



Internal Audit Charter

nbn-Confidential: INTERNAL-RESTRICTED-ACCESS-ONLY | 19 May 2020
Owner: General Manager Group Internal Audit and Fraud

nbn co limited (**nbn**) has established an Internal Audit function as a key component of its governance framework.

This Charter provides the framework for **nbn**'s Internal Audit function and has been endorsed by the Audit and Risk Committee at its meeting held 7 May 2020 and approved by the Board at the Board meeting held on 19 May 2020.

PURPOSE OF INTERNAL AUDIT

Internal Audit provides independent and objective assurance and consulting activities designed to add value and improve **nbn**'s operations.

It helps **nbn** management and the Board, through the Audit and Risk Committee, accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of transaction and asset management, risk management, control and governance processes.

AUTHORITY

Internal Audit is authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information, within the law, that it considers necessary to enable it to meet its responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. Internal Audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Internal Audit will have free and unrestricted access to the Board of Directors and the Audit and Risk Committee

OBJECTIVITY

Internal Audit must be able to perform its duties in an objective manner and provide impartial advice to management and the Audit and Risk Committee. As such, Internal Audit has no direct authority or responsibility for the activities it reviews.

Internal Audit personnel will not assume responsibility for the design, installation, operation or control of any procedures within the organisation, with the exception of the Internal Audit function and those non-audit activities noted below.

The primary responsibility for managing risk, internal control and compliance with legislation, regulations and ethics rests with management.

It is the responsibility of Internal Audit to communicate to the Chief Financial Officer (CFO) and Audit and Risk Committee any perceived or potential conflicts of interest that may compromise the objectivity of Internal Audit.

Refer to the *"Internal Audit Co-Sourced Provider Independence and Conflict Protocols"* (approved by the Audit and Risk Committee on 7 May 2020).



STRUCTURE

nbn's Chief Audit Executive is the General Manager – Group Internal Audit and Fraud. Internal Audit staff will report to the General Manager – Group Internal Audit and Fraud who is responsible for the management of any Internal Audit resources. The General Manager – Group Internal Audit and Fraud reports administratively to the CFO and functionally to the Audit and Risk Committee.

The Audit and Risk Committee has determined that the operation of **nbn's** Internal Audit function is a co-sourced model. The appointment of co-sourced Internal Audit providers will be in accordance with **nbn** procurement policies and procedures. The Chair of the Audit and Risk Committee, CFO and General Manager – Group Internal Audit and Fraud will be evaluation panel members.

ROLES AND RESPONSIBILITIES

Internal Audit's activities include the following areas:

- A. **Internal Audit Reviews:** The scope of work of the Internal Audit function is to determine whether the governance, risk management and control processes of **nbn**, as designed and represented by management, are adequate and functioning in a manner to provide a reasonable level of confidence.

This includes conducting the following activities:

- Compliance:
 - Reviewing compliance with legislative requirements, Australian government and **nbn** policies and procedures;
 - Reviewing the adequacy and effectiveness of internal financial and operational controls including IT system controls; and
 - Reviewing the controls to safeguard, record, control and use of entity assets.
- Performance – performing reviews that focus on the efficiency, effectiveness, and ethical conduct of **nbn's** business.
- Investigations – investigating alleged frauds or other special investigations.

- B. **Advisory / Consulting Services:** Internal Audit may advise management on a range of matters subject to the objectivity requirements set out in this Charter.

- C. **Audit Support Activities:** Internal Audit is also responsible for:

- Assisting the Audit and Risk Committee to discharge its responsibilities;
- Monitoring the implementation of agreed Internal Audit recommendations;
- Disseminating across the entity better practice and lessons learnt arising from its audit activities; and
- Coordinating with other assurance related activities across **nbn**.

- D. **Integrated Assurance:** Internal Audit will be a primary contributor to **nbn's Integrated Assurance Framework**¹. This will require Internal Audit to:

- Work collaboratively with **nbn's** assurance providers; and
- Inform the Audit and Risk Committee regarding relevant Integrated Assurance activities and actions as required.

- E. Any other activity requested by the Audit and Risk Committee.

¹ **nbn's** "Integrated Assurance Framework" is the organisation's formal approach to integrate risk and assurance.



NON-AUDIT ACTIVITIES

The General Manager – Group Internal Audit and Fraud has oversight responsibility for the Fraud Management and Investigations function.

This includes, but is not limited to:

A. Fraud Management

- Developing, implementing and regularly reviewing a range of fraud and corruption prevention, detection and response strategies;
- Maintaining the *Fraud and Corruption Control Policy* and the *Fraud and Corruption Control Plan*; and
- Assisting management to identify and mitigate the risk of fraud and corruption and to develop fraud prevention and monitoring strategies.

B. Investigations

- Fraud Management and Investigations may respond to, investigate and resolve alleged instances of fraud and corruption, including reports made by the Fraud Control Officer and under **nbn's** Whistle-blower regime.

C. Conflicts of Interest and Gifts and Benefits

- Co-ordinating the Conflicts of Interest process and maintaining the Conflicts of Interest Register; and
- Co-ordinating the Gifts or Benefits process and maintaining the Gifts or Benefits Register.
- Coordinating and maintaining other relevant registers as required.

D. Training and Awareness

- Fraud and Ethics training and awareness activities

The primary responsibility for managing risk, applicable internal controls and compliance with relevant legislation, regulations and ethics rests with **nbn's** CFO and Chief Executive Officer. It is the responsibility of all employees, contractors and third parties to promote and enhance fraud and corruption control within **nbn**, and Senior Management are required to demonstrate an ethical tone at the top in relation to **nbn's** zero tolerance to fraud and corruption.

PLANNING

Internal Audit prepares an Annual Internal Audit Plan. Allocation of Internal Audit resources is based on the annual plan that takes into account:

- **nbn's** strategy and objectives;
- Strategic and Key Operational risks;
- Other assurance coverage over key risks; and
- Requests by management and the Audit and Risk Committee.

An Annual Internal Audit Plan is developed in conjunction with management and senior executives and is approved by the Audit and Risk Committee. The General Manager – Group Internal Audit and Fraud, or the Audit and Risk Committee, in conjunction with the CFO, may perform alterations to the Annual Internal Audit Plan where deemed appropriate to do so. Material alterations to the Annual Internal Audit Plan are subject to approval by the Audit and Risk Committee.



Prior to an Internal Audit review starting, a scope document will be prepared. This will be agreed with relevant members of management and signed off in agreement with the scope of services to be provided by Internal Audit.

REPORTING

An Internal Audit report will be issued for every review performed. All reports will be discussed with management before they are issued. Discussions will include all relevant management for the area under review. The report of each review will be provided to the Audit and Risk Committee, which shall be responsible for ensuring the satisfactory outcome of reviews.

The General Manager – Group Internal Audit and Fraud will report to the Audit and Risk Committee on:

- Audits completed, issues identified and their root causes;
- Progress in implementing the strategic business plan and audit work plan; and
- The status of the implementation of agreed Internal Audit recommendations.

Internal Audit will also report to the Audit and Risk Committee at least once annually on overall perspectives on internal controls, root causes and any systemic issues requiring management attention at **nbn**.

OTHER AUDITORS AND ASSURANCE PROVIDERS

Internal Audit will co-ordinate its work with other auditors and assurance providers as directed by the Audit and Risk Committee, management and the guidance provided in the *'Integrated Assurance Framework'*.

Internal and external audit activities will be coordinated with the objective of ensuring adequacy of overall audit coverage and minimising duplication of effort. External audit will have full and free access to all relevant internal audit plans and working papers, and all internal audit reports.

STANDARDS OF AUDIT PRACTICE

The internal audit activity will meet or exceed the mandatory guidance provided in the *International Professional Practices Framework (IPPF)*, published by the Institute of Internal Auditors: consisting of the *Definition of Internal Auditing*, *Core Principles for the Professional Practice*, *Code of Ethics* and *International Standards* and relevant Internal Audit related standards issued by:

- The Institute of Internal Auditors Australia (IIA)
- Certified Public Accountants (CPA) Australia
- Chartered Accountants Australia and New Zealand (CAANZ)
- Information Systems and Control Association (ISACA)
- Australian National Audit Office (ANAO).

In addition, Internal Audit staff are expected to:

- Comply with relevant professional standards of conduct;
- Possess the knowledge, skills and technical proficiency relevant to the performance of their duties;
- Be skilled in dealing with people and communicating audit, risk management and related issues effectively;
- Maintain their technical competence through a programme of professional development; and
- Exercise due professional care in performing their duties.



QUALITY ASSURANCE PROGRAM

Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit activities. The Internal Audit function's assessment of its performance and effectiveness through its Quality Assurance and Improvement Program² will be reviewed annually by the Audit and Risk Committee, including compliance with the Institute of Internal Auditors' IPPF. Internal Audit's Quality Assurance and Improvement Program (**QAIP**) provides assurance to the ARC, ExCo and senior management that Internal Audit work is performed in accordance with the Internal Audit Charter and the Professional Standards. This is also to provide assurance that Internal Audit work is operating in an effective and efficient manner and is perceived by key stakeholders as adding value to **nbn**. Any findings and recommendations from the QAIP will be followed-up by the General Manager – Group Internal Audit and Fraud to ensure that appropriate action plans are developed and implemented in a reasonable timeframe.

A qualified, independent assessor or assessment team from outside the organisation will conduct a full external assessment every five years. The assessment will consist of a broad scope of coverage including:

- Conformance with the IPPF and Internal Audit's Charter, policies, procedures, and any applicable legislative and regulatory requirements
- Expectations of Internal Audit as expressed by the ARC, ExCo and senior management
- Integration of the Internal Audit activity into **nbn**'s governance and assurance processes
- The mix of knowledge, experience, and disciplines within the audit team
- A determination of whether Internal Audit adds value and improves **nbn**'s operations.

Results of external assessments will be provided to the ARC and CFO at the completion of each five yearly review. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations contained in the report. The last external assessment was conducted in July 2017 with results tabled at the August 2017 ARC meeting. The next external assessment is scheduled for 2022.

REVIEW

The Internal Audit Charter will be reviewed annually to ensure it remains consistent with **nbn**'s strategy and objectives and the Audit and Risk Committee Charter. The results of this review will be reported to the Audit and Risk Committee. Any significant changes must be approved by the Audit and Risk Committee.

PUBLICATION

A copy of this Charter is publicly available on the **nbn** website :

<https://www.nbnco.com.au/corporate-information/about-nbn-co/governance/risk-management>

Mark Trajcevski
General Manager Group Internal Audit and Fraud
Effective as of 19 May 2020

² As defined in the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors published 1 January 2017.



Document control

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Policy author	Mark Trajcevski, General Manager Group Internal Audit and Fraud
Policy approver	nbn Board of Directors
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Department or business unit	Internal Audit

Approval table

nbn	Meeting no.	Meeting date	Agenda item no.
Board	138	19 May 2020	14.2
Audit and Risk Committee	58	07 May 2020	6.2
Board	128	21 May 2019	14.2
Board	117	22 May 2018	17.3
Board	107	23 May 2017	13.1
Board	98	21 June 2016	17.1
Board	86	16 June 2015	14
Board	73	03 June 2014	13
Board	59	11 July 2013	26
Audit and Risk Committee	14	17 May 2012	06a
Audit and Risk Committee	09	19 May 2011	05a
Audit and Risk Committee	04	19 May 2010	07