

Internal Audit Charter

Kina Board

The Group Internal Audit Charter supports the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control environment, performance and governance processes.

Owner: Audit Committee
Level: Level 1 – Board
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This charter outlines the purpose and responsibilities of the Internal Audit of Kina Group Limited.

1. PURPOSE

Kina currently has a co-sourced internal audit function which has been duly approved in accordance with the regulatory requirements.

The primary function of the Internal Audit Committee (IAC) is to assist the Board in:

- Through its assurance activities, Internal Audit assists the BAC with the performance and discharge of their fiduciary duties.
- May carry out special reviews or examinations as directed by the Board or the BAC. For further clarity, the business of KSL includes the main operating businesses of Kina Bank and Kina Wealth.
- Internal Audit outcomes are key means by which the Board obtains assurance that appropriate risk and control frameworks are in place, are fit for purpose, key risks including emerging risks are being measured and managed and that key controls are operating effectively as intended to mitigate risk exposures.
- Assessing control effectiveness, to manage key risks associated with Kina Bank's strategic objectives, growth plans and related or emerging risks;
- Reviewing the reliability and integrity of financial and operating data / information and methods used to identify, analyse, measure, manage, classify and report such information;
- Examining the systems established to ensure compliance with policies, contracts, legislations and regulations that could have a significant impact on the operations of the Business.
- Completion of an annual review of the scope and continued adequacy of Kina Bank's compliance function; and
- Reviewing established systems of internal control, including those related to key risk areas of technology, cyber and data to ascertain whether they are functioning as designed and operating effectively; reviewing specific programs or initiatives to ascertain whether results are consistent with established objectives and goals and whether the programs or initiatives are being carried out as planned.
- The key objectives of the Internal Audit function are to perform their duties as a key contributor to the 3rd line of Defence including items such as:
 - Assure compliance with Board approved Charters, Frameworks, Policies and Procedures;
 - Assure the operating effectiveness of internal key controls; and
 - Evaluate the adequacy and effectiveness of risk management frameworks

2. RESPONSIBILITIES

Internal Audit has responsibility to:

- Develop and submit to the BAC of the Board for approval, a risk-based annual audit plan and strategic three-year plan that is linked to and consistent with Kina Banks's strategic objectives, goals and takes account of feedback from senior management;
- Ensure there is sufficient coverage in the audit plan to provide assurance in relation to compliance with legislation, prudential standards, regulations and financial reporting requirements of the organisation;
- Execute the approved annual audit plan;
- Provide regular reports on audits and status of the annual audit plan to the BAC; and
- Test and provide assurance to the Board via the BAC that the controls remain adequate and appropriate, on an enterprise wide basis.

Powers

The Board (or may delegate to BAC) shall approve the method of delivery of the internal audit function, taking into account regulatory requirements, and may select one or more independent professional firms to deliver part or all of the internal audit services from time to time, as it sees fit.

This agreement is to be regularly reviewed and an annual assessment completed on the effectiveness of the arrangement and the service providers.

The ongoing arrangement and agreement are to be approved by the BAC annually.

Independence

For Internal Audit to fulfil its responsibilities, it is essential that it is seen to be and is independent of the activities it reviews. Independence permits it to render impartial and unbiased judgments or assessments, essential to the proper conduct of audit objectives.

The Internal Audit function is directly responsible to and has a direct reporting line to the Board and the Chair of the BAC. The function must report to the BAC immediately if it considers its independence is impaired in any way and disclose the nature of any impairment of independence or objectivity.

The Internal Audit function has unfettered access to any and all of the Kina Bank business units and support functions, to ensure it is able to perform its function. This includes access to data, records, physical assets, and personnel relevant to any function under review. Documents, data and information provided to Internal Audit will be securely handled with prudence and confidentiality.

The Internal Audit function reports administratively to the Chief Risk Officer, in respect of administrative matters relative to the operation of the function.

The Internal Audit function is not involved in the day-to-day operations of the organisation.

The Internal Audit function has no executive or managerial powers, authorities or duties, except those relating to the management of the Internal Audit function.

Audit Planning

Through a consultative process, Internal Audit will prepare a strategic audit plan (Rolling 3 years) and an annual audit plan.

The audit plans will establish the priorities for the function's internal audit activity. The plan will consider the organisation's risk appetite and risk profile, control criticality, prior period outcomes, external audit and regulatory outcomes and specific requests.

The annual audit plan and strategic audit plan are to be approved by the BAC.

The cycle of the annual plan can be altered and does not have to run 1 January to 31 December yearly.

Audit Reporting

A formal report will be prepared by the Internal Audit function following each engagement according to our agreed template.

The EGM of any audited area is to be the prime contact unless for business reasons it is necessary to agree to an alternative delegation

All information requests must be systematically managed in a control sheet and documents stored with unique identifiers to avoid duplication and manage information security risks.

For each audit undertaken, the manager in charge of an audited area will be given a copy of the draft audit report and be given an opportunity to respond to the report. The management response will be included in any internal audit report presented to the BAC.

Internal Audit reports will be issued in alignment with the approach outlined in the Institute of Internal Audit standards. Engagement reports will be prepared on a timely basis and include:

- Audit objective;
- Engagement scope;
- Internal Audit findings, associated risks, root causes, recommended actions and a formal audit rating; and
- Management comments including ownership and due dates for any corrective or treatment actions.

All findings must be supported by a clear path to closure.

Internal Audit will maintain a record of all findings and provide regular updates on progress with close out of audit findings and report on any challenges to the BAC including delays in providing information and any scope creep. A management awareness rating should be developed.

Internal Audit Process

All engagements must follow an agreed service level agreement which shall include the following milestones

- Terms of Reference endorsement prior to any audit starting (endorsed by EGM of area)
- Kick-off meeting with a list of Information Requests
- Information Requests to be visibly tracked against SLA (eg: 5 days)
- Fieldwork timeframe with agreed stakeholders
- Draft Report to be issued within reasonable time after fieldwork (eg: 5 business days)
- Management Comments to be received within agreed SLA (eg: 10 business days)
- Internal Audit must comment on any management comments that they do not agree with
- All ineffective rated audits are to be re-audited within 6 months (unless BAC provides an exemption), after implementation of remedial actions.

Other Responsibilities

A professional interaction will be maintained with the External Audit function. Close and regular liaison will occur as appropriate, to ensure the effective use of audit resources to the extent possible.

The BAC will assess the effectiveness of the Internal Audit function on an annual basis.

3. COMMITTEE AUTHORITY

The Board via the BAC grant authority to Internal Audit to:

- Approve internal audit plan
- Recommend changes to the internal audit function or the organization's policies and procedures based on their assessment

- Appoint, compensate and oversee all audit and non-audit services performed by auditors, including the work of any registered public accounting firm employed by the organization.
- Resolve any disagreement between management and the external auditor regarding financial reporting and other matters
- Pre-approve all auditing and non-audit services performed by auditors
- Request the attendance of any official at committee meetings

4. MEMBERSHIP; QUORUM; SECRETARY

Membership

- The committee shall be appointed and approved by the group CRO in consultation with the ExCo and the Board.
- The committee shall comprise members being drawn from the Executive office and other such members as deemed appropriate to manage internal risk.
 - Membership shall comprise officers with the most appropriate prior experience and qualification
 - Permanent Members
- Group Chief Executive Officer
- Group Chief Risk Officer
- Or any other delegate approved by Committee dependent on as a result of changes to the organisational structure

Quorum

- Each meeting shall proceed with a quorum of committee members present. A quorum shall be set at a majority of those being present or available by telephone or other electronics means (at least 2-one of which is required to be the CRO, or their delegate).
- A valid decision of the meeting requires a majority vote on those members attending where a quorum is present.
- A valid decision on any internal audit findings requires a majority decision, one of those voting members must be the CRO or Manager Internal Audit

Committee Secretary

- The committee secretary shall be the Internal Audit Manager shall act as Secretary of the Committee
- All materials to be considered by the committee members at formal meetings shall be distributed beforehand (2 business days) by the Committee

5. COMMITTEE MEETINGS

Meetings

- The audit committee will meet at least three (3) times per annually or more frequently as the committee deems necessary.
- Committee meetings may be held in person or via telephone or other electronic means including video conferencing.

Agendas

- The chair will establish agendas for audit committee meetings in consultation with the audit committee members and senior members.
- Action items are to be issued to IAC as quick as practical, typically within the same day of the meeting

Minutes

- Minutes of each Committee meeting shall be prepared by the Secretary and ratified by a subsequent IAC. Minutes of the meeting are to be issues to the Chair within 48 hours and distributed to members within one (1) week of the sitting;
- Minutes are not to be distributed outside of Committee membership

Reporting by the Committee Chair

- A record must be kept of all meetings, recommendation and decisions of the Committee. The chair must provide a brief report to the BAC following every meeting of the IAC.

Attendees of Committee meetings

- In the temporary absence of a person occupying a position with a specific IAC role designated by this Charter, the Committee may appoint any staff member to temporarily undertake the role and that person will count to any majority vote taken on an issue;
- Representative of management may be invited to attend part or all of nay meeting of the IAC

Conflicts

Conflict of Interests needs to be duly considered by all Internal Audit staff or members

- Internal Audit members must declare any actual or potential conflicts of interest, which may exist or might reasonably be thought to exist in regard to any matter before them.

Internal Audit Members need to acknowledge that they may receive or originate confidential information. Information acquired by an Internal Auditor in the course of their work must not be used for any purpose other than the proper performance of their duties. Unless the Internal Audit function has a legal or professional duty to disclose, it must not convey any information other than in the course of professional duties. In particular, information must

- NOT be released to others outside of the proper ambit of committee members' duties, and
- NOT be used for the personal benefit of directors, officers or employees of KSL or for personal benefit of others.

6. REVIEW OF CHARTER

- This Charter shall be reviewed by the Owner annually under the Risk Management Framework (or at any time required by the Board or Board Committee) with a summary being submitted to Audit Committee and Board Risk Committee detailing the results of risk assessment and whether there are any updates required.
- Every three years, the full Charter must be submitted to the Board Audit Committee for Board Endorsement.
- All Amendments and Approvals are maintained by Compliance Team in the Policy & Procedure Change Document Register.

7. POLICY ADMINISTRATION

Policy Administrator	Internal Audit Manager
Policy Owner	Board Audit Committee
Effective Date	28 April 2023
Date of Last Review	20 April 2023
Next Scheduled Review	30 April 2025 (with a risk assessment each annual anniversary date to Internal Audit Committee and Board Audit & Risk Committee)
Regulator (If Applicable)	BPNG
Compliance Mechanism	Annual Review process certification via Audit Committee plus 3-year mandatory risk review and re-endorsement.
Approval Body	Board via Board Audit Committee
Document Approval History	Historic document implemented on 18/04/2016 and subsequently reviewed by CRO as Version 4.1 on 18/10/2016, Version 4.2 on 07/10/2018; and Version 4.3 on 07/10/2019 Version 4.4 on 01/10/2021 and endorsed by BAC on

	26/10/2021
	Version 4.5 – Board approved (dated on 27/04/2023)
Related Policies	Risk Management Strategy and Policy Policy Hierarchy Model
Supporting Procedures Guidelines or	NA