

# Internal Audit Charter

February 2020

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## 1 Purpose of the Charter

- 1.1 Internal auditing is an independent and objective assurance and advisory activity designed to add value and improve ASX's operations. It assists management and the Board to accomplish their objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of ASX's governance, risk management and internal control processes.
- 1.2 This Charter sets out the scope, objectives, role, responsibilities, authority and accountability of Internal Audit within ASX.

## 2 Objectives

- 2.1 Internal Audit is an independent assurance function established by ASX management.
- 2.2 The objectives of Internal Audit are to:
  - provide focussed risk coverage by developing and conducting internal audits pursuant to an internal audit plan based on the key operational and financial risks facing ASX
  - establish an integrated approach to risk and control through co-ordination of ASX's assurance activities
  - foster awareness of risk and control – encouraging a management culture that seeks continual improvement in the management of risks and effectiveness of controls with business processes
  - respond flexibly to events – responding quickly to changes in the business environment, business risks and organisational priorities
  - exhibit operational efficiency – by being cost effective both in terms of cost and quality of work performed, and
  - work with other assurance functions – co-ordinate with ASX assurance functions and external audit to increase the effectiveness and efficiency of the audit effort.

## 3 Role

- 3.1 Internal Audit supports ASX's corporate governance framework by providing the Board (through the Audit & Risk Committee and the Clearing & Settlement boards) and management with:
  - assurance ASX has effective, adequate and efficient internal controls in place to support the achievement of its objectives, including the management of risk, and
  - advice with respect to ASX's internal controls and business processes.
- 3.2 This assurance and advice are review activities which continuously reinforces management's responsibility for effective internal controls.
- 3.3 Management is responsible for risk management, and the operation and enhancement of internal controls. This includes responsibility for implementing recommended actions.

3.4 The scope of Internal Audit's role is to review, assess and report on:

- the adequacy and effectiveness of the systems of operational, financial and management control, and their operation in practice in relation to the key risks facing ASX
- the extent of compliance with and relevance of policies, standard and procedures established by ASX and the extent of compliance with relevant laws and regulations
- the extent to which the assets and interests are acquired economically, adequately accounted for and safeguarded from losses and fraud, and that adequate business continuity plans exist
- the accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information
- the integrity of processes and systems, including those under development, and
- the achievement of objectives of major projects which affect ASX's key risks.

## 4 Responsibility

Internal Audit is responsible for:

### 4.1 Audit Planning

- Developing an annual internal audit plan, in conjunction with management and using a risk based methodology.
- Submitting the plan to the Audit & Risk Committee for review and approval.
- Developing and implementing an audit program based on the plan which takes into consideration ASX's changing needs, including special requests from management, the Audit & Risk Committee or the Clearing & Settlement boards.
- Communicating to management, the Audit and Risk Committee and Clearing & Settlement boards any significant variation to the approved plan.

### 4.2 Assurance reports

- Issuing written reports (including ratings) for each audit to key stakeholders and to the Chairman of the Audit & Risk Committee. The internal audit report will include management's response and corrective action taken or to be taken in regard to specific findings and recommendations.
- Providing regular reports to management, the Audit & Risk Committee and the Clearing & Settlement boards on the key findings from the internal audits completed, the status of audits completed against the internal audit plan and the status of implementation of agreed internal audit recommendations.
- Notifying management, the Audit & Risk Committee and the Clearing & Settlement boards of material internal control deficiencies.

### 4.3 Competence and standards

- Developing and maintaining an appropriately skilled and professional audit team with sufficient knowledge, skills and experience to meet the requirements of the audit plan.
- Adhering to the guidance provided in the International Professional Practices Framework (IPPF), published by The Institute of Internal Auditors: the Definition of Internal Auditing, Code of Ethics and International Standards.

- Complying with ASX's policies and procedures, and ASX's Internal Audit Methodology.
- Maintaining adequate levels of independence from ASX's business operations.

#### 4.4 Process improvement

- Constructively working with management to challenge and improve established and proposed practices, and to propose ideas for process improvement.

#### 4.5 Advice

- Providing advice with respect to internal controls and business practices.

#### 4.6 Fraud

- Assisting in the investigation of significant suspected fraudulent activities within ASX and notifying management and the Audit & Risk Committee of the results.

## 5 Authority

5.1 Internal Audit is authorised to have unrestricted access to all functions' records, property and personnel.

5.2 The General Manager, Internal Audit has direct and unrestricted access to the Audit & Risk Committee and the Clearing & Settlement boards.

5.3 In addition, the General Manager, Internal Audit is authorised to:

- allocate resources, set frequencies, select areas of focus, determine scopes of work and apply the techniques required to accomplish audit objectives, and
- engage specialist resources (internal and external) to supplement the skills of the internal audit function as required to fulfil the requirements of the audit plan.

5.4 Internal Audit is not authorised to perform any operational activities for the organisation.

## 6 Organisation and Independence

6.1 The General Manager, Internal Audit who is the Chief Audit Executive reports to the Chairman of the Audit & Risk Committee and for administrative purposes to the Chief Risk Officer (CRO). The General Manager, Internal Audit also has direct access to the Clearing & Settlement boards.

6.2 If a potential conflict arises between the CRO and Internal Audit, then the General Manager, Internal Audit has an obligation to use the reporting line to the Audit & Risk Committee or the Clearing & Settlement boards.

6.3 The internal audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental attitude.

6.4 Internal Audit will not have direct operational responsibility or authority over any of the activities audited.

6.5 The Audit & Risk Committee reviews and concurs on the appointment, replacement, dismissal and remuneration of the General Manager, Internal Audit.

6.6 The Audit & Risk Committee reviews the performance, objectivity, independence and effectiveness of the Internal Audit function.

## **7 Relationship with other ASX assurance functions and external auditors**

7.1 In order to provide optimal assurance coverage at a reasonable overall cost and minimise the duplication of effort to ASX, Internal Audit will consider the work of other parties when scoping internal audit activities.

## **8 Quality assurance program and periodic assessment**

8.1 Internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit activities. This includes:

- internal assessments
- ongoing monitoring of the performance of internal audit activity, and
- periodic reviews performed through self-assessment or by other persons within the organisation with sufficient knowledge of internal audit practices.

The program also includes the review of the internal audit function by an external party on Internal Audit's effectiveness at least every three years.

## **9 Review of Charter**

9.1 The Internal Audit Charter will be reviewed at least once every two years by Internal Audit to ensure it remains consistent with Internal Audit strategy and objectives.

9.2 Any significant proposed changes are approved by the Audit & Risk Committee.

## **10 Publication**

10.1 A copy of this charter is available on the ASX website.