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|  | SCOPE OF WORK | Document Identifier | | | |
| | | Effective Date | February 2023 | | |
| | | Review Date | February 2028 | | |

A. Scope of work/supply

To perform an independent external quality assessment on the Eskom Internal Audit activity utilising the International Professional Practices Framework (IPPF) Quality Assessment Manual for the Internal Audit Activity published by the Internal Audit Foundation in 2017 in order to conclude on the internal audit activity's conformance with the Code of Ethics and The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), whether or not internal auditors apply the Code of Ethics, and to identify areas for improvement. The external assessment may include operational or strategic comments.

The external assessment must be conducted in line with the IIA requirements and in conformance with the IPPF, IIA's International Standards for the Professional Practice of Internal Auditing (Standards) and related Implementation Guides for performing an external quality assessment.

B. Specification of Product or Goods

In accordance with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), "The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity" (Standard 1300).

The Quality Assessment Manual for the Internal Audit Activity published by the Internal Audit Foundation in 2017, responds to issuance of The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), the related changes in the internal audit profession, and the increasingly demanding business environments in which the profession operates. It was designed to provide guidance and step by step modules for the chief audit executive (CAE) in establishing and maintaining a quality assurance and improvement program, as well as for assessors, internal and external, in testing and assessing that program. The 2017 edition has five chapters based on the principal elements of the quality program required by the Standards, with a continued strong emphasis on external assessments.

The external assessment must be performed in accordance with the Quality Assessment Manual for the Internal Audit Activity published by the Internal Audit Foundation in 2017 in order to evaluate Eskom's Internal Audit activity's conformance with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) and whether or not internal auditors apply the Code of Ethics the Code of Ethics. The external assessment may focus on identifying opportunities to enhance internal audit processes, offering suggestions to improve the effectiveness of the internal audit activity, promoting ideas to enhance the activity's image and credibility, and offering operational or strategic comments.

The scope of work includes the following:

The qualified and independent external reviewer must:

- Review the implementation of the Standards including the existence of a quality assurance process and the provision of consulting services.
- Assess the efficiency and effectiveness of internal audit activity considering (a) its charter, (b) expectations of the Audit Committee, executive management, and the Chief Audit Executive (CAE), and (c) its current needs, exposures to performing at less than an effective level, and the future directions and goals of the organisation.
- Identify opportunities and offer ideas and counsel to the CAE and staff for improving their performance. By implementing selected "successful practices", the activity can add value to management and the Audit Committee and promote the image and credibility of the activity within the organization.
- Review the internal audit activity's involvement in the enterprise risk assessment process and preparation of the audit schedule. This would include assessing annual and long-range audit plans

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to see whether audit areas represent current and future business plan, strategy, exposures and operations.

- Evaluate the organizational structure and approach used in auditing to determine whether resources are adequate to ensure proper audit coverage in all phases of the business. This will also include the information technology audit function. Further, we will comment on the background, mix and experience of staff, training scheduled and received and certifications.
- Determine the perception of internal auditing through interviews and surveys with relevant ARC members, executive management and internal audit customers.
- Provide insights into their level of satisfaction with internal auditing services, along with appropriate suggested changes.
- Examine internal auditing techniques and methodology for testing systems of control.
- Identify ways to enhance policies and practices, as well as coordination with external auditors
- Provide an opinion as to whether the internal audit activity complies with the IIA's International Standards for the Professional Practice of Internal Auditing and its Code of Ethics.

C. Deliverables

At the end of the review a report shared with the Audit and Risk Committee Chair, providing an opinion rating on both the internal audit function's overall conformance to the IPPF and the effectiveness of the internal audit function, respectively.

Furthermore, an overall report shared with the Acting Chief Audit Executive as guided by Standard 1300 to implement the recommended remedial actions.

At the end of the review, the following deliverable are also to be provided:

- Results of the surveys indicating Internal Audit's client's satisfaction.
- Consultation on techniques that may benefit the internal audit activity.
- A detailed report covering:
 - Internal Audit's conformance with the Standards,
 - An opinion on conformance with the IIA's Mandatory Guidance.
 - An opinion on the implementation of the IIA's Recommended Guidance.
 - An opinion on the internal audit quality, effectiveness, efficiency, and value-add.
 - Areas for improvement both on a governance level and a performance level.
 - Recommendations to address the identified non-conformances, gaps, or improvement opportunities
 - Recommendations of application of "best practices".
- Presentation to the Audit and Risk Committee on the results of the external assessment.

D. Independence and Objectivity of Assessor/Assessment Team

- External assessors, assessment teams, and their organizations must be free from actual, potential, or perceived conflicts of interest that could impair objectivity. Independent, thus not having a conflict of interest and not being a part of, or under the influence of, the organization to which the internal audit activity belongs.
- An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs (The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest).
- Potential impairments may include past, present, or future relationships with the organization, its personnel, or its internal audit activity (e.g., external audit of financial statements; assistance to the internal audit activity; personal relationships; previous or future participation in internal quality assessments; or consulting services in governance, risk management, financial reporting, internal control, or other related areas).
- In cases where the potential assessors are former employees of the internal audit activity's organization, consideration should be given to the length of time the assessor has been independent. (Independent, in this context, means not having a conflict of interest and not being a part of, or under the influence of, the organization to which the internal audit activity belongs).

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- Suppliers who are on the Eskom Non-Statutory panel are not considered to be independent. Thus, to ensure the external assessors, assessment teams, and their organizations are free from actual, potential, or perceived conflicts of interest that could impair objectivity and that they are independent, service providers on the Eskom Non-Statutory Panel cannot be selected for this external assessment as it would not be a fully independent external assessment and may result in a scope reduction.

E. Competence, Qualification and Experience of Assessor/Assessment Team

- Competence and Qualification**
 - A qualified, independent external assessor/assessment team must be retained to complete the assessment and must demonstrate competence in two areas:
 - the professional practice of internal auditing (including current in-depth knowledge of the IPPF) and
 - the external quality assessment process.
 - The external assessor/assessment must demonstrate sufficient competence through:
 - a mixture of experience (experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience), and theoretical learning.
 - Sufficient competence and qualifications must include:
 - Certification as an internal audit professional
 - Knowledge of leading internal auditing practices
 - CAE (or comparable senior internal audit management) experience.
 - Completion of The IIA's quality assessment training course or similar training.
- Experience**
 - The expertise required to conduct the external assessment includes an additional level of experience gained from previous external assessment work.
 - Sufficient recent experience in the practice of internal auditing at a management level, which demonstrates a working knowledge and application of the IPPF.
 - Relevant technical expertise and industry experience.
 - Internal audit experience in an organization of a similar size, complexity, and industry (public sector, and/or SOE).