

# Conclusion Memo



**Date:** December 18, 2015

**To:** Jackie Borden, Manager, Internal Audit, Nalcor Energy  
Doug Woodford, Team Lead, Projects & Compliance, Nalcor Energy

**Audit Team:** Roberta Hupman, Senior Internal Auditor  
Cathy Thornhill, Senior Internal Audit Manager

**Audit:** Nalcor Internal Audit Reliance Review

In order to place reliance on assurance provided by the Internal Audit function at Nalcor Energy (Nalcor), Emera Internal Audit team has conducted a reliance review. Placing reliance on audit activities performed by Nalcor will reduce duplication of effort between Emera Inc. and Nalcor.

The scope of our review included an assessment of the Nalcor Internal Audit function in the following areas:

**Purpose and Governance:** A charter or objective statement provides authority and scope of assurance activities and establishes intent for internal audit to rely on the work product of the assurance provider. Adequate staff is in place (numbers and competency) and objectivity is provided for.

**Risk Assessment and Planning:** Assurance activities are guided by appropriate policies and procedures and should include audit plans that incorporate an assessment of risk.

**Assurance Execution:** The assurance provider has a demonstrated performance history of delivering to the established objectives and producing competent and reliable results. Documentation should be maintained as evidence of performance to relevant professional standards.

**Reporting and Follow Up:** The results of assurance activities are reported to an appropriate level of management and issues are tracked until they are mitigated.

We used the IIA Professional Practices Framework (IPPF) Practice Guide "Reliance By Internal Audit on Other Assurance Providers" as the basis for our review and specifically focused on the following five key principles: 1) Purpose, 2) Independence & Objectivity, 3) Competence, 4) Elements of Practice, and 5) Communication of Results & Impactful Remediation. Our review included an assessment of overall governance in the above noted areas, as well as examining a sample of audit files from both the Labrador Transmission Asset and the Labrador Island Link projects for consistency with stated methodology and approach. We did not evaluate specific findings or challenge results of previous audits performed by the Nalcor team.

Based on the results of the work performed, we have concluded that Nalcor's Internal Audit function meets the necessary standards to allow Emera Internal Audit to place a high level of reliance on work performed.

During the review, we noted the following opportunity for improvement:

**Purpose and Governance:** Only the primary contact for the audit is solicited for feedback at the conclusion of the audit. However, other key stakeholders (e.g. senior management) often have different needs and expectations from Internal Audit compared to line managers and would likely provide valuable feedback.

We trust you will find the above noted items to be satisfactory and will provide acknowledgement and sign-off on our memo. Please do not hesitate to contact us if you have any questions or required additional clarification.

Best Regards,

Roberta Hupman

CC: Janice Garnett, Director Internal Audit