



---

**Internal Audit**

**Bruce Power Ring Fence Audit**

**March 2009**

---

**Table of Contents**

1.0	EXECUTIVE SUMMARY .....	2
2.0	BACKGROUND .....	2
3.0	AUDIT OBJECTIVES AND SCOPE .....	2
4.0	OPPORTUNITIES FOR IMPROVEMENT .....	3
4.1	Roles and Accountabilities .....	3

### 1.0 EXECUTIVE SUMMARY

Internal Audit (IA) has completed its audit of the Bruce Power Ring Fence (BPRF) as part of OPG's ongoing commitment to the Ontario Energy Board (OEB). The primary objective of the audit was to provide reasonable assurance that the operation of the BPRF remains in accordance with the BPRF Plan and independently assess whether OPG has complied with the requirements of the Plan.

Overall, the audit found the BPRF controls to be adequate; an appropriate management control system is in place and operating effectively. The BPRF Team continues to effectively implement a process to satisfy the regulatory requirements of the BPRF.

The audit did not find any evidence of OPG employees having used BPRF information inappropriately. The right tone is set by senior management with periodic communications from a member of the company's Executive Committee. An effective training process is in place and interviews of selected OPG staff in the applicable stakeholder departments indicate awareness of the importance and the requirements of the BPRF. The Ring Fence (RF) administration in collaboration with contacts in the various stakeholder departments carry out periodic reviews (monthly and/or quarterly) to ensure access to RF information is granted to only those who should have access. Effective detective and corrective controls are in place to address issues and suspected violations when they do occur.

An area for improvement was observed in the alignment of the newly updated BPRF program document OPG-PROG-0002 and the procedure document OPG-PROC-0002 with regards to the role and accountability of the Chief Ethics Officer which has been provided to management for consideration. Specific details of this opportunity for improvement are noted in Section 4.0 below.

### 2.0 BACKGROUND

As part of the Bruce lease transaction, OPG and Bruce Power (BP) have entered into a number of service agreements relating principally to technical services and support. These agreements make it necessary to exchange information between the two companies; OPG requires this information to fulfill its obligations to BP.

However, the exchange of certain commercially-sensitive information between OPG and BP could raise issues relating to OPG's Electricity Generation license and general competition compliance. Accordingly and in compliance with OPG's Electricity Generation License, OPG has committed to restricting access to this information by implementing a formal system to enhance the security of the exchange of information with BP. This system of controls is referred to as the RF. Specifically, information in the BPRF consists exclusively of BP outage information not already in the public domain and unit condition information.

As part of OPG's ongoing commitment to the OEB, IA conducts audits of the RF plan every two calendar years and the audit reports are submitted to the OPG Board and the OEB.

### 3.0 AUDIT OBJECTIVES AND SCOPE

The objective of this audit was to independently assess whether OPG has complied with the requirements of the RF plan since the last audit conducted in February 2007. IA evaluated changes to

the program, interviewed selected staff from applicable key stakeholder departments, and examined relevant documentation. The key focus areas of this review were as follows:

- Responsibilities and accountabilities are documented, understood and accepted for key control processes;
- The BPRF Plan and requirements have been adequately communicated to all applicable OPG staff;
- Adequate training about the BPRF Plan and its rules and responsibilities have been provided to affected staff particularly those in OPG Energy Markets;
- Adequate documentation is in place regarding the RF Plan, its rules and staff accountabilities;
- Appropriate communication channels have been established for transferring RF information from BP to OPG and that all such information has been transferred through these channels;
- An adequate process is in place to administer the BPRF plan and ensure that access to RF information is no longer available to staff who have changed positions and no longer require RF information, and to ensure that such staff have returned hard copies of BP data in their possession to an appropriate person within the RF;
- Shared services providers such as New Horizon Systems Solutions have been informed about the BPRF plan and have not provided RF information to any OPG staff outside the RF;
- Database administrators are aware of RF rules and RF staff listings when granting access rights to IT systems;
- RF requirements have been incorporated into IT policies and procedures;
- Appropriate access controls such as password protection, are in place for IT systems that include RF data;
- Adequate physical access controls are in place over hard copies of RF documents;
- An effective process is in place for registering and investigating complaints or suspected RF violations.

IA conducted this audit in accordance with applicable professional standards of the Institute of Internal Auditors.

## 4.0 OPPORTUNITIES FOR IMPROVEMENT

During our audit, IA noted an opportunity for improvement which has been discussed with management. This observation is not considered a control deficiency and does not require formal management actions plans. Details of this area are presented below for information purposes only:

### 4.1 Roles and Accountabilities

There are inconsistencies in the defined role of the Chief Ethics Officer in the BPRF governing documents and management should clarify the accountabilities for this role.

#### Observations:

In November of 2008, the BPRF program document OPG-PROG-0002 and the procedure document OPG-PROC-0002 were updated to align with the Corporate Secretary's office (both were formerly under the CIO's office). Under Section 2.3 of the program document, the Chief Ethics Officer is identified as having an active role and accountability in the BPRF program, "*investigates any complaints or suspected violations of the ring-fence program*". However, the procedure document did not list the Chief Ethics Officer as having a role and accountability for investigation of potential violations in the BPRF. Section 1.4.1.2 of the procedure document states that the BPRF Administrator shall investigate any suspected potential violation with the assistance of the Senior Advisor, Regulatory Affairs and determine if there was malicious intent. "*If there was, complete the Declaration of Conflict*

## Bruce Power Ring Fence Audit

---

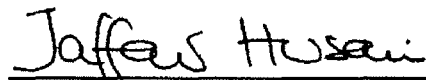
*of Interest or Potential/Perceived Conflict of Interest form and submit to the Chief Ethics Officer. It is advisable for the Chief Ethics Officer to review the Bruce Power Ring Fence General CAL (course no. 64705) prior to investigating the violation."*

Based on IA's discussions with management and observations of on-going investigation practices related to the BPRF program, the RF Administrator assumes the active role for investigations which aligns with the accountabilities outlined in the procedure document. IA understands that the Chief Ethics Officer does not become involved with the BPRF program investigation unless a violation is confirmed as malicious. The violation then leaves the RF process and is transferred to the Chief Ethics Officer for further assessment under the OPG Code of Business Conduct provisions. The process that the Chief Ethics Officer follows in addressing any confirmed Code of Business Conduct violations is governed by Human Resources which is outside the BPRF program.

IA recommends that management update the BPRF program document OPG-PROG-0002 to clarify the role of the Chief Ethics Officer within the BPRF program and ensure it is consistent with OPG-PROC-0002.

Audit Team: Janice Ding (Manager), Lekan Adetunji (Lead) and Anna Ziarko.

Submitted By:



---

**Jaffar Husain**  
Director, Internal Audit