



Contacts

For general enquiries, please contact:

Daryn Wedd – General Manager Internal Audit

T 9227 0978

E daryn.wedd@asx.com.au

Media enquiries, please contact:

Ms Kristen Kaus – Media and Communications Executive

T 02 9227 0410

E kristen.kaus@asx.com.au

Contents

- 1. **Purpose of the Charter** Error! Bookmark not defined.
- 2. **Scope and objective of Internal Audit** Error! Bookmark not defined.
- 3. **Independence** Error! Bookmark not defined.
- 4. **Accountability and responsibility**..... Error! Bookmark not defined.
- 5. **Access and authority** Error! Bookmark not defined.
- 6. **Relationship with other ASX assurance functions and external auditors** Error! Bookmark not defined.
- 7. **Operating standards**..... Error! Bookmark not defined.
- 8. **Review of Charter** Error! Bookmark not defined.
- 9. **Publication** Error! Bookmark not defined.
- 10. **Attachment A - Internal Audit Reporting Protocol**Error! Bookmark not defined.

1. Purpose of the Charter

1.1 The Internal Audit Charter provides the functional and organisational framework within which Internal Audit operates in the ASX Group (“ASX”). This document sets out the scope and objectives, authority and accountability and role and responsibility of Internal Audit within ASX.

2. Scope and objective of Internal Audit

2.1 Internal Audit is an independent assurance function established by ASX management.

2.2 The principal objective of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the operations of ASX. Internal Audit helps the ASX accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management and internal control and governance processes.

2.3 The risk management and internal control systems encompass all policies, processes and procedures implemented by management and/or the Board to provide reasonable assurance¹ that:

- Risk exposure is identified and appropriately monitored and managed
- Resources are acquired economically, adequately protected and managed efficiently and effectively in carrying out ASX’s operations
- Quality and continuous improvement are fostered in the ASX’s control process
- Significant financial, managerial and operating information is accurate, relevant, timely and reliable
- There is an adequate level of compliance with internal policies, standards, procedures and applicable laws and regulations
- Significant legislative or regulatory issues impacting the ASX are recognised and addressed appropriately
- A structure and culture that promotes the design and management of an effective control environment is established and maintained.

Internal Audit work will normally include (but is not restricted to) risk management (including fraud risk) and control monitoring review and advisory services, reviews of operational and financial processes and controls, information technology reviews, project governance and assurance reviews, operational compliance audits, strategic advice and assessment (including strategic audits) other ad hoc advisory or consulting services.

In addition, opportunities for improving management control, profitability and ASX’s risk profile may be identified during an audit or advisory assignment. These will be communicated to the appropriate level of management through the normal reporting process.

¹ It should be noted that any review or evaluation of a system of controls will never provide absolute assurance. Procedures which are adequate at the time of the review may become inadequate due to changed conditions or because the degree of compliance subsequently deteriorates. Accordingly, audit assessments together with recommendations, if adopted, can provide no assurance that breaches of a system of control or loss (whether through fraud, misappropriation or other failure), will not occur in the future.

3. Independence

3.1 Independence is essential to the effectiveness of the Internal Audit function. Internal Audit must be, and must be seen to be, independent of the activities and processes, which it appraises to ensure it is able to perform its duties in an objective manner and provide impartial advice to management and the Board.

3.2 The General Manager Internal Audit has managerial and line responsibility for the Internal Audit function only. The General Manager Internal Audit reports to the Audit and Risk Committee and the Managing Director and CEO for functional audit purposes and to the Chief Risk Officer for administrative purposes. The General Manager Internal Audit also has a direct line of reporting access to the Clearing and Settlement (“CS”) Boards and the ASX Compliance Board.

3.3 The Internal Audit Reporting Protocol attached to this Charter reaffirms Internal Audit’s independence and clearly articulates the escalation process for Internal Audit work.

3.4 Internal Audit personnel report to the General Manager Internal Audit and have no line responsibility or authority over any of the activities or operations that they audit and (except in the rarest of circumstances as approved by the Audit and Risk Committee and / or the Managing Director and CEO) are not authorised to:

- Perform any operational duties for ASX except within the Internal Audit function
- Initiate or approve accounting transactions external to the Internal Audit function
- Perform advisory or consulting services that would impede the independence of the audit team or materially impact the completion of the audit plan due to the availability of resources
- Direct the activities of any employee not employed by the Internal Audit function, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditors
- Engage in any other activity which could compromise their objectivity.

3.4 It is the responsibility of Internal Audit staff to communicate to the Managing Director and CEO and / or the Chairman of the Audit and Risk Committee any perceived or potential conflicts that may compromise the objectivity or independence of Internal Audit.

3.5 The Audit and Risk Committee reviews and concurs on the appointment, replacement, dismissal and remuneration of the General Manager Internal Audit.

3.6 The Audit and Risk Committee reviews the performance, objectivity, independence and effectiveness of the Internal Audit function.

4. Accountability and responsibility

4.1 Reporting responsibilities include:

- An annual assessment on the adequacy and effectiveness of the ASX's processes for controlling its activities and managing risks
- An annual fraud risk control assessment
- Regularly advising of progress against plan and of any significant matters impacting achievement of the annual work programme
- Reporting on significant risk and control issues arising from Internal Audit activity, including potential improvements to processes and procedures
- Co-ordination with and provide oversight of other control and monitoring functions (eg risk management, compliance, security, legal and external audit).

4.2 The General Manager Internal Audit and staff of Internal Audit have responsibility to:

- Prepare an annual budget for review and approval by the Audit and Risk Committee
- Develop a flexible annual risk based audit plan that references the ASX audit universe and includes any risks or control concerns identified by management
- Submit the annual audit plan to the Audit and Risk Committee for review and approval
- Implement the annual audit plan, including any special tasks or projects requested by management, the Audit and Risk Committee, the CS Boards or the ASX Compliance Board
- Regularly review the plan to consider the effect of any significant merging, consolidating or changing functions and new or changing services, processes and operations
- Regularly report on the status of the Internal Audit activity, including progress against the plan, to the Audit and Risk Committee
- Monitor and track the status of Internal Audit recommendations and corrective actions taken by management
- Ensure that any changes to the annual audit plan are approved by management and the Audit and Risk Committee
- Maintain sufficient audit resources (internal and external) with an appropriate level of knowledge, skills, experience and professional qualifications to meet the requirements of this Charter
- Conduct audits in accordance with the ASX Internal Audit methodology, policies and procedures and relevant professional bodies. This would include a consideration of the fraud risk and control arrangements pertinent to each audit
- Maintain a quality assurance and improvement program that covers all aspects of Internal Audit's activities, including an annual evaluation of Internal Audit's conformance with this Charter and the professional standards issued by the Institute of Internal Auditors and the Information Systems Audit and Control Association
- Maintain a constructive relationship with other personnel encountered in the course of their duties
- Issue detailed audit reports to management and the Chairman of the Audit and Risk committee and include a summary audit report in each Internal Audit status report to the Audit and Risk Committee
- Keep management and the Audit and Risk Committee informed of emerging trends and successful practices in internal auditing

- Assist in the investigation of significant suspected fraudulent activities within the ASX and notify management and the Audit and Risk Committee of the results (refer to the ASX Fraud Control Policy for a detailed description of the role of Internal Audit with respect to fraud risk and investigation).

5. Access and authority

5.1 The activities of Internal Audit are primarily performed in relation to ASX. Internal Audit may also perform review work in relation to, or provide advice or information to, other related entities of ASX.

5.2 The General Manager Internal Audit has authority to allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives.

5.3 The General Manager Internal Audit has direct and unrestricted access to the ASX Audit & Risk Committee, the CS Boards and the ASX Compliance Board (and vice versa).

5.4 Internal Audit has full, free and unrestricted access to all records, documentation and physical property of ASX as may be required to fulfil its responsibilities. In particular, Internal Audit has access to the strategies, policies and priorities of ASX established by the Board and senior management.

5.5 Internal Audit also has the authority to seek any information and/or assistance it requires to fulfil its responsibilities from any officer, employee, consultant or contractor of ASX or of any related entity of ASX.

5.6 ASX employees are expected to make themselves available and provide such information and explanations as are required for the conduct of Internal Audit work.

5.7 The General Manager Internal Audit has the authority to engage specialist resources (internal or external) to supplement the skills of the internal audit function as required to fulfil the requirements of the internal audit plan.

6. Relationship with other ASX assurance functions and external auditors

6.1 In order to provide optimal audit coverage at a reasonable overall cost and minimise the duplication of effort to the ASX, Internal Audit will consider the scope of work of other parties when scoping the Internal Audit activities. These parties include:

- ASX Enterprise Risk and Regulatory Assurance
- external auditors
- regulatory bodies.

6.2 It is the sole responsibility of the other parties to determine the extent to which they can rely on the Internal Audit reports, working papers and other documentation for their purposes.

7. Operating standards

7.1 Internal Audit personnel are expected to promote the highest possible professional standards and service levels. In doing so, they will have regard to:

- Internal Audit methodologies, policies and procedures
- ASX's policies and standards
- The Code of Ethics & International Professional Practices Framework issued by the Institute of Internal Auditors
- Any other standards relevant to the maintenance of their professional standing, including those issued by the Information Systems Audit and Control Association and the Institute of Chartered Accountants (Australia).

8. Review of Charter

8.1 The Internal Audit Charter is reviewed at least annually by Internal Audit to ensure it remains consistent with Internal Audit strategy and objectives.

8.2 Any significant proposed changes are approved by the Managing Director and Chief Executive Officer and the ASX Audit & Risk Committee.

9. Publication

9.1 A copy of this charter is available from the ASX website <http://www.asxgroup.com.au>

10. Attachment A - Internal Audit Reporting Protocol

Background

Internal Audit reports to the Chief Risk Officer (CRO) for administrative purposes and the Audit and Risk Committee (ARC) and Managing Director and CEO (MD/CEO) for functional audit purposes. The General Manager Internal Audit also has a direct line of reporting access to the CS Boards and the ASX Compliance Board.

The CRO also has responsibility for the following business units:

- Portfolio Risk Management
- Clearing Risk Strategy and Policy
- Risk Quantification Group
- Clearing Risk Management
- Enterprise Risk.

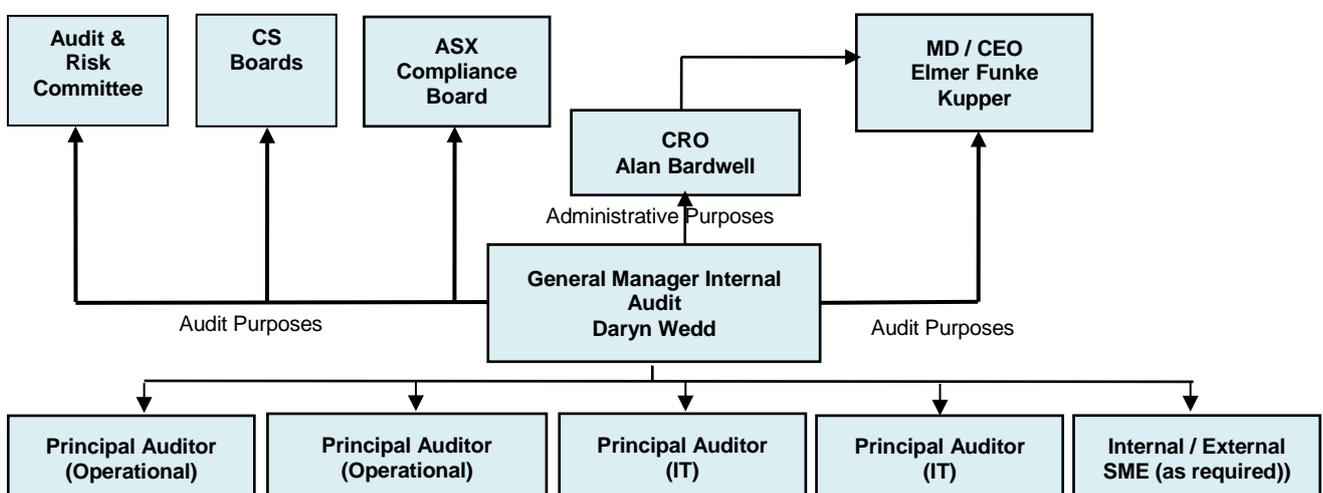
As Internal Audit performs audit work on these business units from time to time, a situation may arise where there is a divergence of views between the CRO and Internal Audit regarding the reporting of audit issues or their potential impacts and the overall rating of an issue or audit report. In addition, the potential exists for perceived or actual conflict of interest giving rise to questions about the independence and governance of the Internal Audit function with regard to audit planning and reporting.

Purpose

This document provides guidance on the reporting lines of Internal Audit and the protocols to be followed when performing audits of business units within the CRO Office remit and preparing the annual audit plan.

Organisational structure

The following diagram depicts the Internal Audit organisational structure:



Use of MD/CEO and ASX Group Boards

The General Manager Internal Audit has an obligation to use the reporting line to the MD/CEO, ARC, CS Boards or ASX Compliance Board whenever they believe a situation has arisen that requires discussion at this level, at their sole discretion. These reporting lines are mandated in the Internal Audit Charter.

Audit reporting

The same principles around audit reporting² that are applied to other business units also apply to audits performed in the CRO Office, such that Internal Audit will, where the nature of the issues permits, seek a mutually agreeable resolution. Audit findings are progressed as per standard procedure through to the relevant General Manager and the CRO. The primary difference that applies to the CRO Office is in the area of divergence of views with the CRO. Should a consensus not be reached with the CRO then the matter will be raised by the GM Internal Audit directly with the MD/CEO and, if necessary, the ARC. In situations where Internal Audit agrees to change a finding and report rating subsequent to discussions with the CRO (eg new information was provided that changed the audit findings or ratings) then this should be noted, along with the reason behind the change, in the correspondence reporting the audit outcome to the MD/CEO and Chair of ARC for transparency.

² In the normal course of audit reporting, Internal Audit's findings and views are discussed with and progressed through line management, the relevant General Managers and finally the responsible Group Executive or Executive General Manager. Executive Summaries of all finalised reports are sent to the MD/CEO and the Chair of the ARC, the exception being reports with a less than "Satisfactory" rating, where the full report is provided to the Chair of the ARC. In addition, a summary of audit findings (including tracking of audit issues) is presented monthly to the relevant Executive and quarterly to the Enterprise Risk Management Committee (ERMC) and the ARC. The General Manager Internal Audit attends every ERMC and ARC meeting (including holding sessions with the ARC with no other management present).

As a general rule, Internal Audit will strive to obtain buy in and acceptance of the issues raised during an audit (where the nature of issues permit) as this assists in ensuring the appropriate action is taken and the issue is quickly resolved. Where judgement is required to be exercised, Internal Audit will consider the views of management, particularly with regard to the root cause, impact and resolution of the issue, however Internal Audit, as the independent assurance function, is solely responsible for the content of the issue and report. Per the ASX Internal Audit Methodology and Charter, an auditor should never compromise their independence, values or professional judgement.

Accordingly, where there is a divergence of views between Internal Audit and management that cannot be resolved, the following escalation path should be followed:

Business Unit position with whom divergent views held	Escalation*
Team member	Team Leader
Team Leader	Manager
Manager	Senior Manager
Senior Manager	General Manager
General Manager (GM)	Group Executive
Group Executive *	CRO (except where Group executive involved is CRO, and then escalation is direct to MD/CEO and / or Chair of ARC)

* Noting the General Manager of Internal Audit has discretion to override this protocol at any time and escalate any matter directly to the CEO or Chair of ARC.

Audit planning

Individual audit planning

Input will be sought from the CRO (as it is with any Executive) when determining the scope of audits to be performed within the CRO office remit and their terms of reference. Internal Audit is responsible for setting the scope of its audits and, as exists with any Executive, the General Manager Internal Audit has the ability to raise directly with the MD/CEO and Chair of the ARC any concern that the CRO is attempting to unduly influence the scope or focus of an audit.

Annual audit planning

The CRO's role in annual audit planning is the same as any other Executive in that they provide input to the planning process. The General Manager Internal Audit is responsible for setting the audit program. The program is approved by the ARC. The CRO has no role in approving the annual audit plan.