



Powerhouse Ventures Limited

Internal Audit Charter

March 2015

Purpose

Internal Audit's purpose is to assist Powerhouse's Board Audit and Risk Committee and Executive Management in exercising good governance by providing views on Powerhouse's control, governance and risk management processes.

Scope

Internal Audit's scope of activities includes all operations of all subsidiaries in all geographic locations and includes outsourcing arrangements. This does not include investee companies unless audit rights are permitted under the relevant agreements.

Objective

The objective of Internal Audit is to provide the Audit and Risk Committee and the Managing Director, with an independent appraisal of the control environment to identify whether:

- risks are appropriately identified and managed
- controls are being operated as intended
- controls exist to ensure significant financial, managerial and operating information is complete, accurate, reliable and timely (data integrity)
- significant policies and procedures are complied with.

Internal Audit report on the adequacy of processes and controls but are not part of the processes and controls. However, Internal Audit may provide advisory and consulting advice around processes and controls.

Accountability

The Chief Financial Officer is accountable for all internal audit activities and reports directly to the Powerhouse Board through the Audit and Risk Committee. Operationally the Chief Financial Officer reports to the Managing Director on a day to day basis as required.

Independence

Internal Audit is independent from Powerhouse activities and operations it audits, including risk management systems. These are the responsibility of Powerhouse management. Internal Audit's independence is strengthened through being accountable firstly to the Audit and Risk Committee, and secondly to the Managing Director.

Operating Style

Internal Audit will adopt a consultative operating style with the objective of working alongside management and staff to:

- raise awareness of risk and control issues
- identify practical solutions or ensure balanced acceptance of risks
- generate management commitment and ownership to implement those solutions
- assist with developing new systems, processes and controls
- share best practices.

Internal Audit's Responsibilities

Internal Audit will:

- develop a flexible annual audit plan using an appropriate risk-based audit methodology
- keep the plan current by evaluating new or changing risks; significant organisational changes; new or changing services; new processes, operations and control processes and other relevant matters and suggest amendments to the plan accordingly
- issue quarterly reports to the Audit and Risk Committee summarising results of audit activities, including management responses and progress on addressing previously identified issues
- develop, maintain or contract sufficient knowledge, skills and experience to meet the requirements of this Charter
- issue reports after each significant assignment
- liaise with the external auditors
- provide advice on the effectiveness and efficiency of existing processes and controls
- contribute to developing new systems, processes and controls in a manner that does not compromise their independence
- review this Charter periodically.

Management's Responsibilities

Management will:

- identify, manage and assess business risks
- undertake the necessary risk mitigation strategies
- develop, maintain and operate processes and controls
- ensure significant financial, managerial and operating information is accurate, reliable and timely
- ensure compliance with significant policies and procedures.

Internal Audit is not responsible for any business processes or activity, for risk management or for designing, implementing or operating controls. These are management's responsibilities.

Authority

Internal Audit staff are authorised to:

- have full and free access to the Powerhouse Board, Audit and Risk Committee and the Managing Director
- conduct internal audit reviews of Powerhouse
- have full and unrestricted access to all functions, accounting and contractual records, books, memoranda, documents, correspondence and other papers or electronic records, property and staff of Powerhouse
- allocate resources, select audit subjects, determine scopes of work and apply the techniques required to accomplish audit objectives
- obtain the necessary assistance of Powerhouse staff including information and explanations.

Professional Conduct and Ethics

All Internal Audit staff should comply with:

- professional standards as described in the "Standards for the Professional Practice of Internal Auditing" of the Institute of Internal Auditors
- the Principles and Rules of Conduct as described in the "Code of Ethics" of the Institute of Internal Auditors.

Liaison with the External Auditor

Internal Audit will co-ordinate their activities with the external auditor. This will not relieve either party of any of their responsibilities but may avoid unnecessary duplication of work.