



Interface with Subsidiary Internal Audit Functions

Version: Rev 3
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1.0 Document Scope and Structure

This document sets out NDA's requirements for Internal Audit within the listed NDA subsidiary Site Licence Companies (SLC's):

- Sellafield Ltd (SL),
- Magnox Ltd (MX),
- Dounreay Site Restoration Ltd (DSRL),
- Low Level Waste Repository Ltd (LLWR).

It describes the context within which the NDA, and the subsidiaries Internal Audit operate and specifies the expectations for the listed subsidiaries Internal Audit functions.

2.0 Context – How does Internal Audit support the NDA's mission?

Sellafield Ltd, Magnox Ltd, Dounreay Site Restoration Ltd and Low Level Waste Repository Ltd as Site Licence Companies (SLC's) and as NDA subsidiaries have responsibility for managing a range of diverse, high risk business activities. The fully independent review and challenge provided by high quality Internal Audit conducted on behalf of the Executive and Board is therefore essential in the context of an organisation that is responsible for letting and managing contracts with such significant technical, commercial, environmental and safety risks and is accountable, through government, to the taxpayer.

Internal Audit looks beyond purely financial control, it considers all business activities. It provides independent and systematic assessment of the effectiveness of risk management, control and governance, and provides assurance to the NDA's Accounting Officer on these areas in order to support the annual Governance Statement.

The NDA will seek to place as much reliance as possible on the Internal Audit activities performed by the subsidiary Internal Audit functions.

3.0 Internal Audit Requirements

The NDA's requirements of the subsidiary Internal Audit are set out below;

3.1 Internal Audit Capability

The NDA require the subsidiary Executive and Board to establish and maintain an Internal Audit capability, which operates in compliance with Public Sector Internal Audit Standards (PSIAS) and Chartered Institute of Internal Audit (IIA) standards and provides an independent and systematic assessment of the effectiveness of risk management, control and governance, at an appropriate level to meet the needs and risk profile of the business and the NDA.

The subsidiaries are required to have in place an internal audit charter which outlines the internal audit capability. This, along with the appointment of the Head of Internal Audit requires ratification by the NDA Group Head of Internal Audit.



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In line with both PSIAS and IIA standards, the NDA requires the subsidiaries Internal Audit functions to undertake a periodic self-assessment of the performance of the internal audit activity. Furthermore, an external assessment must be conducted at least once every five years by a qualified independent assessor, and the results shared with the NDA.

3.2 Audit Planning

The subsidiaries Internal Audit functions are required to engage with NDA Internal Audit during the development of their proposed Internal Audit plan for NDA agreement prior to the plan being approved by the designated governance forum. This is to enable the NDA to inform the subsidiaries Internal Audit functions of any potential risk areas which may require audit attention within the plan.

This annual Internal Audit Plan should cover as a minimum, a period of 12 months and be aligned to the NDA's financial year. This plan should;

- Be in line with the relevant internal audit standards, outline the rationale for activities contained within the plan including how the plan ensures appropriate coverage of significant risks. The plan should also articulate coverage of areas of the system of Internal Control.
- Outline where assurance will be provided by alternative assurance providers and how internal audit places reliance on this.
- Detail the audit activities to be undertaken including an outline of the scope of work to be performed, the timing of these activities and the resources required.

3.3 Quarterly Progress Review

The NDA requires the subsidiaries to submit a report at least two weeks prior to the NDA's quarterly Audit and Risk Assurance Committee (for which dates will be provided at the start of each financial year) which:

- describes progress against the Audit Plan for the year to date, including any updates, amendments or limitations;
- summarises the findings of audit work performed and/or reported during the quarter;
- outlines the work planned in the forthcoming quarter;
- provides the status of all audit actions (both overdue and those not yet due for completion) split between Critical, High, Medium and Low ratings. For those actions which are overdue for completion, provide details of the action, the length of time overdue and its current estimated close out date; and
- provides a summary that clearly details the current status of fraud, bribery or corruption investigations along with details of any ongoing work.

The subsidiaries Head of Internal Audit (or nominated responsible person) is required to meet with the Group Head of Internal Audit (or nominated responsible person) in order to discuss the quarterly report and, where appropriate, integrate audit activities for the coming quarter.

This information will be incorporated into the NDA Group Head of Internal Audit's quarterly report to the NDA's Audit and Risk Assurance Committee.

3.4 Annual Internal Audit Opinion and Annual Statement of Assurance



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In order to support this obligation, the NDA requires the subsidiaries to produce an annual internal audit opinion and an annual statement of assurance.

3.4.1 Annual Internal Audit opinion

The statement will cover the 12 month period 1st April to 31st March in any given year and describe the effectiveness of audit processes, and findings of specific audit activities, on which the opinion is based. The annual opinion will also outline anticipated areas which specifically require audit attention within the coming twelve months audit plan period.

The anticipated contents of this annual report are as follows:

- Executive Summary - Statement of Assurance and Exclusions and reliance on audit work performed by other assurance providers;
- Analysis of key issues, systemic or significant weaknesses that underpin the Statement of Assurance;
- Audit work performed against plan;
- Summary of audit findings;
- Details of any fraud, bribery or corruption investigations; and
- A review of the effectiveness of the Internal Audit function.

3.4.2 Annual Statement of Assurance

This should cover the 12 month period 1st April to 31st March in any given year, and contains an opinion on the effectiveness of risk management, control and governance processes within the organisation. This statement is likely to rely primarily on an annual audit opinion prepared by the Head of Internal Audit. There are a number of potential items for inclusion such as;

- Executive Summary
- Summary of Controls in place which may include;
 - Organisational Structure;
 - Policies, Procedures and Controls;
 - Business reviews;
 - Insurance;
 - Financial Reporting Framework (including gifts and hospitality registers);
 - Risk Management;
 - Fraud, Bribery and Corruption;
 - Whistleblowing; and
 - IT Environment.

Both the Annual Internal Audit Opinion and Annual Statement of Assurance should be submitted to the NDA by the 31st March each year in DRAFT form, so that this can be included in the NDA Group Head of Internal Audit's Annual Report. The NDA's Group Head of Internal Audit and CEO (as Accounting Officer) will consider this report when preparing the NDA's annual Governance Statement. Any significant deviations from the draft reports should be notified to the Group Head of Internal Audit at the earliest opportunity.

The final versions of the Annual Internal Audit Opinion and the Annual Statement of Assurance should then be submitted NDA's Group Head of Internal Audit.

3.5 Anti-Fraud, Bribery & Corruption Policy and Procedures



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The NDA requires the subsidiaries and their subcontractors to establish anti-fraud, bribery and corruption policies and procedures to minimise as far as possible the potential fraud risk to the business and to deal with all allegations of fraud, bribery, corruption and/or unethical behaviours. The Anti-Fraud, Bribery and Corruption Policy should be reviewed on an annual basis and presented to the NDA Group Head of Internal Audit for consideration along with any subsequent amendments. The process owner shall be responsible for ensuring that this policy is implemented and proper controls are in place to mitigate any potential threats to the business. Compliance with this policy should be reported as part of the Annual Statement of Assurance.

In addition, all allegations of fraud, bribery and corruption should be recorded and the NDA's Group Head of Internal Audit informed **as a matter of urgency**. The NDA Group Head of Internal Audit will then determine whether it is necessary for the NDA Internal Audit team to have input into any investigation. Where input is not necessary, the Group Head of Internal Audit should be kept informed on the progress and outcome of all investigations.

3.6 Whistle Blowing Policy

The subsidiaries shall have in place a whistle blowing policy in line with the Public Interest Disclosure Act 1998, which offers a framework of protection against victimisation or dismissal for workers who 'blow the whistle' on criminal behaviour or other wrongdoing within an organisation under specifically defined circumstances. This policy should be applicable not only to employees, but contractors and sub-contractors. Compliance with this policy should be reported as part of the Annual Statement of Assurance.

3.7 Unfettered Access

The NDA will retain the right to carry out audit activities as it may deem appropriate within the NDA sites. The results of reviews and investigations will be made available to the subsidiaries Head of Internal Audit. NDA Internal Audit personnel (whether employed by the NDA or contracted to it) will therefore be provided with unfettered access to the NDA's sites, subject only to security clearance procedures.