



Collection House Group

# Internal Audit Charter

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# INTERNAL AUDIT CHARTER

## 1 INTRODUCTION

Collection House Limited's (Collection House) Internal Audit Department is a key component of the Company's governance framework. This Internal Audit Charter (Charter) provides a framework for the conduct of the internal audit function within Collection House.

The Charter is approved by the Board on the recommendation of the Collection House Audit and Risk Management Committee. The Company's internal audit function will conform to the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and Standards (the Standards) as well as Core Principles for the Professional Practice of Internal Auditing.

This Charter should be read in conjunction with the Audit and Risk Management Committee Charter.

## 2 INTERNAL AUDIT PURPOSE AND SCOPE

The purpose of Collection House's Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve the Company's performance and operations through:

- delivering an independent assessment of financial, regulatory, and operational risks and control effectiveness to the Board and Management
- providing assurance to the Board and Management on the adequacy and effectiveness of risk management, internal control and governance processes
- providing assurance to the Board and Management that the Company's financial and operational controls are designed and operating in an efficient, effective, economical and ethical manner within acceptable risk.

To enable it to fulfil its purpose, the scope of the Internal Audit Department will include the following methods:

### **Assurance services**

- Operational (performance) auditing – reviews of operating or business processes focusing on the efficiency and effectiveness of these processes and the associated management controls.
- Compliance auditing – reviews of compliance or conformity with relevant legislation, regulations, internal instructions, codes and guidelines.
- Systems auditing – reviews of information technology and telecommunications which examine the IT environment and application controls.
- Financial auditing – reviews of the adequacy of internal accounting controls involving the accuracy, completeness and validity of financial information and financial reports and of the underlying accounting systems and records.

### **Consulting services**

Internal Audit consulting services directed towards facilitation rather than assurance may include:

- supporting organisational re-engineering
- control self-assessment and implementation of control programs
- quality improvement, including systems development reviews and participation in problem solving task forces
- performance self-assessment.

## 3 ACCOUNTABILITY

### INTERNAL AUDIT FUNCTION

The Manager, Internal Audit, and the internal audit function (where an external party performs the function either in part or in full) reports functionally to the Audit and Risk Management Committee (ARMC) and administratively ( i.e. day to day operations) to the Chief Legal Officer or delegate

The Manager, Internal Audit and internal audit function, in discharging their duties, shall be accountable to the Chief Executive Officer and the ARMC, via the Chief Legal Officer or delegate, to:

- provide an annual assessment on the adequacy and effectiveness of the Company's processes for controlling its activities and managing its risks in the areas set forth under the purpose and scope of work
- report significant issues related to the processes for controlling the activities of the Company and its subsidiaries, including potential improvements to those processes, and to provide information concerning such issues through resolution
- periodically provide information on the status and results of the annual internal audit plan
- coordinate with other control and monitoring functions such as risk management, compliance and external audit
- provide an annual confirmation to the Board, via the ARMC, of the independence of the internal audit activity.

### CHIEF LEGAL OFFICER

The Chief Legal Officer, or delegate, administratively:

- recommends to the ARMC the approval of the annual internal audit budget which will be allocated to individual internal audit activity on the approved internal audit plan
- recommends to the ARMC the appointment or removal of any third party provider of internal audit services to the Company
- reviews internal audit reports
- liaises with Management to finalise internal audit reports
- communicates and interacts with the ARMC as appropriate.

### BOARD

The Board, through the ARMC:

- approves the Internal Audit Charter
- approves the risk-based annual internal audit plan
- approves the internal audit budget and resource plan
- receive communications from the internal audit function, via the Chief Legal Officer or delegate, on the internal audit activities performed relative to the annual internal audit plan and any other matters.

## 4 AUTHORITY

In the conduct of an internal audit or internal audit activity, such as attendance at Project Steering meeting, Internal Audit staff are authorised to:

- have appropriate access to all relevant functions, records, property, and personnel.
- have full and free access to the Board, Executive Leadership Team, the ARMC Chair and other ARMC Members
- meet with ARMC Chair and other ARMC Members, where required, without permission from, or attendance by, Management
- allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives
- obtain necessary assistance and/or secondment of internal and external staff for specialised assistance as approved by the ARMC and in consultation with the Chief Legal Officer.

Internal audit staff are not authorised to perform any audits on areas of the business that are outside the scope of internal audit activity.

## 5 INDEPENDENCE AND OBJECTIVITY

To provide for the independence of the internal audit function, Internal Audit staff will report administratively to the Chief Legal Officer, or delegate, and functionally to the ARMC in a manner outlined in the above section on Accountability.

Internal Audit can and does have a direct reporting line to the ARMC.

Internal Audit staff will have no direct operational responsibility or authority over any of the activities audited or be involved in implementing internal controls, developing operational policies and procedures, implementing systems, or engage in any other activity that may impair the Internal Auditor's judgement.

Internal Audit staff will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined and will not be unduly influenced by their own interests or by others in forming judgements relating to internal audit activities.

## 6 RESPONSIBILITY

The internal audit function, in conjunction with the Chief Legal Officer, has the responsibility to:

- develop a flexible annual internal audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, and submit that plan to the ARMC for review and approval as well as periodic updates
- implement the annual internal audit plan, as approved, including as appropriate any special tasks or projects requested by Management and/or the ARMC, and as approved by the ARMC
- ensure internal audit staff have sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter
- evaluate and assess significant merging / consolidating functions, and new or changing services, processes, operations and control processes coincident with their development, implementation and/or expansion
- issue periodic reports to the ARMC and Management summarising results of internal audit activities
- keep the ARMC informed of emerging trends and successful practices in internal auditing

- assist with the investigation and reporting of significant suspected fraudulent activities within the Company, as commissioned by the ARMC
- consider the scope of work of the External Auditor and any other third party assurance provider, as appropriate, for the purpose of providing optimal audit coverage to the Company at a reasonable overall cost and to minimise duplication of assurance effort
- monitoring and evaluating the effectiveness of the Company's risk management processes, and to report significant risk exposures and control issues.

## 7 INTERNAL AUDIT PLAN

The internal audit function will submit, on an annual basis, an internal audit to the Executive Leadership Team and ARMC for review and approval. The annual internal audit plan consists of a work schedule, budget and resource requirements for the year.

The internal audit plan will be based on a prioritisation of the audit universe using a risk-based methodology and include input from the Executive Leadership Team and the ARMC.

In conjunction with the Chief Legal Officer, or delegate, the internal audit function will review and adjust the annual internal audit plan as necessary in response to changes to the Company's operations, programs, systems and controls. Any significant deviation from the approved internal audit plan will be communicated to the Executive Leadership Team and the ARMC through regular internal audit status reports.

## 8 COMMUNICATION OF RESULTS

Internal Audit staff will prepare an internal audit report following the conclusion of each internal audit review and will be distributed as appropriate. The internal audit report will include Management's response and corrective action taken, or to be taken, in regards to specific findings and recommendations. Management's response to the specific findings and recommendations should include a timeframe for anticipated completion or action to be taken and/or explanation for any corrective action that will be implemented.

Internal Audit staff will liaise with Management to finalise the internal audit report so that Management has an opportunity to review and provide comment on the draft internal audit report prior to presentation to the ARMC.

All significant actions are to be communicated to the ARMC at least quarterly, together with dates of implementation. Where key agreed actions have not been appropriately implemented by Management by the due date, Internal Audit will investigate the reasons why as part of the internal audit follow up process, and, if necessary, escalate matters to the ARMC.

Internal Audit staff will be responsible for appropriate follow up of agreed action items, with all significant findings to remain in an open status until validated as closed by Internal Audit staff by endorsed by the ARMC as being closed.

The external audit function has full and free access to all internal audit strategies, plans, working papers and reports. It is the responsibility of the External Auditor to determine the extent to which it can rely on the documentation.

The internal and external audit functions should co-operate, communicate and share their evaluations and the results of their audit work when relevant and subject to any confidentiality requirements.

## 9 COMPETENCY AND STANDARDS

The internal audit activities are to be conducted, at all times and levels, in accordance with Collection House's values.

The Chief Legal Officer, or delegate, will ensure Internal Audit staff:

- adhere to audit policies, standards, procedures, tools and techniques

- comply with professional standards of ethical conduct
- possess the appropriate qualifications, skills and experience essential to the performance of internal audits
- are skilled in dealing with people and in communicating audit issues effectively
- maintain their technical competence through continuing professional development and training
- exercise due professional care in performing audits.

Membership of relevant professional bodies, such as the Institute of Internal Auditors and Information Systems Audit & Controls Association, is encouraged.

Where the internal audit function is performed in part or completely by an external third party, the third party internal audit service provider will obtain formal feedback from the Chief Legal Officer, or delegate, and informal feedback from other key stakeholders throughout the year.

## 10 CONFIDENTIALITY

Internal Audit's work, and the results of each audit, will remain confidential to Collection House and will not be disclosed to any parties, whether internal or external. unless at the consent of the Chief Legal Officer, or delegate, and/or the ARMC.

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. The Chief Legal Officer, or delegate, and Internal Audit staff (including third party staff) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

## 11 QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Chief Legal Officer, or delegate, will:

- maintain an ongoing quality assurance and improvement program of internal audit activity, including engagement, supervision and performance management of internal audit staff, and where appropriate, the partnership arrangement with the Company's external internal audit provider
- establish an maintain a process to undertake periodic internal assessment of internal audit activity, such as client satisfaction surveys, assessment against standards and peer review of working papers
- arrange for an independent external review and evaluation of efficiency and effectiveness of the internal audit function, at least every five years, and in line with guidance from the Institute of Internal Auditors
- communicate to the Audit and Risk Management Committee and senior management the results of ongoing internal and external assessments conducted.

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Mr Leigh Berkley  
Chair, Collection House Limited Board

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Ms Sandra Birkenleigh  
Chair, Audit and Risk Management  
Committee  
Collection House Limited Board

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