

N.V. GEMEENSCHAPPELIJK ELECTRICITEITSBEDRIJF BOVENWINDSE EILANDEN

“NV GEBE”

INTERNAL AUDIT PLAN 2019

January 2019

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1. Role of Internal Audit

As per the Institute of Internal Auditors: "Internal Auditing is an *independent, objective assurance* and *consulting* activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of *risk management, control, and governance processes*".

Internal Audit is therefore an important tool of management for NV GEBE. According to the Internal Audit Charter, the Internal Audit department is responsible for developing an annual Internal Audit Plan. This Internal Audit Plan combines the results from the Risk and Control Assessment, the priorities given by the Managing board and the Audit Committee and the Internal Audit time/capacity and results in a planning of audits for a year.

All internal NV GEBE procedures are potential audit objects (see internal audit universe documented in the strategic document). The risk based approach is applicable at NV GEBE and therefore the focus will be on key internal control procedures. Priority will be given to high risk areas or areas directed by the managing board/ supervisory board of directors through the Audit Committee. Considering the fact that no elaborate risk assessment, e.g. Enterprise Risk Management, has taken place at NV GEBE, the key risks were identified by the internal audit department, in close consultation with management. See separate spreadsheet on risk analysis/ key risks of NV GEBE. A detailed risk & control assessment per process is prepared (or existing assessment is updated) at the beginning of the audit of that process.

The internal audit plan will consist of the following components:

- Risk assessment;
- Outline of key Business Processes.
- Scheduling of the work to be undertaken by the internal audit function within the year 2018;
- An overview of the audit execution activities.

Impact of resource limitations:

As noted in 2018 Internal audit plan, 2018 was a unique year because due to Post Irma Era, there were no normal working conditions throughout NV GEBE. Furthermore, the audit department did not have access to a separate workplace with private computer(s).

As a result, hampered the performance of the internal audit department severely as well as the audit process which is vital to NV GEBE. Therefore a regular internal audit plan in 2018 was not an ideal approach. As a result the internal audit department proposed and executed special assignments.

It should be noted that NV GEBE has resumed normal working conditions throughout the organization. For that reason in 2019, it is the expectation of the internal audit department to execute the 2019 internal audit plan.

2. Risk Assessment

In accordance with IIA performance standard 2010 and 2120 the internal audit department must establish a risk-based plan to determine the priorities of the internal audit activity consistent with the organization's goals. Internal Audit has an ongoing responsibility to evaluate the effectiveness and contribute to the improvement of risk management arrangements within NV GEBE.

Managing risk is a shared responsibility of all members of an organization. Each process owner should be aware of the risks that threaten their process, the risks should be rated and internal controls should be implemented to mitigate those risks. The Managing Board has a responsibility to lead and provide support with regards to implementation of a risk management program and internal audit has responsibility to evaluate the effectiveness of this program.

However, up to now NV GEBE has not implemented a risk management program. This has a negative effect on the internal audit department's ability to meet one of its fundamental roles, namely:

"The internal auditors' core risk management role is to provide objective assurance to the board and senior management on the effectiveness of the risk management activities in helping ensure key business risks are managed appropriately and the system of internal control is operating effectively".

For that reason we executed our own high level risk assessment covering the key risks (see appendix). We schedule a detailed risk and control assessment review at the start of each audit and that way gradually document an integral assessment for all of NV GEBE's processes. The risk assessment will be revisited every year following its initial documentation.

Based on the high level risk analysis, key business processes have been identified that will serve as audit objects. In addition the financial statements have been analysed and management's and the Audit Committee's input has been obtained (through interviews) to identify the focus areas for the internal audit department. Specific developments in the organization such as implementation of a new system, suspected irregularities etc. have also influenced the plan.

The company's business processes identified have been categorized in management processes, operational processes and supporting processes.

3. Business processes

The business processes can be categorized as follows:

- management processes;
- operational processes; and
- supporting processes.

The following business processes were identified as high priority processes at NV GEBE:

Management

- Strategic Management process
- Corporate Governance process

Operational

- Production process (power plant)
- Distribution process
 - o Movement analysis (from production at power plant to consumer)
 - o Meter affairs/ management process (including maintenance)
 - o Project management
- Revenue process (electricity and water) including invoicing and collecting of accounts receivable
- Purchasing process (e.g. fuel, lubricants, water, contractors)

Supporting

- HRM process (including payroll and pension)
- Financial Management process

In addition to the audit of business processes it is imperative that follow up is given on audit findings in order to improve the effectiveness and efficiency of business processes. In order to monitor the follow up given on audit findings (by the internal and external auditor), a management action plan was introduced where audit findings and management action are documented. Each quarter a follow up review is scheduled to determine the status of the follow up given on audit findings, which is also documented in the management action plan.

4. Internal Audit Plan 2019

When identifying individual audits for 2019 we considered:

- Areas where there have been changes to processes or new processes (e.g., acquisitions of equipment/ change of process owner)
- Areas that have experienced errors or control breakdowns
- Complexity of the process
- Level of change within the process
- Risk of fraud within the process
- Areas that are critical to the implementation of the company's strategic objectives
- Results of prior internal audits, particularly where prior issues were not resolved in a timely manner
- Audits of special projects
- Management requests

The following plan / special assignments has been defined for 2019:

Period	Description	Audit Focus	Type of Assignment	Days	Sample size
Jan - February	In depth revenue analysis	Operational / Financial	Special Assignment	45 days	P
March - April	Distribution Process	Operational	Audit	45 days	P
May	Management Action Plan/ Follow -up findings			(**)	
June - July	Financial Management process	Operational / Financial	Audit	45 days	P
July	Warehouse Good issue bons/ picking list	Operational / Financial	Special Assignment	30 days	P
August- Sept	Follow -up Production Process	Operational	Audit	45 days	P
October	Information Technology (IT) Audit (outsource via tender)	Supporting/ Operational	Audit	TBD	P
October	Management Action Plan/ Follow -up findings			(**)	
November- Dec	Implementation of TeamMate		Implementation of automated management software tool	(*)	

P: Pending to be determined. In principle a selection of 30 transactions per sub process is made if it is a daily procedure.

(*) Will be implemented gradually during 2019.

(**) Ongoing during 2019.

As the execution of the audit plan is dependent on external factors the audit plan serves as a guideline and can change during the year. Furthermore we would like to reserve capacity for the handling of emerging urgent matters and or special assignments as indicated by the Supervisory Board or Managing Board.

As documented in our roadmap and 2018 Internal audit plan ,Internal audit identified continuation of the following projects for 2019 considering post Irma, the focus was on rebuilding , therefore internal audit recommended to revisit the below mention in 2019 .

- Further implementation of methodology that is IIA compliant (e.g. completing risk & control matrix/ complying with IIA standards) which will be a continuation process throughout 2019. (See Internal Audit Roadmap 2017)
- Facilitating role in the revisiting of the BPM Census project (documentation of procedures) as project manager by reviewing the procedures, and updating changes accordingly based on input by process owners. (2019)
- Implementation of TeamMate 2019
- Setting up standardized training schedule for internal audit staff as required by IIA. (see internal audit roadmap 2019)

In addition to the above we will plan meetings with the Chief Executive officer of the Managing board and Supervisory Board of Directors quarterly to discuss the status of the planned procedures.

The following deliverables are common in this phase:

A planning memo covering the following:

- Overview of the area to be audited
- Objectives
- Scope
- Date, time and attendees at the kick-off meeting
- Key internal audit contacts
- Audit timing

Process documentation

5.4 Identify key risk and controls

5.5 Assess design effectiveness of controls

5.6 Confirm assessment and documentation with process owner/ key personnel

5.4 Identify key risk and controls

The process risks and controls may be identified through a combination of:

- Interviews with key personnel responsible for the (sub) process
- Inspection of department policies and procedures
- Review of prior year internal audit work papers
- As result of 5.4 risk and control matrix will be updated.

5.5 Assess design effectiveness of controls

During this phase the following should be considered:

- Authority and competence of person performing the control
- Can the control prevent the specified risk?
- Can the control effectively prevent or detect errors or fraud that could result in misstatements in the financial statements?
- Are the controls designed adequately to assist the company to meet its strategic objectives?
- Is the control designed for optimal efficiency?

The results of the assessment of the design is a memo outlining findings.

Walk through

5.7 Execute walk through

A walkthrough is performed to:

- Confirm the auditor's understanding of the process
- Confirm that the controls have been implemented
- Identify missing controls
- Identify where controls are not appropriately designed
- Confirm that GEBE personnel understand what is required of them.
- The results of a walkthrough through a memo outlining the findings will be documented/

5. Internal audit execution

Internal audit execution can be divided in the following phases:

- Engagement planning
- Process documentation
- Walk through
- Testing
- Reporting

Please find below an overview of the main activities that form part of the (sub) phases of the audit execution. Only the main activities have been highlighted.

Per audit the level of detail of the work to be performed will be determined by the audit team.

Engagement planning

5.1 Discuss audit scope and objectives

5.2 Gain an understanding of the operations, processes and procedures

5.3 Communicate internal audit scope

5.1 Discuss audit scope and objectives

- Organize kick-off meeting with key staff. During the meeting the following is most commonly discussed:
 - Key concerns or areas of interest
 - Past history of errors, complaints or internal control break-downs
 - Objectives of the process
 - Recent changes in the process, people or systems
 - Introduction of the audit team
 - Discussion of the audit process (what to expect)
 - Timing of audit fieldwork and reporting

The following deliverables are common in this phase:

- Minutes should be documented and retained within the working papers.
- At a minimum the attendees, date and key areas discussed should be documented.
- For efficiency, these may be hand written notes scanned into the file/folder.

5.2 Gain an understanding of the operations, processes and procedures

Gather materials, including:

- Prior year IA work papers
- Risks identified during the risk assessment
- Policies and procedures documentation
- Organization chart
- External auditor reports, including management letters
- Other industry or process research

Testing

5.8 Design testing strategy for key controls

5.9 Execute testing

5.10 Discuss potential findings with process owner/ key personnel

5.11 Identify causes of deficiencies and opportunities for process improvement

The following is taken into consideration when designing the testing activities (5.8):

- As the risk associated with the control being tested increases, the evidence that the auditor should obtain also increases.
- The test strategy is judgmental, but should link back to the risk assessment
- Tests should be designed to confirm that the control is operating effectively over an appropriate period of time. For most internal audits, a one year period is used.

The testing will be documented in a spreadsheet.

The following is considered when performing steps 5.9 – 5.11:

The auditor evaluates the evidence gathered to determine whether the operation of a control is effective, considering:

- whether the control is operated as designed
- consistency of application of the control
- competency of the personnel performing the control.

While IA must avoid performing the role of management, we may be involved by:

- Researching the root cause of the issue
- Identifying compensating controls
- Designing new controls for implementation
- Providing training to management and employees

Internal audit should will avoid making management decisions regarding the appropriate controls to implement. Determining appropriate level of controls will always be a management decision

Reporting

5.12 Draft audit report

- The Internal Audit Department will prepare a draft audit report and provide the draft audit report to the process owner: Manager/ Department head.
- Discuss/ review draft report with the respective process owner (Manager/ Department head). The process owner will have 10 days to respond.
- Complete desired changes on the final draft of the audit report
- Issue final report to the Managing Board and the Audit Committee.

6. Internal audit team

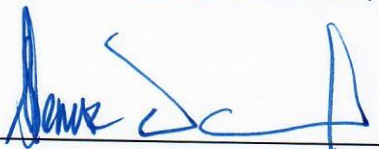
The internal audit department consists of the following employees:

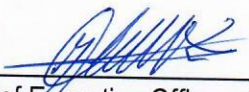
- Ms. S. Daniel → Department Head
- Ms. U. Granger → Senior Auditor
- Ms. C. Carbon → Senior Auditor

For more information on the responsibilities and authority of the internal audit department please refer to the audit charter.

Internal Audit Plan 2019 NV GEBE

Approved this 21 day of MARCH 2019


21/3/19.
Sharine Daniel, M.B.A, M.Sc., CFE
Head Internal Audit


Chief Executive Officer of the Managing Board
Kenrick J. Chittick


3/21/19
Chairman of Audit Committee