

Board of Directors – Nalcor Energy

Internal Audit Plan

November 2016

Boundless Energy



Outline

1. Resource Plan – 2017

- a) Internal Audit 2017 Budget
- b) Employee hours available

2. Audit Plan – 2017

- a) Internal Audit Plan Methodology
- b) 2017 Audit Plan

3. Internal Audit Activity

- Changes to 2016 Audit Plan

Appendix A – 5 Year Plan (2017-2021)

1. Resource Plan – 2017

1a. Resources – Nalcor Energy

Internal Audit 2017 Budget (pending approval)

Nalcor Energy Internal Audit Budget			
Description	2017 Budget	2016 Budget	Change
Salaries and Benefits ¹	720,015	724,237	(4,222)
Professional Membership	10,535	11,500	(965)
Travel	12,000	13,975	(1,975)
Training	11,507	11,507	-
Misc	3,190	5,662	(2,472)
	<u>757,247</u>	<u>766,881</u>	<u>(9,634)</u>

Notes

1 - Salaries and Benefits - Based on six employees plus temporary business student. One vacant position for half of both years due to maternity leave. In 2017, there is a reduction of one employee in Nalcor Energy Internal Audit due to the Newfoundland and Labrador Hydro (NLH) restructuring. Minimal change in expense as salary costs of one FTE transferred to NLH in prior year.

1b. Resources – Nalcor Energy Employee Available Hours

Nalcor Energy - Internal Audit - 2017 Resource Plan												
	Management			Governance, Risk and Control Group			Project & Compliance Group					
	<u>Manager, Internal Audit</u>		<u>Audit Lead</u>	<u>Senior Internal Auditor</u>		<u>Audit Lead</u>	<u>Internal Auditor</u>		<u>Internal Auditor</u>		<u>Total</u>	

Work Execution Time

New Audit	162	10%	826	50%	971	63%	909	55%	1,033	63%	455	63%	4,355
Contingency, Carry over, Follow up ¹	32	2%	165	10%	194	13%	182	11%	207	13%	91	13%	871
Audit Execution Total Time	194		990		1,165		1,091		1,240		545		5,226

Non-Audit Activities ²

	1,421	88%	661	40%	389	25%	562	34%	413	25%	182	25%	3,627
	<u>1,615</u>		<u>1,652</u>		<u>1,554</u>		<u>1,653</u>		<u>1,653</u>		<u>727</u>		<u>8,853</u>

Absence

Annual leave, statutory holidays, training	335		298		396		298		298		249		1,872
Total Hours Available	<u><u>1,950</u></u>		<u><u>1,949</u></u>		<u><u>1,950</u></u>		<u><u>1,950</u></u>		<u><u>1,950</u></u>		<u><u>976</u></u>		<u><u>10,725</u></u>

1 - Contingency, Carry Over, Follow Up - Hours available for additional audits based on Board of Director requests, management requests, the changing risk environment, and/or scope expansions. Internal Audit standards require a follow up process in place on previous audit recommendations.

2 - Non-Audit Activities - Internal Audit staff meetings, safety meetings, LOB or functional area meetings, data analytics, process improvement, reliance on other assurance providers work, periodic assessments, quality assurance program, research, coaching, performance reviews and planning.

2. Audit Plan 2017

2a. Internal Audit Plan - Methodology

- Internal Audit Plan is derived from corporate risk assessments, previous internal audits, research and Industry best practice and trends. The planning process is consistent with the International Institute of Internal Audit Guidance.
- The 2017 Audit Plan is fixed once approved.
 - Any additions are at the discretion of the Manager, Internal Audit based on risk.
 - An audit may be removed from the plan by the Manager, Internal Audit. This would only occur if the audit does not make sense from a business point of view (e.g. project delayed, risk covered in another audit). A summary of changes would be presented to Audit Committee / Board for approval.
 - The Audit Committee / Board can change the plan at any time.
- 2018-2021 (Year 2-5) audits on the 5 year plan will be reassessed during the planning phase each year and therefore, may change based on changing business strategy and risk environment (5 Year Plan in Appendix A).
- Detailed scopes of each audit will be determined during the individual audit planning stage, in which a detailed risk assessment will be completed and used to develop an audit program.

2a. Internal Audit Plan – Methodology (continued)

- Audits previously requested by the Board of Director are listed below to obtain alignment on continued inclusion in the audit plan.
 - Executive Expenditure review – Detailed review of Executive’s expenditure on an annual basis, including corporate cards, vehicles costs and travel expenditures. 100% of the Chief Executive Officer’s expenditures and a sample of expenditures for all other Executives are reviewed.
 - External Audit Assistance – In order to reduce the external audit costs, Internal Audit provides testing assistance to the external auditor.

2b. 2017 Internal Audit Plan

*Completed by NLH Internal Audit Team

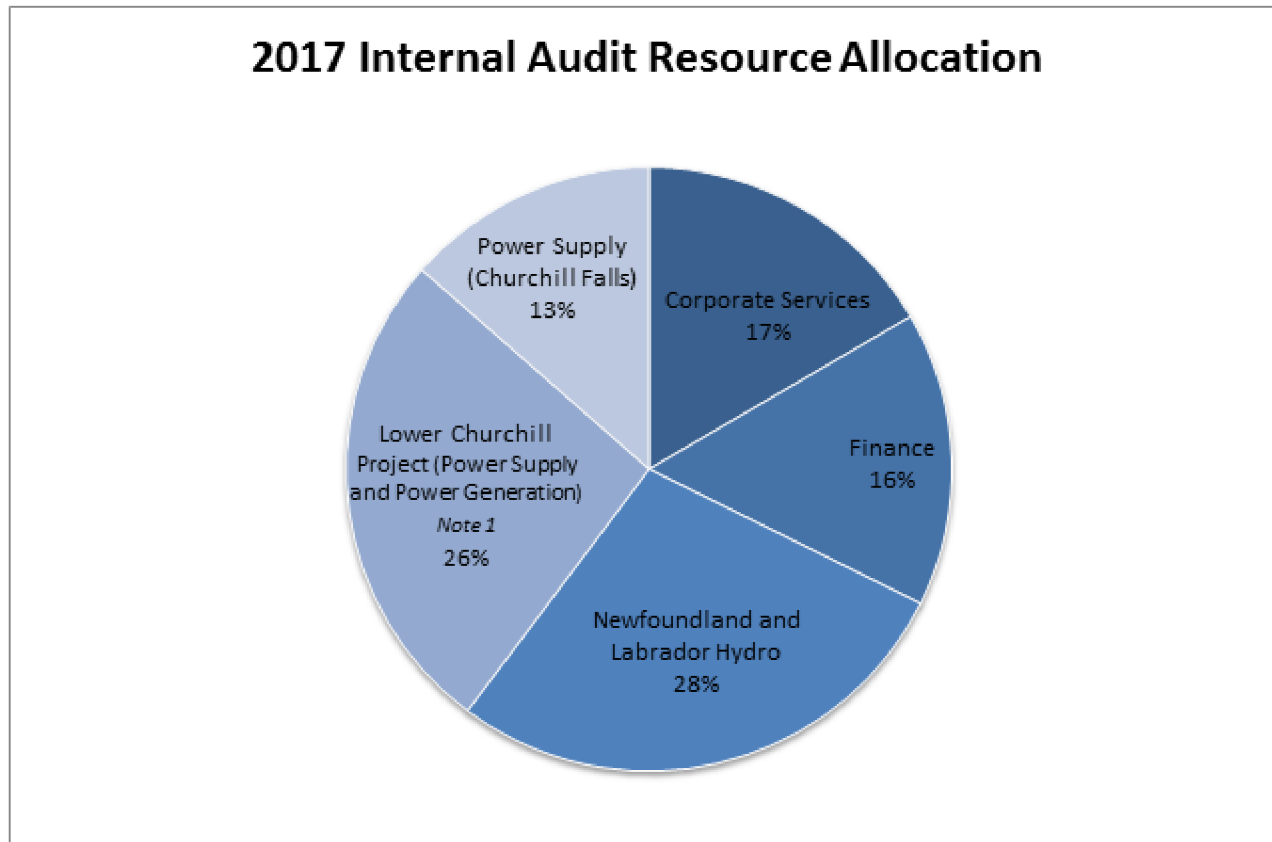
2b. 2017 Internal Audit Plan (continued)

2017 Internal Audit Plan				
Executive Vice President (EVP) Accountability	Line of Business / Department	Risk or Audit Area	Risk Level	2017 Hours
Lower Churchill	Emera	Maritime Link	Medium	300
	Transition to Operations (TTO)	Joint Operating Agreement (JOA)	Medium	200
		Transition to Operations - HR Plan	Medium	200
		Transition to Operations - Schedule	High	200
		Readiness for Integration - Legislative Readiness	High	200
	Project Execution	LCP Project Management Team - Compensation Strategy	Medium	200
		LCP Cost Risk Management	High	200

Note: For planning purposes for 2017, the Lower Churchill Project component of Power Supply is combined into "Lower Churchill Project". As audits are executed, EVP accountability will be determined.

2b. Internal Audit Plan

Line of Business Allocation



Note 1 - For planning purposes for 2017, the Lower Churchill Project component of Power Supply is combined into "Lower Churchill Project". As audits are executed, EVP accountability will be determined.

3. Internal Audit Activity

2016 Audit Plan – Modifications

Below is a summary of changes made to the 2016 Audit Plan based on business requests and/or emerging risks.

Nalcor Energy - Internal Audit 2016 Audit Plan Adjustments			
Line of Business	Change	Audit Title	Audit Description

Lower Churchill Project	Add	Rotational and Business Travel	At the request of the VP, LCP, a compliance review of the travel costs for the LCP.
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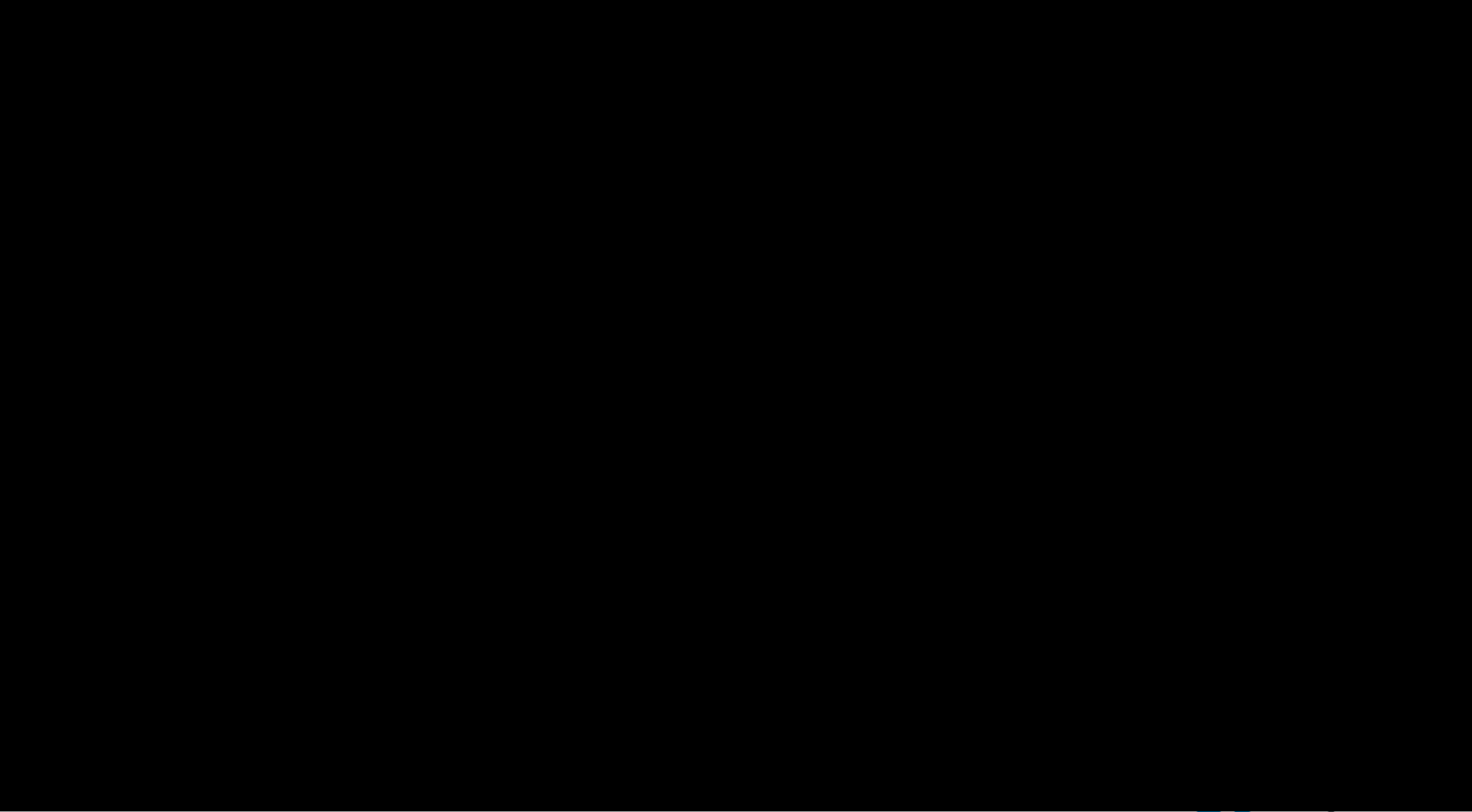
QUESTIONS?

APPENDIX A

2017-2021 Plan Detail

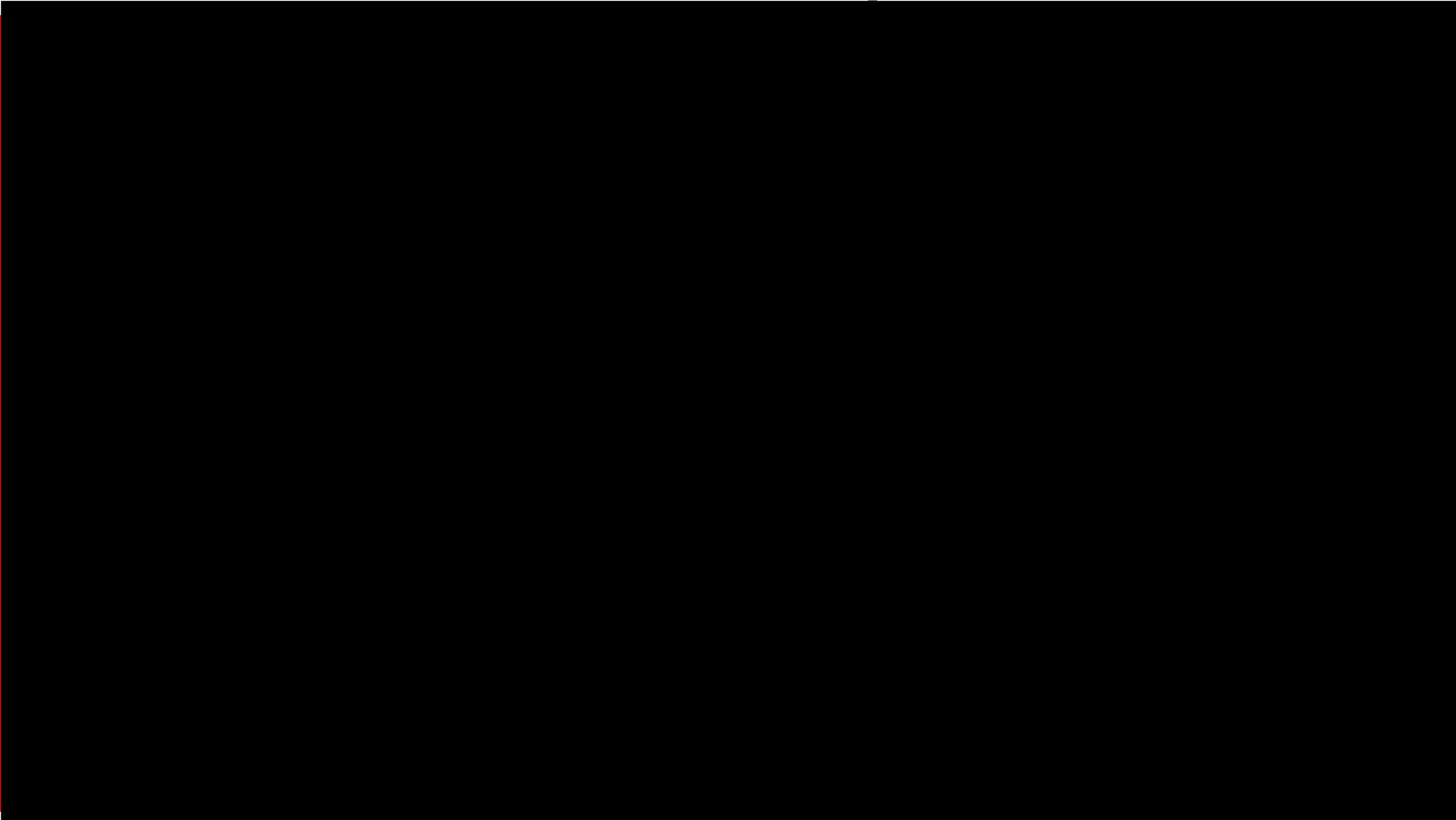
2017-2021 Audit Plan – Corporate Services

2017-2021 Internal Audit Plan					Estimated Hours				
Executive Vice President Accountability	Line of Business / Department	Risk or Audit Area	Risk Level	2017 Hrs	2018 Hrs	2019 Hrs	2020 Hrs	2021 Hrs	



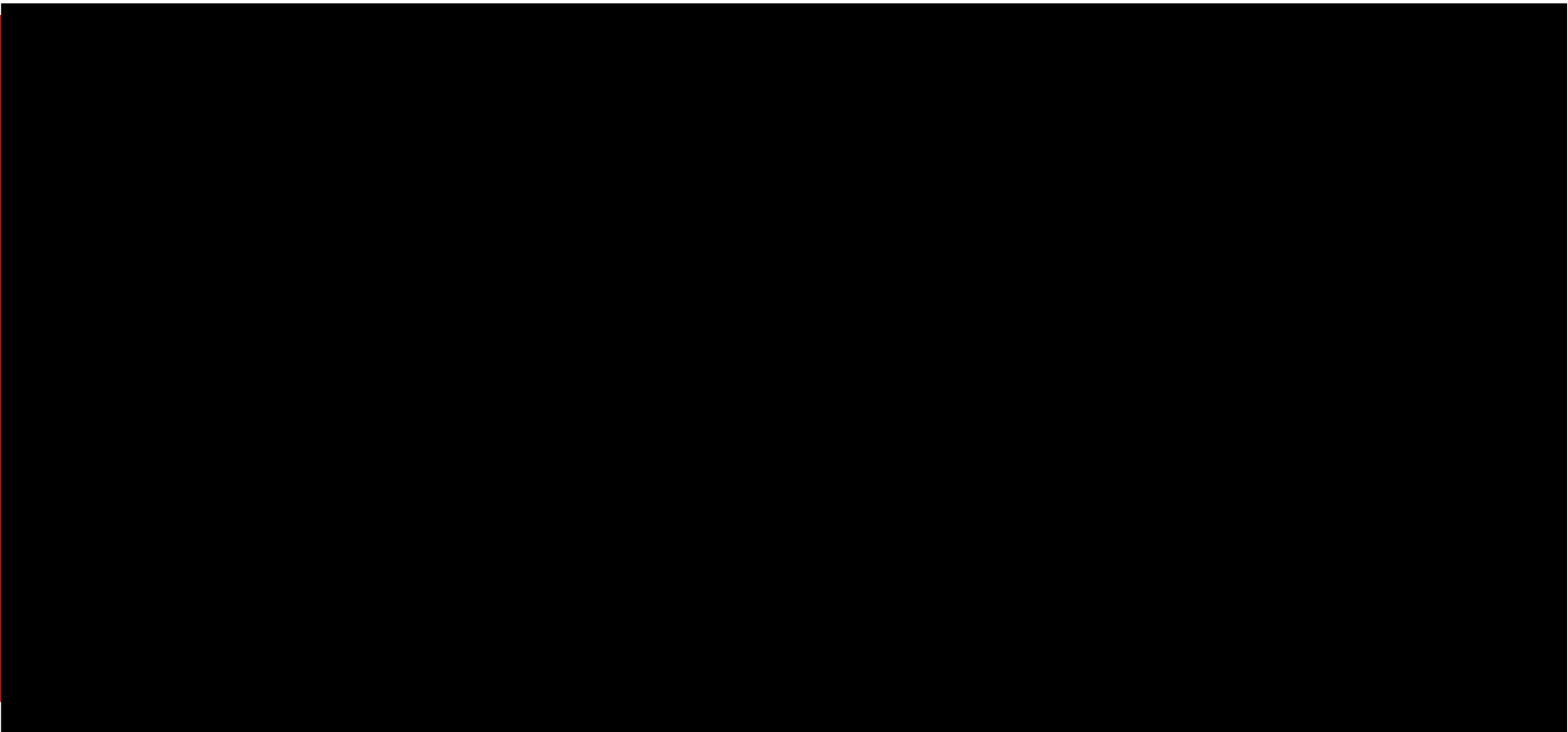
2017-2021 Audit Plan – Finance

2017-2021 Audit Plan – NL Hydro



	Fuel Supply - GT/CT - Quality, process, shortage	Medium				200
	Financial Processes-Payable	Low				200
NLH Total			1600	1850	1650	1300 1250

2017-2021 Audit Plan – Churchill Falls



2017-2021 Audit Plan – Lower Churchill Project

2017-2021 Internal Audit Plan				Estimated Hours					
Executive Vice President Accountability	Line of Business / Department	Risk or Audit Area	Risk Level	2017 Hrs	2018 Hrs	2019 Hrs	2020 Hrs	2021 Hrs	
Lower Churchill	Emera	Maritime Link	Medium	300	300				
	Transition to Operations	Joint Operating Agreement (JOA)	Medium	200					
		Transition to Operations - HR Plan	Medium	200					
		Transition to Operations - Schedule	High	200					
		Readiness for Integration - Legislative Readiness	High	200					
	Operations	Long Term Asset Management	Medium					200	
		Organizational Culture - LOB Level	Medium					200	
		Project Estimating	High					200	
		Quality Planning	Medium			200			
		Risk Register - Integrated Cost (contingency)	Medium			200			
		Risk Register - Integrated Schedule (contingency)	Medium			200			
		Project Management - Schedule Baseline & Contractor Integration	Medium					200	
	Project Execution	Project Management - Cost	Medium					200	
		Risk Management & Risk Register	Medium		200				
		LCP Project Management Team - Compensation Strategy	Medium	200					
			LCP Cost Risk Management	High	200				
	Lower Churchill Total				1500	500	600	200	800

Note: For planning purposes for 2017, the Lower Churchill Project component of Power Supply is combined into "Lower Churchill Project". As audits are executed, EVP accountability will be determined.

A proud, diverse energy company, whose people are committed to building a bright future for Newfoundland and Labrador, unified by our core values.

Teamwork

Sharing our ideas in an open and supportive manner to achieve excellence.

Open Communication

Fostering an environment where information moves freely in a timely manner.

Honesty and Trust

Being sincere in everything we say and do.

Safety

Relentless commitment to protecting ourselves, our colleagues, and our community.

Respect and Dignity

Appreciating the individuality of others by our words and actions.

Leadership

Empowering individuals to help, guide and inspire others.

Accountability

Holding ourselves responsible for our actions and performance.