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## CS ENERGY PROCEDURE

### ASSURANCE CS-AUD-1

Responsible Officer: Assurance Specialist  
Responsible Manager: Assurance Manager  
Responsible Executive: Executive General Manager Corporate Services

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#### DOCUMENT HISTORY

Key Changes	Prepared By	Checked By	Approved By	Date
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Update of logo, diagram and job titles	M Clark	Internal Audit	M Turner	31/01/2012
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## 1 PURPOSE

Assurance is an independent and objective advisory service which provides assurance to the Chief Executive, the Executive Leadership team and the Board that CS Energy's internal controls, designed to manage risks and achieve objectives, are operating in an efficient, effective and ethical manner.

The Assurance department in the Corporate Services division is responsible for carrying out the internal audit function at CS Energy.

The purpose of this procedure is to:

- describe the role of Assurance and the types of reviews performed;
- outline the process for the development of the Assurance Plan;
- describe the key phases of the Assurance process;
- detail the processes for monitoring actions arising from Assurance reviews;
- outline the alignment between Assurance and risk management; and
- detail minimum Audit and Risk Committee reporting.

## 2 SCOPE

This procedure outlines the Assurance process, defines and explains the types of reviews undertaken, and identifies responsibilities for the processes performed during reviews.

This procedure applies to all activities conducted within CS Energy for Assurance by either internal or external resources and is applicable also to all personnel involved in the reviews.

## 3 AUTHORITY AND CONFIDENTIALITY

Assurance is authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the Assurance Manager considers necessary to enable Assurance to meet its responsibilities.

All records, documentation and information accessed in the course of undertaking assurance activities are to be used solely for the conduct of these activities. The Assurance Manager and Assurance staff (including external service providers working for Assurance) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

## 4 INDEPENDENCE

Independence is essential to the effectiveness of the Assurance function.

Assurance has no direct authority or responsibility for the activities it reviews, has no responsibility for developing or implementing procedures or systems and does not engage in operational functions or activities.

Assurance will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Assurance will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

In providing advisory services, Assurance needs to maintain operational independence. It is the responsibility of Management to accept or reject advice provided by Assurance, to implement the advice where considered appropriate and be accountable for decisions taken.

## 5 ORGANISATION

The Assurance Manager reports functionally to the Audit and Risk Committee and administratively to the Executive General Manager Corporate Services.

## 6 RESPONSIBILITIES

### 6.1 Audit and Risk Committee

The Audit and Risk Committee is responsible for:

- reviewing and approving the annual Assurance Plan;
- approving any cancellations of planned reviews;
- noting the Executive Summary Assurance Reports as presented in Audit and Risk Committee meetings; and
- make appropriate and relevant inquiries of Management and the Assurance Manager regarding the scope and limitations of planned reviews.

### 6.2 Assurance Manager

The Assurance Manager is responsible for:

- preparing the Assurance Plan on an annual basis and presenting the Plan to the Audit and Risk Committee for approval;
- ensuring that reviews are completed as per the Assurance Plan;
- developing the Scope of Work for a review;
- engaging external service providers to conduct reviews as required, depending on the Scope of Work;
- arranging an opening meeting with relevant key stakeholders prior to commencement of the review;
- communicating significant matters of concern to Management as they arise during fieldwork;
- arranging a closing meeting with relevant key stakeholders upon the conclusion of the fieldwork;
- issuing the draft report following the closing meeting;
- issuing a final report following receipt of the management response;
- action verification for selected reviews;
- coordinating the performance of management requests and investigations by internal or external resources, as required;
- reporting to the Executive Leadership Team on a regular basis the status of open review actions; and
- reporting to the Audit and Risk Committee on completed Assurance reviews and updates on open review actions.

### 6.3 Management

Management is responsible for:

- providing input to and feedback on the Scope of Work;
- confirming risks and controls relevant to the review;
- attending the opening and closing meetings arranged by the Assurance Manager;
- reviewing the draft report and providing a Management response, including an action plan, within 10 working days of the draft report being sent to Management for Assurance reviews and action verification reviews;
- sign off to acknowledge whether actions have been satisfactorily completed and closed as part of the monitoring and verification of review actions process;
- attendance at Audit and Risk Committee meetings, as required, to discuss Assurance reviews and/or action verification reviews;
- completion of Assurance survey within 10 working days of receipt;
- ensuring the relevant Risk Owners and/or Technical Owners, with guidance from the Assurance Specialist, update relevant risks in the Enterprise Risk System;
- approving the extension of due dates for agreed actions if required; and
- ensuring the Action Officer completes agreed actions by the nominated due date.

### 6.4 Assurance Specialist

The Assurance Specialist is responsible for:

- providing input on which risks are relevant to the Scope of Work;
- attending the opening and closing meeting as required;
- assisting Management with action plan development;
- ensuring findings and agreed actions are entered into the Business Improvements Register, and updated accordingly;
- regular monitoring of and reporting on the progress of agreed review actions;
- providing guidance to Risk Owners and/or Technical Owners, on how to incorporate review findings and actions into the Enterprise Risk System;
- verifying whether selected review actions have been completed for selected reviews and producing a report for presentation to the Audit and Risk Committee; and
- providing ongoing maintenance, training and support for the Business Improvements Register.

### 6.5 Reviewer

The Reviewer (external service provider or internal resource) is responsible for:

- leading the opening and closing meetings for the Assurance review;
- performing the Assurance review in accordance with the agreed Scope of Work and the engagement letter, where relevant; and
- preparing the draft report within 10 working days of the completion of fieldwork.

## 6.6 Action Officer

Action Officers are responsible for:

- ensuring agreed review actions assigned to them are completed by the nominated due date;
- updating review action information in the Business Improvements Register;
- seeking approval for the extension of due dates for agreed actions from their Manager, then notifying the Assurance Specialist to update the Business Improvements Register; and
- assisting the Assurance Specialist in verifying actions have been completed as agreed for selected reviews.

## 6.7 Risk Owner / Technical Owner

Risk Owners / Technical Owners are responsible for:

- updating the Enterprise Risk System, with guidance from the Assurance Specialist, based on findings identified during the review, where appropriate.

## 7 ASSURANCE SERVICES

The Assurance team provides services ranging from control assurance, compliance checking and value-add “consulting” in accordance with recognised professional auditing standards. Performance of these services may be outsourced or co-sourced where required.

The scope of Assurance services includes:

- evaluating the efficiency and effectiveness of internal control systems and processes (including administrative, operational and project processes and systems);
- ensuring resources are acquired economically, used efficiently and adequately protected;
- monitoring compliance with CS Energy policies and procedures; and
- reviewing systems and processes to ensure regulatory requirements are addressed appropriately.

Reviews conducted by Assurance usually fall into one or more of the below categories. Special investigations and reviews may be conducted at the request of Management and/or the Audit and Risk Committee.

- **Performance** – focuses on the design of the end-to-end process, systems and people with the objective of identifying changes and improvements that drive efficiency and cost reductions. These reviews often require specialist skills and are generally longer in duration due to a greater level of detailed analysis.
- **Assurance** – focuses on processes and internal controls with the objective of determining whether controls are designed correctly and operating effectively to mitigate risk. These reviews require Assurance to work with Management to understand the internal control framework for the business area under review.
- **Compliance** – focuses on whether business areas have identified and are following relevant legislation, standards, policy and procedural obligations.

## 8 ASSURANCE PLAN

The Assurance Plan is prepared on an annual basis by the Assurance Manager and details the reviews to be performed in the next financial year. The annual Assurance Plan should be developed:

- in consultation with the Executive Leadership Team;
- by reviewing relevant corporate information, including the Corporate Plan and the Statement of Corporate Intent;
- by reviewing key risks in the Enterprise Risk System;
- by reviewing prior period Assurance Plans;
- by reviewing and updating the Assurance Map; and
- from knowledge of processes, systems and consideration of potential changes in CS Energy's operating environment.

The draft Assurance Plan is tabled at an Audit and Risk Committee meeting prior to the commencement of the new financial year. At the next Audit and Risk Committee meeting the final Assurance Plan will be approved by the Committee.

At times, Management may request the deferral or cancellation of reviews. When this occurs, the following process applies:

- Reviews can be deferred to the next financial year; however, this must be approved by the Chair of the Audit and Risk Committee. Assurance needs to make sure that the deferred review is included in the next financial year plan.
- Any cancellation of a review must be explained, reported to and approved by the Audit and Risk Committee.

## 9 REVIEW PROCESS

Each review will be performed in accordance with the following process to ensure a consistent approach that achieves a value-adding result and aligns with risk management outcomes. Refer Appendix 1 for a flowchart of the full review process.

### 9.1 Scope of Work

At least one month prior to commencement of the review, a Scope of Work will be developed by the Assurance Manager and distributed to all relevant stakeholders, including the relevant Executive General Manager and Group Managers, for review and finalisation.

The Scope of Work includes the background, objectives and scope (including limitations), relevant risks and controls, approach and timing.

Where the review is to be outsourced, the Scope of Work is provided to external service provider(s) to prepare a proposal.

### 9.2 Opening Meeting

At the commencement of the review, Assurance will arrange an opening meeting with the key stakeholders, including relevant Management, to:

- to meet the review team;
- discuss the review approach, including the objectives and scope and confirm risks and controls relevant to the scope; and

- discuss timing of the review.

### 9.3 Fieldwork

Fieldwork may be undertaken by Assurance or by an external service provider, depending on the scope of the review. Fieldwork usually includes interviews with relevant employees, conducting walkthroughs of processes, testing to ensure controls are operating effectively and reviewing procedures and other documentation related to the scope.

The duration of fieldwork will vary depending on the scope of the review, however disruption will be minimised as much as possible.

If necessary, Assurance will communicate significant matters of concern to the relevant key stakeholders as they arise during fieldwork.

Workpapers are to be documented by the reviewer to record processes and controls, testing performed and evidence collected.

### 9.4 Closing Meeting

At the conclusion of fieldwork, Assurance will hold discussions with the key stakeholders of the area under review.

The purpose of the closing meeting is to:

- discuss preliminary findings and observations and potential recommendations; and
- provide key stakeholders with the opportunity to clarify facts and ask questions of the review team.

### 9.5 Draft Report

The draft report will be issued to key stakeholders within 10 working days of the closing meeting. Key stakeholders, including Management, will be requested to review the draft report to ensure it is factually correct and the recommendations are reasonable, and to communicate any factual inaccuracies, questions and/or concerns promptly to the Assurance Manager. The Assurance Manager will liaise with all relevant stakeholders to ensure the draft report is complete and accurate.

### 9.6 Management Response

Management of the area under review should consider the findings and recommendations in the draft report and:

- where Management agrees with the findings and recommendations, prepare an action plan, including:
  - the activities to be undertaken to address the recommendations (the actions);
  - the timeframe for implementing the action plan (the due date);
  - the individual responsible for implementation (the Action Officer); or
- where Management agrees with a recommendation, however will not take any action, provide the rationale for the decision; or
- where Management disagrees with a recommendation, provide the reason for disagreement.

The Assurance Specialist will assist Management with the development of actions.

The management response is required within 10 working days of the receipt of the draft report.



## 9.7 Final Report

Within five working days of the receipt of the management response, the Assurance Manager will finalise the report and distribute to key stakeholders. The final report will be presented at the next Audit and Risk Committee meeting.

## 9.8 Survey

A survey will be issued after the final report to obtain feedback about the review process and perceived value. The Manager of the area reviewed will be sent a link to the survey and should complete the survey within 10 working days. The Assurance Manager will follow-up on feedback where required and feedback will be taken into consideration for future reviews.

## 9.9 Monitoring and Verification of Review Actions

Following presentation of the final report to the Audit and Risk Committee, the Assurance Specialist will ensure that details of findings and agreed actions are entered into the Business Improvements Register in the SAP Portal.

Assurance will regularly monitor and report on the progress of open findings and actions by consulting with relevant Managers and Action Officers. The extension of due dates for actions requires approval by the relevant Executive General Manager.

Completed actions will be verified for selected reviews, in consultation with Action Owners, to demonstrate that actions have been completed as agreed. The Executive General Manager and accountable Group Manager will be required to sign off to acknowledge whether actions have been satisfactorily completed and closed. A summary report will be presented to the next Audit and Risk Committee meeting detailing the completed and verified actions.

## 9.10 Enterprise Risk System Update

The Manager of the area under review should ensure that the relevant Risk Owners / Technical Owners, with guidance from the Assurance Specialist, update the risks relevant to the review in the Enterprise Risk System. This may include amending the risk levels, adding actions, or updating/adding controls based on the findings of the review.

If new risks are identified throughout the review, or an existing risk is found to be at a higher level than recorded in the Enterprise Risk system, the updates should occur within two weeks of the final report being issued.

Otherwise, the relevant risks will be reviewed within one month of actions being completed and verification of agreed actions occurring (where applicable).

## 10 BUSINESS IMPROVEMENTS REGISTER

The findings and agreed actions from a review will be entered into and tracked in the Business Improvements Register (BIR) by the Assurance Specialist.

The BIR can also be used for other reviews conducted across the business, including:

- external health and safety-related reviews (e.g. from Workplace Health and Safety Queensland);
- external environment-related reviews (e.g. from Department of Environmental Heritage and Protection or in relation to ISO certification);

- external finance-related reviews (e.g. annual external audit performed by the Queensland Audit Office); and
- any other reviews that have actions that the business would like to track in the Register (e.g. recommendations from insurance underwriter site visits).

The Admin User for the relevant area will be responsible for entering findings and actions from these reviews into the Register.

See the 'Quick Guide – Business Improvements Register' (B/D/17/6238) for more information on how to use the Register.

## 11 AUDIT AND RISK COMMITTEE REPORTING

The Assurance Manager is responsible for preparing a paper for each Audit and Risk Committee which provides an update on the status of reviews from the approved Assurance Plan (Executive Summary Assurance Reports).

This paper includes:

- a summary of the status of reviews as per the approved Assurance Plan;
- final assurance review reports, including management responses;
- the status of open review findings and/or actions;
- a summary report detailing completed and verified actions, where applicable; and
- details of open findings and/or actions which have had the due date changed since the last Committee meeting, and open findings and/or actions with a Significant or Moderate risk rating.

## 12 DEFINITIONS

Term	Definition
<b>Action</b>	The action or activity that management has agreed to undertake to address a review finding or observation. The actions are usually presented in an action plan with the related finding, recommendation, due dates and Action Officers.
<b>Assurance</b>	The Assurance department in the Corporate Services division is responsible for carrying out the internal audit function at CS Energy.
<b>Business Improvements Register (BIR)</b>	The system used to enter and track findings and actions from all internal and external reviews.
<b>Control</b>	A way of modifying risk to achieve a more favourable effect on objectives or change the likelihood of the effect. The purpose of a control may be to prevent the event, detect the event or mitigate the consequences of the event and they do this to varying degrees of effectiveness. Controls vary in effectiveness, and may include policy, procedure, practice, process, technology, technique, method, or device that modifies or manages risk.
<b>Finding / Issue / Observation</b>	A finding or issue or observation identified in a review where controls are found to be ineffective or non-existent for a risk and/or an improvement opportunity exists in the process or area under review.

Term	Definition
<b>Internal Audit</b>	Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's objectives. Internal audit activities help an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
<b>Recommendation</b>	Based on the findings / issues / observations identified, the reviewer will provide recommendations to mitigate the risk identified and/or enhance processes.
<b>Review / Assurance Review</b>	A task or review activity, such as a planned review, management request, fraud examination or consultancy. A review may include multiple tasks or activities designed to accomplish a specific set of related objectives.
<b>Risk</b>	The effect of uncertainty on objectives. It is the possibility that something might go wrong and have a negative impact on the company.

### 13 REFERENCES

Reference No	Reference Title	Author
<a href="#">B/D/12/63934</a>	Standard - CS-RISK-01 - Risk and Compliance Management Framework	CS Energy
<a href="#">B/D/17/6238</a>	Quick Guide – Business Improvements Register	CS Energy

### 14 RECORDS MANAGEMENT

In order to maintain continual improvement, suitability, safety and effectiveness of the organisation, CS Energy's registered documents will be reviewed on a two-yearly basis or at intervals specified by legislative or regulatory requirements. Review of controlled documents should occur where it has been identified that there are changes in technology, legislation, standards, regulation or where experience identifies the need for alteration to the content. Registered documents should also be reviewed following an incident, change management process, modification or where directed as part of a risk assessment process. A 'review' can simply mean that it has been identified, confirmed and appropriately recorded that no changes are required and that the existing process remains the same.

CS Energy must ensure that records are retained according to accountability, legal, administrative, financial, commercial and operational requirements and expectations. In compliance with records retention and disposal, all documentation created in relation to CS Energy business must be retained in line with minimum retention periods as detailed in legal retention and disposal schedules.

## 15 ATTACHMENT 1 – ASSURANCE REVIEW PROCESS

