

# Terms of Reference – Group Audit Committee

Insignia Financial Ltd  
ABN 49 100 103 722

**February 2022**

## Table of contents

<b>1. Overview</b>	<b>2</b>
1.1. Application	2
1.2. Introduction	2
<b>2. Responsibilities</b>	<b>2</b>
2.1. Financial reporting	2
2.2. External Audit	3
2.3. Internal audit	4
2.4. Taxation	5
2.5. Treasury	5
2.6. Additional responsibilities	6
<b>3. Exclusions and restrictions from scope</b>	<b>6</b>
<b>4. Review and approval</b>	<b>6</b>
<b>Appendix 1: Exclusions and restrictions from Group Audit Committee scope</b>	<b>7</b>

## 1. Overview

### 1.1. Application

Insignia Financial Ltd (the Company) has adopted these Terms of Reference (ToR) for its Audit Committee (the Committee).

The Group comprises the Company and its subsidiaries (the Group). The responsibilities apply in relation to the Company and other Group companies, unless otherwise stated in these ToR.

Note: This includes Australian financial services licensees, responsible entities (REs) and APRA-regulated subsidiaries (AREs). AREs include Registrable Superannuation Entity Licensees (RSEs).

### 1.2. Introduction

- a. The primary objectives of the Committee are oversight of the following.
  - The system of risk management, compliance and internal control framework relating to financial information, reporting and disclosure.
  - Financial reporting (including professional accounting) requirements and regulatory reporting.
  - Internal audit function and internal auditor (including appointment).
  - External audit function (including appointment).
  - Taxation.
  - Treasury.

- b. The Group Committee Procedural Rules apply to this Committee.

Note: These Rules deal with matters such as Committee membership and meeting requirements.

## 2. Responsibilities

### 2.1. Financial reporting

#### Internal controls

- a. Oversight of management's design and implementation of the internal control framework and the processes for assessing the effectiveness of internal controls in relation to financial information, reporting and disclosure.

Note: See clause 3 of these ToR and the appendix in relation to the Group Risk & Compliance Committee responsibilities for non-financial risk and compliance.

- b. Oversight of the regulatory reporting process.

#### Financial statements

- c. Review and recommendation to the Board of the annual and half yearly financial statements and any reports which accompany published financial statements. The recommendation is to be made following discussion with management and the external auditors. In discharging this responsibility the Committee is to focus on the following.

- The declarations by management relating to the financial records, financial statements and risk management and controls.
- The management representation letters to the external auditors.
- A review of the controls and processes that are used to reach the opinions provided in the management declarations and in the management representation letters.

Note: Corporations Act s295A and ASX Corporate Governance Council recommendation 4.2.

- Whether the financial statements provide a true and fair view of the financial position and performance of the Group.
- The appropriateness of the accounting judgements or choices exercised by management in preparing the financial statements.
- Whether external reporting is consistent with internal information and is adequate for shareholder needs.
- Compliance with regulatory requirements.
- Any fraud exposure as it relates to the financial statements.

Note: The remuneration report, which forms part of the reports accompanying the financial statements, is first reviewed by the Group People & Remuneration Committee.

- d.** Review of significant accounting and financial reporting processes and issues, including any new or significant changes to existing accounting policies and their impact on the financial statements.

### **Subsidiaries**

- e.** Overview of the process followed in relation to the preparation of financial statements for subsidiaries that require audited financial statements.

Note: The ARE and RE Audit Committees also have this responsibility in relation to the ARE and RE financial statements.

- f.** For subsidiaries that require audited financial statements, review of feedback from the external audit, together with feedback from the Audit Committee of the subsidiary (if the subsidiary has an Audit Committee), during the preparation of the financial statements and external audit.

## **2.2. External Audit**

### **Engagement, performance, independence**

- a.** Oversight of the external auditor and review and recommendation to the Board of each of the following.
- The selection, appointment and replacement of the Group external auditor, taking into account regulatory requirements.

Example: APRA fit and proper requirements, APRA independence requirements, APES 110 independence requirements.

Note: APRA Prudential Standard CPS510.79 requires the prior endorsement by the IOOF Ltd Audit Committee for the appointment and removal of the external auditor. APRA Prudential

Standard SPS510.50 requires oversight by Audit Committees of the RSEs of the appointment of the external auditor. See the terms of reference for the RSE and IOOF Ltd Audit Committees.

- At least annually, an assessment of whether the auditor meets the audit independence tests as set out in regulatory standards and guidelines, including partner rotation.
- b. At least annually, an assessment of the performance of the external auditor.
- c. The approval of the external audit engagement letter and compensation.

#### **Review**

- d. Review of the scope of the external audit plan to make sure that it covers all relevant material risks and financial reporting requirements, including regulatory reporting.
- e. Review of the findings of external audits and monitoring of open findings, with a view to issues being managed and rectified in an appropriate and timely manner, and approval or denial of requests for extensions of timing for closing a finding.

### **2.3. Internal audit**

#### **Engagement, performance, independence**

- a. Oversight and recommendation to the Board of the appointment and removal of the internal auditor.

Note: APRA Prudential Standard CPS510.79 requires the prior endorsement of the IOOF Ltd Audit Committee for the appointment and removal of the internal auditor. See the terms of reference for the IOOF Ltd Audit Committee.

- b. Oversight of the internal auditor, who has a reporting line to the Committee and, at least annually, a review of the performance, adequacy and independence of the internal audit function.

Note: The internal auditor has unfettered access to the Committee: clause 5.2g Group Committee Procedural Rules.

- c. Oversight of the internal audit function.

Note: APRA Prudential Standard SPS510.50 requires oversight by the Audit Committees of the RSEs for the appointment of the internal audit function. See the terms of reference for the RSE Audit Committees.

- d. At least once every five years, obtaining an external assessment of effectiveness of the internal audit function.
- e. Maintain oversight of all non-audit services to be performed for all Group entities by the internal auditor, including the fees and terms of service. This applies if internal audit services are outsourced to a third party who is not part of the Group.
- f. Review and approval of the internal audit charter, including the objectives and policies of the internal audit function as documented in the charter.

### **Internal control risk deficiency**

- g.** Provision of information to the Group Risk & Compliance Committee in relation to any significant internal control matter where the control is inadequate or has not operated, or is not operating, as intended and which could have a significant impact on the Group's risk profile, including the Risk Management Framework and Risk Appetite.

### **Work plan**

- h.** Review and approval of the scope and adequacy of the internal audit plan, making sure it covers the following.
  - All material risks, including operational and financial risks.
  - Financial and regulatory reporting requirements.
  - Evaluation of the adequacy and effectiveness of the Risk Management Framework.
- i.** Oversight and monitoring of the progress of work performed in relation to the internal audit plan.

### **Reports and findings**

- j.** Review of internal audit reports and management responses to issues reported and monitoring of open internal audit findings, with a view to issues being managed and rectified in an appropriate and timely manner, and approval or denial of requests for extensions of timing for closing a finding.

Note: The Group Risk & Compliance Committee reviews internal audit reports evaluating the adequacy and effectiveness of the Risk Management Framework and adequacy and effectiveness of the compliance framework and has primary responsibility for the review of these reports.

## **2.4. Taxation**

- a.** Review of the Tax Governance Framework on a periodic basis and recommendation to the Board of any changes.
- b.** Monitoring of the financial risk associated with ongoing tax matters.
- c.** Monitoring of Commonwealth taxation laws and directions from the Australian Tax Office through review of regular tax updates.

## **2.5. Treasury**

- a.** Review and recommendation to the Board of the Treasury Policy.
- b.** Review of Treasury risk management strategies and performance for compliance with the Treasury Policy parameters.
- c.** Approval of Treasury risk management strategies which are outside the parameters of the Treasury Policy and report these approvals to the Board.
- d.** Monitoring of the financial risk associated with interest rate hedging arrangements.

## 2.6. Additional responsibilities

### Policies

- a. Review and recommendation to the Board of any new policies or changes to existing policies relating to the responsibilities allocated to this Committee that are required to be approved or adopted by the Board. However, this does not apply if the policy or changes have been approved at a joint Boards' policy discussion for recommendation to the Board.

Example: Whistleblowing policy.

### Whistleblowing

- b. Oversight of the Whistleblowing Policy, including the following.
  - The processes in place to make sure employees, contractors and others covered by the Whistleblowing Policy are aware of the Policy and dealing with matters raised.
  - The practices in place to allow confidential and anonymous disclosures.

Example: This includes in relation to accounting, internal accounting controls and auditing issues.
  - Any significant incidents, themes and trends.
  - Ongoing compliance with the policy and the effectiveness of the policy.

### Periodic corporate reports

- c. Review the process adopted by management to verify the integrity of any periodic corporate report it releases to the market that is *not* audited or reviewed by an external auditor.

Note: A periodic corporate report is the annual directors' report, annual and half yearly financial statements, integrated report, sustainability report, or similar periodic report prepared for the benefit of investors.

### Management performance

- d. Provision of input to the Group People & Remuneration Committee about the performance of individuals and categories of individuals for which the Group People & Remuneration Committee makes recommendations to the Board.

Note: This includes Senior Executives.

## 3. Exclusions and restrictions from scope

For clarity about matters that are related to the responsibilities of this Committee but are the responsibility of another Committee of the Board or Committee of another Group entity, exclusions and restrictions are set out in the Appendix.

## 4. Review and approval

This document must be reviewed annually by the Policy Owner. The Board must review this document within at least 3 years from the date it was last reviewed. Any material changes must be approved by the Board. Non-material amendments may be approved by the Policy Owner.

## **Appendix 1: Exclusions and restrictions from Group Audit Committee scope**

### **1. Matters for which another Board Committee is responsible**

The Committee is not responsible for matters for which responsibility has been allocated to another Board Committee, except for any component for which responsibility is specifically set out in these ToR.

This includes the following which are the responsibility of the Group Risk & Compliance Committee.

- a. Oversight of non-financial risk management and compliance, including related internal controls .
- b. Review of fraud policies.

### **2. Matters for which a Committee of another Group entity is responsible**

The Committee is not responsible for matters for which responsibility has been allocated to another Committee, except for any component for which responsibility is specifically set out in these ToR.

Examples: Review of Group policies that apply to an ARE or RE from the perspective of the ARE and RE. Each ARE and RE is responsible for review of Group policies and provision of feedback on any changes needed from an ARE or RE perspective.