PROPOSED AGENDA

JOINT AUTHORITY AND CANAL AUDIT COMMITTEE MEETING
Via Videoconference

July 14, 2022 –10:15 a.m.

1. Adoption of the July 14, 2022 Proposed Meeting Agenda

2. Motion to Conduct an Executive Session

3. Motion to Resume Meeting in Open Session

4. DISCUSSION AGENDA:
   a. New York Power Authority and Canal Corporation Internal Audit Update (Angela Gonzalez)
   b. KPMG LLP – Audit Services and Non-Audit Advisory Services Engagements (Adam Barsky/Sundeep Thakur)

5. CONSENT AGENDA:
   a. Approval of the Joint Minutes of the Regular Meeting held on March 18, 2022
   b. Approval of the New York Power Authority and Canal Corporation Audit Committee Charter
   c. Approval of the New York Power Authority Internal Audit Charter (Corporate Policy 5-1)

6. Next Meeting
July 14, 2022

Motion to Conduct an Executive Session

I move that the Committee conduct an executive session to discuss the financial and credit history of a particular corporation (pursuant to §105f of the Public Officers Law).
July 14, 2022

Motion to Resume Meeting in Open Session

Mr. Chairman, I move to resume the meeting in Open Session.
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• Overall Observations Summary Status – NYPA & Canals
• 2021 Open Observations Summary Status – Environmental, Health & Safety Compliance
• Internal Audit Strategy Highlights
• CAE Required Communications to the Audit Committee

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• Appendix B – Changes to 2022 Internal Audit Plan Details
Executive Summary
Internal Audit Scorecard as of 6/30/2022

2022 Audit Plan Completion %

- Complete: 40%
- Not Complete: *50%

Internal Target = 100% by YE

2022 IA Operational Excellence

- Audit Deliverables with Opinions: 71%
- Fieldwork to Report Issuance (weeks):
  - IIA Benchmark: 6.6
  - 2021: 3
  - 2022: 2.6
- IA Average Project Cycle Time (weeks):
  - IIA Benchmark: 11.4
  - 2021: 10.4
  - 2022: 9.6

2021 Internal Target = 100% by YE

Department Utilization for All Available Hours

- Audit Hours: 76%
  - eGRC: 5%
  - DA Strategy: 6%
  - Training: 4%
  - Administrative: 9%

- Audit Hours Internal Target* = 70%

*Target obtained through external peer sources

Observations Identified and Implemented as of 6/30/2022

- % of High-Risk Obs. Identified: 19%
- % of High-Risk Obs. Implemented by Due Date*:
  - 2021: 13
  - 2022: 82
- % of All Obs. Implemented by Due Date*:
  - 2021: 100%
  - 2022: 100%

High Risk Observations Tracking as of 6/30/2022

- Total Obs. 27
  - Closed Ahead of Time: 0
  - Closed On Time: 4
  - Extended (Closed): 10

* Internal Target = 100%

* Target obtained through external peer sources
2022 Audit Plan Status

➢ 2022 Plan Status*:
  ➢ 43 audits are included in the NYPA and Canals Audit Plan.
  ➢ 17 deliverables (13 reports and four memos) have been issued associated with 43 audit projects reaching 40% audit plan completion.
  ➢ We are anticipating 50 total deliverables for NYPA and Canals by the audit year end (March 2023) as five audit engagements will have more than one deliverable from these projects due to system implementations or ongoing advisory work. The audit plan is on track.
  ➢ Three audits have moved to the reporting stage and these audit reports are expected to be issued by mid-July.
  ➢ Three audits are in fieldwork and these audit reports are expected to be issued late July to early August. Two audit projects are in the planning phase.

Audit Phase - Status

* Details of audit plan status can be found in Appendix A.
2022 Environmental, Health & Safety (EH&S) Compliance Audit Plan Status

- 2022 EH&S Compliance Audit Plan Status*:
  - Five compliance audits are included in the EH&S Compliance Audit Plan.
  - Fieldwork has started for one EH&S compliance audit. The four remaining audits will take place in Q3 and Q4 2022.

* Details of audit plan status can be found in Appendix A.
Changes to 2022 Internal Audit Plan

Based on management requests, supplemental business information and external compliance reviews, 43 audit projects are included in the 2022 Audit Plan. One project has been added to the audit plan. Scope and name changes are detailed in Appendix B.

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<tr>
<th>2022 Audit Status</th>
<th>Impact to IA Plan</th>
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<tbody>
<tr>
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<td>Audits Added to 2022 Internal Audit Plan</td>
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<td>NYPA: 1</td>
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<td>White Plains Data Center Relocation Project</td>
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<td>Canals: 0</td>
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<td>Audits Removed from 2022 Internal Audit Plan</td>
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<td>NYPA: 0</td>
<td>-0</td>
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<td>Canals: 0</td>
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<td>Total 2022 Audits</td>
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2022 Observations Summary Status – NYPA and Canals

- 27 observations have been identified to date for 2022. Eight observations (three medium and five low) have been closed and 19 2022 observations are open for NYPA and Canals (See slide 10 for details).

- The below bar charts show 2022 observations tracking by rating and in total. To date, 30% (eight out of 27) of the 2022 open observations have been either closed ahead time or on time indicating management efforts towards risk mitigation, with no observation extensions. Open observations and associated recommendations are on track to close within their due dates and no observations are overdue to date.

- Internal Audit prioritizes the high-rated observations and engages with management monthly, evaluates remediation progress of observations towards closure and mitigation of risks reported.
98 observations were identified for 2021. 82 observations have been closed and 16 observations (six high, eight medium and two low) including in progress and extended in progress, remain open for NYPA and Canals (See slide 10 for details).

The below bar charts show 2021 observations tracking by rating and in total. To date, 84% (82 out of 98) of the 2021 open observations have been either closed ahead time or on time indicating management efforts towards risk mitigation, with minimal observation extensions. Open observations and associated recommendations are on track to close within their due dates and no observations are overdue to date.

Internal Audit prioritizes the high-rated observations and engages with management monthly, evaluates remediation progress of observations towards closure and mitigation of risks reported.
Overall Observations Summary Status - NYPA and Canals

- Below is the number and percentage of NYPA and Canals open and closed observations by year 2021-2022. 84% of the 2021 observations and 30% of the 2022 observations have been closed to date.

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<td>16</td>
<td>82</td>
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<td>19</td>
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<table>
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<tr>
<th>Year</th>
<th>In-Progress</th>
<th>Closed</th>
</tr>
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<tbody>
<tr>
<td>2021</td>
<td>84%</td>
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</tr>
<tr>
<td>2022</td>
<td>70%</td>
<td>30%</td>
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</table>
2021 Open Observations Summary Status – Environmental, Health & Safety Compliance

- Five observations remain open from the 2021 EH&S Compliance audits.

- 106 observations were identified from the four audits on the 2021 Compliance audit plan of which 48 were high, 52 were medium and six were low-rated. Site management has closed 101 (45 high, 50 medium, and six low) of the 106 observations or 95%. Observations identified did not include any violations of external laws and regulations that result in substantial risk to the environment, health and safety to employees, customers, or the public leading to legal penalties.

- Open observations and associated recommendations are on track to close within their due dates and no observations are overdue to date. The below bar chart shows the 2021 open observations and those high and medium-rated observations that are due for closure over the next 1-3 and 3-6 months.

- Internal Audit prioritizes the high-rated observations and engages with management monthly, evaluates remediation progress of observations towards closure and mitigation of risks reported.

![2021 Open Issue Remediation Status (Total 5)](chart)
Internal Audit Strategy Highlights

Data Analytics

➢ The Data Analytics team completed re-running the three data analytics routines built in 2021 with current data for Pro-Card, Fixed Assets and Journal Entries and results have been shared with the stakeholders. The stakeholders found these results useful, and these routines are moving to continuous auditing for these areas.

➢ The Data Analytics team completed the new build of the Inventory & Warehouse analytics and has also reviewed the results with the stakeholder. The team continues to work on the data analytics routine for airplane usage and the necessary data has been received. In addition, the team is evaluating application of data analytics for vendor management and fleet operations.

➢ Data Analytics application for the 2022 audit plan identified 20 out of the 43 (47%) audit projects. Out of the 22 audit projects either completed or are in fieldwork to date, data analytics was applied to 12 out of 22 or 55%.

➢ A Data Analytics skills survey has been sent to the staff to determine staff skill sets given the various trainings for Tableau and the Alteryx data analytics tool and usage. The last survey was conducted in 2020. The results of this survey will be used to focus data analytics training scheduled for October.

GRC Optimization

➢ Internal Audit continues to work through implementation issues regarding notifications and workflow from the Observations Management module with Archer support staff. Archer support staff reviewed the issues identified and found solutions to implement, and most of the issues have been corrected.

➢ The Internal Audit GRC team is testing these corrections in the QA environment. Migration to production for these corrections in the Observation Management module will take place at the end of July for August notifications to be sent.

➢ 2022 observations were loaded to SharePoint for notifications to be sent to action owners for updates to observations and EMC reporting as a backup solution.
<table>
<thead>
<tr>
<th>Standard</th>
<th>Communication Requirement</th>
<th>Form</th>
<th>Audit Communication</th>
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<tr>
<td>1000</td>
<td>The CAE must periodically review the Internal Audit Charter and present it to Senior management and the Board for approval.</td>
<td>Internal Audit Charter</td>
<td>As the CAE, I hereby confirm the presentation of the revised Internal Audit charter and the required discussions with Senior management and the Board took place on July 14, 2022.</td>
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<tr>
<td>1010</td>
<td>The CAE should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with Senior management and the Board.</td>
<td>Internal Audit Charter</td>
<td>The mission of IA and the mandatory elements of the International Professional Practices Framework were discussed with Senior management and the Audit Committee in conjunction with the Internal Audit charter review at the July 14, 2022 Audit Committee meeting.</td>
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<tr>
<td>1111</td>
<td>The CAE must communicate and interact directly with the Audit Committee.</td>
<td>Audit Committee Meetings and Private Sessions</td>
<td>As the CAE, I confirm that an appropriate level of communication and interaction has taken place between myself and the Audit Committee.</td>
</tr>
<tr>
<td>1320</td>
<td>The CAE must communicate the results of the quality assurance and improvement program to Senior management and the Board. Disclosure should include:</td>
<td>Internal Quality Assessment Presentation</td>
<td>Results of ongoing monitoring of performance were reported to the Audit Committee as a component of the monthly internal audit activity reports. All communications included the required disclosures.</td>
</tr>
<tr>
<td></td>
<td>- The results of ongoing monitoring of the internal audit activity’s performance.</td>
<td>Monthly Activity Report &amp; IA Scorecard</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The scope and frequency of both the internal and external assessments.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest. Conclusions of assessors and corrective action plans.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>The CAE must communicate the internal audit activity’s plans and resource requirements, including significant interim changes to Senior management and the Board for review and approval. The CAE must also communicate the impact of resource limitations.</td>
<td>Annual Audit Plan</td>
<td>Communication of status of internal audit plans and resource requirements was reported on a monthly basis to the Audit Committee. There have been no significant interim changes in internal audit activity’s plans and resource requirements. Accordingly, there were no material impacts associated with resource limitations.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monthly Activity Report</td>
<td></td>
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<tr>
<td>2060</td>
<td>The CAE must report periodically to Senior management and the Board on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters that require the attention of Senior management and/or the Board.</td>
<td>Internal Audit Charter Monthly Activity Report &amp; IA Scorecard Required Communications Checklist</td>
<td>As the CAE, I confirm that all required communications have taken place within the established timeframes, including significant risk exposures and control issues, fraud risks, governance issues and other matters that require the attention of Senior management and/or the Board.</td>
</tr>
<tr>
<td>2600</td>
<td>When the CAE concludes that management has accepted a level of risk that may be unacceptable to the organization, the CAE must discuss the matter with Senior management. If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the Board.</td>
<td>Audit Committee Meetings &amp; Private Sessions</td>
<td>As the CAE, I confirm that there were no situations where I concluded management had accepted an inappropriate level of risk.</td>
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</tbody>
</table>
Appendix
## Appendix A – 2022 Internal Audit Plan

<table>
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<th>Ref</th>
<th>Entity</th>
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<th>Audit</th>
<th>Business Unit</th>
<th>Audit Type</th>
<th>Report Rating</th>
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<td>NYPA</td>
<td>2022-AU-14</td>
<td>NYPA Non-Construction Third Party Contracts</td>
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<td>2022-AU-09</td>
<td>Financial Forecast Model System Implementation</td>
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<td>3/7/2022</td>
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<td>2022-AU-28</td>
<td>Helicopter Operations</td>
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<td>3/30/2022</td>
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<td>Business Resilience Framework</td>
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<td>Audit</td>
<td>Considerable Improvement Needed</td>
<td>4/7/2022</td>
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### Reporting in Progress – Fieldwork Complete: 3

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### Fieldwork in Progress: 3

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<td>42</td>
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<td>Canals Dam Safety</td>
<td>Operations</td>
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## Appendix A – 2022 Environmental, Health & Safety Compliance Audit Plan

<table>
<thead>
<tr>
<th>Ref</th>
<th>Entity</th>
<th>Audit Project Number</th>
<th>2022 EH&amp;S Compliance Audit Plan</th>
<th>Business Unit</th>
<th>Audit Type</th>
<th>Report Rating</th>
<th>Date Issued/Comment</th>
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<td></td>
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<td></td>
<td>Deliverables Issued: 0</td>
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<td>Reporting in Progress – Fieldwork Complete: 0</td>
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<td>Planning in Progress: 0</td>
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<td>Planning Not Started: 4</td>
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<tr>
<td>2</td>
<td>EH&amp;S</td>
<td>2022-EH&amp;S-02</td>
<td>Hydro Generating Facility – St. Lawrence-FDR Power Project</td>
<td>Utility Operations</td>
<td>Audit</td>
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<tr>
<td>3</td>
<td>EH&amp;S</td>
<td>2022-EH&amp;S-03</td>
<td>Canals Administrative Site – Rehabilitation of Dive Culvert 92 (Lockport)</td>
<td>Utility Operations</td>
<td>Audit</td>
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<tr>
<td>5</td>
<td>EH&amp;S</td>
<td>2022-EH&amp;S-05</td>
<td>Hydro Generating Facility – Niagara Power Project</td>
<td>Utility Operations</td>
<td>Audit</td>
<td></td>
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</tr>
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</table>
## Appendix B – Changes to 2022 Internal Audit Plan Details

### NYPA:

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>Audit Name</th>
<th>Change</th>
<th>Rationale</th>
<th>Est. Start</th>
<th>Impact to IA Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology &amp; Cyber Security</td>
<td>White Plains Data Center Relocation Project</td>
<td>Add to Plan</td>
<td>IA has split the Data Center Operations (WPO &amp; E2C2) into separate audits as the WPO Data Center will be relocated in 2023. IA will review the implementation for this migration project.</td>
<td>Ongoing</td>
<td>+1</td>
</tr>
<tr>
<td>Operations</td>
<td>Asset Management Governance</td>
<td>Audit Name Change</td>
<td>Changed audit name to Asset Management Governance – Risks and Opportunities Framework Audit to reflect the scoped area. The audit will not cover the overall Asset Management Governance process, however, is specific to the Asset Risk and Opportunities Framework Process.</td>
<td>Q1</td>
<td>N/A</td>
</tr>
<tr>
<td>Human Resources and Administration</td>
<td>Affirmative Action and Employee Relations Policy</td>
<td>Audit Name Change</td>
<td>Changed audit name to Affirmative Action for Equal Employment Opportunity Policies to better reflect the assessment scope.</td>
<td>Q2</td>
<td>N/A</td>
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<tr>
<td>Operations</td>
<td>Aviation Management</td>
<td>Audit Name Change and Scope</td>
<td>Changed audit name to Helicopter Operations. The audit focused on helicopter operations and post incident response. Management has engaged a consultant to conduct an assessment and is planning to develop an overall program based on recommendations. The program will be reviewed in a separate audit in the future.</td>
<td>Q1</td>
<td>N/A</td>
</tr>
<tr>
<td>Information Technology &amp; Cyber Security</td>
<td>Data Center Operations (WPO/E2C2)</td>
<td>Audit Name Change and Scope</td>
<td>Changed audit name and scope to cover the Emergency Energy Control Center (E2C2) Physical and Environmental Controls due to the WPO Data Center migration in 2023. Created another separate audit for the migration and implementation of the WPO Data Center.</td>
<td>Q2</td>
<td>N/A</td>
</tr>
<tr>
<td>Operations</td>
<td>Construction Management – Y49</td>
<td>Audit Name Change and Scope</td>
<td>Changed audit name to Operations and Maintenance – Y49. The construction phase of this project will not start until late 2022 or early 2023. Major operations and maintenance work is currently under way and the scope will cover the controls for operations and maintenance.</td>
<td>Q2</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Appendix B – Changes to 2022 Internal Audit Plan Details

**Canals:**

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>Audit Name</th>
<th>Change</th>
<th>Rationale</th>
<th>Est. Start</th>
<th>Impact to IA Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>No changes have been made to the Canals Audit Plan.</td>
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</tbody>
</table>
Date: July 14, 2022

To: THE AUDIT COMMITTEE

From: THE INTERIM PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: KPMG LLP – Audit Services and Non-Audit Advisory Services Engagements

SUMMARY

The Audit Committee is requested to recommend that the Board of Trustees approve an increase of funds to the personal service contract of KPMG LLP (“KPMG”) in the amount of $1 million/year for two years for audit services and $1 million/year for three years for non-audit advisory services.

The Authority will be engaging KPMG in certain audit services and non-audit advisory services, including audited financial statements for the Captive Insurance, Separately Financed Project (SFP), audit services related to Lease Accounting and limited assurance for Integrated Reporting and non-audit advisory services for process transformation and certain strategic transmission projects such as Clean Path New York and NY Transco. The non-audit advisory engagements will be supervised by partners and assigned staff who will be different than the partner and staff performing the financial statement audits. Compensation for these non-audit advisory services will be paid to KPMG at the quoted rates contained within the personal service contract of KPMG.

BACKGROUND

In accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures (EAPs), when rebidding is not feasible, cumulative change orders exceeding 25% of the original contract amount requires Trustee approval. Trustee approval will be requested at the July 26, 2022, Trustee meeting.

At the Trustee meeting on July 30, 2019, the Trustees approved the award of a competitively bid contract, to KPMG in the aggregate amount of $3,000,000 to provide annual audit services, other audit services and other non-audit advisory services. The contract became effective on September 15, 2019, for a term of (5) Five years. On October 19, 2021, Board of Trustees approved an increase of funds to the personal service contract of KPMG LLP (“KPMG”) in the amount of $2,200,000 for additional Accounting Services for a total contract amount of $5,200,000.
KPMG’s in-depth knowledge and detailed understanding of utilities in the public sector and in particular their familiarity with the Authority provides the experience necessary to assist us in the auditing services they will provide the Authority for the Captive Insurance, SFP, audit services related to Lease Accounting and Integrated Reporting for the year ended 2022 and 2023, $1.0 million/year for two years and non-audit advisory services for process transformation and certain strategic transmission projects such as Clean Path New York and NY Transco, cost of which will be spread over the remaining period of the contract through 2024, $1.0 million/year for three years.

DISCUSSION

The Authority has contracted with KPMG for independent accounting services including annual audits of the Authority’s financial statements and related reporting on internal controls and investments. The contract contains a provision for engaging KPMG to perform other audit services and other non-audit advisory services which may include, but are not limited to, reviews and advice regarding taxes and internal process and procedural matters. Prior to engaging KPMG for non-audit services, the contract requires that the Authority’s audit committee approve each non-audit advisory service engagement.

In addition, New York State Public Authorities Law Section 2802 (5) prohibits the independent accountant who audits an authority’s financial statement from performing non-audit services without prior written approval of the Authority’s audit committee. The Authority’s Audit Committee Charter includes within its Functions and Powers section the responsibility to assure the independence of the independent accountants by approving any non-audit work for the Authority and examining the accountant’s relationship with the Authority.

The Audit Committee is authorized to approve the engagement of KPMG to provide such services at the July 14, 2022, meeting under the existing contract with KPMG for independent accounting services.

FISCAL INFORMATION

Services under this contract will be provided on an as-needed basis. Expenditures for these contracts will be paid from the Authority’s Capital or Operating Fund, which may include the proceeds of debt issuance, as appropriate and will be included in the Proposed Four-Year Budget and Finance Plan.

RECOMMENDATION

The Executive Vice President and Chief Financial Officer and the Controller request that the Audit Committee recommend that the Board of Trustees approve the target value of the KPMG personal services contract, under the existing contract with KPMG, for independent accounting services by $5,000,000 for a total aggregate value of $10,200,000.

In addition, it is requested that the Audit Committee authorize the engagement of KPMG to provide audit associated with the Captive Insurance, SFP, audit services related to Lease Accounting and Integrated Reporting and non-audit advisory services associated with process transformation and certain strategic transmission projects such as Clean Path New York and NY Transco- under the existing contract with KPMG for independent accounting services.
For the reasons stated, I recommend approval of the above requested actions by adoption of the resolution below.

Justin E. Driscoll
Interim President and Chief Executive Officer
RESOLUTION

RESOLVED, That the Audit Committee recommends that the Trustees approve an increase of funds to the personal service contract of KPMG LLP (“KPMG”) in the amount of $1 million/year for two years for audit services and $1 million/year for three years for non-audit advisory services for a total contract amount of $10,200,000; and be it further

RESOLVED, That the Audit Committee authorize the engagement of KPMG to provide audit associated with the Captive Insurance, SFP, audit services related to Lease Accounting and Integrated Reporting and non-audit advisory services associated with process transformation and certain strategic transmission projects such as Clean Path New York and NY Transco- under the existing contract with KPMG for independent accounting services; and be it further

RESOLVED, That the Chairman, the Vice Chair, the Interim President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Interim Executive Vice President and General Counsel.
MINUTES OF THE REGULAR MEETING
OF THE
NYP A AND CANAL AUDIT COMMITTEE
March 18, 2022

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<tr>
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<td>1. Adoption of the March 18, 2022 Proposed Meeting Agenda</td>
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<tr>
<td>2. Motion to Conduct an Executive Session</td>
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<tr>
<td>3. Motion to Resume Meeting in Open Session</td>
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<tr>
<td>4. DISCUSSION AGENDA:</td>
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<td>b. New York Power Authority 2021 Annual Audit Results</td>
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<td>c. New York Power Authority and Canal Corporation Internal Audit Update</td>
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<tr>
<td>d. New York Power Authority and Canal Corporation 2022 Environmental,</td>
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</tr>
<tr>
<td>Health and Safety Compliance Audit Plan</td>
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<tr>
<td>5. CONSENT AGENDA:</td>
<td>9</td>
</tr>
<tr>
<td>a. Approval of the Joint Minutes of the Regular Meeting held on</td>
<td>9</td>
</tr>
<tr>
<td>December 7, 2021</td>
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<tr>
<td>6. Motion to Conduct an Executive Session</td>
<td>10</td>
</tr>
<tr>
<td>7. Motion to Resume Meeting in Open Session</td>
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<tr>
<td>8. Next Meeting</td>
<td>10</td>
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<tr>
<td>Closing</td>
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</table>
March 18, 2022

Minutes of the meeting of the New York Power Authority and Canal Corporation’s Audit Committee, held via videoconference, at approximately 8:00 a.m.

The following Members of the Audit Committee were present:

Eugene Nicandri, Chairman  
John R. Koelmel  
Anthony J. Picente, Jr.  
Bethaida González  
Dennis Trainor

Also in attendance were:

Justin E. Driscoll  
Phil Toia  
Adam Barsky  
Joseph Kessler  
Kristine Pizzo  
Lori Alesio  
Sarah Salati  
Daniella Piper  
Yves Noel  
Robert Piascik  
Angela Gonzalez  
Patricia Lombardi  
Scott Tetenman  
Adrienne Lotto Walker  
Eric Meyers  
Andrew Boulais  
John Canale  
Joseph Gryzlo  
Shirley Marine  
Fabio Mantovani  
Victor Costanza  
Earl Faunlagui  
Joseph Rende  
Kandapa Jinvit  
John Markowitz  
Sundeep Thakur  
Carley Hume  
Eric Rotfeld  
Glenn Haake  
Lorna Johnson  
Sheila Quatrorocci  
Michele Stockwell  
Christopher DaVanzo  
Mr. Scott Heiser

Interim President and Chief Executive Officer  
President NYPA Development  
Executive Vice President and Chief Financial Officer  
Executive Vice President and Chief Operating Officer  
Executive Vice President and Chief Human Resources & Administrative Officer  
Interim Executive Vice President and General Counsel  
Executive Vice President Chief Commercial Officer  
Regional Manager and Senior Vice President  
Senior Vice President and Chief Strategy Officer  
Senior Vice President and Chief Information & Technology Officer  
Senior Vice President – Internal Audit  
Senior Vice President – Project Delivery  
Senior Vice President – Finance  
Vice President and Chief Risk & Resilience Officer  
Vice President and Chief Information Security Officer  
Vice President – Project & Construction Management  
Vice President – Strategic Supply Management  
VP and Chief Ethics & Compliance Officer  
Vice President – Enterprise Shared Services  
Vice President – Head of e-Mobility  
Senior Director – Cyber Security & Deputy CISO  
Senior Director – Market & Commodities Risk  
Senior Director Key Account Management  
Senior Director Internal Business Controls  
Senior Director eMobility  
Controller  
Chief of Staff  
Principal Attorney II  
Special Counsel 1  
Senior Associate Corporate Secretary  
Associate Corporate Secretary  
Project Coordinator - Corporate Secretary  
Lead Senior Audit Manager (KPMG)  
Lead Audit Manage (KPMG)

Chairman Eugene Nicandri presided over the meeting. Corporate Secretary Delince kept the Minutes.
Introduction

Chairman Nicandri welcomed committee members and senior staff to the meeting. He said the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to section B(4) of the Audit Committee Charter.

1. Adoption of the March 18, 2022 Proposed Meeting Agenda

On motion made by Member John Koelmel and seconded by Member Bethaida González, the agenda for the meeting was unanimously adopted.

Conflicts of Interest

Chairperson Nicandri stated there were no conflicts of interest based on the list of entities previously provided to Committee Members for their review.

2. Motion to Conduct an Executive Session

On motion made by Member John Koelmel and seconded by Member Bethaida González, an executive session was held to discuss the financial and credit history of a particular corporation pursuant to Section 105(f) of the New York State Public Officers Law.

3. Motion to Resume Meeting in Open Session

On motion made by Member John Koelmel and seconded by Member Bethaida González, the meeting resumed in open session.

Chairperson Nicandri said no votes were taken during the executive session.

4. DISCUSSION AGENDA:


Mr. Adam Barsky, Executive Vice President and Chief Financial Officer, provided highlights of the Financial Report for the year ended December 31, 2021 to the members.

2021 Consolidated Net Income – Actual vs. Budgeted
As reported at the last meeting, the Authority ended the year with a Net Income of $72 million; this is ahead of the budget by $31 million.

EBIDA showed an improvement on the Income Statement with $491 million versus $428; the difference being the increase in depreciation and non-cash items.

Comparing year 2021 to 2020, Actuals were significantly better by $89 million; last year there was a $17 million loss. There was also significant improvement in EBIDA, $126 million.
Summary of Consolidated State of Net Position

The Balance Sheet remains very strong with robust liquidity, meeting or exceeding all the Authority’s debt ratios, which is used to maintain its AA ratings. The Authority has ample liquidity and sufficient funds to continue to manage and fund its capital programs as well as its other business operations. In addition, the changes made to OPEB, integration of the Canals and the Medicare Advantage resulted in a decrease in liabilities, further strengthening the Balance Sheet.

2021 Financial Highlights

- Variance – the high points remain the same that revenues did better because of the increased or improved energy pricing on the Authority’s portfolio. This was somewhat offset by increased O&M expenses and higher depreciation, and also lowered expenses from the impact of the OPEB integration and the Medicare Advantage.

- Investment income – lower than the originally forecasted by $9 million.

- Total Assets increased - $341 million; Liabilities decreased by $269 million.

- The Authority received payment of $43 million during the year from the State for payment of the temporary asset transfer. Based on the original $318 million that was transferred, only $43 million remains to be paid, after which the asset transfer will be fully paid.

On motion made by member Anthony Picente and seconded by member Bethaida González, the New York Power Authority’s Year-End 2021 Financial Report as submitted by the Executive Vice President and Chief Financial Officer, was unanimously approved by the members of the Audit Committee.

b. New York Power Authority 2021 Annual Audit Results

Mr. Scott Heiser, KPMG's Lead Audit Manager, and Mr. Christopher DaVanzo, Lead Senior Audit Manager, presented KPMG's 2021 Annual Audit Results to the committee. He said that KPMG has the same Client Service team that was communicated to the committee in December.

OPEB Update

At the election of the Authority, the measurement date to the OPEB Plan was changed to June 30, 2021. The merger of the NYPA and Canal plan required extra efforts on the fiduciary audits, Actuary involvement, changing of discount rate and changing of assumptions. However, based on the procedures performed, KPMG is comfortable with management’s accounting.

Allowance for Funds Used During Construction

The management did an assessment of the Allowance for Funds used during Construction (“AFUDC”), related to the equity component, regulatory concept for amounts that the Authority is ultimately allowed to recover. KPMG did an assessment and is comfortable with the amount that has been recorded by NYPA.

Audit Findings

KPMG’s final communication, its standard letter, will mention two audit differences, one related to AFUDC and the impacts of the prior year that management corrected this year and a carry-forward of last year’s entry. KPMG has no audit adjustments as relates to the 2021 audit.
Mr. DaVanzo provided highlights of the Audit Results. He said that KPMG expects to be in a position to issue its reports in connection with the Authority’s consolidated financial statements on or about March 30.

To date, the following matters are outstanding:
- Completion of the final audit procedures, including reviews;
- Populating the audit misstatements and the evaluation related to this matter;
- Final tie-out and review of the Authority’s financial statements; and
- Receipt of the management representation letter, external legal confirmations, and documents.

Upon completion, KPMG will be issuing an Independent Auditors’ Report; a Report on Internal Controls in accordance with Government Auditing Standards; and a Report on Investment Compliance which are consistent with its deliverables in prior years.

## Audit Results, Required Communications and Other Matters:

### Audit Results

- An uncorrected audit misstatement related to the AFUDC will be included in a schedule provided to NYPA upon issuance.

- There are no matters to report as it relates to:
  - Changes in the Risk Assessment and Planned Audit Strategy.
  - Non-compliance with laws and regulations or significant difficulties encountered during the audit.
  - Disagreements with Management.
  - Independence. KMPG assessed its independence throughout the period of the audit and will provide an update as of the issuance date.

### Internal Controls

KPMG considered internal controls in the performance of its audit, but they are not expressing an opinion on the effectiveness of internal controls.

### Significant Risks

#### Management Override of Controls

Management override of internal controls is present at all entities. KPMG tested the design implementation, the operating effectiveness of controls over manual journal entries and any post-closing adjustments. In response, the team examined journal entries throughout the performance of the procedures ensuring that appropriate supporting documentation is included with each journal entry and reviewed accounting estimates for any bias. As it relates to management override of controls, the engagement team has determined that there are no matters to be reported as of December 31, 2021.

### Accounting Estimates

- Other Post Retirement Benefits (OPEB) is accounted for in accordance with GASB 75. Management uses a third-party expert, Buck Consultants, to determine other post-retirement obligations.

- KPMG engaged an Actuary to review the Authority’s actuarial valuation as of December 31, 2021, including the key assumptions.

- KPMG tested census data provided by the Authority.
- KPMG tested the fair value of the Authority’s plan assets using the National Pricing Desk, KPMG’s internal investment valuation specialist.

- KPMG Confirmed the value of the Authority’s plan assets.

**OPEB Update**

There were three main changes to the OPEB Plan, namely, combining and integrating Canals into the NYPA plan; the change to the measurement date to June 30, 2021; and the Medicare Advantage Plan which was implemented.

**Pensions (GASB 68)**

- NYPA participates in the New York State Pension Plan and reports its pension expense, pension liability, deferred outflows, and deferred inflows as a proportionate share of the State Plan.

- KPMG procedures involve engaging an Actuary to review the assumptions of the State Plan and evaluation of the Plan. The engagement team recalculated pension expense based on that proportionate share.

**Valuation of Marketable Securities**

**Management Process used to develop the estimates:**

- The management process used to develop the estimates is to record investments at fair value and mark those to market at year’s end.

- KPMG confirmed all these investment balances as of year’s end.

- KPMG also engaged the National Pricing Desk to price these investments.

- KPMG performed procedures over the Power Authority’s investment compliance, ensuring that investments were in compliance with the Board’s approved policies.

**Valuation of Derivatives**

**Management Process used to develop the estimates:**

The valuation of derivatives is recorded at fair value and is accounted for under GASB 53.

- KPMG confirmed the Power Authority’s open positions as of December 31, 2021.

- KPMG reconciled those open positions to the presentation on the financial statements as assets and liabilities.

- KPMG engaged a specialist to independently test the fair value using market prices at year’s end which are being used to record the derivative at fair value.

**Significant audit areas**

**Long-term debt**

- The engagement team confirmed outstanding long-term debt obligations, short-term obligations, and the line of credit.

- The team tested materials activities such as debt repayments, during the period. They also recalculated interest expense for the 12-month period ended December 31, 2021.
Capital Assets and Allowance for Funds Used During Construction
The engagement team performed the following procedures:

- Roll-forward of Construction Work-in-Progress and Plant-in-Service balances from prior year to current year.
- Tested material activity, such as additions to capital projects. The team placed emphasis on the capitalization of those projects, making sure that the items were appropriately capitalizable.
- As it relates to items placed into service during the year, the team ensured that they were timely transferred, validating that depreciation was starting at the correct point in time and that the asset grouping was appropriate for those assets that were placed in service.
- Performed substantive analytical procedures over depreciation expense for the 12-month period ended December 31, 2021.
- The procedures related to AFUDC were audited for the period 2016 to 2020. The team tested inputs utilized in the calculation such as CWIP balance and the AFUDC Rate. They also recalculated the total amount of AFUDC recorded in 2021 for those prior years.
- Reviewed and performed procedures over the Power Authority's adoption of GASB 89, implemented this year, which is a presentation issue of interest capitalized during construction.

Revenue
The engagement team performed the following procedures:

- Confirmed accounts receivables with the NYISO and SENY/Wholesale customers as of December 31, 2021.
- Performed detailed test work over the revenue transactions with SENY/Wholesale customers and NYISO and agreeing cash receipts for those revenue transactions.
- Performed detailed recalculation of those invoices by taking the prices charged to customers and agreeing them back to approved tariffs.
- No matters to report related to revenue as of December 31, 2021.

Newly Effective Accounting Standards
GASB Statement No. 89 was adopted this year and states that interest incurred before the end of the construction period can no longer be capitalized; however, there is an exception for public utilities which states that a public utility can record it, but it can no longer record it in the asset group. It needs to be broken out separately as a regulatory asset, which the Power Authority has appropriately adopted for this year.

GASB Statement No. 87, Leases, and GASB Statement No. 91, Conduit Debt Obligations, will have an impact on the Authority and are being evaluated by the engagement team. The other statements will be evaluated but are not expected to have a material impact on the Authority’s financial statements.

New Auditor Reporting Standards
KPMG provided a draft of the Auditor Report which it expects to issue at the end of the month. Mr. Heiser then highlighted some changes in the report as follows:

- The Opinion Section is presented first, followed by the basis for the opinion section.
- Statements documenting that the auditor is required to be independent of the entity is included.
- It expands on the management’s responsibility as it relates to a going concern as well as the auditors’ responsibility for identifying conditions that are indicative of a going concern issue.
Mr. Heiser ended that, included in the Appendix of the presentation is information on the diversity goals of KPMG and a transparency report related to its commitment to audit quality.

c. New York Power Authority and Canal Corporation Internal Audit Update

Ms. Angela Gonzalez, Senior Vice President of Internal Audit, provided an update on the New York Power Authority and Canal Corporation Internal Audit Plan.

2022 Audit Plan Status
- 42 projects are included in the NYPA and Canals Audit Plan. To date, no changes have been made to the Plan. Based on IA’s quarterly review of upcoming audits for Q2, it was found that the audits scheduled are still relevant to be addressed.
- Two audit reports have been issued, to date. Three have been moved to the reporting stage and are expected to be issued within the next week.
- Two audits are in field work and will be issued by the end of the month or early April.
- Planning for six audits are in progress.

Internal Audit has made a good start executing the Audit Plan.

2021 Environmental, Health & Safety Compliance Audit Plan Status
- The audit year for the EH&S Plan extends from April to March.
- 4 compliance audits are included in the Audit Plan which will be completed by the end of March.
- 2 audit reports were recently issued, to date, and 2 are in the reporting stage. IA is on target to issue the last report by the end of March.

2021 Observations Summary Status – NYPA and Canals
- In 2021, 98 observations were identified 36 of which were open as of March 10, 2022. One 2020 observation remains open for NYPA. This observation is medium-rated and due to close on September 30, 2022 to allow for implementation of automation necessary for remediation.
- 63% percent of the 2021 open observations have been closed ahead of time or on time. This signifies management’s efforts towards risk mitigation and remediation with minimal observation extensions. All observations are on track to close within their due dates.

2021 Open Observation Summary Status – Environmental, Health & Safety Compliance
- As of March 10, 2022, 10 observations remain open.
- A total of 27 observations were identified 10 of which were rated high and 17 rated medium. There were no low-rated observations. Of the 27 observations, Site Management closed 17 observations (7 high and 10 medium). There were no violations of external laws and regulations that resulted in substantial risk to the environment, health and safety to the employees or customers that could lead to any legal penalties.
- All 2021 open observations are also on track to close within the three- to nine-month timeframe.

Internal Audit Strategy
**Data Analytics**

The Data Analytics team is working on tasks to run data analytics routines. This represents the move towards continuous auditing; the more routines that the team creates, the more they will observe if there are any outliers that they need to pay attention to. The team is in the process of building two more routines at this time.

**GRC Optimization**

- The Observation Management model is in production. All 2022 audit observations will be recorded in that module. The team will be tracking closures in the module as well.

- Tracking for all 2021 and one open 2020 observation will continue in SharePoint until all observations are closed.

**CAE Required Communications to the Audit Committee** are the standard communication requirements to the Audit Committee.

**d. New York Power Authority and Canal Corporation 2022 Environmental, Health and Safety Compliance Audit Plan**

Ms. Angela Gonzalez, Senior Vice President of Internal Audit, provided an update on the Authority’s and Canal Corporation’s 2022 Environmental, Health and Safety (“EH&S”) Compliance Audit Plan. She said that the 2022 EH&S Compliance Audit Plan reflects a defined risk-scored universe and has eight entities in the universe. All of the projects that make-up the Plan are based on the risk ranking of the audit entity, the last audit year, and emerging risks.

Internal Audit engaged with key stakeholders, Risk Management, and other Business Units to get their input on potential risks in this space. The Plan is aligned to Internal Audit’s ESG Foundational Pillar as well as its Workforce, Health and Safety top enterprise risk. Internal Audit have expanded the program to include Commercial Operations’ construction projects.

Internal Audit is requesting that the Audit Committee approve the 2022 EH&S Compliance Audit Plan.

**2022 Risk Assessment and Annual EH&S Compliance Audit Planning**

The 2022 Risk Assessment and Audit Planning process include:

- **Internal Inputs** - reviewing prior audit results and observations; strategic initiatives and top enterprise risks.

- **Key Stakeholders** - engaging NYPA/Canals stakeholders to get their input on EH&S requirement changes.

- **External inputs** — reviewing for changes in industry regulations. Consulting with third-party vendors that are experts in EH&S auditing.

- **Audit Universe Development** - creating the audit universe — eight entities created.

- **Audit Plan** – Audit Plan created based on available resources.

- **EH&S Subcommittee / Audit Committee** – The Subcommittee includes personnel from EH&S, Law, Ethics and Compliance, and Utility Operations departments to obtain their input on the Plan.

The Plan is presented to the Audit Committee for the members’ review and approval.
Audit Universe and 2022 EH&S Compliance Audit Plan

Audit Universe
The Environmental, Health & Safety (“EH&S”) Audit Universe contains eight entities (NYPA 6 and Canals 2). The entities are categorized by type and size of the facility and the construction projects at the facilities. Internal Audit used a risk model to arrive at risk scores which include risk factors such as Legal, Operations, Environmental, Health and Safety, facility size, project size, EH&S compliance budget, technology, and control risks.

Audit Universe Cycle
Internal Audit applied an audit cycle to the overall EH&S Audit Universe which is be based on a six-year cycle. Audit projects in each year’s plan will focus on high, medium, and low-rated audit entities and will allow Internal Audit to cover NYPA’s compliance with the EH&S regulatory and internal requirements.

EH&S Compliance Audit Plan Summary
The EH&S 2022 Compliance Audit Plan includes five projects, two of which are related to Hydro Generating Facilities - Niagara and St. Lawrence; three are Construction Projects - Niagara Transmission Life Extension & Modernization Project, construction at Canals Lockport site, and one Commercial Operations energy efficiency project.

The EH&S Compliance Audit Program has been further expanded to include Commercial Operations energy efficiency, e-Mobility, and New York Energy Manager construction projects.

2022 EH&S Compliance Audit Plan Approval Request
Internal Audit requests that the Audit Committee approve the 2022 Environmental, Health & Safety Compliance Audit Plan.

On motion made by member John Koelmel and seconded by member Anthony Picente, the 2022 Environmental Health & Safety Compliance Audit Plan was unanimously approved.

5. CONSENT AGENDA:

On motion made by member John Koelmel and seconded by member Bethaida González, the Consent Agenda was unanimously approved.

   a. Approval of the Joint Minutes of the Regular Meeting held on December 7, 2021

On motion made and seconded, the Minutes of the Regular Meeting of the Audit Committee held on December 7, 2021 was unanimously approved.
6. **Motion to Conduct an Executive Session**

   On motion made by Member John Koelmel and seconded by Member Bethaida González, an executive session was held to discuss the financial and credit history of a particular corporation pursuant to Section 105(f) of the New York State Public Officers Law.

7. **Motion to Resume the Meeting in Open Session**

   On Motion made by member John Koelmel and seconded by member Bethaida González, the meeting resumed in open session.

   Chairperson Nicandri said no votes were taken during the executive session.

8. **Next Meeting**

   Chairperson Nicandri said that the next regular meeting of the Audit Committee will be held on July 14, 2022 at a time to be determined.

**Closing**

   On motion made by Member Anthony Picente and seconded by Member Bethaida González, the meeting was adjourned at approximately 10:00 a.m.

Karen Delince
Karen Delince
Corporate Secretary
Date:       July 14, 2022
To:         AUDIT COMMITTEE
From:       THE INTERIM PRESIDENT and CHIEF EXECUTIVE OFFICER
Subject:    New York Power Authority and Canal Corporation Audit Committee Charter

SUMMARY

The members of the Audit Committee are requested to adopt the Authority’s and the Canal Corporation’s Audit Committee Charter as set forth in Exhibit ‘A’ of this item, and to recommend its adoption to the Authority’s Trustees and the Canal Corporation Board of Directors.

BACKGROUND

The Authority’s and the Canal Corporation’s Audit Committee Charters were last amended on July 15, 2021 as a result of updates to the Finance and Risk Committee Charter, changes were made to the Audit Committee Charters to remove responsibilities for Accounting, Financial Reporting, Controller, Risk Management, and Internal Controls under these charters for both the Authority’s and the Canal Corporation’s Audit Committee Charters. In addition, Internal Audit incorporated responsibility for the Environmental Health and Safety (EH&S) Compliance Audit Program, and changes were made to the Audit Committee Charters to reflect this.

As a result of combining the Authority’s and the Canal Corporation’s Audit Committee Charters to one Charter for both entities and incorporating the responsibility of the Audit Committee to provide direction and guidance for external audits applicable to the New York Power Authority, changes were made to the Audit Committee Charter to reflect this.

FISCAL INFORMATION

None.

RECOMMENDATION

The Interim Executive Vice President and General Counsel recommends that the Audit Committee adopt the Authority’s and the Canal Corporation’s Audit Committee Charter and recommends its adoption to the Trustees and the Canal Corporation Board of Directors.

The following resolution was unanimously approved by the members.
RESOLUTION

RESOLVED, That the Authority and Canal Corporation Audit Committee Charter be adopted in the form proposed, and be it further

RESOLVED, That the Audit Committee recommends the adoption of the Authority and Canal Corporation Audit Committee Charter to the Authority’s Trustees and the Canal Board of Directors.
AUDIT COMMITTEE CHARTER

A. PURPOSE

The Audit Committee (“Committee”) of the New York Power Authority (“Authority”) Board of Trustees (“Trustees”) and the New York State Canal Corporation (“Corporation”) Board of Directors (“Board of Directors”) oversees the work of the Internal Audit Department and monitors all internal audits and external audits performed by the Independent Auditor and other external agencies as well as management’s corrective action and implementation plans to all audit findings.

The responsibilities of the Committee are to: recommend to the Trustees/Board of Directors the hiring of a certified independent accounting firm for the Authority/Corporation, establish the compensation to be paid to the accounting firm and provide direct oversight of the performance of the independent audit conducted by the accounting firm hired for such purposes, provide direct oversight of the Internal Audit Department, and perform such other responsibilities as the Trustees/Board of Directors may assign it. The Committee is also responsible to provide oversight and guidance for external audits applicable to the Authority/Corporation.

B. MEMBERSHIP AND ORGANIZATION

(1) Committee Composition

The Committee will be comprised of at least three independent members of the Trustees/Board of Directors, who possess the necessary skills to understand the duties and functions of the Committee and be familiar with corporate finance and accounting. Committee members and the Committee Chair will be selected by a vote of the Trustees/Board of Directors.

Committee members are prohibited from being an employee of the Authority/Corporation or an immediate family member of an employee of the Authority/Corporation. In addition, Committee members shall not engage in any private business transactions with the Authority/Corporation or receive compensation from any private entity that has material business relationships with the Authority/Corporation or be an immediate family member of an individual that engages in private business transactions with the Authority/Corporation or receives compensation from an entity that has material business relationships with the Authority/Corporation.

(2) Term

Committee members will serve for a period of five years subject to their term of office under Public Authorities Law § 1003. Committee members may be re-elected to serve for additional periods of five years subject to their term of office. A Committee member may resign his or her position on the Committee while continuing to serve as a Trustee/Board
of Director. In the event of a vacancy on the Committee due to death, resignation or otherwise, a successor will be selected to serve in the manner and for the term described above.

**Removal**

A Committee member may be removed if he or she is removed as a Trustee/Board of Director for cause, subject to Public Authorities Law § 2827, or is no longer eligible to serve as a Committee member.

**3. Meetings and Quorum**

The quorum of the Committee is a majority of the number of regular Committee members selected by the Trustees/Board of Directors.

A majority vote of all Committee members present is required to take action on a matter. The Committee shall hold regularly scheduled meetings at least three times per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the President and Chief Executive Officer (“CEO”), Executive Vice President and General Counsel (“GC”), or Chief Audit Executive of the Internal Audit Department (“CAE”). The notice of meeting need not state the purpose for which the meeting has been called. In order to transact business, a quorum must be present.

In addition, the Committee: (1) will meet at least three times a year with the CAE for the purpose of reviewing audit activities, audit findings, management’s response, remediation action plans, and providing the CAE with an opportunity to discuss items and topics of relevance with the Committee; (2) will meet at least twice a year with the independent auditors to discuss the audit work plans, objectives, results and recommendations; and (3) may meet independently with the CEO, GC or CAE on matters or issues and items within the Committee’s purview as it deems necessary. These meetings may be held as part of a regular or special meeting at the Committee’s discretion.

An agenda will be prepared and distributed to each Committee member prior to each meeting and minutes of each meeting will be prepared in accordance with the New York Open Meetings Law. Minutes of the meeting should include, at a minimum:

- Date; location; time meeting was called to order and adjourned; and if other Board committee (e.g., Finance & Risk Committee) is meeting simultaneously.
- Title and name of attendees; public comments period; title and name of public speakers.
- Approval of the official proceedings of the previous month’s Committee meeting.
- Pre-Approval of audit and non-auditing services as appropriate, all auditing services and non-audit services to be performed by independent auditors will be presented to and pre-approved by the Committee:
  1. **External Audit Approach Plans:** Independent auditor presents approach/service plan, which is to be submitted to the Committee electronically.
  2. **Internal Audit Activity Report:** CAE provides overview of Internal Audit activities.
- Follow-up items including communications to the Committee of the current status of selected open issues, concerns, or matters previously brought to the Committee’s attention or requested by the Committee.
- Status of audit activities as appropriate; representatives of the certified independent accounting firm or agency management will discuss with the Committee significant
audit findings/issues, the status of on-going audits, and the actions taken by agency management to implement audit recommendations.

g. Copies of handouts or materials presented to the Committee.

Any meeting of the Committee may be conducted by video conferencing. To the extent permitted by law, the Committee may hold meetings or portions of meetings in executive session.

C. FUNCTIONS AND POWERS

The Committee has the following responsibilities:

(1) General Powers

The Committee may call upon the resources of the Authority/Corporation to assist the Committee in the discharge of its oversight functions. Such assistance may include the assignment of staff and the retention of external advisors subject to the requirements of the Public Authorities Law and the Authority’s Expenditure Authorization Procedures. The Committee may communicate directly with the CEO.

The Committee may direct any employee to make oral or written reports to the Committee on issues and items within the Committee’s purview.

The Committee may direct the internal auditors to conduct special audits of items and issues of concern to the Committee.

(2) Oversight of Independent Auditors

The Committee will oversee the relationship with the independent auditors. To accomplish these objectives, the Committee will:

a. Provide advice to the Trustees/Board of Directors on the selection, engagement, compensation, evaluation, and discharge of the independent auditors.

b. Review and discuss as necessary the financial statements including any material changes in accounting principles and practices with the independent auditors or members of management.

c. Review and approve the annual audited financial statements (including the independent auditors’ associated management letter).

d. Oversee the establishment of procedures for the effective receipt and treatment of (i) matters regarding auditing, internal auditing, and accounting matters, and (ii) the confidential submission of concerns raised by whistleblowers and other persons regarding accounting or auditing practices.

e. Review at least annually the scope, objectives, and results of the independent auditors’ examination of the annual financial statements and notes, and report to the Trustees/Board of Directors on the Committee’s findings.
f. Assure the independence of the independent auditors by approving any non-audit work by them for the Authority/Canal Corporation and examining the independent auditor’s relationship with the Authority/Canal Corporation.

g. Report to the Trustees/Board of Directors on any matters relevant to the audit process or independent auditor’s communications and make such recommendations as the Committee deems appropriate.

(3) Oversight of the Internal Audit Department

The Internal Audit Department and CAE will report directly to the Committee. Accordingly, the Committee will:

a. Have authority over appointment, dismissal, compensation, and performance reviews of the CAE.

b. Review the charter, activities, staffing and organizational structure of the Internal Audit Department with the CEO and the CAE.

c. Ensure that the Internal Audit Department is organizationally independent from Authority/Corporation operations.

d. Provide oversight of the Internal Audit Department and its resources and activities to facilitate the Internal Audit Department’s improvement of internal controls.

e. Provide oversight for the EH&S Compliance Audit Program as part of Internal Audit’s audit activities to ensure an independent assessment is conducted for EH&S compliance at the facilities.

f. Review Internal Audit reports and recommendations of the CAE. This review will include a discussion of significant risks reported in the Internal Audit reports, and an assessment of the responsiveness and timeliness of management’s follow-up activities pertaining to the same.

g. Require the CAE to attend any meeting of the Committee and to prepare and deliver such reports as the Committee requests.

h. Present periodic reporting to the Trustees/Board of Directors on how the Committee has discharged its duties and met its responsibilities, and regularly report activities, issues, and recommendations.

i. Review the Committee’s charter annually, reassess its adequacy, and recommend any proposed changes to the Trustees/Board of Directors.

j. Conduct an annual self-evaluation of performance, including its effectiveness and compliance with the charter.

Standards Conformance

k. Inquire of the CAE about steps taken to ensure that the internal audit activity conforms with the IIA’s International Standards for the Professional Practice of Internal Auditing (Standards).
l. Ensure the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the Audit Committee.

m. Ensure that the internal audit activity has an external quality assurance review every five years.

n. Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity’s action plans to address any recommendations.

o. Advise the Trustees/Board of Directors about any recommendations for the continuous improvement of the internal audit activity.

(4) Oversight for External Audits

The Committee will provide oversight for any external audits including the Office of the State Comptroller, Inspector General investigations, and substantive Freedom of Information Law requests. Accordingly, the Committee will:

a. Receive all external requests, investigations, and audit notifications from the requesting entity.

b. Receive information at significant milestones during the request, investigation or audit regarding:

1. Preliminary reports of findings.
2. Final draft reports.
3. Management resolutions due 180 days after publication.

c. Provide sign-off on management comments to final draft reports.
AUDIT COMMITTEE CHARTER

A. PURPOSE

The Audit Committee ("Committee") of the New York Power Authority ("Authority") Board of Trustees ("Trustees") and the New York State Canal Corporation ("Corporation") Board of Directors ("Board of Directors") oversees the work of the Internal Audit Department and monitors all internal audits and external audits performed by the Independent Auditor and other external agencies as well as management’s corrective action and implementation plans to all audit findings.

The responsibilities of the Committee are to: recommend to the Board of Trustees/Board of Directors the hiring of a certified independent accounting firm for the Authority/Corporation, establish the compensation to be paid to the accounting firm and provide direct oversight of the performance of the independent audit conducted by the accounting firm hired for such purposes, provide direct oversight of the Internal Audit Department, and perform such other responsibilities as the Trustees/Board of Directors may assign it. The Committee is also responsible to provide oversight and guidance for external audits applicable to the Authority/Corporation.

B. MEMBERSHIP AND ORGANIZATION

(1) Committee Composition

The Committee will be comprised of at least three independent members of the Board of Trustees/Board of Directors, who possess the necessary skills to understand the duties and functions of the Committee and be familiar with corporate finance and accounting. Committee members and the Committee Chair will be selected by a vote of the Board of Trustees/Board of Directors.

Committee members are prohibited from being an employee of the Authority/Corporation or an immediate family member of an employee of the Authority/Corporation. In addition, Committee members shall not engage in any private business transactions with the Authority/Corporation or receive compensation from any private entity that has material business relationships with the Authority/Corporation or be an immediate family member of an individual that engages in private business transactions with the Authority/Corporation or receives compensation from an entity that has material business relationships with the Authority/Corporation.
(2) **Term**

Committee members will serve for a period of five years subject to their term of office under Public Authorities Law § 1003. Committee members may be re-elected to serve for additional periods of five years subject to their term of office. A Committee member may resign his or her position on the Committee while continuing to serve as a Trustee/Board of Director. In the event of a vacancy on the Committee due to death, resignation or otherwise, a successor will be selected to serve in the manner and for the term described above.

**Removal**

A Committee member may be removed if he or she is removed as a Trustee/Board of Director for cause, subject to Public Authorities Law § 2827, or is no longer eligible to serve as a Committee member.

(3) **Meetings and Quorum**

The quorum of the Committee is a majority of the number of regular Committee members selected by the Board of Trustees/Board of Directors.

A majority vote of all Committee members present is required to take action on a matter. The Committee shall hold regularly scheduled meetings at least three times per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the Authority’s President and Chief Executive Officer (“CEO”), Executive Vice President and General Counsel (“GC”), or Chief Audit Executive of the Internal Audit Department (“CAE”). The notice of meeting need not state the purpose for which the meeting has been called. In order to transact business, a quorum must be present.

In addition, the Committee: (1) will meet at least three times a year with the CAE for the purpose of reviewing audit activities, audit findings, management’s response, remediation action plans, and providing the CAE with an opportunity to discuss items and topics of relevance with the Committee; (2) will meet at least twice a year with the Authority’s independent auditors to discuss the audit work plans, objectives, results and recommendations; and (3) may meet independently with the Authority’s CEO, GC or CAE on matters or issues and items within the Committee’s purview as it deems necessary. These meetings may be held as part of a regular or special meeting at the Committee’s discretion.

An agenda will be prepared and distributed to each Committee member prior to each meeting and minutes of each meeting will be prepared in accordance with the New York Open Meetings Law. Minutes of the meeting should include, at a minimum:

a. Date; location; time meeting was called to order and adjourned; and if other Board committee (e.g., Finance & Risk Committee) is meeting simultaneously.

b. Title and name of attendees; public comments period; title and name of public speakers.

c. Approval of the official proceedings of the previous month’s Committee meeting.

d. Pre-Approval of audit and non-auditing services as appropriate, all auditing services and non-audit services to be performed by independent auditors will be presented to and pre-approved by the Committee.
1. External Audit Approach Plans: Independent auditor presents approach/service plan, which is to be submitted to the Committee electronically.

2. Internal Audit Activity Report: CAE provides overview of Internal Audit activities.

e. Follow-up items including communications to the Committee of the current status of selected open issues, concerns, or matters previously brought to the Committee’s attention or requested by the Committee.

f. Status of audit activities, as appropriate; representatives of the certified independent accounting firm or agency management will discuss with the Committee significant audit findings/issues, the status of on-going audits, and the actions taken by agency management to implement audit recommendations.

g. Copies of handouts or materials presented to the Committee.

Any meeting of the Committee may be conducted by video conferencing. To the extent permitted by law, the Committee may hold meetings or portions of meetings in executive session.

C. FUNCTIONS AND POWERS

The Committee has the following responsibilities:

(1) General Powers

The Committee may call upon the resources of the Authority/Corporation to assist the Committee in the discharge of its oversight functions. Such assistance may include the assignment of Authority-staff and the retention of external advisors subject to the requirements of the Public Authorities Law and the Authority’s Expenditure Authorization Procedures. The Committee may communicate directly with the CEO.

The Committee may direct any Authority-employee to make oral or written reports to the Committee on issues and items within the Committee’s purview.

The Committee may direct the Authority’s internal auditors to conduct special audits of items and issues of concern to the Committee.

(2) Oversight of Independent Accountants Auditors

The Committee will oversee the relationship with the Authority’s independent accountants. To accomplish these objectives, the Committee will:

a. Provide advice to the Trustees/Board of Directors on the selection, engagement, compensation, evaluation, and discharge of the independent accountants.

b. Review and discuss as necessary the Authority’s financial statements including any material changes in accounting principles and practices with the independent accountants or members of Authority-management.

c. Review and approve the Authority’s annual audited financial statements (including the independent accountants’ associated management letter).
d. Oversee the establishment of procedures for the effective receipt and treatment of (i) matters regarding auditing, internal auditing, and accounting matters, and (ii) the confidential submission of concerns raised by whistleblowers and other persons regarding accounting or auditing practices.

e. Review at least annually the scope, objectives, and results of the independent auditors’ examination of the annual financial statements and notes, and report to the Trustees/Board of Directors on the Committee’s findings.

f. Assure the independence of the independent accountants/auditors by approving any non-audit work by them for the Authority/Canal Corporation and examining the independent auditor’s relationship with the Authority/Canal Corporation.

g. Report to the Trustees/Board of Directors on any matters relevant to the audit process or independent auditor’s accountant communications and make such recommendations as the Committee deems appropriate.

(3) Oversight of the Internal Audit Department

The Internal Audit Department and CAE will report directly to the Committee. Accordingly, the Committee will:

   a. Have authority over appointment, dismissal, compensation, and performance reviews of the CAE.

   b. Review the charter, activities, staffing and organizational structure of the Internal Audit Department with the CEO and the CAE.

   c. Ensure that the Internal Audit Department is organizationally independent from Authority/Corporation operations.

   d. Provide oversight of the Internal Audit Department and its resources and activities to facilitate the Internal Audit Department’s improvement of internal controls.

   e. Provide oversight for the EH&S Compliance Audit Program as part of Internal Audit’s audit activities to ensure an independent assessment is conducted for EH&S compliance at the Authority’s facilities.

   f. Review Internal Audit reports and recommendations of the CAE. This review will include a discussion of significant risks reported in the Internal Audit reports, and an assessment of the responsiveness and timeliness of management’s follow-up activities pertaining to the same.

   g. Require the CAE to attend any meeting of the Committee and to prepare and deliver such reports as the Committee requests.

   h. Present periodic reporting to the Trustees/Board of Directors on how the Committee has discharged its duties and met its responsibilities, and regularly report activities, issues, and recommendations.

   i. Review the Committee’s charter annually, reassess its adequacy, and recommend any proposed changes to the Trustees/Board of Directors.
j. Conduct an annual self-evaluation of performance, including its effectiveness and compliance with the charter.

**Standards Conformance**

k. Inquire of the CAE about steps taken to ensure that the internal audit activity conforms with the IIA’s International Standards for the Professional Practice of Internal Auditing (Standards).

l. Ensure the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the Audit Committee.

m. Ensure that the internal audit activity has an external quality assurance review every five years.

n. Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity’s action plans to address any recommendations.

o. Advise the Trustees/Board of Directors about any recommendations for the continuous improvement of the internal audit activity.

(4) **Oversight for External Audits**

The Committee will provide oversight for any external audits including the Office of the State Comptroller, Inspector General investigations, and substantive Freedom of Information Law requests. Accordingly, the Committee will:

a. Receive all external requests, investigations, and audit notifications from the requesting entity.

b. Receive information at significant milestones during the request, investigation or audit regarding:

   1. Preliminary reports of findings.
   2. Final draft reports.
   3. Management resolutions due 180 days after publication.

c. Provide sign-off on management comments to final draft reports.
Date: July 14, 2022
To: THE AUDIT COMMITTEE
From: THE INTERIM PRESIDENT and CHIEF EXECUTIVE OFFICER
Subject: New York Power Authority Internal Audit Charter

SUMMARY
The Audit Committee is requested to adopt the Authority’s Internal Audit Charter as presented and set forth in Exhibit ‘A’ of this item; and to recommend its adoption to the Trustees.

BACKGROUND
The Authority’s Internal Audit Charter was last amended on June 3, 2021 to include Internal Audit incorporating responsibility for the Environmental Health and Safety (EH&S) Compliance Audit Program. There were no additional changes to the Internal Audit Charter, and approval was granted by the Audit Committee at the July 15, 2021 Audit Committee meeting.

As a result of changes in administrative reporting for Internal Audit to the Interim President and Chief Executive Officer and incorporating the responsibility to communicate to the Audit Committee any external audit engagements or requests, status and obtain the Committee’s comments on engagement reports applicable to the Authority and the Canal Corporation, changes were made to the Internal Audit Charter to reflect this.

FISCAL INFORMATION
None.

RECOMMENDATION
The Interim Executive Vice President and General Counsel recommends that the Audit Committee adopt the Authority’s Internal Audit Charter and recommend its adoption to the Trustees.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.
RESOLUTION

RESOLVED, That the attached Authority Internal Audit Charter be adopted in the form proposed; and be it further

RESOLVED, That the Audit Committee recommend the adoption of the Authority’s Internal Audit Charter to the Trustees.
# Internal Audit Charter

**Exhibit A**  
**July 14, 2022**

Note: Revision # should be listed in descending order starting with most recent version at the top.

<table>
<thead>
<tr>
<th>Revision Date (For BCG Use Only)</th>
<th>Revision #</th>
<th>Description/Modification</th>
<th>Revision Section(s)</th>
<th>Author</th>
</tr>
</thead>
</table>
| 6/24/2022                        | 4          | Update to Charter to include Internal Audit’s responsibility for communicating to the Audit Committee regarding external audits or requests and change to Internal Audit line of reporting | Various Sections    | Angela Gonzalez  
SVP Internal Audit |
| 6/3/2021                         | 3          | Update to Charter to include Internal Audit responsibility for the Environmental Health and Safety (EH&S) Compliance Audit Program and added references to the Office of Ethics and Compliance | Various Sections    | Angela Gonzalez  
SVP Internal Audit |
| 7/16/2020                        | 2          | Update to Charter to align with the Institute of Internal Auditors International Professional Practices Framework (IPPF) e-Scribe | Various Sections    | Angela Gonzalez  
SVP Internal Audit |
| 10/5/2018                        | 1          | Update to Charter         | Various Sections    | Angela Gonzalez  
SVP Internal Audit |
| 12/17/2015                       | 0          | Creation of Charter  
This Charter replaces the Internal Audit Program Company Policy 5-1. There were 5 prior versions of the previous policy | N/A                 | Jennifer Faulkner  
SVP of Internal Audit |
PURPOSE

Purpose
The mission of the Internal Audit (IA) function is to provide independent, objective audit and advisory services designed to add value, manage risks, and improve NYPA and Canal Corporation (NYPA and Canals) operations. IA helps the organization accomplish its objectives by bringing a systemic and disciplined approach to evaluating and improving the effectiveness of NYPA and Canals governance, risk management, and internal controls. This includes processes designed to evaluate the effectiveness and efficiency of operations, ability to execute on strategic initiatives, reliability of financial reporting, and compliance with applicable laws and regulations.

Standards for the Professional Practice of Internal Auditing
IA 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 Chief Audit Executive (CAE) will report periodically to senior management and the Audit Committee of the Board of Trustees (Audit Committee) regarding the IA department's conformance to the Code of Ethics and the Standards.

Authority
The CAE will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the Interim President and Chief Executive Officer. To establish, maintain, and assure that NYPA and Canals' IA department has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the IA department’s charter.
- Approve the risk-based Internal Audit plan and EH&S Compliance Audit plan.
- Approve the IA department’s budget and resource plan.
- Receive communications from the CAE on the IA department’s performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the CAE.
- Approve the remuneration of the CAE.
- Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations.

The CAE will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including private meetings without management present. The CAE will also have access to the Executive Management Committee (EMC).
The Audit Committee authorizes the IA department to:

- Have full 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.
- Obtain assistance from the necessary NYPA and Canals personnel, as well as other specialized services from within or outside NYPA and Canals, to complete the engagement.

**Responsibilities**

The CAE has the responsibility to:

- Submit, at least annually, to executive management and the Audit Committee a risk based Internal Audit plan and EH&S Compliance Audit plan for review and approval.
- Communicate to executive management and the Audit Committee the impact of resource limitations on the Internal Audit plan and EH&S Compliance Audit plan.
- Review and adjust the Internal Audit plan and EH&S Compliance Audit plan, as necessary, in response to changes in NYPA and Canals’ business, risks, operations, programs, systems, and controls.
- Communicate to executive management and the Audit Committee any significant interim changes to the Internal Audit plan and EH&S Compliance Audit plan.
- Ensure each engagement of the Internal Audit plan and EH&S Compliance Audit plan is fully executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement observations and corrective actions, and report periodically to executive management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the IA department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the IA charter.
- Ensure trends and emerging issues that could impact NYPA and Canals are considered and communicated to executive management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the IA department.
- Ensure adherence to NYPA and Canals’ Code of Conduct and relevant policies and procedures, unless such policies and procedures conflict with the IA charter. Any such conflicts will be resolved or otherwise communicated to executive management, the Office of Ethics and Compliance and the Audit Committee.
- Ensure conformance of the IA department with the IIA Standards (Standards), with the following qualifications:
  - If the IA department is prohibited by law or regulation from conformance with certain parts of the Standards, the CAE will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
• If the Standards are used in conjunction with requirements issued by other authoritative bodies, the CAE will ensure that the IA department conforms with the Standards, even if the IA department also conforms with the more restrictive requirements of other authoritative bodies.

• In coordination with the Controller, Law Department, and the Corporate Secretary’s Office, communicate to the Audit Committee any external audit engagements or requests applicable to NYPA or the Canal Corporation; provide related updates on key audit developments and obtain comments on engagement reports prior to final issuance or publication.

INDEPENDENCE AND OBJECTIVITY

Independence and Objectivity
The CAE will ensure that the IA department 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 CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties, including the Chief Ethics and Compliance Officer.
Internal auditors will maintain an unbiased approach 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 financial or operational duties for NYPA and Canals or their affiliates.
  • Initiating or approving transactions external to the IA department.
  • Directing the activities of any NYPA and Canals employee not employed by the IA department, except to the extent that such employees have been appropriately assigned to audit teams or to otherwise assist internal auditors.

Where the CAE 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 the CAE and other appropriate parties.
  • Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process under examination.
  • Make balanced assessments of all available and relevant facts and circumstances.
  • Take necessary precautions to avoid conflicts of interest or undue influence with their own interests or by others in forming judgments.
The CAE will confirm to the Audit Committee, at least annually, the organizational independence of the IA department.

The CAE will disclose to the Audit Committee any interference or undue influence and their 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 Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for NYPA and Canals. Internal Audit is also responsible for conducting annual Environmental, Health and Safety (EH&S) Compliance audits. Internal audit assessments include evaluating whether:

- Risks related to the achievement of NYPA and Canals’ strategic objectives are appropriately identified and managed.
- The actions of NYPA and Canals’ officers, directors, employees, contingent workers, and consultants are compliant with NYPA and Canals’ policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact NYPA and Canals operations.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.
- Collaboration occurs among IA, Enterprise Risk Management and the Ethics and Compliance Office to report significant risk exposures and control issues, including fraud risks and governance issues.

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

**QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

IA will maintain a Quality Assurance and Improvement Program that covers all aspects of the IA function. The program will include an evaluation of the IA department’s conformance with the Standards and an evaluation of whether internal auditors apply The IIA’s Code of Ethics. The
program will also assess the efficiency and effectiveness of the IA department and identify opportunities for improvement.

The CAE will communicate to executive management and the Audit Committee on the IA department’s Quality Assurance and Improvement Program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside NYPA and Canals.

MANAGING THE INTERNAL AUDIT FUNCTION

The CAE is delegated the authority and discretion to perform audit and advisory services and to oversee the IA function. The CAE will promote a strong control environment and emulate appropriate “tone at the top.” The CAE will also be responsible for maintaining a professional IA department which possess sufficient knowledge, skills, experience, and professional qualifications to meet the requirements of the IA charter.

In addition, the CAE will be responsible for overseeing the following aspects of the IA function:

- Developing and overseeing the execution of IA and EH&S Compliance audit work programs which should address the appropriate scope and techniques required to achieve the audit objectives.
- Overseeing the development of work papers that meet the quality standards required by management and are consistent with audit professional standards.
- Coordinating alignment with other risk management and compliance functions.
- Serving as a business partner to proactively identify risks and support execution of NYPA and Canals strategies.
- Maintaining updated job descriptions, roles, and competencies for each staff level and updating the organizational chart, as necessary.
- Periodically reviewing critical hiring and recruiting needs and any competency gaps.
- Developing staff with skills that can be transferred to other areas of the business.
- Aligning to professional standards and serving as a training and talent development organization within NYPA and Canals.
- Effectively onboarding IA new hires and providing core training materials and ongoing training and development that correlates to competency and career planning.
- Developing and deploying effective methodologies to execute the function’s mandate.
- Assessing and identifying appropriate technologies required to support the function and add value to NYPA and Canals.

NATURE OF WORK

IA will develop an annual audit plan based on the prioritization of the audit universe, an appropriate risk-based methodology, and input from management and the Audit Committee. The established audit universe defines the auditable entities and risks that IA will monitor and mitigate. These elements will include operational, financial, compliance, strategic and information technology risk. IA will generally perform three categories of IA activities:

- **Audits** – IA will provide independent assurance activities of the performance of NYPA and Canals governance, risk management, compliance and control
processes and EH&S compliance.

- **Assessments** – IA will provide independent assessment activities focused on process improvement opportunities, risk identification and mitigation within new processes and initiatives.
- **Advisory** – IA will provide various consulting activities in either documented form or real-time feedback applied to new processes, initiatives, or other identified management requests. IA is considered a partner and trusted advisor in these efforts.

**ENGAGEMENT PLANNING AND AUDIT PERFORMANCE**

IA will perform an annual risk assessment to create an Internal Audit plan and the EH&S Compliance Audit plan. As part of the risk assessment, IA will consider feedback from management at various levels, existing risk profile, emerging risks, strategic objectives, prior years’ internal audit results, and significant upcoming industry, regulatory and organizational changes, among others, to understand risks faced by NYPA and Canals. In addition to the development and execution of the Internal Audit plan and EH&S Compliance Audit plan, IA will be responsible for budget and resource allocation, managing personnel assigned to projects, scope determination, and communication protocols with management for each of its projects.

IA will execute the annual Audit plan and the EH&S Compliance Audit plan, including as appropriate, any special projects requested by the Audit Committee, the CEO and/or applicable members of management. As part of audit execution, IA will be responsible for:

- Establishing end-to-end audit timelines including ongoing risk monitoring activities, planning, and fieldwork, required status meetings and reporting.
- Establishing an understanding with the business regarding audit objectives, scope, timelines, and reporting of observations and recommendations.
- Using all records, personnel, and physical properties within NYPA and Canals in an ethical manner, and in accordance with NYPA and Canals policies and procedures, to avoid undue interruption of normal operations.
- Taking responsibility for employee privacy and confidentiality of information obtained during audit projects.

**COMMUNICATING RESULTS**

The CAE will report periodically to executive management and the Audit Committee regarding:

- The IA department’s purpose, authority, and responsibility.
- The IA department’s plan and performance relative to its plan.
- The IA department’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 Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to NYPA and Canals.
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.

IA will review IA reports and communicate all observations with appropriate management in a manner that will allow management to assess the adequacy of internal controls and understand remediation factors that should take place. All observations will be agreed upon with management prior to report issuance. In addition, IA will execute a report rating process whereby observations and reports will be rated against a scale of pre-defined criteria. Observations will be rated on a scale of High, Medium, and Low, and reports will be evaluated as Satisfactory, Some Improvement Needed, Considerable Improvement Needed and Unsatisfactory. Ratings will be relative to the individual observation, risk categories, or risks to NYPA and Canals and may consider materiality or potential impact.

IA will provide reasonable and appropriate recommendations for corrective action plans (i.e., management action plans and/or management recommendations) which management will agree to and provide IA with an action owner and timeline by which remediation is expected.

**MONITORING PROCESS**

Management action plans will be monitored on a monthly basis. Any recommended action that, in the judgment of IA, does not receive adequate attention will be escalated to an appropriate level of management for resolution. The escalation process may involve successive levels of management and may include the EMC, the CEO, and the Audit Committee in the event a high rated observation is not timely or satisfactorily resolved. Management of the audited organization shall be notified of the intent to escalate a particular issue and will be encouraged to participate in its resolution.

**Approval/Signatures**

Angela Gonzalez  
6/24/2022

Chief Audit Executive  
Date

Board/Audit Committee Chair  
Date
## Revision History

<table>
<thead>
<tr>
<th>Revision Date (For BCG Use Only)</th>
<th>Revision #</th>
<th>Description/Modification</th>
<th>Revision Section(s)</th>
<th>Author</th>
</tr>
</thead>
</table>
| 6/3/2021                         | 3          | Update to Charter to include Internal Audit responsibility for the Environmental Health and Safety (EH&S) Compliance Audit Program and added references to the Office of Ethics and Compliance | Various Sections | Angela Gonzalez  
SVP Internal Audit |
| 7/16/2020                        | 2          | Update to Charter to align with the Institute of Internal Auditors International Professional Practices Framework (IPPF) e-Scribe | Various Sections | Angela Gonzalez  
SVP Internal Audit |
| 10/5/2018                        | 1          | Update to Charter         | Various Sections    | Angela Gonzalez  
SVP Internal Audit |
| 12/17/2015                       | 0          | Creation of Charter  
This Charter replaces the Internal Audit Program Company Policy 5-1. There were 5 prior versions of the previous policy | N/A                | Jennifer Faulkner  
SVP of Internal Audit |

Note: Revision # should be listed in descending order starting with most recent version at the top.
PURPOSE

Purpose
The mission of the Internal Audit (IA) function is to provide independent, objective audit and advisory services designed to add value, manage risks, and improve NYPA and Canal Corporation (NYPA and Canals) operations. IA helps the organization accomplish its objectives by bringing a systemic and disciplined approach to evaluating and improving the effectiveness of NYPA and Canals governance, risk management, and internal controls. This includes processes designed to evaluate the effectiveness and efficiency of operations, ability to execute on strategic initiatives, reliability of financial reporting, and compliance with applicable laws and regulations.

Standards for the Professional Practice of Internal Auditing

IA 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 Chief Audit Executive (CAE) will report periodically to senior management and the Audit Committee of the Board of Trustees (Audit Committee) regarding the IA department’s conformance to the Code of Ethics and the Standards.

Authority

The CAE will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the Interim President and Chief Executive Officer, Executive Vice President, and General Counsel. To establish, maintain, and assure that NYPA and Canals’ IA department has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the IA department’s charter.
- Approve the risk-based Internal Audit plan and EH&S Compliance Audit plan.
- Approve the IA department’s budget and resource plan.
- Receive communications from the CAE on the IA department’s performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the CAE.
- Approve the remuneration of the CAE.
- Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations.

The CAE will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including private meetings without management present. The CAE will also have access to the Executive Management Committee (EMC).
The Audit Committee authorizes the IA department 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.
- Obtain assistance from the necessary NYPA and Canals personnel, as well as other specialized services from within or outside NYPA and Canals, to complete the engagement.

**Responsibilities**

The CAE has the responsibility to:

- Submit, at least annually, to executive management and the Audit Committee a risk based Internal Audit plan and EH&S Compliance Audit plan for review and approval.
- Communicate to executive management and the Audit Committee the impact of resource limitations on the Internal Audit plan and EH&S Compliance Audit plan.
- Review and adjust the Internal Audit plan and EH&S Compliance Audit plan, as necessary, in response to changes in NYPA and Canals’ business, risks, operations, programs, systems, and controls.
- Communicate to executive management and the Audit Committee any significant interim changes to the Internal Audit plan and EH&S Compliance Audit plan.
- Ensure each engagement of the Internal Audit plan and EH&S Compliance Audit plan is fully executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement observations and corrective actions, and report periodically to executive management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the IA department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the IA charter.
- Ensure trends and emerging issues that could impact NYPA and Canals are considered and communicated to executive management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
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**MONITORING PROCESS**

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**Approval/Signatures**

Angela Gonzalez 6/24/2021

Chief Audit Executive Date

Board/Audit Committee Chair Date
Next Meeting

The next regular meeting of the Audit Committee will be held on Tuesday, December 13, 2022.