

Exhibit to Agenda Item #3

Provide the Board with an informational presentation on Internal Audit and the 2023 Annual Plan.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, January 17, 2023, scheduled to begin at 5:30 p.m.

Virtual Meeting (online)

Agenda

- Governance & Internal Audit
- Internal Audit at SMUD
- Annual Disclosures
- Key Focus Areas for 2023
- Questions

Governance & Internal Audit

Our Role in Governance

- We provide objective assurance and insight on the effectiveness and efficiency of risk management, internal control, and governance processes.
- Our insights promote positive change and innovation



Value Proposition

- Internal Audit helps SMUD improve governance, manage risks, and implement controls

Internal Audit Vision

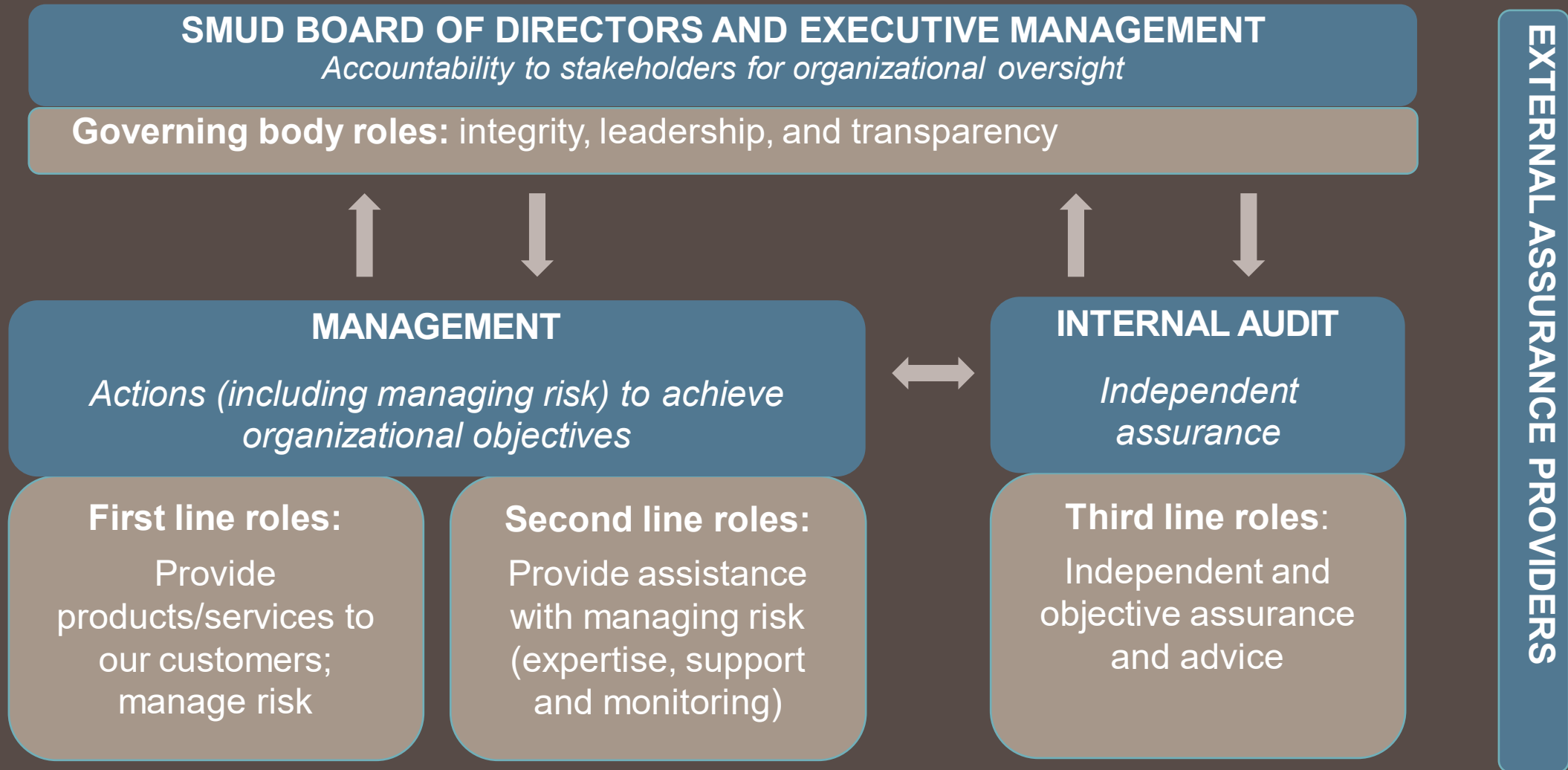
Vision – Trusted Audit Partner

- Valued business partner
- Continuous improvement and innovation
- High performing, risk intelligent team

Working collaboratively builds trust and results in a more effective audit process



The Three Lines Model



Board-Internal Auditor Relationship

The Board-Staff Linkage BL-3 establishes Internal Audit's role

- **Reviewing accuracy of the Strategic Direction Monitoring Reports**
- **Assessing efficiency and effectiveness**
 - Operations/processes
 - Internal controls
 - Financial controls
- **Verifying compliance**
 - Applicable laws and regulations
 - Policies and procedures
- **Conducting special projects, investigations and advisory services**

BL-3 Purpose, Authority & Responsibility

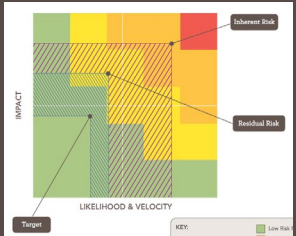
Purpose	Authority	Responsibility
<ul style="list-style-type: none">• Independent appraisal function• Assist Board and Management to effectively carry out duties and responsibilities and meet business objectives• Audit, provide recommendations, consult and advise	<ul style="list-style-type: none">• Unlimited 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	<ul style="list-style-type: none">• Submit to Finance and Audit Committee the annual audit plan• Report results and recommendations of each audit• Conduct special projects, audits and advisory services, investigations• Maintain an improvement program

Internal Audit and ERM – Audit Results

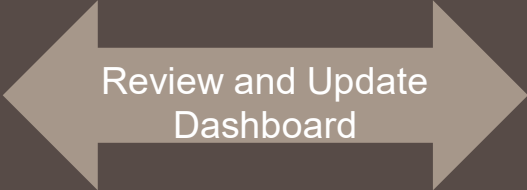
Internal Audit reviews and tests implementation of recommendations



**Internal Audit
Perform Audit of Risk
and Mitigation**

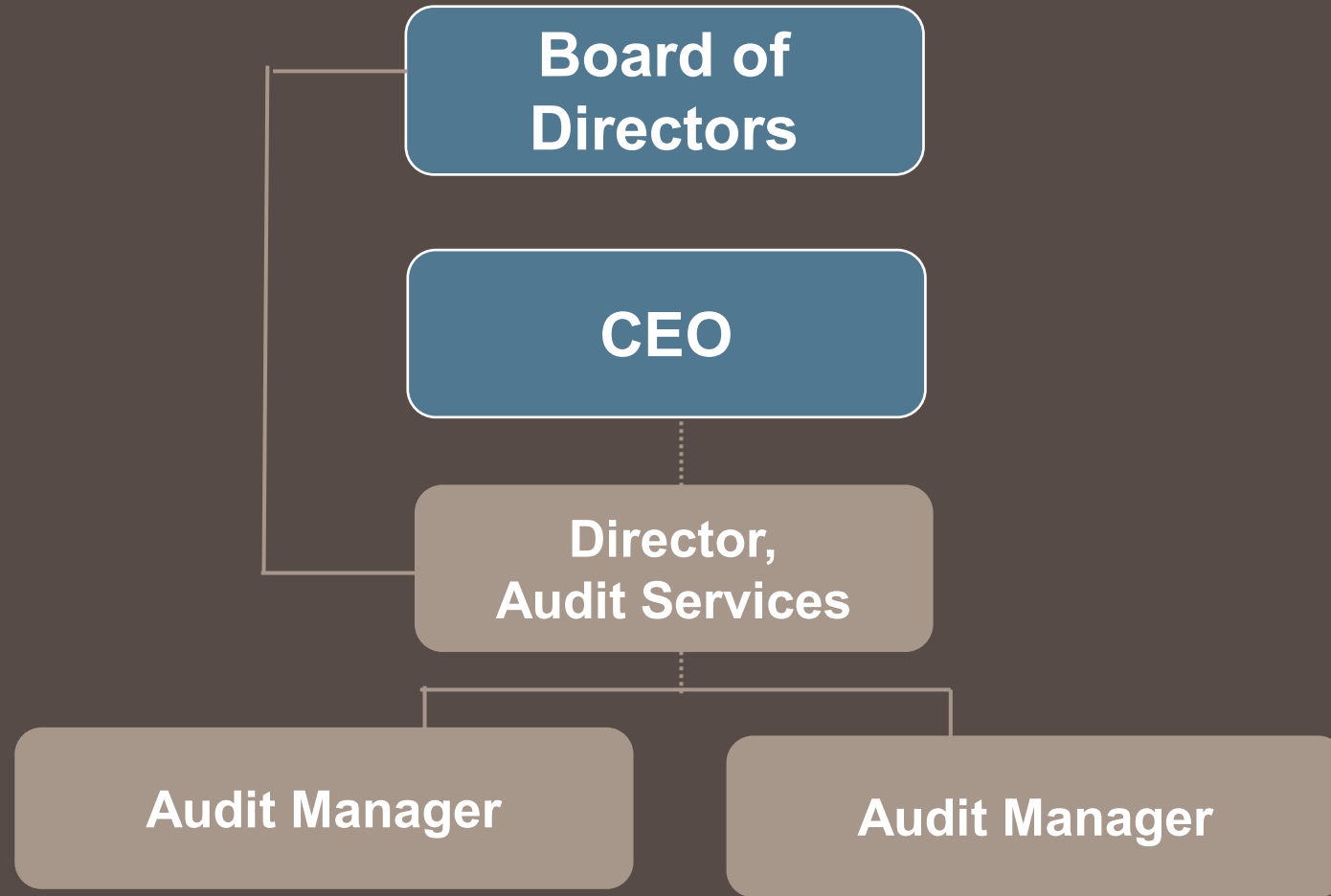


**Risk Owners
Implement Risk
Mitigation Strategy**



**ERM
Assess Impact to
Enterprise Risk**

Reporting Relationship & Organization



Internal Audit Professionalism

Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF)		
Definition	Code of Ethics	IIA Standards
Internal auditing is an <i>independent, objective, assurance and consulting</i> activity designed to add value and improve an organization's operations	Internal auditors are expected to apply and uphold principles <ul style="list-style-type: none">• Integrity• Objectivity• Confidentiality• Competency	Principle-focused and provide a framework for performing and promoting internal auditing
Core Principles		
Principles support mandatory guidance of the IPPF Standards Integrity * Competence * Objective * Alignment * Reporting * Quality * Communication * Insightful * Improvement		

2023 Audit Plan – Key Focus Areas

- Board Monitoring Reports
- Enterprise Continuity Management Program
- Fall Protection
- Hearing Conservation
- Procurement
- Workforce Planning
- Technology - tbd