



CEC GROUP LIMITED
ABN 84 010 025 831

INTERNAL AUDIT CHARTER

DATE: 24 FEBRUARY 2009

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INTERNAL AUDIT CHARTER

1. POLICY

It is the policy of CEC Group Limited to maintain and support an Internal Audit function.

2. MISSION

Internal Audit is an independent review and consulting function providing Management and the Audit and Risk Management Committee (the “Committee”), with assurance that effective controls exist to maintain process integrity, that measures and reporting are accurate and reliable and that compliance with policy and regulations is ensured.

Internal Audit helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness, of control and governance processes. Internal Audit must work in partnership with management to ensure that company resources are effectively and efficiently used.

The system of Internal Audit must be risk based, to ensure that the efforts of Internal Audit are directed towards the objective of “adding value through business risk assurance”.

3. ROLE AND SCOPE

The Committee and Management provide general direction as to the role and scope of work and the activities to be audited. The role of Internal Audit involves going beyond accounting, operational and information systems to obtain a full understanding of the operations under review.

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's system of internal control and the quality of performance in carrying out assigned responsibilities. It includes:

- ⊕ Reviewing the reliability and integrity of financial and operating information and the means used to identify measure, classify, and report such information.
- ⊕ Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determine whether the organisation is in compliance.
- ⊕ Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- ⊕ Reviewing projects or programs to ascertain whether results are consistent with established objectives and goals, and whether the projects or programs are being carried out as planned (e.g. new EDP-systems, post capital expenditure reviews).
- ⊕ Informing and advising management and discharging this responsibility in a manner which is consistent with professional standards.
- ⊕ Reporting of any material misuse of funds, embezzlement or acts of fraud.
- ⊕ Identifying and reporting on the effectiveness and efficiency of administrative, financial, operational and computer based controls.
- ⊕ Identifying best practice benchmarks and assisting in communicating and encouraging acceptance of these standards throughout the whole operations of CEC Group Limited.

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4. ORGANISATION

Independence is essential to the effectiveness of the Internal Audit function. It is obtained through organisational status and objectivity. The independence of Internal Audit is ensured by the following organisational set-up:

- ⊕ Internal Audit reports functionally to the Audit and Risk Management Committee.
- ⊕ Internal Audit reports administratively to the Chief Financial Officer.
- ⊕ Objectivity is essential in performing the audit role. Accordingly, Internal Audit should not prepare records or engage in any activity which they normally review and appraise.
- ⊕ CEC Group Limited Internal Audit will comply with good practice internal audit methodology, acceptable to all shareholders.

5. RESPONSIBILITIES

The Group Internal Auditor has the responsibility under the direction of the CFO, or if not possible, the CEO, the Internal Audit Committee and or the Board of Directors to:

- ⊕ On a planned basis, review and appraise all major systems, activities and operations of the CEC Group with emphasis on compliance, economy, efficiency and effectiveness. As appropriate, post capital expenditure audits to be included in yearly audit plans.
- ⊕ Develop a flexible annual audit plan, using an appropriate risk-based methodology, including any risks or control concerns identified by Management through the Business Risk Management (BRM) process, or other enterprise-wide risk management system. Such Audit Plan to be submitted to the Chief Financial Officer, the Managing Director and the Committee for review and approval as well as periodic progress updates.
- ⊕ Co-ordinate the scope of work with the external auditors, and other internal assurance functions, for the purpose of providing optimal audit coverage to the CEC Group at a reasonable overall cost and to avoid duplication of effort. Internal Audit reports and associated work papers to be available for review by the external auditors.
- ⊕ Implement the annual audit plan, including (as appropriate) any special tasks, projects or independent inspections, requested by Management and/ or the Committee. The Plan will be kept under review and amended in the light of changing circumstances.
- ⊕ Ensure that the relevant manager provides comments on the findings and recommendations for inclusion within each Audit Report. Further, the relevant manager must sign the Audit Report to indicate their commitment and timeframe for implementing recommendations and Management Actions. Responsibility for implementing audit recommendations lies with the relevant line manager.
- ⊕ Ensure that Audit Reports provide the Committee and management with confidential, impartial and independent advice as to the adequacy and effectiveness of internal controls in the activities reviewed.
- ⊕ Where deficiencies are found, then to work with management in establishing remedial action.
- ⊕ Report and communicate the findings, recommendations and proposed management actions arising from the audit, with the responsible Management, Executive Management and the Committee summarizing results of audit activities.

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- ⊕ To record where possible, the financial impacts of actions resulting from the audit.
- ⊕ Review and monitor prior audit findings, and assist Management to ensure they have been properly addressed.
- ⊕ Provide internal audit information and reports as per specific shareholder requests.
- ⊕ Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter. The Internal Audit function may seek access to specialist resources to support its activities and these resources must be approved by the Managing Director or the Committee.

6. AUTHORITY

Authority is granted for full and complete access to any of the organisation's records (either manual or electronic), physical properties, and personnel relevant to a review.

Information acquired by Internal Audit in the course of their duties will remain confidential and will not be used for purposes outside the scope of the audit review.

CEC Group Limited Internal Audit has full and free access to the Board and the Audit and Risk Management Committee.

Internal Audit does not have any direct responsibility or authority over any of the activities or operations that they review. The performance of these reviews does not relieve management of any assigned responsibilities

7. FRAUD

The prevention, detection and investigation of internal fraud are the responsibility of management. In conducting audit assignments, Internal Audit will be alert to opportunities, such as control weaknesses, that could allow fraud. Where fraud is suspected, the Managing Director and the relevant Executive Managers will be immediately informed.

Internal Audit will undertake the investigation of a reported or suspected fraud in line with the company's Fraud Policy. The Chief Executive Officer will be responsible for taking action on any findings and determining whether controls need to be implemented or strengthened to reduce future vulnerability.

8. PERFORMANCE MEASUREMENT

The performance of Internal Audit is evaluated at least annually by the Board. The key measurement of Internal Audit performance is the level of satisfaction and the opinion of Internal Audit performance held by:

- ⊕ The Managing Director and the Audit and Risk Management Committee;
- ⊕ Senior Executives;
- ⊕ External Auditors;

In monitoring the performance of Internal Audit, consideration can be given to the following indicators:

- ⊕ Number of management requests for audits and advice;
- ⊕ Number of audits completed per annum (comparative);
- ⊕ Percentage of audits completed to approved audit plan;

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⊕ Any direct cost savings directly attributed to audit recommendations.

Approved by the CEC Group Limited Board on 24 February 2009.

This Charter has been formally accepted and approved:

Chairman: CEC Group Limited Board of Directors

Date:

Chairman: CEC Group Limited - Audit and Risk Management Committee

Date:

CEO: CEC Group Limited

Date:

Company Secretary – CEC Group Limited

Date:

Internal Auditor: CEC Group Limited

Date: