

# Exhibit to Agenda Item #4

Board Finance & Audit Committee Meeting and Special SMUD Board of Directors' Meeting

Wednesday, January 31, 2018

Immediately following the Energy Resources & Customer Services Committee Meeting scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

# Agenda

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- Internal Audit
  - Vision and Mission
  - Professionalism
- Purpose, Authority and Responsibility
- Organization & Reporting Relationship
- Noteworthy Items
- The Three Lines of Defense Model
- Internal Audit and ERM
- Key Focus Areas for 2018

# Internal Audit Vision and Mission

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## Vision

AQS is a valued business partner and a high performing, risk intelligent team that is committed to continuous improvement and innovation to drive a culture of governance, accountability, compliance, and execution within SMUD

## Mission

To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight

# Internal Audit Professionalism

## Institute of Internal Auditors (IIA) International Professional Practices Framework

### Definition

Internal auditing is an *independent, objective, assurance and consulting* activity designed to add value and improve an organization's operations

### Code of Ethics

Internal auditors are expected to apply and uphold principles

- Integrity
- Objectivity
- Confidentiality
- Competency

### IIA Standards

Principle-focused and provide a framework for performing and promoting internal auditing



# Purpose, Authority & Responsibility

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## Purpose

- Independent appraisal function
- Assist Board and Management to effectively carry out duties and responsibilities and meet business objectives
- Audit, provide recommendations, consult and advise

## Authority

- Unlimited access to all of SMUD
- Direct access to the Finance and Audit Committee
- Allocate resources, select audits and scope to accomplish audit objectives
- Obtain necessary assistance

## Responsibility

- Submit to Finance and Audit Committee the annual audit plan
- Report results and recommendations of each audit
- Conduct special projects, studies, audits and advisory services
- Assist in investigations

# Organization & Reporting Relationship



# Noteworthy Items

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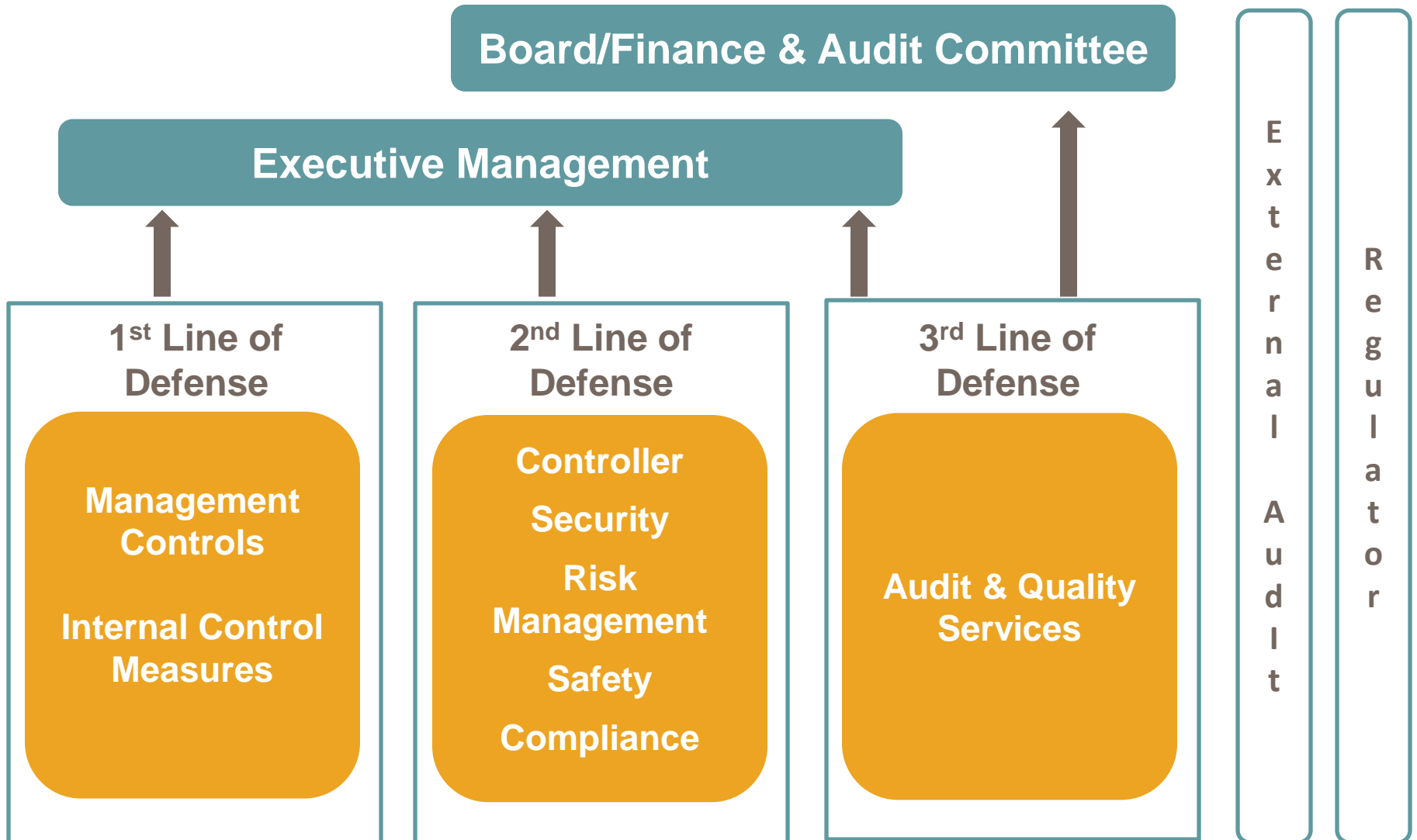
## Staffing

- 3 New Staff
- 1 Promotion

## Operations

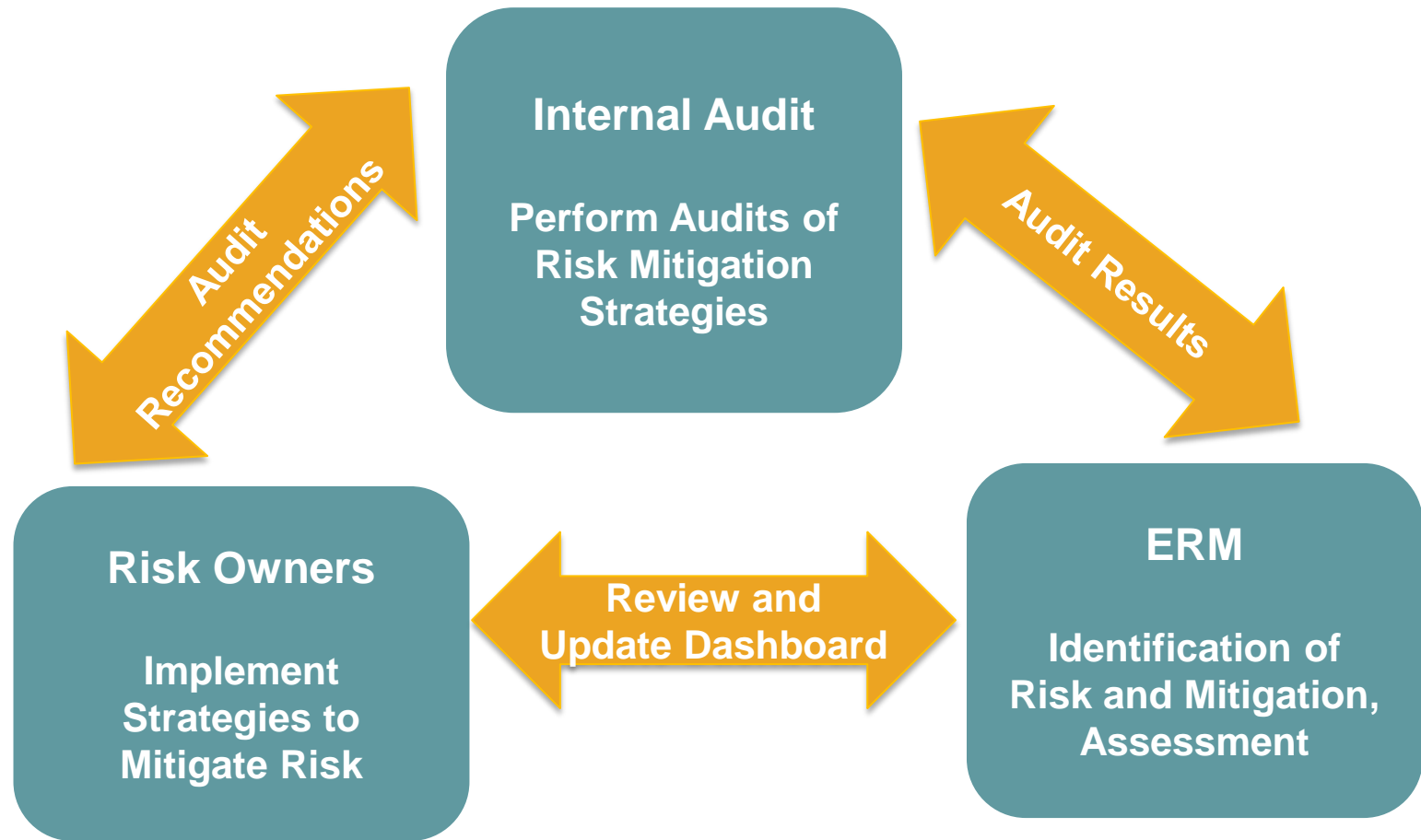
- Operational Excellence
- Process Committee
- Guest Auditor Program
- Audit Management Software

# The Three Lines of Defense Model





# Internal Audit and ERM – Audit Results



# 2018 Audit Plan – Key Focus Areas

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- Board Monitoring Reports
- HQ Rehabilitation
- Personal Data and Privacy
- Non Disclosure/Data Sharing Agreements
- Enterprise Project Management
- Contract Management

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# Questions?