

Internal Audit Charter (v4.0)

VERSION HISTORY

Rev No.	Date	Revision Description	Approval
0	1998	Internal Audit Charter.	BARCC
1.0	June 2009	Updated to best practice and the new International Practiced Framework (IPPF).	BARCC
2.0	25 February 2015	Revise Charter to address broader policy in relation to internal audit and reflect new business structure. Considered by BARCC/Board 18 December 2014. Incorporates Board-requested amendments. Endorsed by Directors December 2014; ratified by Board 25 February 2015.	Board
3.0	November 2017	Updates due to organisation restructure.	Board, 20 December 2017
4.0	December 2020	Three yearly review and update to accommodate changes in the organisation structure and to incorporate relevant aspects of the Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019.	Board, 17 December 2020

AUTHORISATIONS

Prepared by	Lead Risk Adviser	November 2020
Reviewed by	Company Secretary/General Counsel	November 2020
Approved by	Board	17 December 2020
Next Review	3 yearly	December 2023

CONTACT FOR ENQUIRIES (POLICY OWNER)

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1. Purpose

The Internal Audit Charter documents the role and mandate for Aurora Energy's Internal Audit function.

2. Scope

This Charter applies to all management, staff, contractors and relevant others working for or with Aurora Energy.

3. Definitions

Internal Audit The Institute of Internal Auditing defines *internal auditing* as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4. Policy

4.1 Role of Internal Audit

The role and purpose of Internal Audit is to provide an independent and objective assurance service to the Board and management in the context of the above definition.

On behalf of the Board, the Board Audit, Risk and Compliance Committee (BARCC) will determine the specific nature of the tasks to be performed by Internal Audit.

These may include any of the following activities:

- assisting with the identification of significant risk exposures;
- reviewing mitigation practices with respect to identified risk exposures and assessing the adequacy of these;
- assessing the adequacy, reliability and effectiveness of systems of internal controls operating within the key operating activities and financial and administrative systems;
- assessing the extent to which key business activities comply with relevant statutory requirements and instructions;
- reporting on whether the Company's resources are being effectively and efficiently managed to achieve its objectives;
- monitoring fraud control and prevention mechanisms; and
- other activities as may be determined from time to time in the context of the above definition.

4.2 Delivery of Internal Audit Function

On the recommendation of BARCC, the Board approves the model to deliver the Internal Audit function within Aurora Energy.

Typical options for service delivery include:

- insourced Internal Audit: Aurora Energy directly employs dedicated internal audit resources;
- outsourced Internal Audit: Aurora Energy contracts an external service provider to deliver agreed Internal Audit services; and
- co-sourced Internal Audit: an agreed mix of insourced and outsourced services.

4.3 Standards and Protocols

Internal Audit shall operate in accordance with the standards promulgated by the Institute of Internal Auditors.

A detailed set of operational protocols will be agreed to guide the operation of Internal Audit.

4.4 Independence of Internal Audit

The Internal Audit function is to be independent from management and will have no direct responsibility for, or authority over, any activities under review. The Internal Audit function is responsible for maintaining its independence.

To ensure that the objectivity and impartiality of the Internal Audit function is not adversely affected nor unduly influenced, the Internal Audit function shall not engage in any activity which it may be required to review in future.

However, when relevant, it is appropriate to consult with the Internal Audit function in respect to key projects, business/systems change or similar to obtain an internal audit perspective and guidance on such matters.

In addition, the Internal Audit function may be invited to observe and/or advise on review groups or project teams established to plan and/or implement any new facilities and systems or to amend existing facilities and systems.

The Internal Audit function will consult with BARCC before undertaking any activities that may compromise, or be reasonably perceived to compromise, its independence.

BARCC has the right to request the Internal Audit function to evidence the appropriate maintenance of its independence at any time.

4.5 Accountability

The Internal Audit function is accountable to, and reports directly to, BARCC.

In accordance with the BARCC Charter, the Internal Audit function has direct access to the BARCC Chair as needed in relation to any of its responsibilities, including material issues that cannot be resolved with management during an audit engagement.

The Company Secretary/General Counsel is responsible to BARCC for delivering an effective Internal Audit function. The Legal, Risk & Compliance Manager has the day to day responsibility for ensuring this occurs.

In executing its responsibilities, the Internal Audit function will liaise with the Legal, Risk & Compliance Manager to ensure the requirements of the Internal Audit Charter are satisfied and effective and there is timely delivery of the overall internal audit program.

4.6 Access to Staff and Documentation

The Internal Audit function has the right to access relevant documentation, regardless of its form, people and systems of Aurora Energy to perform its duties effectively.

Aurora Energy's staff will co-operate in providing information and/or explanations to audit staff necessary for the efficient and effective performance of audit tasks.

4.7 Meeting Attendance

BARCC may invite the lead engagement staff for each internal audit to present audit findings directly to its Committee meetings.

From time to time, BARCC may meet with the Internal Audit function, and/or Aurora Energy's management responsible for the Internal Audit function, without other management or staff present.

4.8 Internal Audit Reporting

The Legal, Risk & Compliance Manager will ensure each final, signed internal audit report is tabled at the BARCC meeting next scheduled after the final report is received.

5. Key Responsibilities

5.1 Board and BARCC Responsibilities

Subject to the approved BARCC Charter, BARCC is responsible for:

- approving the Internal Audit Plan to meet Aurora Energy's internal audit objectives as outlined in this Charter;
- approving in advance all auditing and non-auditing services provided by Internal Audit;
- approving the terms of the Internal Audit engagement including audit fees;
- addressing non-compliances reported under this Charter;
- addressing any disagreements between management and the internal auditor;
- approving the criteria and frequency for reviewing the performance of the Internal Audit function, service delivery model and any outsourced or co-sourced provider; and
- addressing the outcomes of Internal Audit performance reviews.

5.2 Management and Staff Responsibilities

Regardless of the operation of the Internal Audit function, management and staff retain their responsibilities to identify, manage and review Aurora Energy's risks and internal controls and to achieve the Company's objectives.

In relation to internal auditing, management is responsible for:

- participating in internal audits and providing access to required documentation to audit officers;
- reviewing the findings of the internal auditor, verifying these for factual accuracy and responding to draft internal audit reports in a timely manner;
- liaising with the Internal Audit function to reach agreement on actions to respond to findings and recommendations; and
- attending to agreed actions arising from internal audits within the timeframes approved by BARCC, noting that BARCC has discretion to extend this timeframe if appropriate.

5.3 Company Secretary/General Counsel Responsibilities

The Company Secretary/General Counsel is accountable to BARCC for delivering an effective Internal Audit function.

5.4 Legal, Risk & Compliance Responsibilities

The Legal, Risk & Compliance Manager is responsible for

- ensuring the development and periodic review of a rolling Internal Audit Plan of up to three years in consultation with Aurora Energy's leadership team;
- coordinating Internal Audit engagement activities;
- scheduling all assurance services, where possible and appropriate, to ensure maximum coverage and minimise unnecessary duplication of work;
- ensuring co-sourced or outsourced providers deliver the approved Internal Audit Plan within the expected timeframe and budget;
- ensuring access for Internal Audit to the necessary people, records, systems and activities to achieve its objectives;
- liaising with any co-sourced or outsourced providers on administrative matters;
- coordinating timely management responses and addressing any issues related to audit reports;
- ensuring final, signed internal audit reports are tabled at the next BARCC meeting;
- facilitating the review of the effectiveness of the Internal Audit service delivery model and the performance of any outsourced or co-sourced service provider;
- ensuring any whistleblower disclosures made to the Legal, Risk & Compliance Manager as an Eligible Recipient is managed in accordance with the Aurora Energy Public Information Disclosures (Whistleblowers) Policy; and
- facilitating appropriate procurement processes for outsourced or co-sourced Internal Audit providers on behalf of BARCC.

The Legal, Risk & Compliance Manager discharges these responsibilities with the assistance of the Lead Risk Adviser.

5.5 Internal Audit Function Responsibilities

The Internal Audit function is responsible for:

- developing, in consultation with management and for BARCC approval, a rolling Internal Audit Plan covering a planning period of up to three years to meet Aurora Energy's internal audit objectives;
- reviewing, in consultation with management and for BARCC approval, the approved Internal Audit Plan to ensure it remains relevant to Aurora Energy, and approving a work plan for the ensuing year;
- developing, in consultation with management and for BARCC approval, appropriate planning documents to achieve the Internal Audit Plan. Amongst other things, these plans may include consideration of the following activities:
 - reviewing the adequacy, reliability and effectiveness of systems of internal controls operating within the key operating activities and financial and administrative systems of the organisation;
 - evaluating the effectiveness of mitigation activities in place to manage selected business risks;
 - reviewing the adequacy, reliability and effectiveness of general controls over the Company's corporate information systems and technology;
 - assisting with the monitoring of agreed actions (via a documented action plan) arising from internal audit findings; and

- undertaking reviews of other matters as determined by the Board, BARCC or management, as long as these do not compromise Internal Audit's independence.
- documenting the specific scope of each audit engagement and obtaining agreement to each scope in appropriate planning documents. These planning documents will be developed in consultation with management.
- developing and maintaining a co-operative but independent relationship with other assurance or review bodies that may be constituted from time to time, including:
 - making available relevant reports and associated work papers to Aurora Energy's external auditor;
 - coordinating with Aurora Energy's external auditor to achieve effective audit coverage; efficient engagement planning, scheduling and visits; and minimising costs to Aurora Energy;
- observing all expected courtesies, maintaining confidentiality and complying with all statutory obligations while carrying out its responsibilities;
- ensuring any whistleblower disclosures made to the internal auditor or a member of the internal audit team as Eligible Recipients are managed in accordance with the Aurora Energy Public Information Disclosures (Whistleblowers) Policy and the Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019; and
- performing its activities and tasks in a professional, objective and impartial manner.

6. Performance Review

BARCC will approve the criteria and frequency for reviewing the performance of the Internal Audit function, service delivery model and any outsourced or co-sourced provider.

7. Non-compliance with this Charter

All non-compliances with this Charter will be recorded.

Any non-compliances that are risk-rated as Extreme or High will be escalated to the Board or a relevant Board Committee through Aurora Energy's non-compliance reporting processes.

Non-compliances that are risk-rated as Moderate or Low will be reported to the Chief Executive Officer.

Incidents of wilful non-compliance with this Charter are considered to be serious and will be dealt with in accordance with Aurora Energy's normal performance management process. This may include dismissal in the case of an employee or contractor, and/or termination of contract in the case of an external Internal Audit service provider.

8. Related Policies

- Board Charter.
- BARCC Charter.
- Compliance Policy.
- Risk Management Policy.
- Delegation Policy.

9. Precedence

In the event of a conflict between Charters and policies, the following precedence will apply in this order to the extent of any inconsistency:

- Board Charter.
- BARCC Charter.
- Internal Audit Charter.
- Board approved Policy.
- CEO approved Policy.
- Business approved Procedure.
- Business approved Work Practice.

10. Charter Approval and Review

The Board is responsible for approving this Charter at least three yearly, or earlier if a significant change occurs that may impact the Charter.

11. Whistleblowing Statement

In extreme circumstances an individual may be concerned that a serious breach of this policy has occurred but considers that it would be personally damaging to pursue it through normal channels.

In such circumstances the individual should refer to Aurora Energy's Public Interest Disclosure Policy for information about how to report such a concern and to whom.

Aurora Energy's Public Interest Disclosure Policy ('whistleblower' policy) is based on the Public Interest Disclosures Act 2002. This Policy is available on both Aurora Energy's external website and its internal intranet.

Delegated Officers under the Public Interest Disclosure Policy will do all that is possible and practicable to ensure the identity of the individual and the identity of the person who is the subject of the disclosure are kept confidential.

12. Publication

This Charter is approved for publication on Aurora Energy's website in accordance with the Policy Framework.

Approved by the Board on 17 December 2020.



Board Chair