

Internal Auditing and Continuous Improvement



Couple of takeaways

- Auditing gives us confidence that our systems are working as they are intended and helps us to find improvements where things are not working as they should.
- It is important to remember that audits are an assessment of our system and how people interact with it. It is not an assessment or judgement of our people.



What is this procedure for?

This procedure defines how the HydroGroup schedules and performs Internal Audits to ascertain the degree of compliance with the documented management systems and the system's effectiveness in meeting standard, compliance and regulatory requirements.

To monitor the degree of compliance with our systems and to determine their effectiveness, we conduct audits to gather objective evidence to enable us to determine our system's status. Internal audits (i.e. internal because they are conducted by the HT Group or a contractor on Hydro Group systems) must be performed on the Health Safety or Environment Management Systems, as well as Major Works and Operations processes and projects, to maintain compliance with ISO 45001, ISO 14001, ISO 9001 and ISO 55001 Standards.



How are audits scheduled?

The **WHS, Environment and Operational Assurance Teams** schedule for their business areas by setting audit scope, criteria and frequencies in the Internal HSE Audit Schedule. Audits are based on criteria that includes performance, previous audit

results and risk. For example, as a minimum, the frequency is every 3 years for each section of ISO 45001 and ISO 14001.

For compliance week audits, the **Operations and Assurance Manager**:

- Ensures audit checklists and / or objectives align with the audit schedule requirements.
- Planning audits in advance of the Internal Audit Schedule detailing the areas or processes to be audited and the month of the audit.

An Internal Audit Schedule is developed each May to annually audit personnel performing operations in consultation with other relevant business units across the Hydro group, including:

- Generation Technician Operational and Distribution Linesman
- Electrical Safety Management Scheme (non-electrical Generation Technicians)
- Minor Operational staff.

The Internal Audit Schedule must include:

- Power Stations, intakes, pump stations, switchyards, substations
- Distribution depots, wind turbines and emergency huts
- External audits of external suppliers (apprentice external rotations)
- Safety, environment and quality process audits
- Buildings, emergency management and fire preparedness
- Contractor Management
- All 10 operational regions of the HT Group in Tasmania Entura and Momentum projects and processes.

Maintenance Planners are given three months prior notice. The **Operations and Assurance Manager** shall ensure that all the resources required for the audit (including Auditees and Auditors) are available to participate.

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The **WHS Operations and Capability Manager** or the **Head of WHS** determines the audit scope for inclusion into the Health and Safety Internal Audit Checklist for each year through consideration of: incident and auditing data trends for the previous year, recently introduced or revised safety standards and other data inputs identifying broad risk.



How are audits conducted?

Hydro Group Internal auditors should be selected from the Internal Auditor Register or suitably qualified external auditors.

The **Internal Auditors** prepare and conduct **any audit** by:

- Arranging a specific date and time for the audit with the **Supervisor / Manager of the area**.
- Accessing a relevant Audit Checklist from SAP (or the copies on the intranet).
- Checking for any relevant items flagged by other audits or previous corrective actions from incident investigations to determine their effectiveness.
- Facilitating arrangements with the any auditees.
- Ensuring relevant approvals and access requirements for site are obtained prior to the audit including site inductions and other mandatory training as required.
- Conducting the audit using the Audit Checklist and recording the findings based on objective evidence on their Audit Checklist.

The **Internal Auditors** classify the findings from the audit as either:

- Non-conformance (NC). Where the findings contravene a system, procedure, standard or legislative obligation (and must be corrected). These can be graded as either Major (MAJ) or Minor (MIN); or
- Opportunity for Improvement (OFI). Where something was observed that doesn't contravene the procedure, system or standard, but was deemed pertinent to draw to management's attention



What happens with the findings from the audit?

The **Internal Auditors** record the findings on their Audit Checklist and forwards a copy to the Supervisor / Manager of the area and the Operations Advisor.

The **Audit Manager** will arrange for the results to be entered into SAP. This includes detailing the due date and responsibility and action owners.

The **Supervisor / Manager of the area** responds to the audit findings (as agreed with the **Audit Manager**):

Audit responses shall include:

- The root causes and the corrective actions to address them.
- Evidence to support the response.
- If the audit action cannot be successfully completed by the due date, an action plan shall be developed and discussed with the **Audit Manager** for approval.
- Ensuring the corrective actions are implemented within a suitable time frame.
- Informing the Internal Auditor via SAP when completed.

The **Internal Auditor** accepts or rejects the audit responses depending whether appropriate corrective actions have been implemented and sufficient evidence has been provided.

The **Audit Manager** monitors the progression of the audit findings ensuring that the:

- Completion of the audit is recorded and updated on the Internal Audit Schedule;
- Non-conformances from external audits are documented into an Action Plan within SAP (with due dates and responsibilities) and circulated for action;
- Progress of correcting any audit non-conformances is monitored, as well as escalating any non-conformances not addressed within a suitable time frame to the relevant Line Manager; and
- Auditees and Internal Auditors are encouraged to provide feedback on the audit process via the **Audit Manager**.

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The **Audit Manager** creates an annual audit report with the:

- Number of audits conducted, completed on-time, rescheduled and overdue.
- Audit non-conformance trends and patterns.
- Sites or activities rated as unacceptable.
- Comments and recommendations.

The progress of audits are reviewed and tabled at the quarterly Compliance Governance meeting and made available electronically on my collaboration site. Audit results are also included in the management reviews.

The **Audit Manager** closes audit non-conformances by:

- Reviewing all audits in SAP and assigns them a “compliance level”.
- Ensuring that the corrective actions are verified as “implemented and effective”.
- Recording those verified as correct, as “Completed”:
 - With the original reports, correspondence and objective evidence for Internal Audits filed in a dedicated my collaboration audit folder.
 - Certificates of attainment of ISO 45001, 9001, 14001 and 5500 on the relevant system on the intranet and posted in the appropriate foyers.