

Exhibit to Agenda Item #1

Provide the Board with an informational presentation on Internal Audit Services and the 2025 Internal Audit Plan.

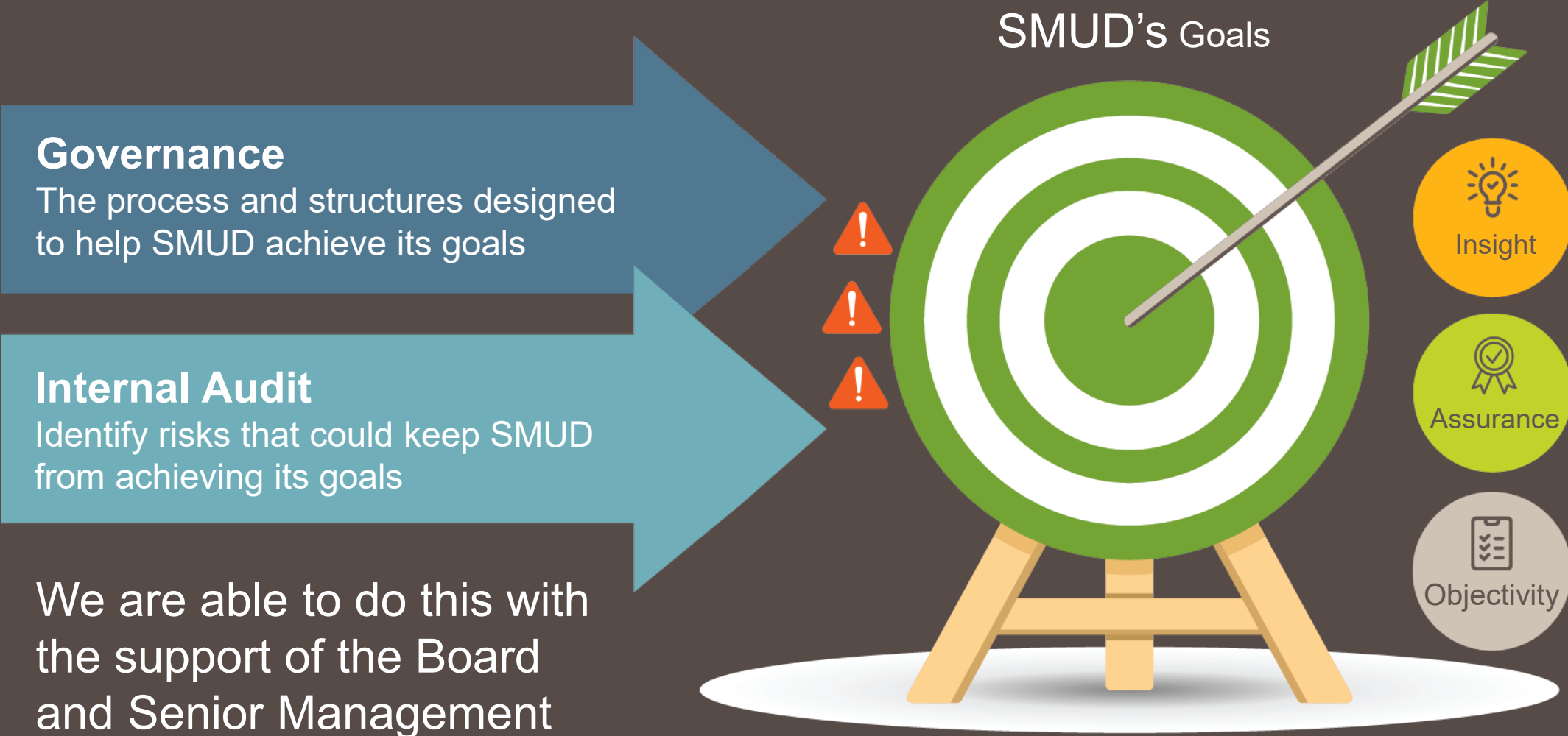
Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, January 14, 2025, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

Agenda

- Governance & Internal Audit
- Internal Audit at SMUD
- Institute of Internal Audit Standards 2024
- Annual Disclosures
- Key Focus Areas for 2025
- Questions

Governance & Internal Audit



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



Institute of Internal Audit (IIA)

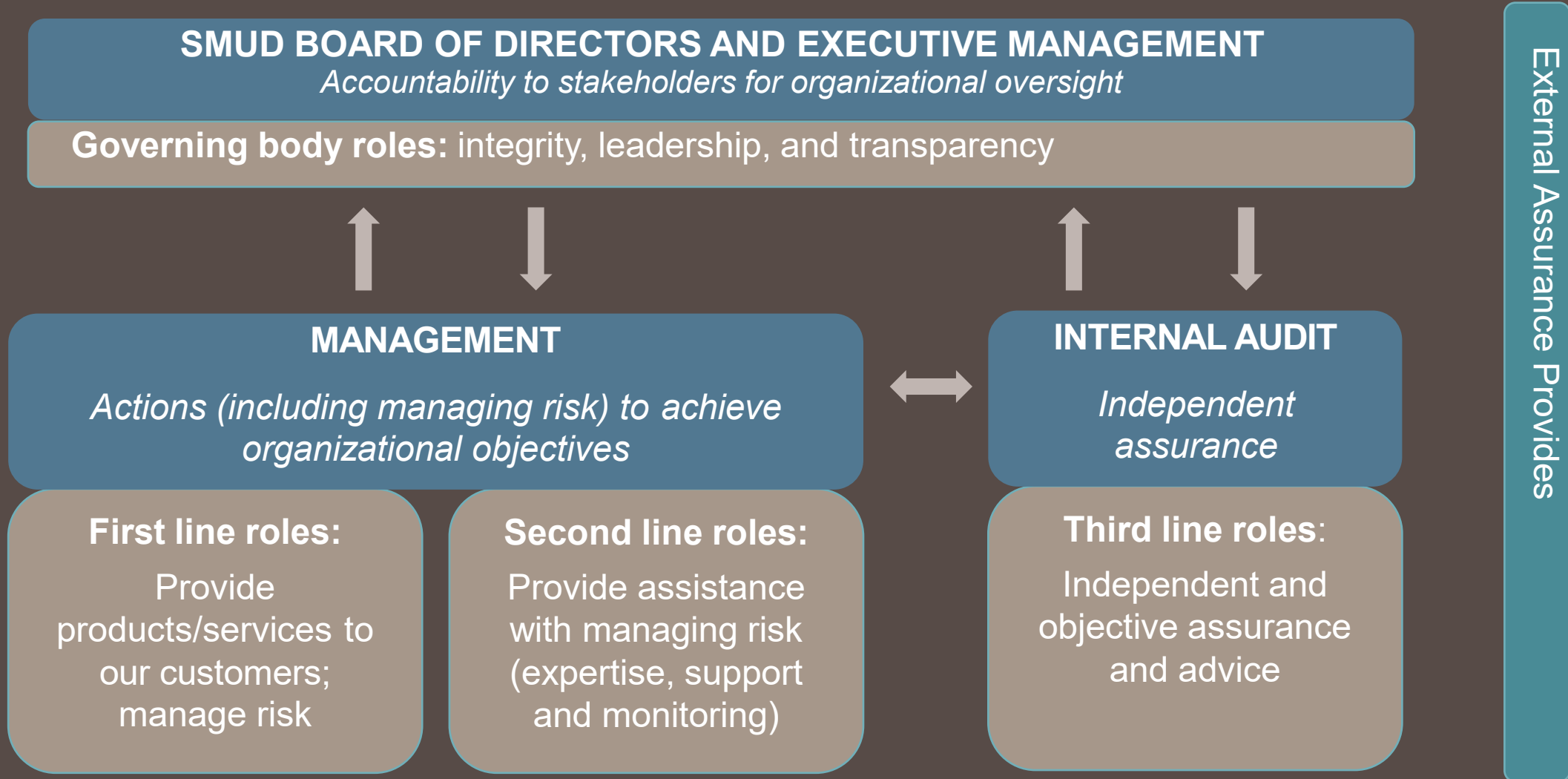


The IIA Standards were updated in 2024



- Updated the Purpose of Internal Auditing
- Simplify the structure of the standards
- Support the evolution of the profession and address current and emerging topics
- Underscore the importance of a risk-based approach
- Focus on independence and ethics
- Emphasis on professional development

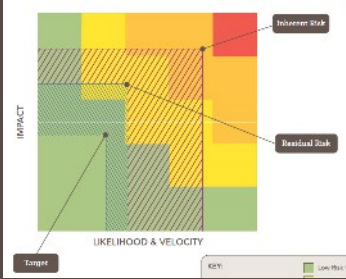
Three Lines Model



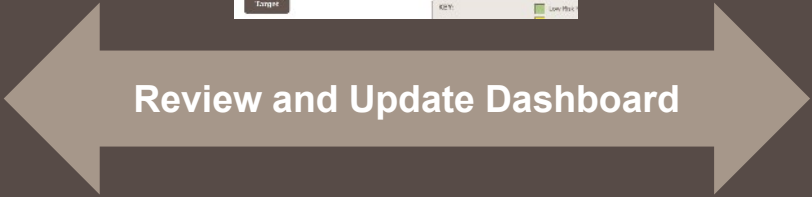
Internal Audit & Enterprise Risk Management – Audit Results

Internal Audit reviews and tests implementation of recommendations

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



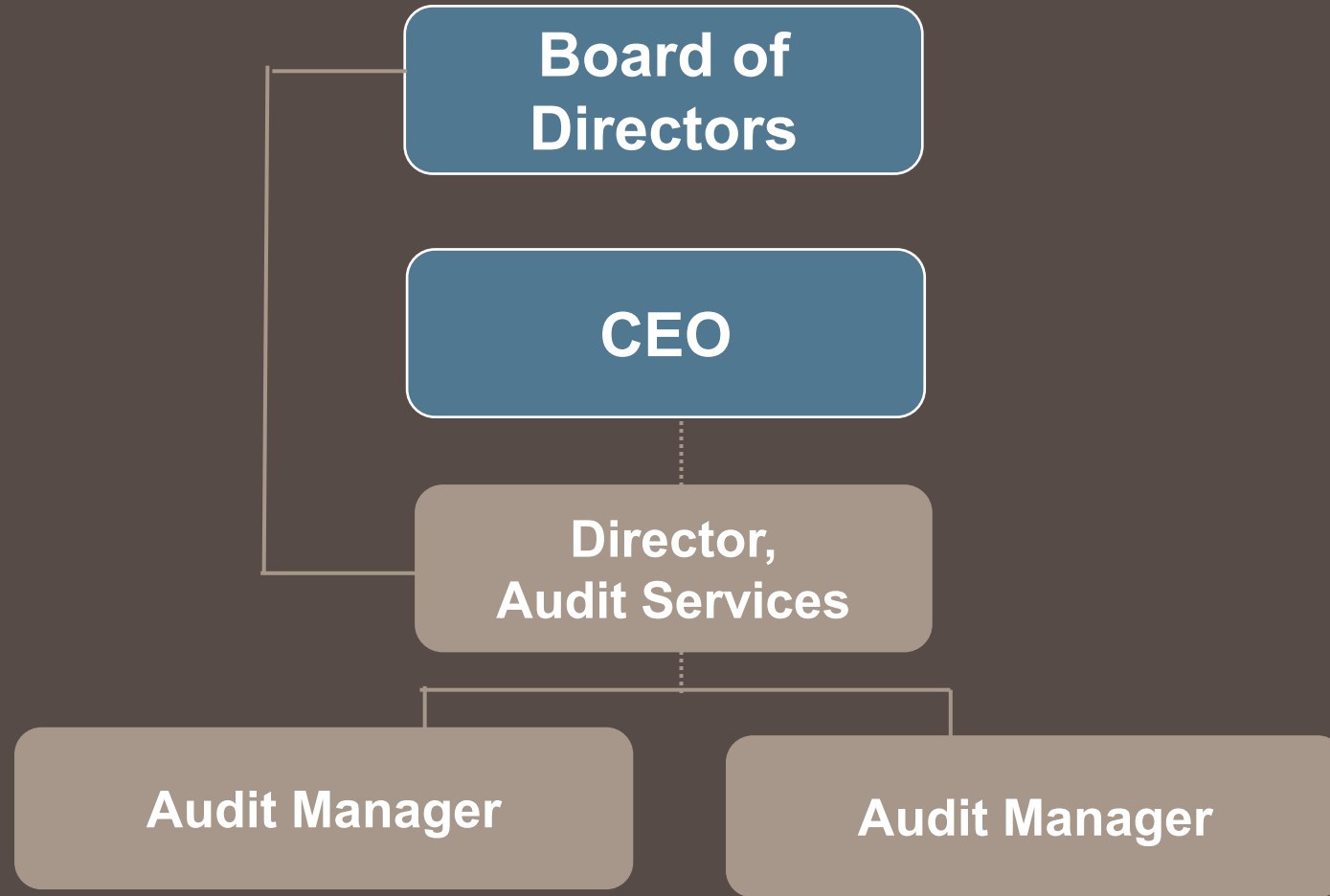
**Risk Owners
Implement Risk
Mitigation Strategy**



**Enterprise Risk
Management
Assess Impact to
Enterprise Risk**



Reporting Relationship & Organization



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 Role & Responsibilities

The purpose of Internal Audit is to strengthen SMUD's ability to create, protect, and sustain value by providing the Board and management with independent, risk-based, and objective assurance, advice, insight and foresight

Authority

- Created by the direct reporting relationship to the Board of Directors
- Allows for unlimited access to all activities, records, property, and personnel of SMUD
- Allocate resources, select audits and scope to accomplish audit objectives

Role

- Help ensure effective governance, risk management and internal controls
- Provide independent, objective assurance and consulting services
- Conduct special projects, audits and advisory services, investigations and SD reviews

Responsibilities

- Submit an annual risk-based internal audit plan to Finance & Audit Committee and conduct audit work
- Report results and recommendations of each audit and follow up on recommendations
- Maintain an improvement program

2025 Audit Plan – Key Focus Areas

- Board Monitoring Reports
- AI Governance
- Fall Protection
- Grants Administration
- Internal Compliance Program
- Procurement Card Program