



## **INTERNAL AUDIT MISSION STATEMENT & CHARTER**

### **MISSION:**

The mission of the Peoples Natural Gas (PNG) internal audit function is to support management and the Board of Directors in the effective discharge of their responsibilities by providing independent and value-added assurance reviews of financial, operational, and control activities. Internal Audit will accomplish its objectives through systematic and disciplined processes employed to evaluate and improve the risk management, internal control, and governance processes. Internal Audit will provide analysis, recommendations, counsel, and information concerning the activities reviewed.

### **CHARTER:**

#### **SCOPE OF WORK**

Internal Audit's scope of work includes determining whether the organization's network of risk management, internal control, and governance processes, as designed and represented by management, are adequate and functioning in a manner sufficient to ensure that:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as merited.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee actions are in compliance with internal policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvements are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting PNG are recognized and appropriately addressed.

#### **INDEPENDENCE**

To provide for the independence of the internal audit function, the Manager or Director of Internal Audit & Corporate Compliance (Chief Audit Executive or CAE) reports administratively and functionally to the Vice President of Human Resources, with direct access to the President and CEO.

## **RESPONSIBILITY**

The CAE and internal audit staff have responsibility to:

- Develop a flexible annual Audit Plan using an appropriate risk-based audit methodology, including any risks or concerns identified by management; and submit that plan to appropriate management for review, approval, and periodic updates.
- Implement the annual Audit Plan, as approved, including as appropriate special projects requested by management or the Board of Directors.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Distribute a written report detailing the scope, conclusions, and recommendations to corporate leadership and appropriate management following each review; supported by detailed work papers documenting the work plan, procedures performed, and associated analysis.
- Evaluate and assess significant new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports summarizing the status of the annual Audit plan, results of audit activities, and sufficiency of department resources.
- Coordinate the investigation of suspected fraudulent activities within the organization and notify appropriate management of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- Coordinate and work with other control and monitoring functions (legal, risk management, environmental, safety, and external audit).

## **AUTHORITY**

Internal Audit is authorized to:

- Have unrestricted access to all company records, property, personnel, and information systems needed to accomplish its mission and scope of work.
- Have full and free access to the corporate leadership.
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.
- Internal Audit is not authorized to perform operational duties or control functions for the organization; or initiate or approve accounting transactions.

**STANDARDS OF AUDIT PRACTICE**

Internal Audit will meet or exceed the Standards for the Professional Practice of Internal Auditing, as defined the Institute of Internal Auditors; or will otherwise advise when compliance is not able to be achieved.

Peoples Natural Gas

Internal Audit Charter

Approved - \_\_\_\_\_

\_\_\_\_\_

President and CEO

\_\_\_\_\_

Vice President of Human Resources

\_\_\_\_\_

CAE