

PROPOSED AGENDA

JOINT AUTHORITY AND CANAL AUDIT COMMITTEE MEETING Via Videoconference

December 9, 2020 - 8:00 a.m.

- 1. Adoption of the December 9, 2020 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: (Angela Gonzalez)
 - i. 2020 Internal Audit Update
 - ii. 2021 Internal Audit Plan
 - iii. 2021 Internal Audit Budget
 - b. New York Power Authority: (KPMG)
 - i. Audit Plan and Strategy Update Year-end December 31, 2020
- 5. CONSENT AGENDA:
 - a. Approval of the Joint Minutes of the Regular Meeting held on July 16, 2020
- 6. Next Meeting



December 9, 2020

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).



December 9, 2020

Motion to Resume Meeting in Open Session

Mr. Chairman, I move to resume the meeting in Open Session.



Audit Committee

New York Power Authority and Canal Corporation Internal Audit Update

12/9/2020

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Executive Summary

Internal Audit Scorecard

	Metric	Prog	gress	Bench- mark (3)	Internal Target	Status
		2019	2020			
	Internal Audit Performance					
e	Audit Plan Percentage Complete	100%	92%	88%		
Operational Excellence	Audit Deliverables with Opinions	62% (31/50)	54% (19/35)	N/A	50% Opinions Issued	
nal E	Fieldwork to Report Issuance (weeks)	3.1	3.1	5.1		
eratio	Audit Utilization Rate	65%	67% (1)	75%		
Ope	IA Average Project Cycle Time (weeks - Excludes ongoing projects)	12	11	12		
	Audit Standards			•		
	External Quality Assessment Remediation Completion Status		100%		100% by year-end 2020	

'				
	Achieved o	r Exceeded Benchmark/Internal Target/O	n Track	
Key	Benchmark	/Internal Target Monitored		
¥	Benchmark	/Internal Target Not Achieved		
	N/A - Benc	hmark Not Available		

	Metric	Observati	ons by Year	Identified	Internal Target	Status
		2018	2019	2020		
ţ	% of High-Risk Observations Identified	14% (14/102)	12% (11/90)	24% (19/80)		Information Purposes
Value and Impact	% of High-Risk Observations Implemented	100% (14/14)	100% (2) (10/10) One due 12/31/20	100% (2) (2/2) 17 are due after 11/15/20	100% for each year	
Valu	% of All Observations Implemented by Due Date	100% (2) 102/102	100% (2) 85/85	100% (2) 27/27	100%	
	% of Observations Extended and Subsequently Implemented	100% (15/15)	89% (17/19) Two observations are due after 11/15/20	0% (0/1) One observation extended to date	100% for each year	

Note:

- (1) Maintained utilization rate given COVID-19 and remote working. Staff continue to work on IA key reinvestment activities (GRC system, Data Analytics, QAIP) and internal administration.
- (2) Includes only observations that had an original due date prior to 11/15/20.
- (3) Benchmarks used are from Gartner Audit Leadership Council and the IIA Global Audit Information Network (GAIN) report.

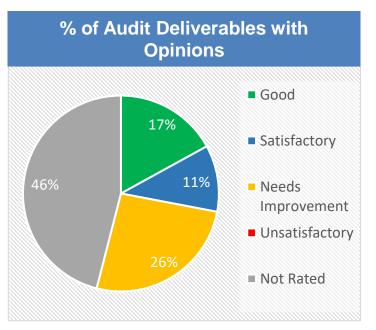
Appendix A – 2020 Audit Plan Status

2020 Audit Plan Status

- 2020 Audit Plan Status*:
 - > 38 audits are included in the NYPA and Canals Audit Plan. One audit project has more than one deliverable for a total of 39 deliverables. We have reached 92% audit plan completion.
 - 35 audit reports have been issued to date. One audit has moved to the reporting stage and is expected to be issued by early December.
 - > Three audit projects are in fieldwork and reports should be issued by mid-December.







NOTE: * See Appendix B for details

Appendix B – 2020 Internal Audit Plan



Authority Corporation

2020 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment
			Deliver	able Issued: 35			
1	NYPA	2020-AU-01	Recharge NY Customer Compliance Audit (D&M)	Commercial Operations	Audit	N/A	2/27/20
2	NYPA	2020-AU-15	Intrusion Detection/Intrusion Protection Management	Information Technology	Audit	Satisfactory	3/11/20
3	NYPA	2020-AU-39	FEMA Reimbursement	Utility Operations	Audit	Good	3/16/20
4	NYPA	2020-AU-19	Active Directory Review	Information Technology	Audit	Needs Improvement	3/19/20
5	NYPA	2020-AU-43	Inventory & Warehousing: NIA, STL, BG, SENY	Utility Operations	Audit	Satisfactory	4/8/20
6	NYPA	2020-AU-27	Payroll (NYPA and Canals)	Business Services	Audit	Needs Improvement	4/20/20
7	NYPA	2020-AU-04	Commercial Operations Product Pricing	Commercial Operations	Audit	Needs Improvement	5/18/20
8	NYPA	2020-AU-11	Ariba Application Review	Human Resources & Administration	Audit	Needs Improvement	5/26/20
9	NYPA	2020-AU-26	Accounts Payable	Business Services	Audit	Needs Improvement	5/26/20
10	NYPA	2020-AU-08	New York Energy Manager Strategy, Customer and Management Reporting	Commercial Operations	Audit	Good	5/28/20
11	NYPA	2020-AS-22	Data Governance & Protection Program	Information Technology	Assessment	N/A	6/3/20
12	NYPA	2020-AS-10	Supply Chain Management (NYPA and Canals)	Human Resources & Administration	Assessment	N/A	6/9/20
13	NYPA	2020-AU-20	Microsoft 365	Information Technology	Audit	Good	7/31/20
14	NYPA	2020-AU-24	Treasury Workstation System Implementation	Business Services	Audit	N/A	8/13/20
15	NYPA	2020-AU-32	Insurance Risk Management (NYPA and Canals)	Business Services	Audit	Needs Improvement	8/21/20
16	NYPA	2020-AU-17	Database Security (NYPA and Canals)	Information Technology	Audit	Needs Improvement	8/26/20
17	NYPA	2020-AS-02	Economic Development Customer Assistance (Memo 1)	Commercial Operations	Assessment	N/A	9/16/20
18	NYPA	2020-AU-44	Operations Technology Operating System Security	Utility Operations	Audit	Good	9/18/20
19	NYPA	2020-AU-29	Finance & Administration (NIA, STL, CEC, WPO)	Business Services	Audit	Good	9/23/20
20	NYPA	2020-AU-31	Energy Commodity Risk Management System Imp.	Business Services	Audit	N/A	9/28/20
21	NYPA	2020-AU-41	ISO 55001 Audit Remediation Follow-up	Utility Operations	Audit	Satisfactory	9/30/20
22	NYPA	2020-AS-51	COVID-19 Expenses Assessment	Human Resources & Administration	Assessment	N/A	10/22/20

2020 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment
23	NYPA	2020-AU-37	GE Asset Performance Management Implementation (APM)	Utility Operations	Audit	N/A	10/26/20
24	NYPA	2020-AU-14	Threat and Vulnerability Management	Information Technology	Audit	Needs Improvement	10/30/20
25	NYPA	2020-AS-02	Economic Development Customer Assistance	Commercial Operations	Assessment	N/A	11/3/20
26	NYPA	2020-AS-52	COVID-19 Data Privacy	Human Resources & Administration	Assessment	N/A	11/9/20
27	NYPA	2020-AS-34	Utility Operations Construction Projects – COVID-19 Response Review	Utility Operations	Assessment	N/A	11/18/20
28	NYPA	2020-AS-28	COVID-19 Timekeeping	Human Resources & Administration	Assessment	N/A	11/20/20
29	NYPA	2020-AS-53	IT Expense Allocation	Information Technology	Assessment	N/A	11/23/20
30	NYPA	2020-AU-42	Site SCADA Systems - NIA, BG, STL, SENY	Utility Operations	Audit	Satisfactory	11/24/20
31	NYPA	2020-AV-21	IT Disaster Recovery Test	Information Technology	Advisory	N/A	11/25/20
32	Canals	2020-AU-46	Canals Vendor Payment Accruals Follow-up	Administrative Services	Audit	Good	5/26/20
33	Canals	2020-AU-45	Canals Budgeting and Forecasting	Administrative Services	Audit	Needs Improvement	5/29/20
34	Canals	2020-AS-47	Canals Real Property	Administrative Services	Assessment	N/A	7/2/20
35	Canals	2020-AS-49	Canals Fleet Management Operations	Administrative Services	Assessment	N/A	7/16/20
				ess – Fieldwork Complete: 1			
36	NYPA	2020-AU-30	Generation & Transmission Customer Rate Development	Business Services	Audit		
				rk in Progress: 3			
37	NYPA	2020-AU-07	Unforced Capacity (UCAP) & Transmission Congestion Charge (TCC) Services & Trading	Commercial Operations	Audit		
38	NYPA	2020-AU-18	Network Administration (NYPA and Canals)	Information Technology	Audit		
39	NYPA	2020-AU-25	Green Bond Framework	Business Services	Audit		
				ng in Progress: 0			
				g Not Started: 0			
				jects Canceled: 15			
1	NYPA	2020-AU-35	Communications Backbone Program	Utility Operations	Audit		
2	NYPA	2020-AU-36	Transmission LEM	Utility Operations	Audit		
3	NYPA	2020-AU-03	Customer Digital Experience (CDEx)	Commercial Operations	Audit		
4	NYPA	2020-AU-40	Digital Worker	Utility Operations	Audit	NEW STATE OI OPPORTI	Authority Cor

2020 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment
5	Canals	2020-AU-48	Canals Vendor Management	Administrative Services	Audit		
6	Canals	2020-AU-50	Canals Maximo System Implementation	Technical Services	Audit		
7	NYPA	2020-AU-12	Succession Planning (NYPA and Canals)	Human Resources & Administration	Audit		
8	NYPA	2020-AU-13	Pension Plan Management	Human Resources & Administration	Audit		
9	NYPA	2020-AU-38	Data Splice Post Implementation	Utility Operations	Audit		
10	NYPA	2020-AS-23	Enterprise Program Management	Executive Office	Assessment		
11	NYPA	2020-AU-16	Software License Management	Information Technology	Audit		
12	NYPA	2020-AU-05	Customer Credit (Customer Financing)	Commercial Operations	Audit		
13	NYPA	2020-AS-33	Environmental Health & Safety Program (NYPA and Canals)	Utility Operations	Assessment		
14	NYPA	2020-AS-09	EVolve Program	Commercial Operations	Assessment		
15	NYPA	2020-AU-06	Bid to Bill System Implementation	Commercial Operations	Audit		



Appendix C – Internal Audit Key Transformation Accomplishments

Internal Audit Key Transformation Accomplishments

	Accomplishments
	Delivery
Agile Project Methodology	 Continued to scale the Agile model with 79% of the audit plan (30 audit projects) applied the Agile methodology. The remaining 21% (eight projects) used the Traditional methodology since these projects are comprised of three ongoing system implementations, one advisory engagement and four Canals audit projects. Maintained continuous improvement efforts throughout 2020 related to an enhanced audit liaison risk monitoring program, consistent process retrospectives held with staff and Agile coaching.
GRC Automation	 All audit projects from Q2 on have been executed in the GRC audit system. Enhancements to the audit module related to audit process workflow, user interface and the overall platform have been completed. Audit entities as part of the Audit Universe were risk assessed and the audit plan was created using the GRC audit system. The Observation Management module is now in user acceptance testing and is targeted for production in January 2021. All observations continue to be uploaded to SharePoint for observation tracking and reporting and will be used until the Observation Management module is in production.
Data Analytics	 To date, 25 out 38 (66%) of 2020 audit projects have been identified where data analytics could be applied. 20 out of 38 (52%) of the audit projects have applied data analytics to date. The Data Analytics team is in the process of bid evaluation for the new data analytics tool working with Strategic Supply Management. Selection of the vendor will be completed in Q4 with tool onboarding in Q1 2021.



Internal Audit Key Transformation Accomplishments

	Delivery (Continued)
Quality Assurance Improvement Program	 The QAIP team has reached 100% remediation of the recommendations from the 2019 external quality assessment. See slide 15 for details of the standards where remediation items were cited. As part of the Quality Assurance Improvement Program, the QAIP team has completed the required annual internal assessment for compliance with the IIA standards. The results of the assessment found that Internal Audit is compliant with the IIA standards with a few improvement opportunities related to maturity of data analytics and retention of emails indicating final report approval by the CAE in the GRC audit system. See slide 16 for details. The Required Communications to the Audit Committee list states specific standards required of the CAE to communicate with the Audit Committee as per IIA Standard 1000 and 2060. See slide 17 for details.
	Talent Talent
Staff Excellence	 As of November 2020, 72% of staff currently have at least one certification and 17% of staff are pursuing various certifications such as the CIA, CPA and CISA. The Training and Development program is now on Internal Audit's SharePoint site and staff can look up internal and external training classes, links to industry organizations, review their training hour logs and more.



Appendix D – Quality Assurance Improvement Program Status

2019 External Quality Assurance Assessment Remediation Status

IIA Standard #	Standard Description	GAP/ Improvement Opportunity	GAP OR Improvement Opportunity Description	Status
1311	Internal Assessments	GAP	Conduct an Internal Quality Assessment (QA) annually.	Completed
1312	External Assessments	GAP	Conduct an external QA every five years.	Completed
1320 1311	Reporting on the QAIP	GAP	Communicate internal and external assessment results.	Completed
1311	Internal Assessments	GAP	Develop a balanced scorecard and report results during the periodic reporting process to the Audit Committee.	Completed
1000 1100	Purpose, Authority and Responsibility	GAP	Update the NYPA and Canals Audit Committee Charters to include QAIP responsibilities and obtain CAE and Audit Committee approvals.	Completed
1000	Purpose, Authority and Responsibility	Improvement Opportunity	Update the IA Charter and obtain CAE and Audit Committee approvals.	Completed
1000 2060	Purpose, Authority and& Responsibility Reporting to Senior Management and the Board	Improvement Opportunity	Implement a checklist including Required Communications of the CAE to the Audit Committee.	Completed
1210	Proficiency	Improvement Opportunity	Consider developing IA staff in specialized areas of the energy industry.	Completed
1210	Proficiency	Improvement Opportunity	Consider use of technology-based audit.	Completed
1210	Proficiency	Improvement Opportunity	Consider other data analysis techniques and Computer Assisted Audit Techniques (CAATS) to better evaluate data and identify problems.	Completed
2240	Engagement Work Program	Improvement Opportunity	Document supervisory review of the Audit Program to evidence approvals.	Completed
2410 2411	Criteria for Communicating	Improvement Opportunity	Incorporate limitations on the distribution of deliverables in the report.	Completed
2450	Overall Opinions	Improvement Opportunity	Include a section in the report for description of any scope limitations.	Completed
1300	Quality Assurance and Improvement Program			Completed
2050	Coordination and Reliance	Improvement Opportunity	Provide an Assurance Map that describes coverage of risk between IA and other providers of assurance for NYPA.	Completed

Summary: 2020 Internal Audit Conformation with the Standards and the Code of Ethics

	GC	PC	DNC
Overall Evaluation	✓		

	GC	PC	DNC
Code of Ethics	\checkmark		

1000	Standards (1000 through 1300) Purpose, Authority, and Responsibility	1	
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	\checkmark	
1100	Independence and Objectivity	\checkmark	
1110	Organizational Independence	\checkmark	
1111	Direct Interaction with the Board	\checkmark	
1112	Chief Audit Executive Roles Beyond Internal Auditing	✓	
1120	Individual Objectivity	✓	
1130	Impairment to Independence or Objectivity	✓	
1200	Proficiency and Due Professional Care	✓	
1210	Proficiency	✓	
1220	Due Professional Care	✓	
1230	Continuing Professional Development	✓	
1300	Quality Assurance and Improvement Program	✓	
1310	Requirements of the Quality Assurance and Improvement Program	✓	
1311	Internal Assessments	\checkmark	
1312	External Assessments	\checkmark	
1320	Reporting on the Quality Assurance and Improvement Program	\checkmark	
1321	Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"	✓	
1322	Disclosure of Nonconformance	✓	
	Performance Standards (2000 through 2600)		
2000	Managing the Internal Audit Activity	✓	
2010	Planning	✓	
2020	Communication and Approval	✓	
2030	Resource Management	✓	
2040	Policies and Procedures	✓	
2050	Coordination and Reliance	1	

2060	Reporting to Senior Management and the Board	✓	
2070	External Service Provider and Organizational Responsibility for Internal Auditing	\checkmark	
2100	Nature of Work	\checkmark	
2110	Governance	\checkmark	
2120	Risk Management	\checkmark	
2130	Control	✓	
2200	Engagement Planning	\checkmark	
2201	Planning Considerations	\checkmark	
2210	Engagement Objectives	✓	
2220	Engagement Scope	\checkmark	
2230	Engagement Resource Allocation	\checkmark	
2240	Engagement Work Program	\checkmark	
2300	Performing the Engagement	\checkmark	
2310	Identifying Information	✓	
2320	Analysis and Evaluation	\checkmark	
2330	Documenting Information	\checkmark	
2340	Engagement Supervision	✓	
2400	Communicating Results	✓	
2410	Criteria for Communicating	✓	
2420	Quality of Communications	✓	
2421	Errors and Omissions	✓	
2430	Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"	✓	
2431	Engagement Disclosure of Nonconformance	✓	
2440	Disseminating Results	✓	
2450	Overall Opinions	\checkmark	
2500	Monitoring Progress	✓	
2600	Communicating the Acceptance of Risks	1	

GC	Generally Conforms
РС	Partially Conforms
DNC	Does Not Conform

CAE Required Communications to the Audit Committee

Standard	Communication Requirement	Form	Audit Communication
1111	The CAE must communicate and interact directly with the Audit Committee.		As the CAE, I confirm that an appropriate level of communication and interaction has taken place between myself and the Audit Committee.
1320	The CAE must communicate the results of the quality assurance and improvement program to senior management and the Board. Disclosure should include: - Results of ongoing monitoring of the internal audit activity's performance. - Scope and frequency of both internal and external assessments. - Qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest. - Conclusions of assessors and corrective action plans.	Presentation Monthly Activity Report & IA Scorecard	Results of ongoing monitoring of performance were reported to the Audit Committee as a component of the monthly internal activity reports. The results of the annual QAIP internal self-assessment was reported to the Audit Committee on 12/9/2020. All communications included the required disclosures.
2020	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.	Annual Audit Plan Monthly Activity Report	Communication of status of internal audit plans and resource requirements was reported on a monthly basis to the Audit Committee. At the 12/9/2020 Audit Committee Meeting, Internal Audit reported the budgeted resources and the proposed 2021 audit plan that Internal Audit deemed necessary based on risk to be performed in 2021. Accordingly, there were no material impacts associated with resource limitations.
2060	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 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.	Internal Audit Charter Monthly Activity Report & IA Scorecard	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.
2600	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.	Audit Committee Meetings & Private Sessions	As the CAE, I confirm that there were no situations during the year 2020 where I concluded management had accepted an inappropriate level of risk.



Appendix E – Metric Definitions

Metric Definitions

Operational Excellence			
Audit Plan Percentage Complete	Measures effectiveness at completing the audit plan.		
Audit Deliverables have Opinions	Measures the level of opinions provided to management.		
Fieldwork to Report Issuance	Measures time to issue an audit report from the end of fieldwork.		
Audit Utilization Rate	Measures the percentage of time staff charge to audit work (audit projects, remediation follow-up, risk assessment, client support).		
IA Average Project Cycle Time (Excludes Ongoing Projects)	Measures audit cycle from Audit Start to Report Issuance.		

Value and Impact			
Percentage of High-Risk Observations Identified	Measures valuable insights for high-risk areas provided to management.		
Percentage of High-Risk Observations Implemented	Measures closure of high-risk observations by year.		
Percentage of All Observations Implemented by Due Date	Measures timeliness of closing open observations either by original due date or extended due date.		
Percentage of Observations Extended and Subsequently Implemented	Measures the timeliness of closing extended observations.		





NEW YORK STATE OF OPPORTUNITY. Authority Canal Corporation



Audit Committee

New York Power Authority and Canal Corporation 2021 Internal Audit Plan

12/9/2020

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Executive Summary

Annual Audit Plan

The proposed 2021 Audit Plan is fully developed and reflects the following:

- A defined and risk-scored Audit Universe aligned by business unit.
- Audit projects in the plan are a subset of the Audit Universe entities selected based on audit risk ranking, last audit date, Internal Audit resources.
- The audit plan has been aligned to the Top Enterprise Risks and NYPA's current Strategic Core Priorities and Foundational Pillars.
- > The audit plan will be evaluated each quarter to address emerging risks and given appropriate consideration. The audit plan will be adjusted as business needs change.
- Key stakeholder input from Executive Management, Risk Management and various Business Units.
- Internal Audit requests that the Audit Committee approve the 2021 NYPA and Canal Corporation Internal Audit Plan.

Risk Assessment Process (NYPA and Canal Corporation)

EMC Review and **External Inputs Audit Universe** 2021 Audit Plan **Audit Committee Internal Inputs Key Stakeholders Approval** 81 interviews with 38 NYPA and five 2020 Audit Plan Gartner 2021 Hot *57 Auditable NYPA and Canal **Canal Corporation** Results **Spots Entities** audit projects **Deferred Audits** Corporation NYPA Internal Audit Refined Risk based on available Last Audit Year Benchmark to management **Scoring Model** started in Open/Closed Risk Scored all Peers resources Recommendations September 2020 Industry **Auditable Entities Strategic Core** Benchmarks in GRC audit Priorities/Pillars system Top Enterprise Risks

^{*}See Slide 5 for details.

Audit Universe

- The Audit Universe contains 57 audit entities for both NYPA and the Canal Corporation and were adjusted for any new audit entities, department name changes; or combinations that have occurred within both organizations. All audit entities within the Audit Universe now reside in the audit module of the GRC system. Each audit entity was risk assessed using Internal Audit's risk model within the audit module, which was adjusted to reflect changes in risk due to the pandemic.
- The breakdown of the audit entities by risk are as follows (See Appendix A Slides 17 20 for details):

NYPA Audit l	Entities	Canal Corp. Au	dit Entities
High Rated:	11	High Rated:	1
Medium Rated:	27	Medium Rated:	2
Low Rated:	<u>15</u>	Low Rated:	<u>1</u>
Total	53	Total	4

Audit Universe Cycle

- ➤ Audit projects included in each year's plan will continue to focus on the high-rated and medium-rated audit entities within the coverage period of the five-year cycle considering last year audited, business needs, strategic initiatives, emerging risks and degree of change. Low-rated entities will be included on an as needed basis in alignment with Gartner Audit Leadership Council benchmarks or as risks within these entities change. Internal Audit has conducted audit work within every high-rated entity and the majority of the medium-rated entities within the audit cycle. See Appendix A Slides 17 20 for details of audit cycle coverage.
- > Internal Audit will continue to use the five-year cycle to cover audit entities within the Audit Universe as follows:

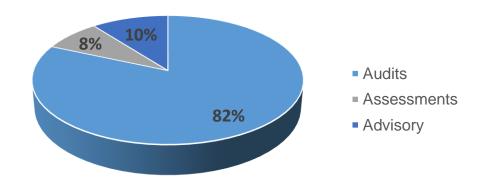
Audit Entity	Coverage Period in Years
High	1-2 years
Medium	2-4 years
Low	4-5 years



Proposed NYPA 2021 Audit Plan Coverage

2021 Planned Activities

38 projects in the Proposed NYPA 2021 Audit Plan*



Comparison to Prior Years				
	2021 Plan	2020 Actual	2019 Actual	
Audits	31	25	28	
Assessments	3	8	8	
Advisory	4	1	5	
Quick Impact Review	-	-	3	
Total	38	34	44	

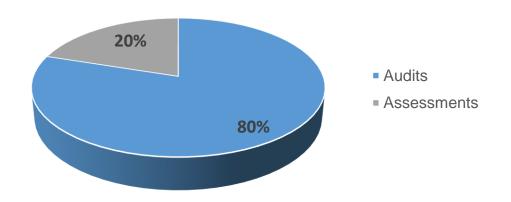
- Audits, Assessments and Advisory audit projects for 2021 are based on open positions filled by the end of January 2021. Co-source partner will primarily supplement IT Audit staff as per Internal Audit's staffing model and subject matter expertise where needed (See Slide 8 for details).
- The number of audit projects included in the 2021 audit plan is based on actual audit project hours collected in 2020. This data showed that audit projects took an average of 475 hours as opposed to the average of 430 hours in 2019. This is primarily due to certain audit projects that required more fieldwork testing, applying data analytics, observation analysis, management agreement and subsequent action plan development.
- Audit projects were budgeted using 525 hours on the average for the majority of NYPA audit projects (i.e. some audit projects were budgeted more/less hours as needed). We increased budgeted hours by 50 more hours for data analytics and total plan hours equate to 18,700 hours (See Slide 8 and 9). Internal staff hours available for the audit plan equate to 18,690 (See Appendix E note rounding), however, approximately 1,000 hours have been allotted as contingency hours for special projects. Historically, Internal Audit is requested by the business to execute at least two to three special projects during the year.

^{*}See Appendix B for the Proposed 2021 Audit Plan (Slides 21-32) and Appendix D – Supporting Information for Q1 Audit Projects (Slide 37).

Proposed Canal Corporation 2021 Audit Plan Coverage

2021 Planned Activities

5 projects in the Proposed 2021 Audit Plan*



Comparison to Prior Years

	2021 Plan	2020 Actual	2019 Actual
Audits	4	2	5
Assessments	1	2	1
Total	5	4	6

> Based on internal staff hours available for the audit plan (See Slide 9 for details), 2,575 hours were budgeted for Canal Corporation audit projects based on 525 hours per audit project for the majority of these projects.

*See Appendix C for Proposed 2021 Audit Plan (Slides 33-35) and Appendix D – Supporting Information for Q1 Audit Projects (Slide 37).



Proposed NYPA 2021 Audit Plan Resource and Audit Type Allocation

38 projects are included in the Audit Plan based on Resource Availability			
Resource Allocation	Business	Technology	
Internal Staff Hours Available for Audit Plan (1)	12,550	3,625	
Budgeted Third Party Hours (2)	50	2,900	
Total Resources Available for 2021 Audit Plan	12,600	6,525	

- (1) Internal staff hours available include all open positions filled in January 2021 equating to 3,200 audit hours. (See Appendix E Audit Plan Internal Resource Capacity for details).
- (2) Third party co-source technology hours are to support technology audit projects (IT and OT) and cover the increase in integrated audits as per Internal Audit's staffing model. Third-party co-source business hours are for subject matter expertise.



Proposed Canal Corporation 2021 Audit Plan Resource and Audit Type Allocation

5 projects are included in the Audit Plan based on Resource Availability

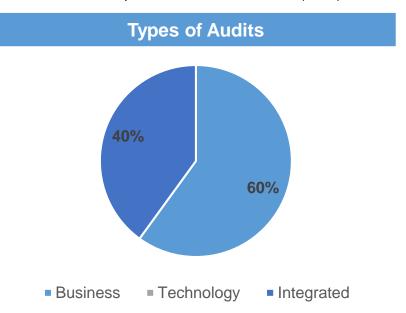
Resource Allocation Business Technology Internal Staff Hours Available for Audit Plan (1) Budgeted Third Party Hours (2) Total Resources Available for 2,050 Total Resources Available for 2020 Audit Plan

(1) Audit Plan hours include available hours from NYPA staff (See Appendix E – Audit Plan Internal Resource Capacity).

(2) Co-source hours allocated are for subject matter expertise hours needed.

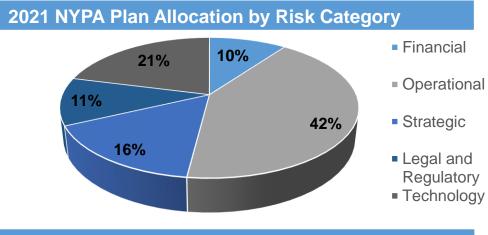
2021 audit projects for the Canal Corporation will focus on key business operations areas as follows:

 Three out of five audit projects (60%) will review key support operations for asset management, post retirement benefits and post integration activities. Two out of five audit projects are integrated, covering a system implementation and application review which include enhanced operational functionalities (40%).

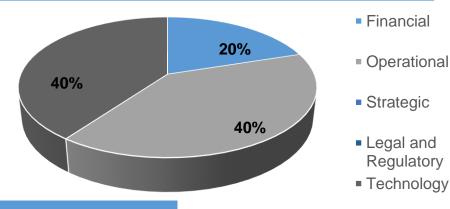




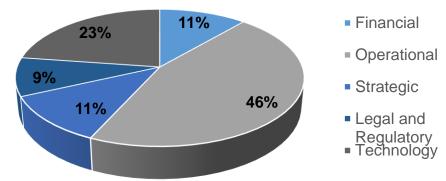
Proposed NYPA and Canal Corporation 2021 Audit Plan Risk Category Allocation



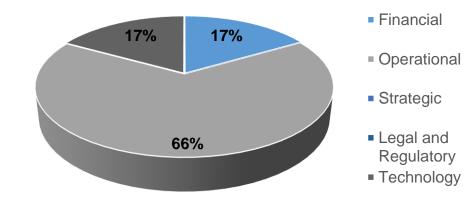
2021 Canal Corp. Plan Allocation by Risk Category



2020 NYPA Plan Allocation by Risk Category



2020 Canal Corp. Plan Allocation by Risk Category



2021 Audit Plan

- The allocation of 2021 audit projects by risk category does not materially deviate from the 2020 actual allocation.
- Relatively same audit coverage percentage for operational risk for NYPA due to continued support of the Utility Operations business unit for compliance with ISO 55001 standards and an increase in coverage within the Human Resources & Administration business unit for workforce planning. Audit coverage for technology risk remained relatively the same in support of digitization. For the Canal Corporation, a decrease in operational risk audit coverage is due to focus on technology areas not reviewed in prior years.



Proposed NYPA 2021 Audit Plan – Alignment

87% of the projects in the Audit Plan directly align to either Strategic Core Priorities, Foundational Pillars and/or Top Enterprise Risks (See Appendix D for list of projects)

Strategic Core Priorities and Foundational Pillars	# of Projects
Hydropower	2
Transmission	2
Natural Gas *	0
Customer and State	4
Reimagine the Canals	1
Resource Alignment	10
Digital Transformation	7
Environment, Social & Governance	2
Diversity, Equity & Inclusion	1
Enterprise Resilience	1

Top Enterprise Risks	# of Projects
Attract & Retain Qualified Workforce	6
Commodity Market Volatility	1
Critical Infrastructure	9
Customer Energy Choices	4
Cyber Security	5
Disruptive Innovation	1
Hydro Generation	1
Workforce Health & Safety	1

*Note: Natural Gas – audit projects will be conducted as this strategic core priority develops.



Proposed Canal Corporation 2021 Audit Plan - Alignment

100% of the projects in the Audit Plan align to either Strategic Core Priorities, Foundational Pillars and/or Top Enterprise Risks

Strategic Core Priorities and Foundational Pillars	2021 Audit Plan Coverage
Hydropower	N/A
Transmission	N/A
Natural Gas	N/A
Customer and State	N/A
Reimagine the Canals	N/A
Resource Alignment	Canals Pension and Other Post Retirement Benefits
Digital Transformation	Canals Maximo System Implementation
Environment, Social & Governance	N/A
Diversity, Equity & Inclusion	N/A
Enterprise Resilience	N/A

Top Enterprise Risks	2021 Audit Plan Coverage
Attract and Sustain a Qualified Workforce	Canals Pension and Other Post Retirement Benefits
Critical Infrastructure	Canals Asset Management Lifecycle (Inventory and Maintenance) Canals Flood Warning System Application Review
Financial Planning	Canals Maximo System Implementation
Health and Safety*	None
Organizational Execution	Canals Post Integration Review



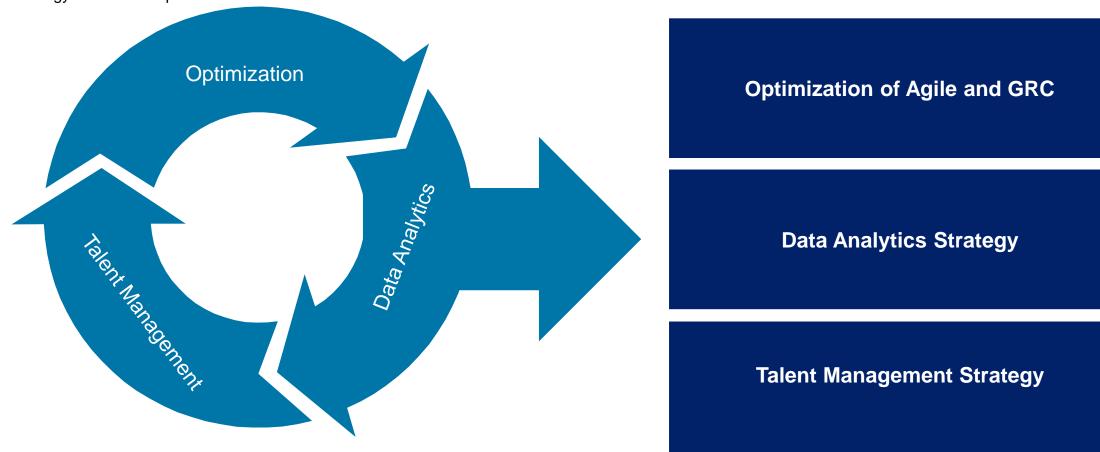
^{*} **Note:** Audit projects related to Health and Safety were covered in the Canal Corporation 2019 Audit Plan.

NY Power

Corporation

Internal Audit Strategy Refresh

The transformation initiatives introduced in 2018 have been substantially operationalized. To continue the path of moving the Internal Audit function forward and meeting the needs of the business, we reviewed the function's current state, conducted some maturity benchmarking through the Gartner Audit Leadership Council and refreshed Internal Audit's strategy. We conducted several strategy sessions and developed three key themes and corresponding roadmaps (See Slides 14 -16) that will be the center of focus: Optimization, Data Analytics and Talent Management. In addition, these key areas align with certain NYPA 2030 Strategy foundational pillars.



Agile and GRC Optimization Roadmap

	January-March 2021	April-June 2021	July-September 2021	October-December 2021
	Enhance Current Agile Methodology	Implement	Enterprise-wide Agile Tools	
	 Perform Agile health check to identify areas Incorporate Agile concepts in IA activities, v 	7,00000 avai	ilable Enterprise-wide Agile tools. Agile tools where applicable to support the department	
	Risk Assessmen	nt Refresh	Enhance Agile KPIs	
Agile	implement Agile of	isk Assessment process for enhancement opportoncepts. nhanced Audit Liaison Program.	tunities to • Enhance and further development and track Agile I	
		Continuous Improvement		
		 Agile Certifications at all levels (Foundation, Ag Continue to train department via target training 		
	Develop User Manual	Change Management Comr	nunication for Tool Standardization	
	Closeout any open/pending system issues prior to development of user	Communicate new changes to	GRC functionality and process updates to staff and ap	plicable stakeholders.
	• Create and distribute user manual to	velop System nual		
GRC	starr.	ate and distribute system manual for Internal Aud Cadministrators.	dit	
פּ	Develop Reporting and Dashboards	s daminotratoro.		
	 Identify key reports, dashboards, and system Implement reports, dashboards, and automate 	n automation and test for various desired functio ation.	nality.	
	Enhance Training			
	Enhance system training curriculum to be cor	nducted with periodic refreshers.		

Data Analytics Strategy Refresh Roadmap

January-March 2021	April-June 2021	July-September 2021	October-December 2021	January-March 2022	April-June 2022
Change Management Plan					
Refine and enhance Data AnalytiEstablish the overall project planCreate and implement a Change	and timeline with clear metrics and g	oals.			
Talent and Ope	rating Model				
 Align desired da 	ta analytics competency model with	rehensive data analytics RACI matrix. a robust technical and non-technical t ate time for data analytics projects and			
	Process and Methodology			Continuous Monitoring	
	Update and enhance methodolo analytics KPIs and develop addi			 Work with IT's Data Governance enhance and build out data ana Hand off key data analytics to the 	lytics capabilities.
Data and Tools					
 Procure and implement digital too required to support data analytics Establish a dataset inventory and 	goals.				
Locabilon a databot involves, y and	Continuous A	uditing Pilots			
	 Build pilot data units. 	business areas to apply continuous a a analytics scripts, execute and share re internally and externally that comm	results with the designated business	Mature Data Analytics	



Talent Management Strategy Roadmap

January-March 2021	April-June 2021	July-September 2021	October-December 2021	January-March 2022	April-June 2022
 Perform department skills as within desired competencies and Talent Strategy. Based on results, enhance or reflect desired competencies. Provide HR with initial competencies. 	sessment to understand gaps that align to Staff Excellence urrent competency model to	enhancement opportunities ratings.	anagement ce management process for s, i.e. criteria that drives performance ect evaluation form to align with		
Expand Sourcing and Recruiting • Work with HR on updated competencies and add to job descriptions. • Assess the feasibility for internal and external recruiting events. • Create audit skills assessment for potential hires.	Strategy through spec Roll out updated learn	and Development ng and development program to alignorific learning tracks (Core, Immediate in ing development program. Develop Rewards and Well Identify permissible rewards performance. Design program to recognize talent and accomplishments	Il Being s for employee se and reward top s. Improve Career Mobility and Work with HR to create a care	d Update Succession Planning er development program that includ apetencies to align with Staff Excelle	des a career path, defined

Appendix A – Audit Universe Entities by Risk Rating

Audit Universe Entities by Risk Rating

BUSINESS UNIT	DEPARTMENT NAME	AUDIT ENTITY	RISK RATING H-M-L	LAST AUDIT YEAR	WITHIN AUDIT CYCLE YES/NO
Business Services	Business Services	Controller	Н	2020 (1)	Yes
Business Services	Business Services	Treasury	Н	2020 (1)	Yes
Commercial Operations	Commercial Operations	e-Mobility	Н	-	No (2)
Human Resources & Administration	Strategic Supply Management	Strategic Supply Management	Н	2020 (1)	Yes
Human Resources & Administration	Human Resources	Human Resources	Н	2019 (1)	Yes
Information Technology	Critical Services - Infrastructure	Critical Services: Infrastructure	Н	2020 (1)	Yes
Information Technology	Critical Services – Cyber Security	Cyber Security	Н	2020 (1)	Yes
Utility Operations	Asset Performance Management	Asset Performance Management	Н	2020 (1)	Yes
Utility Operations	Power Supply	Power Supply (All Regions)	Н	2020 (1)	Yes
Utility Operations	Operations Support Services	Project Management & Operations Portfolio Management	Н	2020 (1)	Yes
Utility Operations	Technology & Innovation	Strategic Operations	Н	2020 (1)	Yes
Canal Corporation	Power Supply	Canals - Engineering & Maintenance	Н	2019 (1)	Yes
Total High Entities			12		
Business Services	Business Services	Budgets	M	2019	Yes
Business Services	Business Services	Finance	M	2020 (1)	Yes
Business Services	Risk Management	Operational Risk	M	- (1)	Yes
Commercial Operations	Clean Energy Solutions	Clean Energy Solutions – Contract and Program Operations	M	2020 (1)	Yes
Commercial Operations	Clean Energy Solutions	Clean Energy Solutions – Engineering and Construction Management	М	2019	Yes
Commercial Operations	Clean Energy Solutions	Clean Energy Solutions – Market Services and Business Controls	M	2019 (1)	Yes
Commercial Operations	Energy Resource Management	Energy Resource Management	M	2020 (1)	Yes
Commercial Operations	Marketing Analysis & Administration	Marketing & Product Development	M	2020	Yes
Commercial Operations	Product and Business Development	Project Development & Licensing	M	2015 (1)	Yes
Human Resources & Administration	Knowledge Management – Digital Warehouse	Knowledge Management – Digital Warehouse	М	2019	Yes
Human Resources & Administration	Civil Rights & Inclusion	Civil Rights & Inclusion	M	- (1)	Yes

Note: (1) The 2021 Internal Audit Plan has included coverage of this audit entity in the audit plan.

(2) 2020 OSC Audit is underway. Internal Audit will conduct a follow-up audit.



Audit Universe Entities by Risk Rating

BUSINESS UNIT	DEPARTMENT NAME	AUDIT ENTITY	RISK RATING H-M-L	LAST AUDIT YEAR	WITHIN AUDIT CYCLE YES/NO
Information Technology	Architecture and Engineering	Architecture & Engineering	М	2015	No (2)
Information Technology	Critical Services – Service Delivery	Critical Services – Service Delivery	M	2019 (1)	Yes
Information Technology	Information Technology	IT Project Management Office	M	2019	Yes
Information Technology	IT Resiliency	IT Resiliency	M	2020	Yes
Information Technology	Product Development and Data Integration	Product Development and Data Integration	M	2020 (1)	Yes
Information Technology	Strategy and Planning	Strategy & Planning	М	2019 (1)	Yes
Corporate Strategy	Strategy	Strategy	М	2016 (1)	Yes
Utility Operations	Enterprise Resilience	Business Continuity Program	М	2019	Yes
Utility Operations	Operations Support Services	Engineering & Systems Planning & Analysis	М	-	No (2)
Utility Operations Utility Operations	Environmental Health & Safety (EH&S) Technology & Innovation	Environmental Health & Safety (EH&S) iSOC & AGILe Lab	M M	2019 2019	Yes Yes
Utility Operations	Operations Support Services	Operational Performance & Reporting	М	- (1)	Yes
Utility Operations	Enterprise Resilience	Physical Security & Crisis Management	M	2019 (1)	Yes
Utility Operations	Enterprise Resilience	Quality Assurance & Code Compliance	M	2015	No (2)
Utility Operations	•	Reliability Standards & Compliance	M	2019 (1)	Yes
Utility Operations	Operations Support Services	Technical Training	M	2016	No (2)
Canal Corporation	Power Supply	Canals – Admin Services	M	2020 (1)	Yes
Canal Corporation	Power Supply	Canals – Technical Services	М	2017 (1)	Yes
Total Medium Entities			29		

Note: (1) The 2021 Internal Audit Plan has included coverage of this audit entity in the audit plan.

(2) Medium-rated audit entities indicated as "No" for within audit cycle have not been audited due to higher priority medium-rated audit entities.

Audit Universe Entities by Risk Rating

BUSINESS UNIT	DEPARTMENT NAME	AUDIT ENTITY	RISK RATING H-M-L	LAST AUDIT YEAR	WITHIN AUDIT CYCLE YES/NO
Business Services	Risk Management	Enterprise Risk Management	L	-	No (2)
Business Services	Risk Management	Insurance Risk Management	L	2020	Yes
Business Services	Business Services	Internal Business Controls (New Audit Entity)	L	-	Yes
Commercial Operations	Project & Business Development	Origination & Structuring (New Audit Entity)	L	-	Yes
Executive Office	Digital Transformation Office	Digital Transformation Office	L	-	Yes
Human Resources &		T			
Administration	Corporate Communications	Corporate Communications	L	2018	Yes
Human Resources &					
Administration	Enterprise Shared Services	Enterprise Shared Services	L	2018	Yes
Human Resources &	Human Resources	Project Planning & Development	L	-	No (2)
Administration					
Legal Affairs	Public & Regulatory Affairs	Community & Government Relations	L	2017	Yes
Legal Affairs	Public & Regulatory Affairs	Corporate Secretary Office	L	-	No (2)
Legal Affairs	Public & Regulatory Affairs	Environmental Justice	L	2019 (1)	Yes
Legal Affairs	Public & Regulatory Affairs	Legislative & Regulatory Affairs	L	2016	Yes
Legal Affairs	Office of Ethics & Compliance	Office of Ethics & Compliance	L	2019	Yes
Corporate Strategy	Strategy	Enterprise Excellence	L	-	No (2)
Utility Operations	Technology & Innovation	R & D	L	2016	Yes
Canal Corporation	Power Supply	Policy & Program Development /Community Economic			
	, ,	Development /Public Affairs	L	2018	Yes
Total Low Entities			16		
Total Audit Universe Entities (NYPA & Canal Corporation)			57		

Note: (1) The 2021 Internal Audit Plan has included coverage of this audit entity in the audit plan.

(2) Low-rated audit entities indicated as "No" for within audit cycle have not been audited since low-rated entities are audited as needed or as risks change.

Appendix B – Proposed 2021 NYPA Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
1	Business Services	Business Services	Controller	High	Audit	Customer Billing	Customer Billing may not be complete, accurate and timely, leading to inaccurate collections, expected revenue and financial reporting.	Evaluate the controls implemented to ensure that the customer billing is timely, accurate and complete.	Operational	Q1
2	Services	Business Services	Controller	High		Fixed Assets	Fixed assets may not be recorded accurately, completely or timely which may lead to inaccurate financial statements.	Evaluate the controls to ensure that the fixed assets are recorded accurately and completely, including the capitalization and depreciation of the assets. Determine that fixed assets are recorded in a timely manner.		Q4
3	Business Services	Business Services	Treasury	High	Audit	Customer Financing	Customers may default on financing provided by NYPA and cannot collect payments for financing provided which can affect NYPA's cash flows.	Verify controls exist to ensure that NYPA is financing creditworthy customers and that protections are put in place to minimize the risk to NYPA in case of default.	Operational	Q3
4	Business Services	Business Services	Controller	High	Audit	SAP General Ledger	The General Ledger may not compl with regulatory requirements, impacting the accuracy, completeness; and timeliness of NYPA's financial statements.	y Evaluate the adequacy of controls in place to ensure the appropriateness of the chart of accounts and the correct mapping to the financial reports, FERC requirements and WBS codes. Review the process for reconciliations using the new Blackline system for effectiveness.	Financial	Q3
5	Business Services	Business Services	Finance	Medium	Assessment	Enterprise Program Management	Project management practices may be inconsistent and lead to inefficiencies and financial impact such as cost overruns, delays and inefficient use of resources. Project management functions may not be aware of projects executed within the organization which can impact the delivery of projects as expected	Determine to what extent the newly developed Enterprise Program Management Office procedures have been implemented to manage NYPA's project portfolio. Evaluate the existing project management functions within NYPA, how they interact with the Enterprise Program Management Office, and determine the handoffs between functions, any overlaps and inefficiencies in processes.	Operational	Q4



	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
6	Business Services	Business Services	Finance	Medium	Audit	Financial Forecast Model System Implementation	Lack of effective system implementation, project management and functionality including business controls may not be appropriately designed to assure the accuracy of inputs, assumptions and calculations of the financial forecast model resulting in inaccurate reporting or decision making.	system configuration, interfaces,	Financial	Ongoing
	Business Services	Risk Management	Operational Risk	Medium	Audit	Trading Process Controls	Inaccurate or inappropriate trading activities are not prevented or detected which can lead to excessive risk positions that are beyond NYPA's risk appetite.	Determine there is appropriate segregation of duties across all types of products and instruments traded within NYPA.	Operational	Q4
8	Business Services	Business Services	Treasury	High	Audit	Other Post Employment Benefits	Investment guidelines may not be met, and sufficient funds are not available to meet the requirements of other post employment benefits.	Evaluate the controls to ensure that other post employment benefits are managed in an appropriate manner, including the oversight of investment returns, management to investment guidelines and allocation to employees.		Q2
9	Commercial Operations	Clean Energy Solutions	Clean Energy Solutions - Contract and Program Operations	Medium	Audit	Economic Development Programs	NYPA may not comply with the requirements of its various economic development program commitments, and customers may not comply with program requirements leading to the state not benefiting from job or capital investments.	Ensure adequacy and effectiveness of controls in place to comply with NYPA's multiple economic development programs and agreements such as Recharge NY, Western NY, Preservation Power, Power Proceed Programs and others.	Legal & Regulatory	Q1
	Commercial Operations	Project and Business Development	Project Development and Licensing		Audit	Project and Business Case Development	The investment returns for projects in development may not be included in business cases and the requirements to operationalize these projects once development has been completed, may not have been adequately determined.	dappropriate evaluation of the operational risks for projects under development, the business development checklist is used, and that considerations have been made to properly implement these projects by the respective business unit, once development has been completed.	Strategic	Q2

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
11	Commercial Operations	Clean Energy Solutions	Clean Energy Solutions - Contract and Program Operations	Medium	Audit	ReCharge NY Customer Compliance	capital commitment requirements of	customers provide accurate	Legal & Regulatory	Ongoing
12	Commercial Operations	Clean Energy Solutions	Clean Energy Solutions - Contract and Program Operations	Medium	Audit	Western NY Customer Compliance		customers provide accurate compliance reporting as it relates to	Legal & Regulatory	Ongoing
13	Commercial Operations	Clean Energy Solutions	Clean Energy Solutions - Market Services & Business Controls	Medium	Audit	Bid to Bill System Implementation		Review implementation activities to ensure the Bid to Bill system has proper business requirements including controls, system configuration, interfaces, systems and user acceptance testing, system security and overall project management.	Operational	Ongoing
14	Human Resources & Administration	Strategic Supply Management	Strategic Supply Management	Medium	Audit	Supply Chain Management	Management has not identified supply chain risks including the unavailability of necessary equipment/services for NYPA operations which may cause disruption to the business. In addition, strategies or actions have not been developed to mitigate and	whether these actions are effective and demonstrate compliance with	Operational	Q4



	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned	
15	Human Resources & Administration	Human Resources	Human Resources	High	Audit	Contingent Worker (NYPA & Canals)	Failure to identify and monitor risks associated with the contingent staffing processes may result in fines, penalties, lawsuits; exposure/loss of confidential and proprietary information, and reputational risk to NYPA and Canals.	Confirm contingent and temporary staffing vendors that support NYPA and Canals are compliant with contract terms, relevant Department of Labor laws and regulations and Internal Revenue Service requirements. Determine that NYPA and Canals staff are using contingent workers for the purposes they were contracted.	i.	I Q2	
16	Human Resources & Administration	Human Resources	Human Resources	High	Audit	Third Party Services (NYPA & Canals)	Unnecessary use of third-party consulting services can result in excessive spending, inefficiencies, loss of institutional knowledge and potential fraudulent activities.	Determine the population of third-party consulting service contracts within NYPA and Canals and evaluate the overlap between business units and where efficiencies may be gained. Review and assess third-party service contracts and determine whether consultant activities are within the agreed upon scope and deliverables. Evaluate whether invoice rates are in line with the contracts and if consultants continue working at NYPA past their contract expiration.	Operationa	I Q1	
17	Human Resources & Administration	Human Resources	Human Resources	High	Audit	Transitional Positions (NYPA & Canals)	Unclear or inconsistent use of transitional positions could result in unmitigated resource and succession planning risks.	Assess the use of transitional positions as a key mitigation to NYPA's resource and succession planning risk. Ensure NYPA has clearly defined procedures for how business units are to leverage this mitigation strategy as a part of their risk management effort.	Operationa	I Q4	
18	Human Resources & Administration	Human Resources	Human Resources	Medium	Audit	Succession Planning (NYPA & Canals)	Significant workforce retirements or an increasing number of key staff exiting NYPA could lead to busines disruptions, knowledge loss and critical skills shortages.		NEW YORK	NY Power Authority	Ca

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
19	Human Resources & Administration	Civil Rights & Inclusion	Civil Rights & Inclusion	Low	Advisory	Diversity, Equity and Inclusion Program	Lack of oversight for the Diversity, Equity and Inclusion program goals and objectives may result in program goals not achieved in alignment with NYPA's 2030 strategy. In addition, management support may not be consistently provided and possible adverse perception of the program.	, 0	Strategic	Q3
20	Information Technology	Critical Services - Infrastructure	Critical Services - Infrastructure	High	Audit	Cloud Services	proper configuration and security	implemented cloud services currently align with NYPA business strategies and the providers'	Technology	Q1
21			Critical Services - Service Delivery	Low	Audit	IT Asset Management System Implementation	Lack of effective system implementation, project management and functionality including asset management controls not designed for appropriate IT Asset Management,	Review implementation activities to ensure the IT Asset Management system, Flexera, has proper business requirements including controls, system configuration, interfaces, systems and user acceptance testing, system security and overall project management.	G.	Ongoing
22	Information Technology	Strategy & Planning	Strategy & Planning	Medium	Audit	IT Governance	Lack of an IT Governance framework can lead to IT not operating efficiently to benefit NYPA and deliver quality services, leading to financial loss, poor compliance with regulation and law, and reputational damage.	structure and IT's ability to deliver results for the organization. Determine the metrics IT measures to evaluate efficiencies and effectiveness and where improvements can be made to governance processes.	Technology	Q1



	Business Unit	Department		Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
23	Information Technology	Critical Services - Cyber Security	Cyber Security	High	Audit	Mobile Device Security	Ineffective controls for mobile devices can lead to unauthorized access to NYPA data stored on mobile devices, download of inappropriate applications, outdated software versions, and device unavailability due to compromise.	Review the processes, procedures and system tools to manage mobile devices. Evaluate security controls for the physical devices, data stored/transmitted by these devices and monitoring processes and technologies. Review of security controls would include access controls and authentication, virus and malware prevention, secure connection and transmission, data encryption and device decommissioning.	Technology	Q3
24	Information Technology	Product Development & Data Integration	Product Development & Data Integration	Medium	Audit	Rapid Application Development	Increased use of rapid application development methodology can lead to potentially taking short cuts to develop applications which are designed to collect sensitive data. This presents elevated risks of unauthorized use, exposure to security vulnerabilities, violation of laws and potential for fraud due to poorly designed security controls or misconfigured systems.	Determine the technologies used for rapid development of applications and if these applications were built with safety and security controls. Also, review the development process to determine if requirements were met and validated prior to moving the application to production.	Technology	Q1
25	Information Technology	Information Technology	IT Project Management Office	Medium	Audit	System Development Lifecycle (SDLC)	Inadequate governance policies and procedures for Systems Development Lifecycle (SDLC) processes for systems/applications can lead to cost overruns, systems/applications developed or vendor solutions that do not meet user requirements, delays in promoting systems/applications to production, poor system performance and ineffective production support.	Evaluate the various systems development governance processes for both in-house developed systems and vendor solutions. Assess the requirements for each phase of the SDLC and ensure policies and procedures align with IT's Gate process for IT solution implementation. Determine if the proper checkpoints and signoffs have been incorporated to ensure consistency and accountability. Verify if metrics have been developed and are monitored to ensure successful system implementation.	Technology	Q2



Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
26 Information Technology	Critical Services - Service Delivery	Critical Services - Service Delivery	Medium	Audit	User Access Management	required for their job function, need to know, system compromise and violations of policy. Excess systems access may cause unintended system disruptions having financial, regulatory, operational and reputational risks.	related subscriptions to ensure these procedures are adequately followed. Determine if an approval procedure outlining the data or system owner granting the access privileges, applies to all users, including administrators (privileged users), employees and third-party users (e.g., consultants, contingent workers, vendors) for normal and emergency cases.		Q2
27 Information Technology	Critical Services - Infrastructure	Critical Services - Infrastructure	High	Advisory	Emergency Energy Control Center (E2C2) Physical and Environmental Controls	Inadequate physical security and environmental controls of NYPA's data centers increases the risk of confidential data exposure and damage and theft of valuable IT equipment, resulting with NYPA's inability to recover systems in the event of a service interruption, and damage NYPA's reputation.	Determine the adequacy of physical and environmental controls implemented at the E2C2 backup data center. Verify the effectiveness of policies and procedures in place for NYPA's data centers governing physical security and environmental controls management.		Q1
28 Legal Affairs	Public & Regulatory Affairs	Environmenta I Justice	Low	Assessment	Sustainability Plan Refresh	The Sustainability Plan goals may not be met and not align with NYPA's 2030 Strategy.	Evaluate the controls implemented to ensure the Sustainability Plan goals are met to ensure there is accurate and complete reporting of metrics. Determine the plan goals align with NYPA's 2030 Strategy.	Strategic	Q3
29 Strategic Planning Corporate Strategy	Strategy	Strategy	Medium	Assessment	Reimagine Canals Program Implementation	Reimagine Canals Program objectives may not be met if specific project milestones are not accomplished which could lead to exceeding the program budget, delays in program implementation and potential damage to NYPA's reputation.	Evaluate the controls in place to ensure that the objectives of the Reimagine Canals Program are met, projects as part of the overall program are meeting their milestones; and are managed to their respective budgets.	Strategic	Ongoing IY Power Ca

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
		Services	Operational Performance & Reporting	Medium	Audit	Apprenticeship Program	and maintenance activities, increasing operational risk.	regional sites to track, identify and assign positions to be used by the Apprenticeship Program. Ensure adequacy and effectiveness of the Apprenticeship Program and review design and delivery of training to meet key skills requirements.		Q2
	Utility Operations	Innovation	Strategic Operations	High	Audit	Asset Management Governance	Inadequate implementation and adherence of policies, procedures, and controls related to the asset management system objectives and ISO 55001 requirements could result in sub-optimized asset performance, increased cost and risk, and non-maintenance of the ISO 55001 certification.	Validate adequacy of policies, procedures and controls related to NYPA's asset management system	Operational	Q2
32	Utility Operations	Power Supply	Power Supply (All Regions)	High	Audit	Energy Management System (EMS) Replacement	Lack of effective system implementation, project management and business process controls can result with inadequate system design, project delays, cost overruns, poor system performance and user dissatisfaction.	requirements including controls, system configuration, interfaces,	Technology	Ongoing



	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
33	Utility Operations	Operations Support Services	Project Management & Operations Portfolio Management	High	Audit	Generation and Transmission Project Planning and Implementation	Project plans do not consider viability of the project, return on investment, asset ownership, cost and resources for operations and maintenance activities, and other considerations to operationalize the project, which may result in financia and operational risks to the organization.			Q2
34	Utility Operations	Operations Support Services	Project Management & Operations Portfolio Management	High	Audit	Next Gen Niagara Implementation	Failure to follow established NYPA project management policies and procedures during the implementation of the Next Gen Niagara project could lead to fraud, waste and abuse of NYPA funds and resources, operational failure, and security vulnerabilities. It can also lead to the existing systems no supporting NYPA's long term strategic goals and objectives to power economic growth across the State by providing NYPA's customers with the low cost, clean, reliable energy and innovative energy infrastructure and services.	project management policies and procedures. Validate project activities are appropriately managed and project milestones and status are reported to relevant management on a periodic basis. Determine that project objectives	Operational	Ongoing
35	Utility Operations	Enterprise Resilience	Physical Security & Crisis Management	Medium	Advisory	Pandemic Plan After Action Review	Inadequate capture of lessons learned in the pandemic response After Action Report could lead to inappropriate development of action plans to address pandemic risks identified.	Confirm that the After Action Report includes lessons learned from the pandemic. Determine the plan is updated on a regular basis, communication and reporting protocols have been defined and are adhered to, and roles and responsibilities have been designated. If applicable, validate the steps are followed in a pandemic situation and After Action Reports are completed.	Operational	Q3



	Business Unit	Department		Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
36		Operations Support Services	Project Management & Operations Portfolio Management	Medium	Audit	Communications Backbone Program	procedures during the implementation of the Communication Backbone could lead to fraud, waste and abuse of NYPA funds and resources, operational failure, and security vulnerabilities. It can also lead to the backbone not supporting NYPA's long term strategic goals and objectives to power economic growth across the State by providing NYPA's customers with the low cost, clean, reliable energy, and innovative energy infrastructure and	project management policies and procedures. Validate project activities are appropriately managed and project milestones and status are reported to relevant management on a periodic basis. Determine that project objectives and requirements are met by reviewing the project plan and progress to date and project costs are tracked against budget. Review configurations to confirm	Strategic	Ongoing
37		Operations Support Services	Project Management & Operations Portfolio Management	Medium	Audit	Smart Path Transmission Line Upgrade	in sub-optimal use of resources, projects do not meet objectives or are delivered with poor quality, cost overruns, project delays and reporting data is inaccurate leading to poor business decisions.	Ensure management has identified project risks and follow adequate project management procedures to ensure projects are on time, within budget and project deliverables have quality. Verify management is aware of project status and can verify percentage complete, and significant vendors or contractors are performing in accordance with contract terms. Verify the accuracy of project activity reports. Ensure appropriateness of financial management activities including compliance with procurement, cost estimation, quality assurance plan, accounting policies and procedures and budget to actual analysis is maintained.	Operational	Q3



		·		Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description		Risk Category	Quarter Planned
38	Utility Operations		Reliability Standards & Compliance	Medium	Advisory	Infrastructure Protection Audit Prep	Operations and Planning/Critical Infrastructure Protection (NERC O&P/CIP) standards and its requirements may result with regulatory fines/penalties, increased regulatory scrutiny from the NPCC and damage to NYPA's reputation.	upcoming NERC O&P and CIP standards audit to ensure management has the proper	Legal & Regulatory	Ongoing

Appendix C – Proposed 2021 Canal Corporation Internal Audit Plan



Proposed 2021 Canal Corporation Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	•	Risk Category	Quarter Planned
	Utility Operations		Engineering & Maintenance	High	Assessment	(Inventory and Maintenance)		current Capital Asset Management strategic plan, risk matrix, policies and procedures as they relate to asset procurement, valuation, tracking and monitoring, recording and reporting, disposal of assets, and depreciation to ensure capital assets are valued appropriately and recorded accurately on the financial statements.		Q1
2	Utility Operations	Power Supply	Canals - Technical Services	Medium	Audit	Canals Flood Warning System Application Review	the Canal's water flow rates, monitoring rainfall and water level impacts, making water level forecasts, flood extent and impact forecasts, sending alerts and warning messages, and other operational failures. This could lead to financial, operational, legal, reputational, environmental, health and safety risks.	configuration of the Canals Flood Warning System to ensure they are in accordance with vendor recommended specifications and are operating as intended, validate any	Technology	Ongoing
3	Utility Operations	Power Supply	Canals - Administrative Services (Need Full Name)	Low	Audit	Canals Pension and Other Post Retirement Benefits	post retirement benefits costs could lead to over or underfunding of post retirement benefit accounts. Data (e.g. inputs, assumptions, projections)	Evaluate the support for judgments made by Canals related to post retirement benefits and ensure proper accounting treatment. Evaluate the controls exist to ensure data used to determine the pension plan liability is complete, accurate and is reported correctly.	Financial	Q2



Proposed 2021 Canal Corporation Internal Audit Plan

Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
4 Utility Operation	S Power Supply	Canals - Administrative Services (Need Full Name)	Medium	Audit	Canals Post Integration Review	responsibilities and restrictions to data and technology for shared services functions can lead to process and control breakdowns, duplication of efforts and other inefficiencies, which can lead to financial, operational, workforce management and reputational	responsibilities have been defined,	Operational	Q3
5 Utility Operation	s Power Supply	Canals - Technical Services	Low	Audit	Canals Maximo System Implementation		business requirements have been	Technology	Ongoing



Appendix D – Supporting Information

Proposed NYPA and Canal Corporation Q1 Projects

Q1 projects were selected based on management requests, timing of key business initiatives or implementations and balancing audit work throughout the year:

Area	Audit Project
Operational	 Customer Billing Bid to Bill System Implementation Third Party Services (NYPA & Canals) Canals Asset Management Lifecycle (Inventory and Maintenance)
Strategic	Communications Backbone Program (Ongoing – Q1 start)
Financial	Financial Forecast Model System Implementation (Ongoing – Q1 start)
Legal and Regulatory	 Economic Development Programs NERC Operations and Planning/Critical Infrastructure Protection Audit Prep
Technology	 IT Asset Management System Implementation (Ongoing – Q1 start) IT Governance Emergency Energy Control Center (E2C2) Physical and Environmental Controls Cloud Services Rapid Application Development



Plan Alignment to Strategic Core Priorities and Foundational Pillars

Strategic Core Priorities and Foundational Pillars	Projects Projects
Hydropower	 Project and Business Case Development Next Gen Niagara Implementation
Transmission	 Generation and Transmission Project Planning and Implementation SMART PATH Transmission Line Upgrade
Customer and State	 Customer Financing Economic Development Programs ReCharge NY Customer Compliance Western NY Customer Compliance
Reimagine the Canals	Reimagine Canals Program Implementation
Resource Alignment	 Trading Process Controls Other Post Employment Benefits Enterprise Program Management Contingent Worker (NYPA & Canals) Transitional Positions (NYPA & Canals) Succession Planning (NYPA & Canals) Emergency Energy Control Center (E2C2) Physical and Environmental Controls Apprenticeship Program Asset Management Governance NERC Operations and Planning/Critical Infrastructure Protection Audit Prep



Plan Alignment to Strategic Core Priorities and Foundational Pillars

Strategic Core Priorities & Foundational Pillars	Projects Projects
Digital Transformation	 Bid to Bill System implementation IT Asset Management System Implementation Cloud Services Mobile Device Security Rapid Application Development Energy Management System (EMS) Replacement Communications Backbone Program
Environment, Social & Governance	IT GovernanceSustainability Plan Refresh
Diversity, Equity & Inclusion	Diversity, Equity and Inclusion Program
Enterprise Resilience	Pandemic Plan After Action Review

Plan Alignment to Top Enterprise Risks

Top Enterprise Risk	Projects Projects
Attract and Retain Qualified Workforce	 Other Post Employment Benefits Contingent Worker (NYPA & Canals) Transitional Positions (NYPA & Canals) Succession Planning (NYPA & Canals) Diversity, Equity and Inclusion Program Apprenticeship Program
Commodity Market Volatility	Trading Process Controls
Critical Infrastructure	 Supply Chain Management Emergency Energy Control Center (E2C2) Physical and Environmental Controls Asset Management Governance Energy Management System (EMS) Replacement Generation and Transmission Project Planning and Implementation Next Gen Niagara Implementation Communications Backbone Program SMART PATH Transmission Line Upgrade NERC Operations and Planning/Critical Infrastructure Protection Audit Prep
Customer Energy Choices	 Customer Financing Economic Development Programs ReCharge NY Customer Compliance Western NY Customer Compliance



Plan Alignment to Top Enterprise Risks

Top Enterprise Risk	Projects Projects
Cyber Security	 IT Asset Management System Implementation Cloud Services Mobile Device Security Rapid Application Development User Access Management
Disruptive Innovation	Project and Business Case Development
Hydro Generation	Financial Forecast Model System Implementation
Workforce Health & Safety	Pandemic Plan After Action Review

Appendix E – Audit Plan Internal Audit Resource Capacity

Audit Plan Internal Resource Capacity (NYPA and Canal Corporation)

	# of Hours
Total Available Time (1)	24,600
Continuous Improvement (Reinvest in IA processes) (2)	(2,160)
Available Resource Time	22,440
Professional Services - Client Support Hours (3)	(3,195)
EH&S Compliance Audit Program Methodology and Project Management	(555)
Hours Available for NYPA and Canal Corporation Audit Plan	<u>18,690</u>

- (1) Hours assume filled open positions by the end of January 2021 and excludes Non-Audit Time: training, vacation/sick/holidays, administrative time
- (2) Continuous Improvement Hours include: Agile and GRC optimization, Data Analytics Strategy Refresh, QAIP
- (3) Client Support Hours include: Audit Liaison Program, Committees/Work Groups participation, policies/procedures review, management request reviews



Internal Audit Plan - NYPA and Canal Corporation Approval Request

➤ Internal Audit requests the Audit Committee to approve the 2021 NYPA and Canal Corporation Audit Plan.



Audit Committee Update

2021 Internal Audit Budget
NYPA and Canal Corporation

12/9/2020

Proposed 2021 Internal Audit Budget

<u> </u>				
	2021 Budget	2020 Budget	2020 Actual (as of 11/20/20)	Explanation
Payroll and Benefits*	\$3,184,900	\$3,241,333	\$3,114,737	Reflects full year of FTE costs for staff level at budget time.
Computer Software – Data Analytics Extraction Tool	\$250,000	\$0	\$0	Cost of data analytics tool and IT Support Services.
Software Maintenance	\$175,000	\$75,000	\$0	Cost of GRC maintenance and IT Support Services.
Training & Professional Fees	\$99,443	\$94,684	\$55,275	40 hours professional development per staff member as per IIA best practice and professional fees for staff members. Most training in 2020 was virtual at reduced cost and/or covered by the Technical Training group.
Travel Expenses	\$20,000	\$25,000	\$1,113	2021 travel will depend on future imposed travel restrictions. 2020 decrease in expenses due to travel restrictions, virtual training.
Books & Publications	\$0	\$9,532	\$0	Added to Internal Audit's budget for 2020. Will be budgeted through Digital Warehouse in 2021.
Miscellaneous Office	\$17,250	\$25,600	\$5,179	Virtual lunch and learn/staff meetings. Tentative Department off-site staff training meeting in 2021.
Audit Consulting -Internal Audit Co-Sourcing -Economic Development Job Commitment -Environmental Health & Safety Compliance Audit Program	\$1,350,000	\$1,680,000	\$1,526,509	Reduction in co-source costs with hired positions, some support hours for Data Analytics Strategy and Agile Optimization. Addition of outsourced auditors for Environmental Health & Safety Compliance Audit Program.
Total	\$5,096,593	\$5,151,149	\$4,702,813	

^{*}Payroll and co-source support costs will change to reflect reallocation of cost as open positions are filled. The overall budget will remain substantially the same.



Internal Audit Budget Approval Request

> Internal Audit requests the Audit Committee to approve the 2021 Internal Audit Budget.

New York Power Authority Report to the Audit Committee

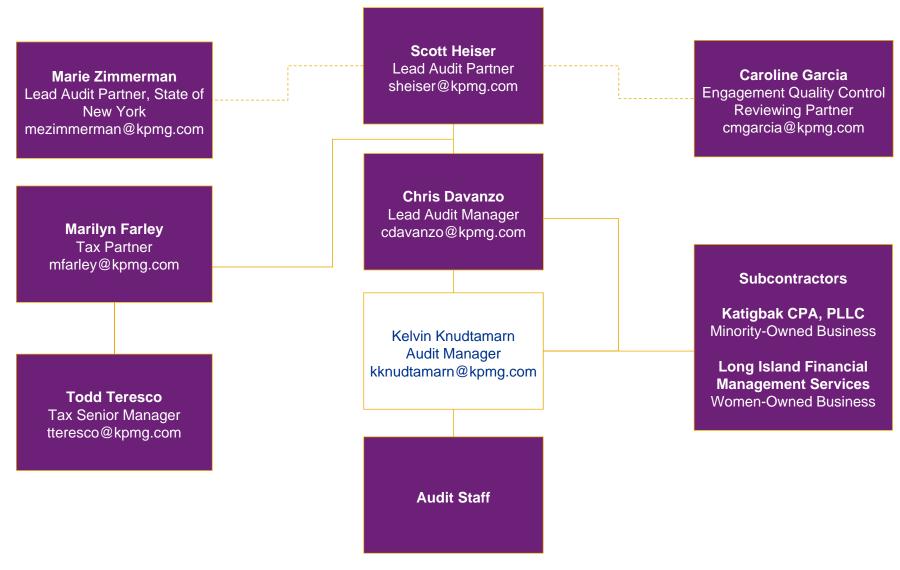
Audit plan and strategy for the year ending December 31, 2020

December 9, 2020





Client service team



Team members with continuity are designated in purple.





Our commitment to you

We aim to deliver an exceptional client experience by focusing on



processes



decisions and share

those relevant

insights



Executive summary





COVID-19: Resilience & Readiness

COVID-19 is truly a unique and demanding challenge with severe human consequences. We place the highest priority on the health of our people and yours, and continue to take action based on guidance from public health authorities.

Key Insights For Your Organization

- Our team is producing insights and providing perspectives on actions we can all take to respond with resilience.
- Our <u>Audit Committee Institute</u> and <u>Board Leadership</u>
 <u>Center</u> is producing insights on oversight of
 companies' pandemic response.
- Our <u>COVID-19 resource center</u> also covers topics such as financial reporting, global economic impacts, financial management, contingency planning and business continuity, and more.



Business Continuity Excellence

- Our business continuity plan is working effectively and we have taken steps to prepare for future, potentially longer-term, alternative work arrangements.
- We are coordinating with your teams to best work together and communicating frequently to keep each other informed.
- Our Heads Up Thinking culture vision is helping to shape the way the firm responds to challenges like this to the benefit of our clients.



COVID-19 is a major consideration in the development of our audit plan in 2020. We are focused on understanding the impact of COVID-19 to your business, and coordinating and adjusting our audit plan as appropriate.



Required Audit Committee Communications

Presented on: December 9, 2020



Our audit of the consolidated financial statements of the New York Power Authority (the Authority), as of and for the year ended December 31, 2020, will be performed in accordance with auditing standards generally accepted in the United States of America.

Performing an audit of the consolidated financial statements includes consideration of internal control over financial reporting (ICFR) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR.

We plan to issue the auditor report on the consolidated financial statements of the Authority as of and for the two-year period ended December 31, 2020. Other planned audit deliverables include a report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Accounting Standards as of December 31, 2020, and a report on the Investment Compliance as of December 31, 2020.





Materiality in the context of an audit

We will apply materiality in the context of the preparation and fair presentation of the consolidated financial statements, considering the following factors:

Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

Judgments about materiality involve both qualitative and quantitative considerations.

Judgments about matters that are material to users of the consolidated financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the consolidated financial statements.

Judgments about the size of misstatements that will be considered material provide a basis for

- a) Determining the nature and extent of risk assessment procedures;
- b) Identifying and assessing the risks of material misstatement; and
- c) Determining the nature, timing, and extent of further audit procedures.





April 1 - May 31

June 1 – Aug 31

Sept 1 – Dec 31

Jan – Mar

Planning and risk assessment

- Debrief on prior year audit with management
- Planning and initial risk assessment procedures, including:
 - Involvement of others
 - Identification and assessment of risks of misstatements and planned audit response for certain processes

Planning and risk assessment

- Meetings with management to discuss key issues and updates during the current year
- Ongoing risk assessment procedures, including:
 - Identification and assessment of risks of misstatements and planned audit response for remaining processes

Interim

- Communicate audit plan
- Evaluate design & implementation (D&I) of general IT and automated controls
- Perform interim substantive audit procedures
- Evaluate D&I of entity level controls and process level controls for certain processes
- Perform process walkthroughs and identification of process risk points for certain processes
- Evaluate D&I of process level controls for remaining processes
- Coordinate with Internal Audit

Year-end

- Complete control testing for remaining process level, general IT, and entity-level controls, where applicable
- Inquire with management regarding litigation and property tax related matters
- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Present audit results to the audit committee and perform required communications

Filing date (Before March 31, 2021): Issue audit reports on financial statements.





Changes to audit plan during FY 2020

Timing of Audit

- KPMG has adjusted the timing of interim audit procedures
 - Increased the time period of field work during the months of October December 2020
 - Focus on testing of high volume accounts including revenue, expenses and capital assets during November 2020 and December 2020
 - Planned walkthroughs of key processes during the month of December 2020

Ultimate goal to improve audit quality and to reduce compression of audit procedures during the yearend audit time period in February and March. KPMG has been and is continuing to work with management on improving the timing of the audit process.





Risk assessment: Significant risks

Significant Risks

Management override of controls

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent consolidated financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Susceptibility to:		
Error	Fraud	
	Yes	





Risk assessment: Estimates and other significant audit areas

Audit areas*	Relevant factors affecting our risk assessment
Estimates – Pension and Post Retirement Obligations	 Size and composition of the accounts Nature of account and disclosure Measurement uncertainty (assumptions utilized)
Significant Audit Area – Revenue Recognition	 Size and composition of the accounts Volume of activity processed through the account Nature of the account and disclosure
Significant Audit Area – Long term debt	 Size and composition of the accounts Nature of account and disclosure
Significant Audit Area – Capital Assets, including depreciation	 Size and composition of the accounts Volume of activity processed through the account Nature of the account and disclosure
Significant Audit Area – Investments	 Size and composition of the accounts Issuance of Investment Compliance Report

^{*}The engagement team is considering the impact of COVID-19 on the above audit areas and the audit as a whole.





Subject Matter Professionals	Extent of planned involvement	
KPMG National Pricing Desk	Testing the valuation of Investment selections	
KPMG Actuarial Specialists	Testing the valuation of the NYPA and Canals OPEB and Pension liability	
KPMG Tax	Review the entity's financial statements to determine tax-exempt status is appropriate	
KPMG Forensics	Assist in brainstorming sessions related to fraud risks and fraud risk factors	

Other	Extent of planned involvement	
NYPA Internal Audit	Inquiries of internal audit, review of internal audit plan for FY20, and review results of audits conducted by internal audit	





GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

GASB Statement No. 87, Leases

This Statement addresses the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a model for lease accounting based on the principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NYPA plans to adopt this Statement in FY2021.

GASB Statement No. 91, Conduit Debt Obligations

This Statement addresses the reporting of conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, (3) related note disclosures. This statement establishes a single method of reporting conduit debt obligations thus eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby eliminating significant diversity in practice among entities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, although GASB 95 (noted above) postponed the effective date by one year.

NYPA plans to adopt this Statement in FY2021.





Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, audit committee and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, audit committee, and KPMG each play an important role.

System of independence quality control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

 New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)

Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- NYPA or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.





Management responsibilities



- Communicating matters of governance interest to those charged with governance.
- The audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities.

KPMG responsibilities – Objectives



- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.

KPMG responsibilities – Other



- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
 - Withdraw from the audit engagement when possible under applicable law or regulation,
 - Communicate the circumstances to those charged with governance, and
 - Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the consolidated financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.





The following inquiries are in accordance with AU-C 260

Is the audit committee aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the consolidated financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the consolidated financial statements?
 - Whether all required information has been included in the consolidated financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Does the audit committee have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting NYPA, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
 - If so, have the instances been appropriately addressed and how have they been addressed?

Additional inquiries:

- What are the audit committee's views about fraud risks in NYPA?
- Who is the appropriate person (audit committee chair or full committee) for communication of audit matters during the audit?
- How are responsibilities allocated between management and the audit committee?
- What are NYPA's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are the audit committee's attitudes, awareness, and actions concerning (a) NYPA's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has NYPA entered into any significant unusual transactions?
- Whether the is in compliance with other laws and regulations that have a material effect on the consolidated financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?



Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit KPMG's Audit Committee Institute (ACI) at www.kpmg.com/ACI

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MINUTES OF THE REGULAR JOINT MEETING OF THE NYPA AND CANAL AUDIT COMMITTEE

July 16, 2020

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Minutes of the regular meeting of the New York Power Authority and Canal Corporation's Audit Committee held via video conference, at approximately 8:30 a.m.

The following Members of the Audit Committee were present:

Eugene Nicandri, Chairman John R. Koelmel Anthony Picente, Jr. Tracy McKibben Dennis Trainor Michael Balboni

Also in attendance were:

Gill Quiniones President and Chief Executive Officer

Justin Driscoll Executive Vice President and General Counsel

Joseph Kessler Executive Vice President and Chief Operations Officer
Adam Barsky Executive Vice President and Chief Financial Officer
Sarah Salati Executive Vice President and Chief Commercial Officer

Soubhagya Parija Senior Vice President and Chief Risk Officer Angela Gonzalez Senior Vice President – Internal Audit

Karen Delince Vice President and Corporate Secretary

Daniella Piper Vice President – Digital Transformation/Chief of Staff

Christine Reynolds Treasurer

Anne Reasoner Vice President Budgets & Business Controls

Sundeep Thakur Controller

Lorna Johnson Senior Associate Corporate Secretary

Sheila Quatrocci Associate Corporate Secretary

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 Proposed Meeting Agenda

On motion made by member Anthony Picente and seconded by member Dennis Trainor, the agenda for the meeting was adopted.

2. <u>Motion to Conduct an Executive Session</u>

Mr. Chairman, I move that the Audit Committee conduct an executive session to discuss the financial and credit history of a particular corporation (pursuant to section 105f of New York Public Officers Law). On motion made by member Dennis Trainor and seconded by member Michael Balboni, an Executive Session was held.

3. <u>Motion to Resume Meeting in Open Session</u>

Mr. Chairman, I move to resume the meeting in Open Session. On motion made by member Tracy McKibben and seconded by member Dennis Trainor, the meeting resumed in Open Session.

Chairman Nicandri said no votes were taken during the Executive Session.

4. DISCUSSION AGENDA:

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

Ms. Angela Gonzalez, Senior Vice President, Internal Audit, provided an update on the New York Power Authority and Canal Corporation's Internal Audit Plan. (Exhibit "4a-A")

Internal Audit Scorecard

Internal Audit ("IA") retooled and refined some of the metrics of the Internal Audit Scorecard presented to the Committee in March which is broken down into two parts, Operational Excellence and Value Impact.

Operational Excellence

IA has Achieved or Exceeded a majority of the metrics under Operational Excellence.

Audit Plan – the Audit Plan is 41 percent complete and IA is on track to be 100% complete by the end of the year.

Audit Utilization Rate – IA was able to maintain its utilization rate despite its staff working remotely because of the COVID-19 pandemic. IA was able to maintain a 65% utilization rate which is below the benchmark of 75%. IA continues to work on its key initiatives outlined in the IA Plan -- GRC Automation, Data Analytics program, and Quality Assurance Improvement Program ("QAIP"). As these programs mature over time, or are operationalized, IA will be able to dedicate more hours towards audit and client support work.

Value and Impact

- **1.** Percentage of high-risk Observations Identified for informational purposes; observations that IA has identified over the last year.
- 2. Percentage of High-Risk Observations Implemented Achieved Internal Target. This includes only observations that had a due date prior to 6/30/20. One was due after June 30, 2019 and seven (7) are due after June 30, 2020.
- **3.** Percentage of All Observations by Due Date Includes observations that had a due date prior to June 30, 2020. Internal Target being Monitored.
- **4.** Percentage of Observations Extended and Subsequently Implemented Includes observations that had a due date prior to June 30, 2020, of which three observations are open; and two are open for 2019. To date, there are no extensions for 2020.

Internal Audit - COVID-19 Response

People

- Successfully implemented work-from-home protocols and new ways of working
- Redeployed resources to special COVID-19 projects, at management's request
- Collaborated frequently with other LPPC audit executives and leveraged industry information in response to COVID-19 and best practices
- Engaged subject matter specialists, as needed

Process

- Continuation of IA's Agile methodologies has allowed IA to pivot projects and allocating resources quickly
- Re-prioritized Audit Plan and conducted quarterly plan re-evaluation
- Perform a refreshed risk assessment to assess additional risks/exposures due to COVID-19
- Continued to collaborate with Risk Management and provide input on the Risk Registry

Technology

- Departmental use of video conferencing using Microsoft Teams and Webex
- Audit staff developed an electronic Agile Kanban board to manage the audit project portfolio virtually
- Held Departmental Virtual trainings

2020 Audit Plan Status

- 37 audits are included in the NYPA and Canals Audit Plan
- 15 audit reports have been issued to date. Two audits have moved to the reporting stage and are expected to be issued within the next two weeks
- Three audits are in fieldwork and the audit reports are expected to be issued by the end of July or early August
- Planning for two Q3 audits has begun

Summary of Changes to 2020 Internal Audit Plan due to COVID-19

Based on discussions with management to date, their focus on response to COVID-19 and level of priority, 13 audit projects have been removed from the 2020 Internal Audit Plan some of which became lower priorities. In addition, some scope changes were made to audit projects on the plan due to risks related to COVID-19.

IA is in the process of reviewing the projects which were removed from the Plan to determine which ones can be added back. Some projects have been funneled into other projects on the Plan and some project scopes had to be changed because of risks related to COVID-19.

Internal Audit Remediation Status - NYPA

- As of June 30, 2020, seventeen (17) 2020, ten (10) 2019 and three (3) 2018 NYPA recommendations are open.
- Closure of the medium-rated 2018 open recommendations are on track to close by their 2020 due dates.

Internal Audit Remediation Status - Canals

• As of June 30, 2020, seven (7) 2020 and two (2) 2019 Canals recommendations are open and are tracking to close on time.

Status of Audit Recommendations - 2018

Fleet Management Operations

Three recommendations for fleet management are still open. Remediation is tied to the automation of the Maximo transportation module which is expected to go live in Q4 2020.

Internal Audit Transformation Highlights:

BRANDING

IA continues to bring forth its brand. Because of COVID-19, IA staff have not been able to visit the sites as planned; however, they started conducting virtual meetings with St. Lawrence, Blenheim-Gilboa, Niagara, CEC and SENY in Q3/Q4 replacing the site visits. All audit staff will be involved in participating in these virtual meetings using Microsoft Teams.

DELIVERY

Agile Project Methodology

- 76% of the Audit Plan is using the Agile methodology. The remaining 24% is using the traditional methodology.
- Agile Coach support from Internal Audit's co-source partner has been fully transitioned to the Audit Managers. The Audit Managers provide Agile coaching support and ensure process consistency across all audit teams.

GRC Automation

- All Q2 audits have been executed in the GRC Audit system. Configuration for timekeeping and design for reporting has been completed and is in production. IA is fully charging all its hours through the GRC system.
- Additional enhancements to the Audit system's user interface and the overall platform are in progress. As a result, use of the Observation Management workflow is on hold until these enhancements are in production which is targeted for July 13, 2020. All observations continue to be uploaded to SharePoint for observation tracking and reporting.

Data Analytics

- To date, 23 (62%) of 2020 audit projects have been identified where data analytics could be applied. 11 (52%) of the Q1 and Q2 projects have applied data analytics to date.
- The Data Analytics team attended demonstrations for four data analytics tools and has worked
 extensively on the procurement process in collaboration with the Data Governance department.
 A scope of services document has been developed and Internal Audit is now fully engaged with
 Strategic Supply Management working on an RFP which is expected to be completed and
 executed in Q3 with final decision in Q4, with tool onboarding in Q1 2021.
- The build-out of the continuous auditing program has been put on hold because of the COVID-19 pandemic. The continuous auditing program will move forward once a data analytics tool has been onboarded.

Quality Assurance Improvement Program

- The QAIP team continues to work through the remediation of recommendations from the 2019 external quality assessment. To date, the team have achieved 83% completion and are tracking to complete all items by the end of the year.
- As part of the Quality Assurance Improvement Program, the QAIP team is in the process of conducting the required annual internal assessment for compliance with the IIA standards. This is targeted for completion by the end of August and the results will be communicated to the Audit Committee.

TALENT (STAFF EXCELLENCE)

- Virtual training geared to the electric utility industry was held in April to enhance staff knowledge
 of the industry.
- Virtual training on the impact of COVID-19 on the utility industry and Internal Audit functions was held in June.
- The Training and Development team has created an automated solution using SharePoint technology for the training and development program that was implemented in 2019 so that staff will be able to look up internal and external training classes, links to industry organizations, and review their training hours log. Expected completion and use by Internal Audit staff is targeted for July.

5. CONSENT AGENDA

On motion made by member Dennis Trainor and seconded by member Anthony Picente, the Consent Agenda was approved.

a. Approval of the Minutes of the Joint Meeting held on March 26, 2020

On motion made and seconded, the Minutes of the Committee's Regular Meeting held on March 26, 2020 were approved.

b. Approval of the New York Power Authority and Canal Corporation Audit Committee Charters

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The members of the Audit Committee are requested to adopt the Authority's and the Canal Corporation's Audit Committee Charters as set forth in Exhibits '5b-A' and '5b-B,' and to recommend their adoption to the Authority's Trustees and the Canal Corporation's Board of Directors.

BACKGROUND

The Authority's Audit Committee Charter was last amended on December 12, 2017 to reflect best practices and to conform to the Canal Corporation's Audit Committee Charter which was adopted on January 31, 2017. There were no additional changes to the Audit Committee Charters, and approval was granted by the Audit Committee for compliance with the Institute of Internal Auditors Standards at the July 9, 2019 Audit Committee meeting.

As a result of the Institute of Internal Auditors external quality assessment of Internal Audit in August 2019, recommendations were made to enhance both the Authority's and the Canal Corporation's Audit Committee Charters to further align with the Institute of Internal Auditors Standards.

FISCAL INFORMATION

None.

RECOMMENDATION

The Executive Vice President and General Counsel recommends that the Audit Committee adopt the Authority's and the Canal Corporation's Audit Committee Charters and recommends their adoption to the Authority's Trustees and the Canal Corporation's Board of Directors."

The following resolution was unanimously approved by the members.

RESOLVED, That the attached Authority and Canal Corporation Audit Committee Charters be adopted in the forms proposed in Exhibits "5b-A" and "5b-B;" and be it further

RESOLVED, That the Audit Committee recommends the adoption of the Authority and Canal Corporation's Audit Committee Charters to the Authority's Trustees and the Canal Corporation's Board of Directors.

c. Approval of the New York Power Authority Internal Audit Charter (Corporate Policy 5-1)

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Audit Committee is requested to adopt the Authority's Internal Audit Charter as presented and set forth in Exhibit '5c-A' of this item and to recommend its adoption to the Trustees.

BACKGROUND

The Authority's Internal Audit Charter was last amended on October 5, 2018 to reflect reporting line changes and updates to audit processes. There were no additional changes to the Internal Audit Charter, and approval was granted by the Audit Committee at the July 9, 2019 Audit Committee meeting.

As a result of the Institute of Internal Auditors external quality assessment of Internal Audit in August 2019, recommendations were made to enhance the Authority's Internal Audit Charter to further align with the Institute of Internal Auditors Standards.

FISCAL INFORMATION

None.

RECOMMENDATION

The 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."

The following resolution was unanimously approved by the members.

RESOLVED, That the attached Authority Internal Audit Charter be adopted in the form proposed in Exhibit "5c-A"; and be it further

RESOLVED, That the Audit Committee recommends the adoption of the Authority's Internal Audit Charter to the Trustees.

6. Next Meeting

Chairman Nicandri said that the next regular meeting of the Audit Committee would be held on December 20, 2020 at a time to be determined.

Closing

On motion made by member Dennis Trainor and seconded by member Tracy McKibben, the meeting was adjourned by the Chairman at approximately 10:06 a.m.

Karen Delince

Karen Delince Corporate Secretary

EXHIBITS

For Audit Committee Minutes

July 16, 2020



Audit Committee

New York Power Authority and Canal Corporation Internal Audit Update

7/16/2020

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- Internal Audit Transformation Highlights
- 2019 External Quality Assurance Assessment Remediation Status
- CAE Required Communications to the Audit Committee

Appendix

- Appendix A 2020 Internal Audit Plan
- Appendix B Changes to 2020 Internal Audit Plan
- Appendix C Metrics Definitions



Executive Summary



Internal Audit Scorecard

Metric	Prog	gress	Bench- mark (3)	Internal Target	Status
	2019	2020			
Internal Audit Performance					
Audit Plan Percentage Complete	100%	41%	88%		
Audit Deliverables with Opinions	62% (31/50)	73% (11/15)	N/A	50% Opinions Issued	
Fieldwork to Report Issuance (weeks)	3.1	3.4	5.1		
Audit Utilization Rate	65%	65% (1)	75%		
IA Average Project Cycle Time (weeks - Excludes ongoing projects)	12	12	12		
Audit Standards					
External Quality Assessment Remediation Completion Status		83%		100% by year-end 2020	
	Internal Audit Performance Audit Plan Percentage Complete Audit Deliverables with Opinions Fieldwork to Report Issuance (weeks) Audit Utilization Rate IA Average Project Cycle Time (weeks - Excludes ongoing projects) Audit Standards External Quality Assessment Remediation Completion	Internal Audit Performance Audit Plan Percentage Complete Audit Deliverables with Opinions Fieldwork to Report Issuance (weeks) Audit Utilization Rate IA Average Project Cycle Time (weeks - Excludes ongoing projects) Audit Standards External Quality Assessment Remediation Completion	Internal Audit Performance Audit Plan Percentage Complete Audit Deliverables with Opinions (31/50) (11/15) Fieldwork to Report Issuance (weeks) Audit Utilization Rate 65% 65% (1) IA Average Project Cycle Time (weeks - Excludes ongoing projects) Audit Standards External Quality Assessment Remediation Completion	Metric Progress mark (3) 2019 2020 Internal Audit Performance Audit Plan Percentage Complete Audit Deliverables with Opinions Fieldwork to Report Issuance (weeks) Audit Utilization Rate IA Average Project Cycle Time (weeks - Excludes ongoing projects) Audit Standards External Quality Assessment Remediation Completion Progress mark (3) Audit Plan Percentage 100% 41% 88% (31/50) (11/15) N/A 100% 73% (11/15) N/A 11/2 12 12 12 12 13/4 5.1 14/5 12 15/5 13/5 12 16/5 13/5 13/5 13/5 13/5 13/5 13/5 13/5 13	Metric Progress mark (3) Target 2019 2020 Internal Audit Performance Audit Plan Percentage Complete Audit Deliverables with Opinions (31/50) (11/15) N/A 50% Opinions Issued Fieldwork to Report Issuance (weeks) Audit Utilization Rate 65% 65% (1) 75% IA Average Project Cycle Time (weeks - Excludes ongoing projects) Audit Standards External Quality Assessment Remediation Completion Remediation Completion

	Achieved or Exceeded Benchmark/Internal Target/On Track	
Key	Benchmark/Internal Target Monitored	
Ke	Benchmark/Internal Target Not Achieved	
	N/A - Benchmark Not Available	

	Metric	Observati	ons by Year	Identified	Internal Target	Status
		2018	2019	2020		
Value and Impact	% of High-Risk Observations Identified	14% (14/102)	12% (11/90)	23% (7/30)		Information Purposes
	% of High-Risk Observations Implemented	100% (14/14)	100% (2) (10/10) 1 due after 6/30/20	(0/0) 7 are due after 6/30/20	100% for each year	
	% of All Observations Implemented by Due Date	100% (2) 99/99	99% (2) 78/79	100% (2) 6/6	100%	
	% of Observations Extended and Subsequently Implemented	80% (12/15)	87% (13/15)	0% No observations extended to date	100% for each year	

Note:

- (1) Maintained utilization rate given COVID-19 and remote working. Staff continue to work on IA key reinvestment activities (GRC system, Data Analytics, QAIP) and internal administration.
- (2) Includes only observations that had a due date prior to 6/30/20.
- (3) Benchmarks used are from Gartner Audit Leadership Council and the IIA Global Audit Information Network (GAIN) report.



Internal Audit COVID-19 Response

People

- Successfully implemented work from home protocol and new ways of working
- Increased department communications and touchpoints
- Re-deployed resources to special COVID-19 projects at management's request
- Collaborated with LPPC audit colleagues, leveraged industry and market related committees/groups to facilitate idea sharing and best practices
- Engaged subject matter specialists as needed

Process

- Continuation of Agile principles allowed Internal Audit to pivot projects and resources quickly
- Re-prioritized Audit Plan and conducted quarterly plan re-evaluation
- Perform a refreshed risk assessment to assess additional risks/exposures due to COVID-19
- Continued to collaborate with Risk
 Management and provide input on the Risk
 Registry
- Conducted special request reviews as needed

Technology

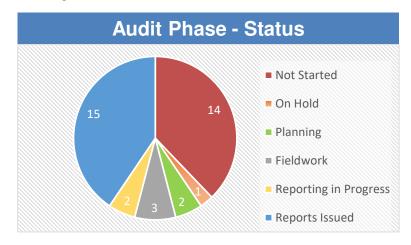
- Departmental use of video conferencing using Microsoft Teams and Webex
- Audit staff developed an electronic Agile Kanban board to manage the audit project portfolio virtually
- Held Departmental Virtual trainings

Evaluate risk and data



2020 Audit Plan Status

- 2020 Audit Plan Status*:
 - > 37 audits are included in the NYPA and Canals Audit Plan.
 - 15 audit reports have been issued to date. Two audits have moved to the reporting stage and are expected to be issued within the next two weeks.
 - Three audits are in fieldwork and these audit reports are expected to be issued by the end of July. Planning for two Q3 audits has begun.





NOTE: * See Appendix A for details



Summary of Changes to 2020 Internal Audit Plan

Operational, Strategic, Compliance, Finance and IT audits are continuously evaluated for emerging risks through participation in management and operations committees and discussions with leadership across the organization. Based on discussions with management to date, their focus on response to COVID-19 and level of priority, 13 audit projects have been removed from the 2020 Internal Audit Plan as follows:

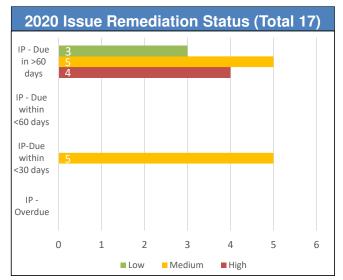
2020 Audit Status	As of 6/30/20
Approved 2020 Internal Audit Plan	50
Audits Added to 2020 Internal Audit Plan	
NYPA: None	0
Canals: None	
Audits Removed from 2020 Internal Audit Plan	
NYPA: Communications Backbone Program, Transmission LEM, Customer Digital Experience (CDEx),	
Digital Worker, Succession Planning (NYPA and Canals), Pension Plan Management, Data Splice Post	13
Implementation, Enterprise Program Management, Software License Management, Customer Credit	. •
(Customer Financing), Environmental Health & Safety Program (NYPA and Canals)	
Canals: Canals Vendor Management, Canals Maximo System Implementation	
Total 2020 Audits	37

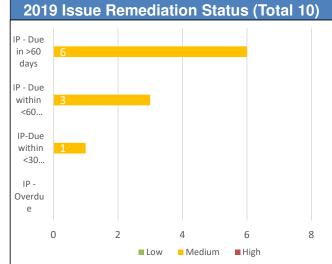
In addition, some scope changes were made to audit projects on the plan due to risks related to COVID-19. See Appendix B for details.

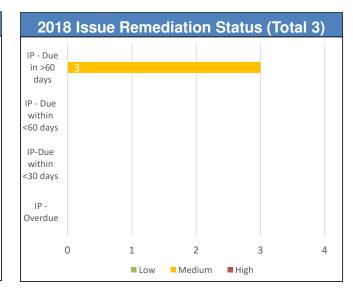


Internal Audit Remediation Status – NYPA

- As of June 30, 2020, 17 2020, 10 2019 and three 2018 NYPA recommendations are open.
- Closure of the medium-rated 2018 open recommendations are on track to close by their 2020 due dates. See slide 11 for details.
- Internal Audit continues to assist management by providing monthly reporting to the EMC on open recommendation status and is monitoring remediation efforts for 2018-2019 issues, with the priority on high-risk issues.



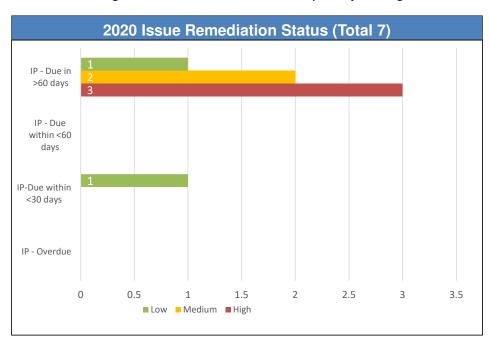


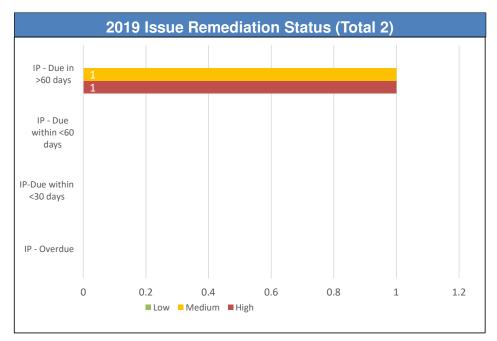




Internal Audit Remediation Status – Canals

- As of June 30, 2020, seven 2020 and two 2019 Canals recommendations are open.
- Internal Audit continues to assist management by providing monthly reporting to the EMC on open recommendation status and is monitoring remediation efforts with the priority on high-risk issues.

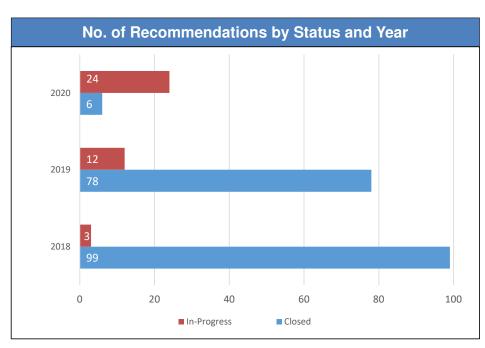


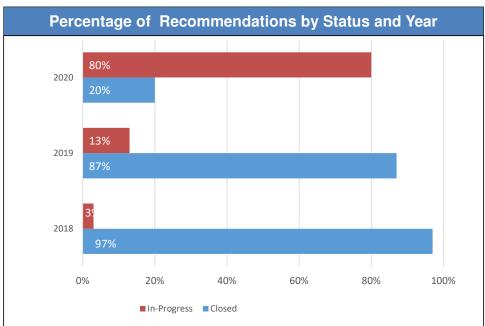




Internal Audit Remediation Status

> Below is the number and percentage of NYPA and Canals open and closed recommendations by year 2018-2020:







Status of Audit Recommendations – 2018

2018 Open Recommendations - NYPA	Remediation Status
2018 Open Recommendations - NYPA Fleet Management Operations (three recommendations)	Rec. 1: Remediation has been implemented to the extent possible. All attributes will be captured in the Maximo transportation module once it goes live. The project was paused during the height of the pandemic, however, has been unpaused and is expected to go live in Q4 2020. Due Date: 12/1/2020 Rec. 3: Completion of the Maximo transportation module transition for fleet maintenance practices is in progress and the project was paused during the height of the pandemic, however, has been un-paused and is expected to go live in Q4 2020. Recruiting for a Fleet Supervisor is in progress. Due Date: 12/31/2020 Rec. 4: Remediation has been implemented to the extent possible. NYS LENS reports are reviewed and compared to AssetWorks information which is sent to
	supervisors for scrutiny. Full remediation for fleet management reporting will take place upon the Maximo transportation module migration. The project was paused during the height of the pandemic, however, has been un-paused and is expected to go live in Q4 2020.
	Due Date: 9/1/2020



Internal Audit Transformation Highlights

BRANDING

- Development of video clip with key stakeholders is on hold and will be resumed in 2021.
- Virtual meetings with St. Lawrence, Blenheim-Gilboa, Niagara, CEC and SENY staff will be conducted in Q3/Q4 replacing the site visits. All audit staff will be involved in participating in these virtual meetings using Microsoft Teams.

DELIVERY

Agile Project Methodology

- 76% of the audit plan (28 audit projects) is using the Agile methodology. The remaining 24% (9 projects) is using the Traditional methodology since these projects are comprised of ongoing system implementations, one advisory engagement and six Canals audit projects.
- Agile Coach support from Internal Audit's co-source partner has been fully transitioned to the Audit Managers. The Audit Managers provide Agile coaching support and ensure process consistency across all audit teams.



Internal Audit Transformation Highlights - cont'd

GRC Automation

- All Q2 audits have been executed in the GRC Audit system. Configuration for timekeeping and design for reporting has been completed and is in production.
- Additional enhancements to the Audit system's user interface and the overall platform are in progress. As a result, use of the Observation Management workflow is on hold until these enhancements are in production which is targeted for July 13, 2020. All observations continue to be uploaded to SharePoint for observation tracking and reporting.

Data Analytics

- To date, 23 out 37 (62%) of 2020 audit projects have been identified where data analytics could be applied. 11 out of 23 (52%) of the Q1 and Q2 projects have applied data analytics to date.
- The Data Analytics team attended demonstrations for four data analytics tools and has worked extensively on the procurement process in collaboration with the Data Governance department. As a result, a scope of services document has been developed and Internal Audit is now fully engaged with Strategic Supply Management to start an RFP. The RFP is expected to be completed and executed in Q3 with final decision in Q4, with tool onboarding in Q1 2021.
- The COVID-19 pandemic has delayed this process by three months due to coordinating with vendors and consultants that were paused during the height of the pandemic. The continuous auditing program will move forward once a data analytics tool has been onboarded.



Internal Audit Transformation Highlights - cont'd

Quality Assurance Improvement Program

- The QAIP team continues to work through the remediation of recommendations from the 2019 external quality assessment. To date, we have achieved 83% completion and are tracking to complete all items by year-end. See slide 15 for the standards where remediation items were cited.
- As part of the Quality Assurance Improvement Program, the QAIP team is in the process of conducting the required annual internal assessment for compliance with the IIA standards and is targeted for completion by the end of August. The review is on track and results will be communicated to the Audit Committee.
- The Required Communications to the Audit Committee list states specific standards required of the CAE to communicate with the Audit Committee as per IIA Standard 1000 and 2060. See slide 16 for details.

TALENT (STAFF EXCELLENCE)

- Specific training geared to the electric utility industry was held virtually in April to enhance staff knowledge of the industry.
- Held virtual training on the impact of COVID-19 on the utility industry and Internal Audit functions in June.
- The Training and Development team has created an automated solution using SharePoint technology for the training and development program that was implemented in 2019. Staff will be able to look up internal and external training classes, links to industry organizations, review their training hours log and more. Expected completion and use by Internal Audit staff is targeted for July.
- As of 7/16/20, 63% of staff currently have at least one certification and 32% of staff are pursuing various certifications such as the CIA, CPA and CISA.



2019 External Quality Assurance Assessment Remediation Status

IIA Standard #	Standard Description	GAP/ Improvement Opportunity	GAP OR Improvement Opportunity Description	Status
1311	Internal Assessments	GAP	Conduct an Internal Quality Assessment (QA) annually.	Completed
1312	External Assessments	GAP	Conduct an external QA every five years.	Completed
1320 1311	Reporting on the QAIP	GAP	Communicate internal and external assessment results.	Completed
1311	Internal Assessments	GAP	Develop a balanced scorecard and report results during the periodic reporting process to the Audit Committee.	Completed
1000 1100	Purpose, Authority and Responsibility	GAP	Update the NYPA and Canals Audit Committee Charters to include QAIP responsibilities and obtain CAE and Audit Committee approvals.	In Progress
1000	Purpose, Authority and Responsibility	Improvement Opportunity	Update the IA Charter and obtain CAE and Audit Committee approvals.	In Progress
1000 2060	Purpose, Authority and& Responsibility Reporting to Senior Management and the Board	Improvement Opportunity	Implement a checklist including Required Communications of the CAE to the Audit Committee.	Completed
1210	Proficiency	Improvement Opportunity	Consider developing IA staff in specialized areas of the energy industry.	Completed
1210	Proficiency	Improvement Opportunity	Consider use of technology-based audit.	In Progress
1210	Proficiency	Improvement Opportunity	Consider other data analysis techniques and Computer Assisted Audit Techniques (CAATS) to better evaluate data and identify problems.	In Progress
2240	Engagement Work Program	Improvement Opportunity	Document supervisory review of the Audit Program to evidence approvals.	In Progress
2410 2411	Criteria for Communicating	Improvement Opportunity	Incorporate limitations on the distribution of deliverables in the report.	Completed
2450	Overall Opinions	Improvement Opportunity	Include a section in the report for description of any scope limitations.	Completed
	Quality Assurance and Improvement Program		Update QAIP documentation in policy. Develop the QAIP program. Perform the 2020 Internal QA. Present final 2020 Internal Annual QAIP report to the Audit Committee.	In Progress
2050	Coordination and Reliance	Improvement Opportunity	Provide an Assurance Map that describes coverage of risk between IA and other providers of assurance for NYPA.	In Progress

CAE Required Communications to the Audit Committee

Internal Audit - NYPA and Canal Corporation CAE Required Communications to the Audit Committee 2020

Standard	Communication Requirement	Form	Audit Communication
1000 1010	The CAE must periodically review the Internal Audit charter and present it to senior management and the board for approval. The Mission of Internal Audit and the mandatory elements of the IPPF, which are acknowledged in the internal audit charter, should also be discussed.	Meetings and Private	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 16, 2020.
1111	The CAE must communicate and interact directly with the Audit Committee.		As the CAE, I confirm that an appropriate level of communication and interaction has taken place between myself and the Audit Committee.
1320	Disclosure should include:	Monthly Activity	As the CAE, I confirm results of ongoing monitoring of performance were reported to the Audit Committee as a component of the internal activity reports on July 16, 2020.



Appendix



Appendix A – 2020 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment				
Deliverable Issued: 15											
1	NYPA	2020-AU-01	Recharge NY Customer Compliance Audit (D&M)	Commercial Operations	Audit	N/A	2/27/20				
2	NYPA	2020-AU-15	Intrusion Detection/Intrusion Protection Management	Information Technology	Audit	Satisfactory	3/11/20				
3	NYPA	2020-AU-39	FEMA Reimbursement	Utility Operations	Audit	Good	3/16/20				
4	NYPA	2020-AU-19	Active Directory Review	Information Technology	Audit	Needs Improvement	3/19/20				
5	NYPA	2020-AU-43	Inventory & Warehousing: NIA, STL, BG, SENY	Utility Operations	Audit	Satisfactory	4/8/20				
6	NYPA	2020-AU-27	Payroll (NYPA and Canals)	Business Services	Audit	Needs Improvement	4/20/20				
7	NYPA	2020-AU-04	Commercial Operations Product Pricing	Commercial Operations	Audit	Needs Improvement	5/18/20				
8	NYPA	2020-AU-11	Ariba Application Review	Human Resources & Administration	Audit	Needs Improvement	5/26/20				
9	NYPA	2020-AU-26	Accounts Payable	Business Services	Audit	Needs Improvement	5/26/20				
10	NYPA	2020-AU-08	New York Energy Manager Strategy, Customer and Management Reporting	Commercial Operations	Audit	Good	5/28/20				
11	NYPA	2020-AS-22	Data Governance & Protection Program	Information Technology	Assessment	N/A	6/3/20				
12	NYPA	2020-AS-10	Supply Chain Management (NYPA and Canals)	Human Resources & Administration	Assessment	N/A	6/9/20				
13	Canals	2020-AU-46	Canals Vendor Payment Accruals Follow-up	Administrative Services	Audit	Good	5/26/20				
14	Canals	2020-AU-45	Canals Budgeting and Forecasting	Administrative Services	Audit	Needs Improvement	5/29/20				
15	Canals	2020-AU-47	Canals Real Property	Administrative Services	Audit	N/A	7/2/20				
			Reporting in Progr	ess – Fieldwork Complete: 2							
16	NYPA	2020-AU-24	Treasury Workstation System Implementation	Business Services	Audit						
17	Canals	2020-AS-49	Canals Fleet Management Operations	Administrative Services	Assessment						
			<u> </u>	rk in Progress: 3							
18	NYPA	2020-AU-17	Database Security (NYPA and Canals)	Information Technology	Audit						
19	NYPA	2020-AU-20	Microsoft 365	Information Technology	Audit	1					
20	NYPA	2020-AU-32	Insurance Risk Management (NYPA and Canals)	Business Services	Audit	†					
				g in Progress: 2							
21	NYPA	2020-AU-31	Energy Commodity Risk Management System Impl.	Business Services	Audit						
22	NYPA	2020-AU-41	ISO 55001 Audit Remediation Follow-up	Utility Operations	Audit		YORK NY Power Cana				
						STATE COPPORT	Authority Co				

Appendix A – 2020 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment
			Audit P	rojects on Hold: 1			
23	NYPA	2020-AU-28	Non-Work Time Benefits	Business Services	Audit		On Hold: Will resume when client can support
			Plannin	g Not Started: 14			
24	NYPA	2020-AS-34	Utility Operations Construction Projects - COVID-19 Response Review	Utility Operations	Assessment		
25	NYPA	2020-AS-02	Economic Development Customer Assistance	Commercial Operations	Assessment		
26	NYPA	2020-AU-06	Bid to Bill System Implementation	Commercial Operations	Audit		
27	NYPA	2020-AU-07	Unforced Capacity (UCAP) & Transmission Congestion Charge (TCC) Services & Trading	Commercial Operations	Audit		
28	NYPA	2020-AS-09	EVolve Program	Commercial Operations	Assessment		
29	NYPA	2020-AU-14	Threat and Vulnerability Management	Information Technology	Audit		
30	NYPA	2020-AU-18	Network Administration (NYPA and Canals)	Information Technology	Audit		
31	NYPA	2020-AV-21	IT Disaster Recovery Tests	Information Technology	Advisory		
32	NYPA	2020-AU-25	Credit Profile Management	Business Services	Audit		
33	NYPA	2020-AU-29	Finance & Administration (NIA, STL, CEC, WPO)	Business Services	Audit		
34	NYPA	2020-AU-30	Generation & Transmission Customer Rate Development	Business Services	Audit		
35	NYPA	2020-AU-37	GE Asset Performance Management Implementation (APM)	Utility Operations	Audit		
36	NYPA	2020-AU-42	Site SCADA Systems (NIA, BG, STL, SENY)	Utility Operations	Audit		
37	NYPA	2020-AU-44	Operations Technology Operating System Security	Utility Operations	Audit		
			Audit Pro	jects Canceled: 13			
1	NYPA	2020-AU-35	Communications Backbone Program	Utility Operations	Audit		
2	NYPA	2020-AU-36	Transmission LEM	Utility Operations	Audit		
3	NYPA	2020-AU-03	Customer Digital Experience (CDEx)	Commercial Operations	Audit		
4	NYPA	2020-AU-40	Digital Worker	Utility Operations	Audit		
5	Canals	2020-AU-48	Canals Vendor Management	Administrative Services	Audit		
6	Canals	2020-AU-50	Canals Maximo System Implementation	Technical Services	Audit		
7	NYPA	2020-AU-12	Succession Planning (NYPA and Canals)	Human Resources & Administration	Audit		
8	NYPA	2020-AU-13	Pension Plan Management	Human Resources & Administration	Audit		



Appendix A – 2020 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment
9	NYPA	2020-AU-38	Data Splice Post Implementation	Utility Operations	Audit		
10	NYPA	2020-AS-23	Enterprise Program Management	Executive Office	Assessment		
11	NYPA	2020-AU-16	Software License Management	Information Technology	Audit		
12	NYPA	2020-AU-05	Customer Credit (Customer Financing)	Commercial Operations	Audit		
13	NYPA	2020-AS-33	Environmental Health & Safety Program (NYPA and Canals)	Utility Operations	Assessment		



NYPA:

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Utility Operations	Utility Operations Construction Projects (Non-LEM)	Name, Audit Type and Scope Change	The changes to name, audit type and scope are a result of the impact of COVID-19 to Utility Operations construction projects and the recent pause. Several essential projects have been un-paused and the volume of capital projects to stop/start projects and related scope and budgetary changes could potentially lead to increased financial, operational, and legal risk to NYPA. Scope change is to ensure controls are in place to validate decisions for pausing, restarting and deferring projects in alignment with COVID-19 response requirements of safety, essential work and reliability, project management and governance are adhered to, project portfolio is re-assessed and project activity is monitored and reported. This review will be conducted as an assessment.	Q3	0
Utility Operations	Communications Backbone Program Transmission LEM	Combine Audits	Due to Utility Operations management's focus on COVID-19, the Communications Backbone Program and Transmission LEM audits have been combined into the Utility Operations Construction Projects audit to reduce overlaps in scope and demand on Utility Operations. The scopes for both of these audits will be executed within this audit.	Q3	-2
Commercial Operations	Clean Energy Solutions Pricing	Name Change	Change to Commercial Operations Product Pricing.	Q2	0
Information Technology	Microsoft Office 365	Name Change	Change name to Microsoft 365 due to Microsoft rebrand of the Office 365 product. Office 365 is a limited set of the larger Microsoft 365 product suite. The change in audit name correctly reflects the audit scope.	Q3	0
Commercial Operations	Western NY Customer Compliance Audit (D&M)	Name, Audit Type and Scope Change	The changes to name, audit type and scope are a result of the impact of COVID-19 and the decision by management to defer compliance requirements for job and capital commitments of Economic Development power allocation customers and offer an assistance program to defer payments. Scope change is to ensure controls are in place to determine customers were offered the assistance program, an executed agreement is in place and payment deferrals are accurate, complete, and timely.	Q3	0

NYPA:

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Information Technology	Software License Management	Remove from Plan	Due to IT management's focus to provide work from home capabilities and continuous connectivity supporting the business as a result of COVID-19, this audit has been postponed to 2021.	N/A	-1
Utility Operations			N/A	-1	
Human Resources & Administration			N/A	-1	
Executive Office	Enterprise Program Management Remove from Plan Due to management's focus on addressing COVID-19 impacts to the business and management's initiative to develop an enterprise program office, this audit will be considered for the 2021 audit plan.		N/A	-1	
Human Resources & Administration	Pension Plan Management	Remove from Plan Due to Human Resources & Administration management's focus supporting NYPA to address COVID-19 impacts to the business and undergoing process changes, this audit will be considered for the 2021 audit plan.		N/A	-1
Utility Operations	Digital Worker	Remove from Plan	In response to COVID-19, NYPA has deferred select capital projects, including Digital Worker.	N/A	-1



NYPA:

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Utility Operations	Environmental Health & Safety Program (NYPA and Canals)	Remove from Plan	EH&S had contracted a third-party vendor to conduct a gap analysis to industry standards. IA was to conduct an assessment to ensure areas of deficiencies identified had remediation plans and risks were addressed. This project has been put on hold until further notice and consequently removed from the audit plan.	N/A	-1
Commercial Operations	Customer Credit (Customer Financing)	Remove from Plan	Due to Commercial Operations management's focus on addressing COVID-19 impacts to the business and undergoing process changes, this audit will be considered for the 2021 audit plan.	N/A	-1
Commercial Operations	Customer Digital Experience (CDEx)	Remove from Plan	CDEx is primarily supported by consultants who were put on hold due to COVID-19. Internal resources will not be able to be support the project.	N/A	-1



CANALS:

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Administrative Services	Canals Vendor Management	Remove from Plan	Several capital and O&M projects have been put on hold due to stricter cost containment efforts as a result of COVID-19. Consequently, the Canals Vendor Management audit project is lower priority and will be considered for the 2021 audit plan.	N/A	-1
Technical Services	Canals Maximo System Implementation	Remove from Plan	Capital budget updates from COVID-19 response activities has resulted with the Canals Maximo System Implementation efforts to start in Q4 2020. Postpone audit work to 2021.	N/A	-1



Appendix C - Metric Definitions

Operational Excellence			
Audit Plan Percentage Complete	Measures effectiveness at completing the audit plan.		
Audit Deliverables have Opinions	Measures the level of opinions provided to management.		
Fieldwork to Report Issuance	Measures time to issue an audit report from the end of fieldwork.		
Audit Utilization Rate	Measures the percentage of time staff charge to audit work (audit projects, remediation follow-up, risk assessment, client support).		
IA Average Project Cycle Time (Excludes Ongoing Projects)	Measures audit cycle from Audit Start to Report Issuance.		

Value and Impact		
Percentage of High-Risk Observations Identified	Measures valuable insights for high-risk areas provided to management.	
Percentage of High-Risk Observations Implemented	Measures closure of high-risk observations by year.	
Percentage of All Observations Implemented by Due Date	Measures timeliness of closing open observations either by original due date or extended due date.	
Percentage of Observations Extended and Subsequently Implemented	Measures the timeliness of closing extended observations.	





NEW YORK STATE OF OPPORTUNITY. Authority Canal Corporation



AUDIT COMMITTEE CHARTER

A. PURPOSE

The Audit Committee ("Committee") 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 the hiring of a certified independent accounting firm for the New York Power Authority ("Authority"), 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 may assign it.

B. MEMBERSHIP AND ORGANIZATION

(1) Committee Composition

The Committee will be comprised of at least three independent members of the Board of Trustees, 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.

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

(2) <u>Term</u>

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. 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.

(3) Removal

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

(4) Meetings and Quorum

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

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"), Executive Vice President and Chief Financial Officer ("CFO"), Chief Risk Officer ("CRO"), Controller, 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 twice 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, COO, GC, CFO, CRO, Controller, 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 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:
 - 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; and
 - 3. Risk Management: CRO provides an overview of Risk Management 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. <u>FUNCTIONS AND POWERS</u>

The Committee has the following responsibilities:

(1) General Powers

The Committee may call upon the resources of the Authority 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) <u>Accounting, Financial Reporting, and Oversight of Independent Accountants and</u> Controller

The Committee will seek to enhance the integrity, quality, reliability, and accuracy of the Authority's financial statements and notes, and will oversee the relationship with the Authority's independent accountants. To accomplish these objectives, the Committee will:

- a. Provide advice to the Trustees 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, the Controller, 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) complaints 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 on the Committee's findings.
- f. Assure the independence of the independent accountants by approving any nonaudit work by them for the Authority and examining the independent auditor's relationship with the Authority.
- g. Report to the Trustees on any matters relevant to the audit process or independent accountant communications and make such recommendations as the Committee deems appropriate.

(3) Risk Management, Internal Controls and Oversight of the Internal Audit Department

The Committee will seek to enhance the Authority's risk management infrastructure and ensure timely and effective identification and mitigation of critical business risks. To accomplish these objectives, the Committee will:

- a. Have authority over appointment, dismissal, compensation, and performance reviews of the CAE. The CAE will report directly to the Committee.
- b. Review the charter, activities, staffing and organizational structure of the Internal Audit Department with management and the CAE.
- c. Ensure that the Internal Audit Department is organizationally independent from Authority 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. 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.
- f. Require the CAE to attend any meeting of the Committee and to prepare and deliver such reports as the Committee requests.
- g. Provide guidance to the Authority's CRO and enterprise risk management program on critical business objectives, risks and philosophy and tolerance for risk mitigation, and establish requirements for the CRO to report to the Committee.
- h. Report at least annually to the Board of Trustees on matters relating to the internal audit function and the enterprise risk management program and make such recommendations as the Committee deems appropriate.
- Present periodic reporting to the Board on how the Committee has discharged its duties and met its responsibilities, and regularly report activities, issues, and recommendations.
- j. Review the Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Board.

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

Standards Conformance

- I. 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)*.
- m. Ensure that 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.
- n. Ensure that the internal audit activity has an external quality assurance review every five years.
- o. 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.
- p. Advise the Board about any recommendations for the continuous improvement of the internal audit activity.



Exhibit 5b-B

NEW YORK STATE CANAL CORPORATION AUDIT COMMITTEE CHARTER

A. PURPOSE

The Audit Committee ("Committee") 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 the hiring of a certified independent accounting firm for the New York State Canal Corporation ("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 Board may assign it.

B. MEMBERSHIP AND ORGANIZATION

(1) Committee Composition

The Committee will be comprised of at least three independent members of the Board, 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.

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

(2) <u>Term</u>

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 reelected 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 member of the Board. 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.



(3) Removal

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

(4) Meetings and Quorum

The quorum of the Committee is a majority of the number of Committee members selected by the Board.

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 twice per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the Corporation's President and Chief Executive Officer ("CEO"), Executive Vice President and Chief Operating Officer ("COO"), Executive Vice President and Chief Financial Officer ("CFO"), Chief Risk Officer ("CRO"), Controller, 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 twice 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 Corporation's independent auditors to discuss the audit work plans, objectives, results and recommendations; and (3) may meet independently with the Corporation's CEO, COO, GC, CFO, CRO, Controller, 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 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; and
- 3. Risk Management: CRO provides an overview of Risk Management 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 Corporation management will discuss with the Committee significant audit findings/issues, the status of on-going audits, and the actions taken by Corporation 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 Corporation to assist the Committee in the discharge of its oversight functions. Such assistance may include the assignment of Corporation staff and the retention of external advisors subject to the requirements of the Public Authorities Law and the Corporation's Expenditure Authorization Procedures. The Committee may communicate directly with the CEO.

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

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

(2) <u>Accounting, Financial Reporting, and Oversight of Independent Accountants and</u> Controller

The Committee will seek to enhance the integrity, quality, reliability, and accuracy of the Corporation's financial statements and notes, and will oversee the relationship with the Corporation's independent accountants. To accomplish these objectives, the Committee will:

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



- b. Review and discuss as necessary the Corporation's financial statements including any material changes in accounting principles and practices with the independent accountants, the Controller, or members of Corporation management.
- c. Review and approve the Corporation'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) complaints 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 accompanying notes, and report to the Board on the Committee's findings.
- f. Assure the independence of the independent accountants by approving any nonaudit work by them for the Corporation and examining the independent auditor's relationship with the Corporation.
- g. Report to the Board on any matters relevant to the audit process or independent accountant communications and make such recommendations as the Committee deems appropriate.

(3) Risk Management, Internal Controls and Oversight of the Internal Audit Department

The Committee will seek to enhance the Corporation's risk management infrastructure and ensure timely and effective identification and mitigation of critical business risks. To accomplish these objectives, the Committee will:

- a. Have authority over appointment, dismissal, compensation, and performance reviews of the CAE. The CAE will report directly to the Committee.
- b. Review the charter, activities, staffing and organizational structure of the Internal Audit Department with Corporation management and the CAE.
- c. Ensure that the Internal Audit Department is organizationally independent from 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. 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.



- f. Require the CAE to attend any meeting of the Committee and to prepare and deliver such reports as the Committee requests.
- g. Provide guidance to the Corporation's CRO and enterprise risk management program on critical business objectives, risks and philosophy and tolerance for risk mitigation, and establish requirements for the CRO to report to the Committee.
- h. Report at least annually to the Board on matters relating to the internal audit function and the enterprise risk management program and make such recommendations as the Committee deems appropriate.
- i. Present periodic reporting to the Board on how the Committee has discharged its duties and met its responsibilities, and regularly report activities, issues and recommendations.
- j. Review the Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Board.
- k. Conduct an annual self-evaluation of performance, including its effectiveness and compliance with the charter.

Standards Conformance

- I. 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)*.
- m. Ensure that 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.
- n. Ensure that the internal audit activity has an external quality assurance review every five years.
- o. 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.
- p. Advise the Board about any recommendations for the continuous improvement of the internal audit activity.



Internal Audit Charter

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Internal Audit Charter

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

Revision Date(For BCG Use Only)	Revision #	Description/Modification	Revision Section (s)	Author
6/9/2020	2	Update to Charter to align with the Institute of Internal Auditors International Professional Practices Framework (IPPF)	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



Charter Title: Internal Audit Charter

Charter Number:

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CP 5-1

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 Executive Vice President & 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 IA 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).



Internal Audit Charter

Charter Number: CP 5-1

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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 senior management and the Audit Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in NYPA and Canals' business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the
 establishment of objectives and scope, the assignment of appropriate and adequately
 supervised resources, the documentation of work 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 senior 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 senior 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' relevant policies and procedures, unless such
 policies and procedures conflict with the IA charter. Any such conflicts will be resolved or
 otherwise communicated to senior management 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.

Charter Number:



Charter Title: Internal Audit Charter

EXIIIDIT GO A

CP 5-1

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 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.

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.

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 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 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



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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 assessments include evaluating whether:

- Risks relating 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 contractors are in compliance 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.
- 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 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 senior 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



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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 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 as well as 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 as well as 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 and strategic risk, as well as information technology. 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 and control processes.
- 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. As part of the risk assessment, IA will consider feedback from management at various levels, emerging risks, strategic objectives, prior years' internal audit results, and significant upcoming



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industry 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, 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, 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 senior 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 Good, Satisfactory, Needs Improvement 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



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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	6/8/2020	
Chief Audit Executive	Date	
Board/Audit Committee Chair	Date	
Chief Executive Officer	 Date	



December 9, 2020

Next Meeting

The next regular meeting of the Audit Committee will be determined.