

CORPORATE AUDIT SERVICES

BOARD CHARTER

Effective February 2010

This Charter provides a framework for the conduct of Internal Audit in the Australian Postal Corporation and is approved by the Australia Post Board.

Mission

1.1 The Mission of Corporate Audit is:

To provide the Board, Managing Director, management and other key stakeholders with a high quality, cost effective and value adding assurance, risk and advisory service to assist the Corporation meet its objectives.

Authority

- 2.1 The General Manager Corporate Audit Services is authorised to direct a broad, comprehensive program of internal auditing within the Corporation. Corporate Audit Services staff are authorised to have full, free and unrestricted access to all functions, property, personnel, records, accounts, files and other documentation.
- 2.2 Information accessed in the course of internal audit work is used strictly for Corporate Audit purposes. The General Manager Corporate Audit Services and staff are responsible for the confidentiality of the information they receive.

Independence

- 3.1 Corporate Audit Services 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.
- 3.2 From a functional perspective, Corporate Audit Services is part of the Office of the Managing Director and reports at least quarterly to the Board Audit and Risk Committee. This is to ensure a broad range of audit coverage and adequate consideration of audit reports and management action on audit recommendations.
- 3.3 Corporate Audit Services does not develop or implement business procedures or systems, and does not prepare records or engage in original line processing functions.
- 3.4 A review by Corporate Audit Services does not in any way relieve the Corporation's officers of their individual responsibilities for implementing and maintaining effective systems to both monitor and control Corporation activities and practices.

Responsibility

- 4.1 The General Manager Corporate Audit Services is responsible for the management of internal audit in Australia Post. He/she has full, free and unrestricted access to the Managing Director, the Board Audit and Risk Committee and the Chairman of the Board.

Standards

- 5.1 All audit activities are conducted in accordance with Australia Post values, policies, and procedures in addition to local and international auditing standards, including:

- Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors
- Statement on Information Systems Auditing Standards issued by the Information System Audit and Control Association, and
- Audit Practice Statements as appropriate to internal auditing of CPA Australia and the Institute of Chartered Accountants in Australia.

5.2 Internal Auditors are required to:

- comply with professional standards of conduct
- possess the knowledge, skills, and technical proficiency essential to the performance of internal audits
- be skilled in dealing with people and in communicating issues effectively
- maintain their technical competence through a program of continuing education, and exercise due professional care.

Audit Plan

- 6.1 An Audit Plan for the corporation will be prepared for approval by the Managing Director and the Board Audit and Risk Committee annually. The plan will be prepared in consultation with senior management to ensure alignment of the plan against key risks/objectives of the business.
- 6.2 The plan will incorporate key performance indicators against which Corporate Audit Services performance will be measured.
- 6.3 The Board Audit and Risk Committee will regularly review the Plan against actual audit performance. Any necessary amendments to the Plan will be submitted to the Committee for consideration and approval.
- 6.4 Internal and external audit activities will be coordinated to ensure an effective and efficient audit coverage.

Audit Scope

- 7.1 The scope of Internal Audit encompasses the examination and evaluation of the adequacy, effectiveness and efficiency of the systems of internal control in the Corporation.
- 7.2 Internal Audit reviews cover all activities of the Corporation together with controlled entities and their commercial activities. It involves the review of all operations (financial and non-financial), either manual or computerised.
- 7.3 The scope of audit engagements are aligned to the key risks of the Corporation.

Internal Audit Services

Corporate Audit evaluates the adequacy and effectiveness of the control environment encompassing the organisation's governance, operations, and information systems to effectively mitigate key risks. It will use the most appropriate risk based auditing methodology in the conduct of its work. Internal Audit services are broadly categorised into:

- 8.1 *Assurance services:* risk and control reviews focus on the management and mitigation of key risks within an operational or financial process. These reviews provide assurance that risks are being effectively and efficiently mitigated. Risk and control reviews typically focus on process, compliance with policies, due diligence reviews and fraud investigations.
- 8.2 *Advisory services:* Focus on the assessment of operational processes or projects against desired objectives. These services are often pre-implementation but do not involve the development or implementation of operational procedures/processes. Advisory reviews typically focus on strategic and operational activities, internal control assessments, project health checks and pre/post implementation reviews.

Reporting

- 9.1 At the conclusion of a review, a report will be issued to the customer. The report will present the objectives and scope, the outcome(s) and a timetable for actioning issues and recommendations arising from the review.
- The General Manager Corporate Audit Services will submit a report to the Board Audit and Risk Committee summarising all review activities undertaken during the quarter. This report will indicate:
 - assignments completed or in progress
 - outcomes of each assignment undertaken
 - the status of previously raised medium or higher risk issues
 - remedial action taken, and
 - any changes to the audit plan.
- 9.2 An annual report will also be submitted to the Board Audit and Risk Committee on the overall state of internal controls in Australia Post based on the work of Internal Audit and other assurance providers during the year. This will include any significant systemic issues requiring attention.

Quality Assurance

- 10.1 The General Manager Corporate Audit Services will establish and maintain a quality assurance program to evaluate the operations of Corporate Audit Services. The purpose is to provide assurance that all review work conforms to relevant auditing standards, the Corporate Audit Services Charter, and is both 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 Corporate Audit Services function.

People

- 11.1 The appointment, dismissal or replacement of the General Manager Corporate Audit Services is the responsibility of the Managing Director in consultation with the Board Audit and Risk Committee.
- 11.2 Selection, promotion, performance assessment and professional development of Corporate Audit Services staff are the responsibilities of the General Manager Corporate Audit Services in consultation with the Executive General Manager of the Office of the Managing Director.

Other

- 12.1 On a regular basis, Corporate Audit Services performance against key performance indicators will be reported to the Board Audit and Risk Committee.
- 12.2 Regular meetings between internal and external audit will be held to discuss matters of mutual interest. The External Auditors will have access to Corporate Audit Services audit programs, working papers and reports.
- 12.3 This charter will be reviewed annually, in alignment with the Board Audit and Risk Committee charter, to ensure an appropriate 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 Board Audit and Risk Committee for endorsement.
- 12.4 The charter of Corporate Audit Services was endorsed by the Board Audit and Risk Committee on February 10, 2010.

David Mallard
General Manager, Corporate Audit Services
Direct telephone 03 9106 7278
Direct facsimile 03 9206 4139