

Purpose and mission

The purpose of Kier's Internal Audit function is to provide independent, objective assurance and consulting services designed to add value and improve Kier's operations. The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The Internal Audit function helps Kier accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

Standards for the Professional Practice of Internal Auditing

The Internal Audit function will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Head of Internal Audit will report periodically to senior management and the Risk Management and Audit Committee (RMAC) regarding the Internal Audit function's conformance to the Code of Ethics and the Standards.

Authority

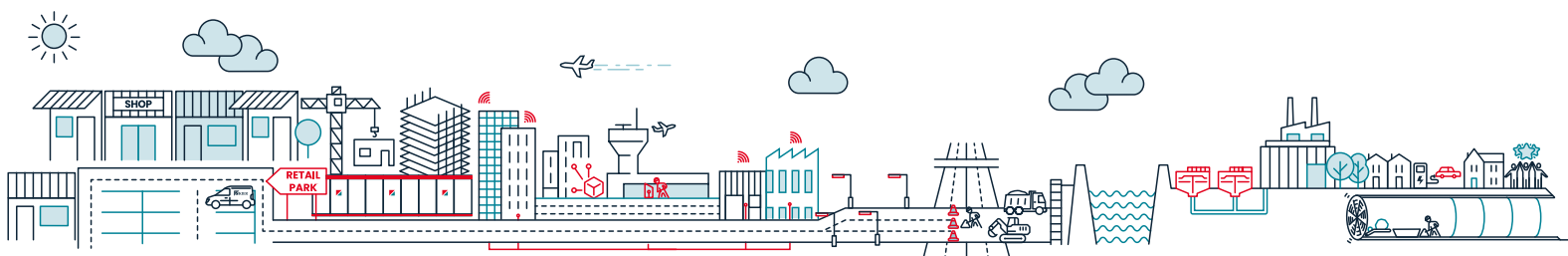
The Head of Internal Audit will report functionally to the RMAC and administratively (i.e., day-to-day operations) to the Chief Financial Officer To establish, maintain, and assure that Kier's Internal Audit function has sufficient authority to fulfil its duties, the RMAC will:

- Approve the Internal Audit charter;
- Approve the risk-based Internal Audit plan;
- Approve the Internal Audit resource plan;
- Receive communications from the Head of Internal Audit on the Internal Audit function performance relative to its plan and other matters;
- Approve decisions regarding the appointment and removal of the Head of Internal Audit; and
- Make appropriate inquiries of management and the Head of Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Head of Internal Audit will have unrestricted access to, and communicate and interact directly with, the RMAC including in private meetings without management present.

The RMAC authorises the Internal Audit function to:

- Have full, free and unrestricted access to all functions, records, property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information;
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports; and
- Obtain assistance from the necessary personnel of Kier, as well as other specialised services from within or outside Kier, in order to complete the engagement.



Independence and objectivity

The Head of Internal Audit will ensure that the Internal Audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing and report content. If the Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year;
- Performing any operational duties for Kier or its affiliates;
- Initiating or approving transactions external to the Internal Audit function; and
- Directing the activities of any Kier employee not employed by the Internal Audit function, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

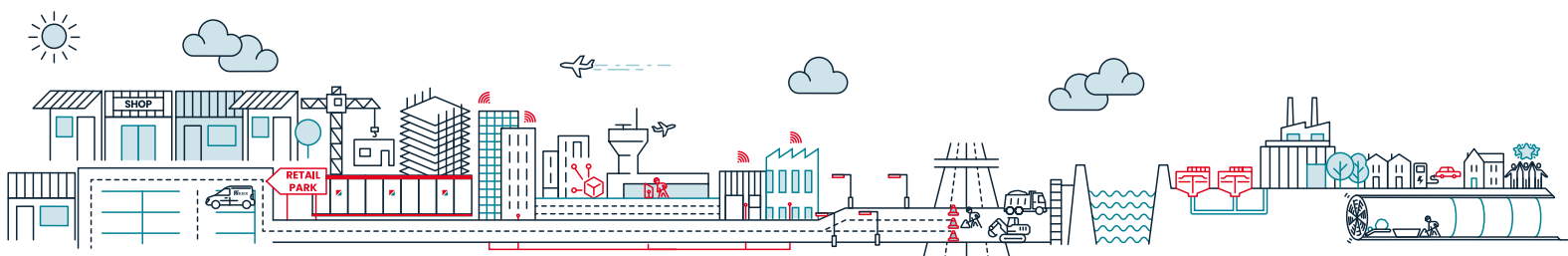
Where the Head of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- Exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined;
- Make balanced assessments of all available and relevant facts and circumstances; and
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Head of Internal Audit will confirm to the RMAC at least annually the organisational independence of the Internal Audit function.

The Head of Internal Audit will disclose to the RMAC any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.



Scope of Internal Audit activities

The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the RMAC, management and outside parties on the adequacy and effectiveness of governance, risk management and control processes for Kier. Internal Audit assessments include evaluating whether:

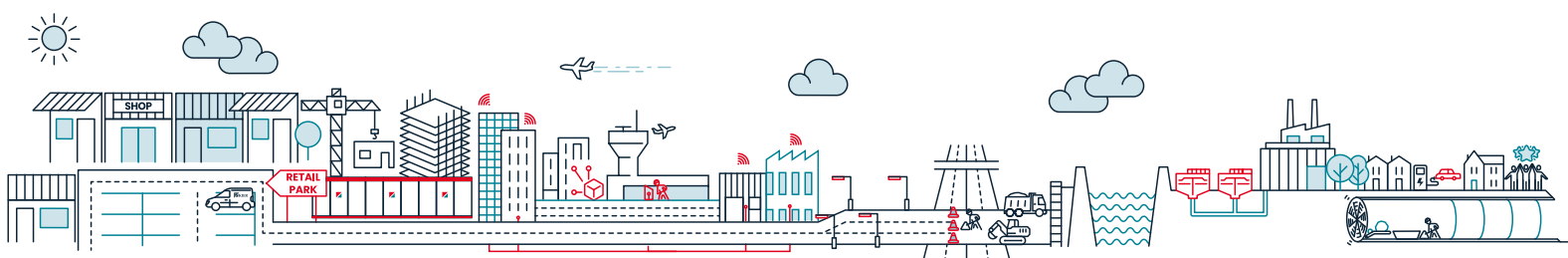
- Risks relating to the achievement of Kier's strategic objectives are appropriately identified and managed;
- The actions of Kier's officers, directors, employees, and contractors are in compliance with Kier's policies, procedures, and applicable laws, regulations, and governance standards;
- The results of operations or programmes are consistent with established goals and objectives;
- Operations or programmes are being carried out effectively and efficiently;
- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact Kier;
- Information and the means used to identify, measure, analyse, classify and report such information are reliable and have integrity; and
- Resources and assets are acquired economically, used efficiently and protected adequately.

The Head of Internal Audit will report periodically to senior management and the RMAC regarding:

- The Internal Audit function's purpose, authority and responsibility;
- The Internal Audit function's plan and performance relative to its plan;
- The Internal Audit function's conformance with The IIA's Code of Ethics and Standards and action plans to address any significant conformance issues;
- Significant risk exposures and control issues, including fraud risks, governance issues and other matters requiring the attention of, or requested by, the RMAC;
- Results of audit engagements or other activities;
- Resource requirements; and
- Any response to risk by management that may be unacceptable to Kier.

The Head of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit function may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit function does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.



Responsibility

The Head of Internal Audit has the responsibility to:

- Submit, at least annually, to senior management and the RMAC a risk-based Internal Audit plan for review and approval;
- Communicate to senior management and the RMAC the impact of resource limitations on the Internal Audit plan;
- Review and adjust the Internal Audit plan, as necessary, in response to changes in Kier's business, risks, operations, programmes, systems and controls;
- Communicate to senior management and the RMAC any significant interim changes to the Internal Audit plan;
- Ensure each engagement of the Internal Audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programmes and testing results and the communication of engagement results with applicable conclusions and recommendations to appropriate parties;
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the RMAC any corrective actions not effectively implemented;
- Ensure the principles of integrity, objectivity, confidentiality and competency are applied and upheld;
- Ensure the Internal Audit collectively possesses or obtains the knowledge, skills and other competencies needed to meet the requirements of the Internal Audit charter;
- Ensure trends and emerging issues that could impact Kier are considered and communicated to senior management and the RMAC as appropriate;
- Ensure emerging trends and successful practices in internal auditing are considered; and
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit function.

