

Bapcor Limited  
Internal Audit Charter



Version	Authorised by	Date
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## 1 Purpose

- 1.1 The Bapcor Limited (Bapcor) Internal Audit Charter (Charter) provides the functional and organisational framework within which Internal Audit operates in within the organisation. It also establishes the functions objectives and scope; position, responsibilities and relationship to other assurance functions within the business; and its accountabilities.

## 2 Objective and Scope

- 2.1 The principal objective of the Internal Audit function is to provide independent, objective assurance and consulting services designed to add value and improve the business operations at Bapcor. The Internal Audit function will help Bapcor accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control, risk and governance processes.
- 2.2 Internal audits may focus on any aspect of the Bapcor business – this will not be limited by platform, geography, function or any other defining aspect of the business.
- 2.3 However, the internal audit plan will not inefficiently duplicate work conducted by other assurance providers i.e. regulatory audits undertaken by third party authorities.
- 2.4 Internal Audit work may include, but is not restricted to, control reviews of operational and financial processes, information technology activities, project governance reviews, compliance audits, strategic advice and other ad-hoc advisory or consulting services.

## 3 Authority and Access

- 3.1 The Internal Audit function has strict accountability for the confidentiality and safeguarding of records and information, is fully authorised to have free and unrestricted access to any and all of Bapcor's records, physical properties and personnel pertinent to carrying out any engagement.
- 3.2 All Bapcor employees are requested to assist in Internal Audit activity as part of their role and responsibility within the organisation. The Internal Audi function will also have free and unrestricted access to Bapcor's Audit and Risk Management Committee (ARC).

## 4 Professionalism and Standards

- 4.1 The Internal Audit function will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.



## 5 Organisation

- 5.1 The Internal Audit function will report to the ARC and administratively (day-to-day operations) to the Chief Financial Officer and Company Secretary, with right of direct access to the Bapcor Chief Executive Officer preserved.
- 5.2 The ARC will:
- Approve this Internal Audit Charter;
  - Approve the annual risk based Internal Audit Plan;
  - Approve the annual Internal Audit budget;
  - Receive communications from Internal Audit on the status of its activities relative to the Internal Audit plan, findings and other matters; and
  - Make appropriate inquiries of Bapcor Management and Internal Audit to determine the appropriateness of scope and resources applied to Internal Audits activities.
- 5.3 Internal Audit will communicate and interact directly with the ARC, including informal committee meetings and in-between meetings as appropriate.

## 6 Accountability and Responsibility

- 6.1 The Internal Audit function will have accountability and responsibility to:
- Prepare an annual plan for review and approval by Management and the ARC;
  - Develop a flexible plan that references the Bapcor corporate risk universe and includes any additional areas of focus that has been identified by Management;
  - Implement the plan, including any special tasks or projects (including forensic investigations) requested by Management and the ARC;
  - Regularly review the plan to consider the effect of any significant merging, consolidating or changing function and new service, process or operation;
  - Report regularly on the status of Internal Audit activity;
  - Monitor and track the status of Internal Audit recommendations and corrective actions undertaken by Management;
  - Ensure material changes to the plan are approved by Management and the ARC;
  - Provide sufficiently skilled and component Internal Audit resources to deliver on the Internal Audit subject matter;
  - Conduct Internal Audits in accordance with an Internal Audit methodology, policy and procedure consistent with relevant professional bodies;
  - Maintain a quality assurance process over all Internal Audit work products, including reports; and
  - Keep Management and the ARC informed of any development trends and successful practices in Internal Auditing.



## 7 Resourcing

- 7.1 The Internal Audit function will be carried out with the assistance of a service provider who can demonstrate the skill-sets, sufficient knowledge, experience, professional certifications, geographic reach and independence required to deliver an objective and value adding assurance function to Bapcor and to meet the requirements of this Charter.
- 7.2 This service provider will be approved by the ARC and engaged under contract to provide such services.

## 8 Independence and Objectivity

- 8.1 Internal Audit 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.
- 8.2 Internal Audit will assess the design of and compliance of Bapcor's processes, procedures and activities. It is not responsible for the execution of those processes, procedures and activities. An internal audit engagement does not in any way relieve the underlying business management of their individual responsibilities for implementing and maintaining effective processes, systems and controls.
- 8.3 Internal Audit will not conduct a review of any activity it is responsible for, nor audit any work where it may be seen to have taken responsibility for processes or controls in place.
- 8.4 Internal Audit will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Audit will make balanced assessments of all relevant circumstances and not will not be unduly influenced by its own interests or by others in forming judgements.
- 8.5 Internal Audit will communicate to the Chief Financial Officer and Company Secretary and the ARC of any perceived or potential conflicts that may compromise the objectivity or independence of the function.
- 8.6 Internal Audit will confirm its independence to the Management activities of Bapcor to the ARC at least annually.

## 9 Reporting and Monitoring

- 9.1 A written report or presentation will be prepared and issued by Internal Audit following the conclusion of each Internal Audit engagement and will be distributed as appropriate. The report or presentation may include Management's response and corrective action taken or to be taken in regard to the specific control findings and recommendations raised by Internal Audit.
- 9.2 Internal Audit will be responsible for the appropriate follow-up on engagement findings and recommendations, and periodically report to senior Management and the ARC.
- 9.3 Reporting will also include a summary of Internal Audit activity in reference to the Internal Audit Plan and where specific activities have been requested by Management or the ARC.



## 10 Performance management

- 10.1 A defined set of performance measures will be developed in consultation with Management and tabled for endorsement by the ARC.
- 10.2 Performance measure will be evaluated throughout the year by the Chief Financial Officer and Company Secretary and provided to the ARC as feedback as to the performance of the Internal Audit function.

## 11 Relationship with External Auditors and other assurance functions

- 11.1 Internal Audit activities will be mindful of all External Audit activities and other assurance functions in order to maximise audit coverage, minimise duplication of effort and ensure awareness of key issues arising from audit fieldwork.
- 11.2 Periodic meetings between the Internal and External Auditor may be held to discuss matters of mutual interest such as where reliance on the work of the Internal Auditor is required.
- 11.3 The External Auditor may also have access to Internal Audit working papers and reports upon request.

## 12 Relationship with Risk Management

- 12.1 The output from the Risk Management function will form a key input into the annual Internal Audit planning process. It should be a key driver across all functions, particularly in relation to planned business improvement reviews.
- 12.2 All Internal Audits will be planned taking into consideration an assessment of risks associated with processes and activities, the internal control environment, the results of previous audit and materiality to the area subject to audit.
- 12.3 Outputs and insights from Internal Audit activity will be considered as inputs into any future Risk Management assessments or workshops.

## 13 Changes to and Review of the Charter

- 13.1 The Internal Audit Charter will be reviewed at least annually by Bapcor Management to ensure it remains current with its Internal Audit objectives.
- 13.2 Any significant proposed changes will require endorsement by the Chief Financial Officer and Company Secretary, Chief Executive Officer and the ARC.