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

Governance

The process and structures designed to help SMUD achieve its goals

Internal Audit

Identify risks that could keep SMUD from achieving its goals

We are able to do this with the support of the Board and Senior Management





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

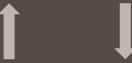


Three Lines Model

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

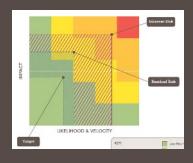


Internal Audit & Enterprise Risk Management – Audit Results

Internal Audit reviews and tests implementation of recommendations

Audit ndation

Internal Audit
Perform Audit of
Risk and Mitigation



Risk Owners
Implement Risk
Mitigation Strategy



Review and Update Dashboard

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
- Al Governance
- Fall Protection
- Grants Administration
- Internal Compliance Program
- Procurement Card Program

