

## Internal Audit Charter

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# 1. Purpose and Mission of Internal Audit

Internal Auditing is an independent and objective assurance and consulting activity that is intended to add value and improve the operations of the Seqwater business. It assists Seqwater in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of Seqwater's governance, risk management and internal controls.

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

Division 5, Section 24 of the Financial and Performance Management Standard 2019 requires Seqwater to develop and implement systems for ensuring the Internal Audit function operates efficiently, effectively, and economically. The purpose of this charter is to outline the objectives, roles and responsibilities of the Internal Audit function.

# 2. Role of Internal Audit

The Internal Audit function is an important part of Seqwater's governance framework and is established by the Board. The principal objective of Internal Audit within Seqwater, is to provide the Board, through the Audit and Risk Committee, with an independent and objective assurance and consulting service that evaluates the overall adequacy and effectiveness of Seqwater's governance framework, risk management and internal controls. The Internal Audit activities and responsibilities are defined by the Board. Internal Audit will effectively engage with the CEO and Executive Leadership Team to ensure it adds value to the organisation that is consistent with the organisational goals and allow for timely input and feedback into the development and progression of Internal Audit activity. The Manager Internal Audit, Fraud and Corruption Control reports to the Board through the Chair of the Audit and Risk Committee in relation to the functional aspects of Internal Audit. For management of other aspects of Internal Audit, such as administrative purposes (i.e., day to day operations) and reviews as to the level of performance, reporting is to the Company Secretary and General Counsel who will consult where required with the CEO and ARC Chair.

# 3. Standard of Audit Practice

Internal Audit conducts internal audit activities in accordance with Seqwater's Code of Conduct, Queensland Government directives and guidelines, the definition of Internal Auditing (Institute of Internal Auditors), Code of Ethics, Seqwater values and relevant standards, which may include standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

# 4. Authority and Access

The Internal Audit function, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of Seqwater's records, physical properties, and personnel pertinent to carrying out the Internal Audit activity. The Internal Audit function has free and unrestricted access to members of the Audit and Risk Committee and the Board.

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## 5. Independence and Objectivity

It is essential to the integrity and effectiveness of the Internal Audit function that it be independent and free from interference.

To ensure independence, Internal Audit:

- is not responsible for management, performance, or implementation of internal controls
- does not have any direct operational responsibility or authority over the activities it reviews
- does not audit areas in which it provides other professional advice.

To ensure objectivity, Internal Audit exhibits the highest level of professionalism in gathering, evaluating and communicating information about the activity or process being examined.

## 6. Responsibilities

The scope of Internal Audit activities includes, but is not limited to, the examination and evaluation of the adequacy and effectiveness of Seqwater's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve Seqwater's state goals and objectives.

Internal Audit's responsibilities include:

- developing a rolling three-year strategic internal audit plan and an annual internal audit plan in consultation with the Audit and Risk Committee, management, and external audit
- conducting the internal audits in accordance with approved strategies and plans including oversight of, and reporting on the overall quality of the internal audit activities and ensuring the timely completion of audit assignments
- monitoring and tracking the status of internal audit recommendations and management corrective actions, and reporting on the status of overdue recommendations to the Executive Leadership Team and the Audit and Risk Committee
- engaging and fostering strong relationships with stakeholders (management, external audit, independent assurance providers) to ensure they are fully aware of internal audit activity progress, to avoid duplication of effort, to enable reliance on assurance activities (as far as allowed under standards) and to avoid disruption to the business caused by multiple assurance activities
- evaluating the systems established to ensure compliance with policies, procedures, laws, and regulations that could have a significant impact on the organisation
- presenting internal audit reports to management with a collaborative approach to developing and agreeing management action plans to address risks or deficiencies identified
- providing final internal audit reports to the relevant Manager/s, General Manager/s, Chief Executive Officer, Audit and Risk Committee and the Board
- reporting periodically on the Internal Audit activity's purpose, authority, responsibility, and performance relative to its plan and deviation from the approved internal audit plans
- reporting periodically to the Audit and Risk Committee on all Internal Audit activities including significant risk exposures and control issues, fraud risks, and/or governance issues identified during the course of an internal audit

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- assisting, when requested, with an investigation of significant suspected fraudulent activity and notify management and the Audit and Risk Committee of the results
- evaluating specific operations at the request of the Board or management.

## 7. Quality Assurance and Improvement

The Internal Audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will also assess the efficiency and effectiveness of the internal audit activity and identified opportunities for improvement. The Audit and Risk Committee will evaluate the performance of Internal Audit annually.

## 8. Review of Internal Audit Charter

The Internal Audit Charter will be reviewed every three years or whenever significant changes in the Institute of Internal Audit's International Standards for the Professional Practice of Internal Auditing (IIA IPPF Standards) occur, and recommended amendments will be submitted through the accountable officer (Chief Executive Officer) to the Audit and Risk Committee and through to the Board for approval.

## 9. Relationship with Other Auditors

Internal Audit is independent of, and does not duplicate, the function of the External Auditor.

Internal Audit, in conjunction with the Principal Internal Audit, liaises with the External Auditor, Independent Assurance Providers and Management Systems Owners to co-operate, wherever possible to:

- avoid duplication of effort
- enable work undertaken by one party to be relied upon by the other party
- avoid disruption caused by multiple audits of one area of Seqwater's business at the same time.

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## 10. References and Related Materials

Description	Status	Location
<i>Financial Accountability Act 2009</i>	Active	
<i>Financial and Performance Management Standard 2019</i>	Active	<a href="https://www.legislation.qld.gov.au/view/html/inforce/current/sl-2019-0182">https://www.legislation.qld.gov.au/view/html/inforce/current/sl-2019-0182</a>
Governance Owned Corporations Governance Framework	Active	Waternet
Corporate Governance Guidelines for Government Owned Corporations	Active	Waternet
Audit and Risk Committee Charter ( <a href="#">POL-00053</a> )	Active	Rex & Waternet
Framework – Enterprise Risk Management ( <a href="#">FRA-00014</a> )	Active	Rex & Waternet
Framework – Compliance ( <a href="#">FRA-00013</a> )	Active	Rex & Waternet

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