

Internal Audit Standard

PHX019

Contents

| | |
|----------------------------------|---|
| Purpose..... | 2 |
| Intended Audience | 2 |
| Scope | 2 |
| Internal Audit Function | 2 |
| Internal Audit Process | 4 |
| Internal Audit Programme | 4 |
| Auditors..... | 5 |
| Pre-Audit Communication..... | 5 |
| Audit Execution | 5 |
| Audit Report..... | 6 |
| Audit Follow-up and Closure..... | 7 |
| Version Control | 8 |
| Document Approval | 8 |

Purpose

The purpose of this standard is to define the requirements for conducting internal audit at Phoenix.

Intended Audience

This standard is intended for following groups:

1. ISO system auditors
2. Management Committees
3. The Phoenix Board
4. Interested parties

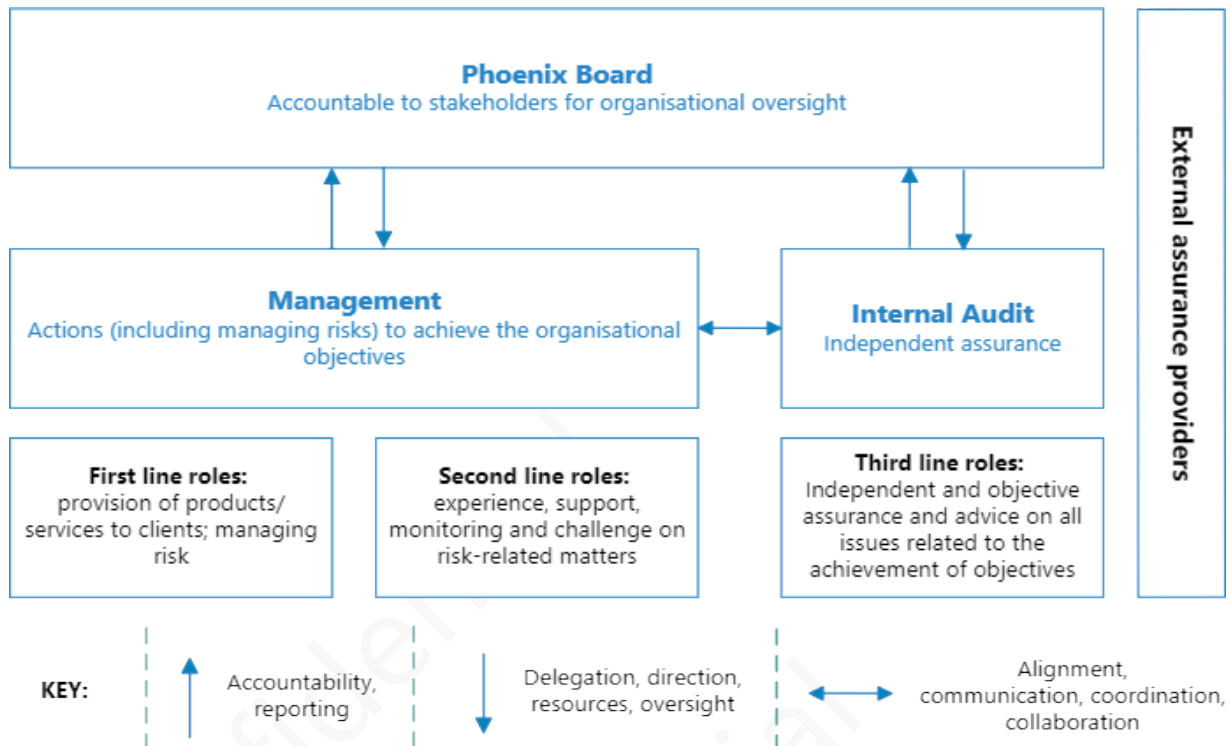
Scope

The scope covers Phoenix technology systems, departmental processes, controls, information, and operations in conjunction with ISO Management System internal audit requirements, and to the documented scope statements associated with each of Phoenix's ISO standards.

Internal Audit Function

The internal audit function helps to ensure compliance and drive continual improvement, manages risks, and enhances overall performance. It also plays a crucial role in fostering a culture of quality and customer focus.

A systematic approach to risk management is provided by using the internal audit function. It enhances risk visibility, helps prioritize actions, and ensures that Phoenix is taking proactive steps to minimize potential threats. By actively engaging in risk reduction and management efforts, internal audit adds value to the business and contributes to its overall success and sustainability.



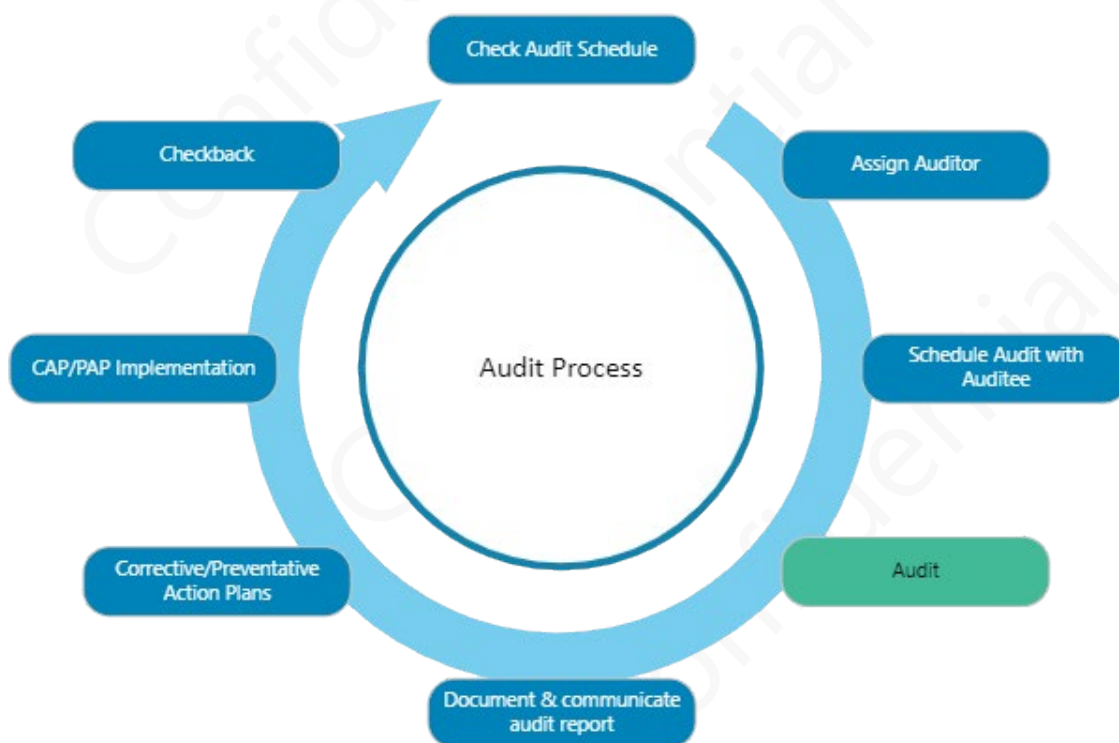
Internal Audit further integrates with the Risk Management function to ensure appropriate resource is provided to areas of business focus or units undergoing change. Any significant audit findings or trends should then prompt a Risk Management Review.

| Role | Senior Management | Staff | Governance |
|----------------|-------------------|-----------------------------------|--------------------|
| Responsibility | Identify Risk | Mitigation through BAU activities | Verification check |

Internal Audit Process

The following steps shall be taken for each internal audit:

1. A competent person shall be assigned to conduct the audit
2. The relevant department/committee/business unit shall be notified in advance to ensure availability and allocation of appropriate resource.
3. An audit report shall be produced, including findings and evidence references where appropriate
4. Report findings shall be communicated back to the Management of the auditee
5. A Corrective Action Plan (CAP) and Preventative Action Plan (PAP) shall be submitted by Management in the event of any non-conformities found during the audit
6. After acceptance from the auditor, the CAP/PAP shall be recorded and implemented
7. A check back by the Auditor shall be completed where relevant to ensure CAP/PAP effectiveness.



Internal Audit Programme

An Internal Audit programme containing all scheduled audits for the financial year exists in spreadsheet format. The programme covers all areas of identified business risk areas, including assurance and quality checks for compliance with laws, regulation, frameworks, Standards, policies, and procedures. The internal audit programme shall be prepared by the Governance Team and approved by the Board.

In addition to the internal audit programme, supplemental audits can be performed as the need arises at the request of the Board, Senior Management or at the discretion of Internal Audit e.g., in the event significant changes.

The Audit schedule shall be reviewed at appropriate ISO Committee reviews, to ensure appropriate coverage and effectiveness.

Auditors

Only competent personnel who are independent of the subject area shall perform audits. Auditors shall be selected based on experience and understanding of the subject matter.

Pre-Audit Communication

Communication between the Internal Auditors and the Auditee shall take place prior to the audit.

Objectives are as follows:

- to ensure the availability of all the resources needed and other logistics that may be required by the auditor
- the scope of the audit is verified from the audit plan
- audit checklist

The audit plan shall include:

- audit area
- audit objective and scope
- department
- date of audit

Audit Execution

The auditor shall perform the internal audit using an audit checklist.

The audit checks will be predetermined based on the nature of the audit and may include requirements set by laws, regulation, frameworks, Standards, policies and/or formalities. Audit findings shall be collected through interviews, examination of documents and observation of activities and conditions in the areas of concern and are documented through checks, verifications, or internal audits.

Audit findings shall be supported by objective evidence. Evidence shall be documented by the Auditor by way of document reference or observation description on the audit report.

Evidence suggesting other non-conformities should be noted if they seem significant, even though not covered by the checklist. Other objective evidence and/or observations that may reflect positively or negatively on the subject matter shall also be documented in the report.

Audit Report

The auditor shall be responsible for consolidating the audit into an Audit Report, containing:

- audit number
- date of audit
- audit area
- audit objective and scope
- department
- auditor
- summary of findings
- classification of findings
- non-conformities

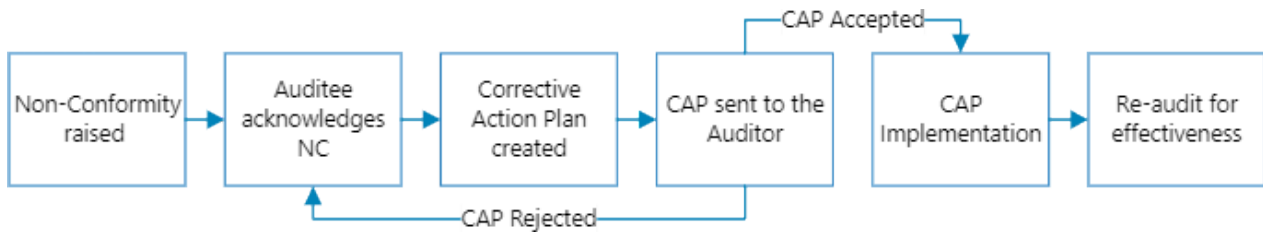
Audit reports shall be communicated back to the Auditees and appropriate Stakeholders.

Classification of findings are:

- **Major Non-Conformity** – this pertains to a major deficiency in the audit subject. Non-conformities have a direct and significant effect on controls being audited. This can be the result of multiple minor non-conformities or a failure resulting in high risk.
- **Minor Non-Conformity** – a minor deficiency. A minor non-conformity has an indirect effect on the controls being audited.
- **Opportunity for Improvement** – a suggestion for improvement which may or may not be implemented
- **Positive Findings** – findings that pertain to processes and/or systems that go beyond what is required.

Major and minor non-conformities require appropriate corrective actions to be documented on the Non-Conformity and Corrective Action Log. This log contains corrective actions required, opportunities for improvement, agreed timescales and responsibilities for completion. Target corrective and preventative action times against Major and Minor non-conformities are documented on the Internal Audit Programme spreadsheet.

In the event of a Non-Conformity finding, the below process must be followed:



Non-conformities, Opportunities for Improvement, CAPs & PAPs are logged on the Non-Conformity Log.

Audit Follow-up and Closure

Audits are only considered closed once the non-conformity and corrective actions are completed. It is the responsibility of Auditor to track progress.

The completed report shall be saved in the Internal Audit Reports folder located on SharePoint.

Reporting

Reporting to the Board and to relevant senior management shall take place during committee meetings and/or Management review meetings, and shall include:

- the status of the annual audit plan
- issues, findings, and recommendations arising from the audits and reviews carried out
- the status of outstanding and overdue actions arising from audit recommendations
- Internal Audit team resourcing
- proposed changes to the Internal Audit schedule
- trends in findings
- any others matters of interest

Version Control

| <u>Author</u> | <u>Version</u> | <u>Date</u> | <u>Description</u> |
|---------------|----------------|-------------|--|
| QMS | 1.0 | 01/06/2021 | Original Document |
| QMS | 2.0 | 04/08/2022 | Amended frequency of audit schedule review |
| Geoff McGann | 3.0 | 17/07/2023 | Wording revised and document re-labelled as a Standard |

Document Approval

| <u>Name</u> | <u>Version</u> | <u>Date</u> | <u>Position</u> |
|----------------|----------------|-------------|---------------------|
| Sam Mudd | 1.0 | 01/06/2021 | Managing Director |
| Clare Metcalfe | 2.0 | 30/09/2022 | Operations Director |
| Clare Metcalfe | 3.0 | 24/07/2023 | Operations Director |

Signed: *Clare Metcalfe* Clare Metcalfe, Operations Director

Dated: 24/07/2023