Exhibit to Agenda Item #6

Provide the Board with an informational presentation on Internal Audit and the 2024 Annual Plan.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting Tuesday, January 16, 2024, scheduled to begin at 6:00 p.m. SMUD Headquarters Building, Auditorium



Agenda

- Governance & Internal Audit
- Internal Audit at SMUD
- Annual Disclosures
- Key Focus Areas for 2024
- Questions



Governance & Internal Audit

Governance

The combination of processes and structures designed to help SMUD achieve its goals. Those processes and structures inform, direct, manage, and monitor the activities of SMUD

Internal Audit

Internal auditing identifies the risks that could keep SMUD from achieving its goals, making sure leaders know about these risks, and recommending improvements to help reduce the risks

Our assurance services give the Board confidence about SMUD's governance, risk management and control processes



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



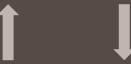


Three Lines Model

SMUD BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Accountability to stakeholders for organizational oversight

Governing body roles: integrity, leadership, and transparency



MANAGEMENT

Actions (including managing risk) to achieve organizational objectives

First line roles:

Provide products/services to our customers; manage risk

Second line roles:

Provide assistance with managing risk (expertise, support and monitoring)



INTERNAL AUDIT

Independent assurance

Third line roles:

Independent and objective assurance and advice



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



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BL-3 Purpose, Authority & Responsibility

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, audits and advisory services, investigations
- Maintain an improvement program

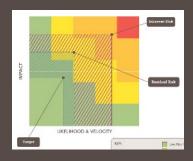


Internal Audit & Enterprise Risk Management – Audit Results

Internal Audit reviews and tests implementation of recommendations

Audit dation

Internal Audit
Perform Audit of
Risk and Mitigation



Review and Update Dashboard

Enterprise Risk
Management
Assess Impact to
Enterprise Risk



Risk Owners
Implement Risk
Mitigation Strategy

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Reporting Relationship & Organization





Internal Audit Professionalism

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

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

Core Principles

Principles support mandatory guidance of the IPPF Standards
Integrity * Competence * Objective * Alignment * Reporting

* Quality * Communication * Insightful * Improvement



2024 Audit Plan – Key Focus Areas

- Board Monitoring Reports
- Asset Replacement
- Fall Protection
- Grants Management
- IT Project Management
- Personal Protective Equipment

