;
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- h) Assist in the investigation of significant suspected fraudulent activities within the Group and immediately notify management and the Audit Committee of the results;
    - i) Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the Group at a reasonable overall cost.
  - 4.2 The Chief of Audit and Group Audit team do not have responsibility for the management of the Group's risks. The work of Group Audit shall not lessen the responsibilities of Management for the development, implementation, maintenance and review of management control systems in their work area. Line managers must not rely solely on the results of periodic Group Audit reviews in order to monitor adherence to established controls and the achievement of program objectives.
  - 4.3 The Chief of Audit also reports to the Group Managing Director in respect of Management requested assurance assignments and consulting work performed and for day-to-day administrative purposes.
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## **5. FRAUD/ETHICAL INVESTIGATIONS**

- 5.1 Group Audit has a special role regarding the prevention of fraud and investigation of suspected internal fraud. While the presence of Group Audit acts as a deterrent, limitations in breadth and depth of program coverage mean that management cannot waive its responsibility to actively ensure controls are in place to prevent and detect fraud, nor assume that the existence of Group Audit will guarantee fraud does not or has not occurred.
  - 5.2 The Chief of Audit and Group Audit team are authorised to:
    - a) Receive, investigate and recommend action to Management and/or the Board, information received in respect of the *Whistleblower Policy*
    - b) Receive, investigate and recommend action to Management and/or the Board, information received directly (*i.e.; not via the Whistleblower mechanism*)
    - c) To establish an ongoing program of transaction/event monitoring in order to identify possible fraudulent/unusual transactions.
  - 5.3 All operations in respect of fraud/transaction monitoring must be in accordance with the *Whistleblower Policy*.
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## **6. AUTHORITY**

- 6.1 The Chief of Audit and Group Audit team are authorised to:
  - a) Have unrestricted access to all functions, records, property, and personnel;
  - b) Have full and free access to the Audit Committee;
  - c) Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
  - d) Obtain the necessary assistance of personnel in units of the Group where they perform audits, as well as other specialised services from within or outside the Group.
- 6.2 The Chief of Audit and Group Audit team are not authorised to:
  - a) Perform any operational duties for the Group or its affiliates;

- b) Initiate or approve accounting transactions external to the Group Audit department's operations; or
- c) Direct the activities of any Group employee not employed by Group Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist Group Audit personnel.

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## 7. STANDARDS OF AUDIT AND PRACTICE

- 7.1 Group Audit staff shall observe all expected courtesies and confidentiality while carrying out their responsibilities, and shall perform their tasks in a manner that is professional, objective and impartial.
- 7.2 All internal audit activities are conducted in accordance with the Group's policies and values.
- 7.3 Group Audit will adhere 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 Guidance constitutes the fundamentals for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the internal audit activity's performance.

The Standards provide that Group Audit should:

- a) be independent in forming an opinion and objective in performing audit work
- b) perform all audits with proficiency and due professional care
- c) add value to the organisation and follow a risk based approach
- d) evaluate and contribute to the improvement of risk management, control and governance processes using a systematic and disciplined approach
- e) establish a follow-up process to ensure that agreed management actions to improve controls are implemented effectively.

The Code of Ethics provides that internal auditors should:

- a) act with integrity, establishing trust and reliance on audit work
- b) exhibit the highest levels of objectivity in undertaking audit work
- c) respect the confidentiality, value and ownership of information received
- d) apply the knowledge, skills and experience needed for the role.

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Policy owner	Group Audit
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