



INTERNAL AUDIT UPDATE

Finance & Audit Committee

May 20, 2020

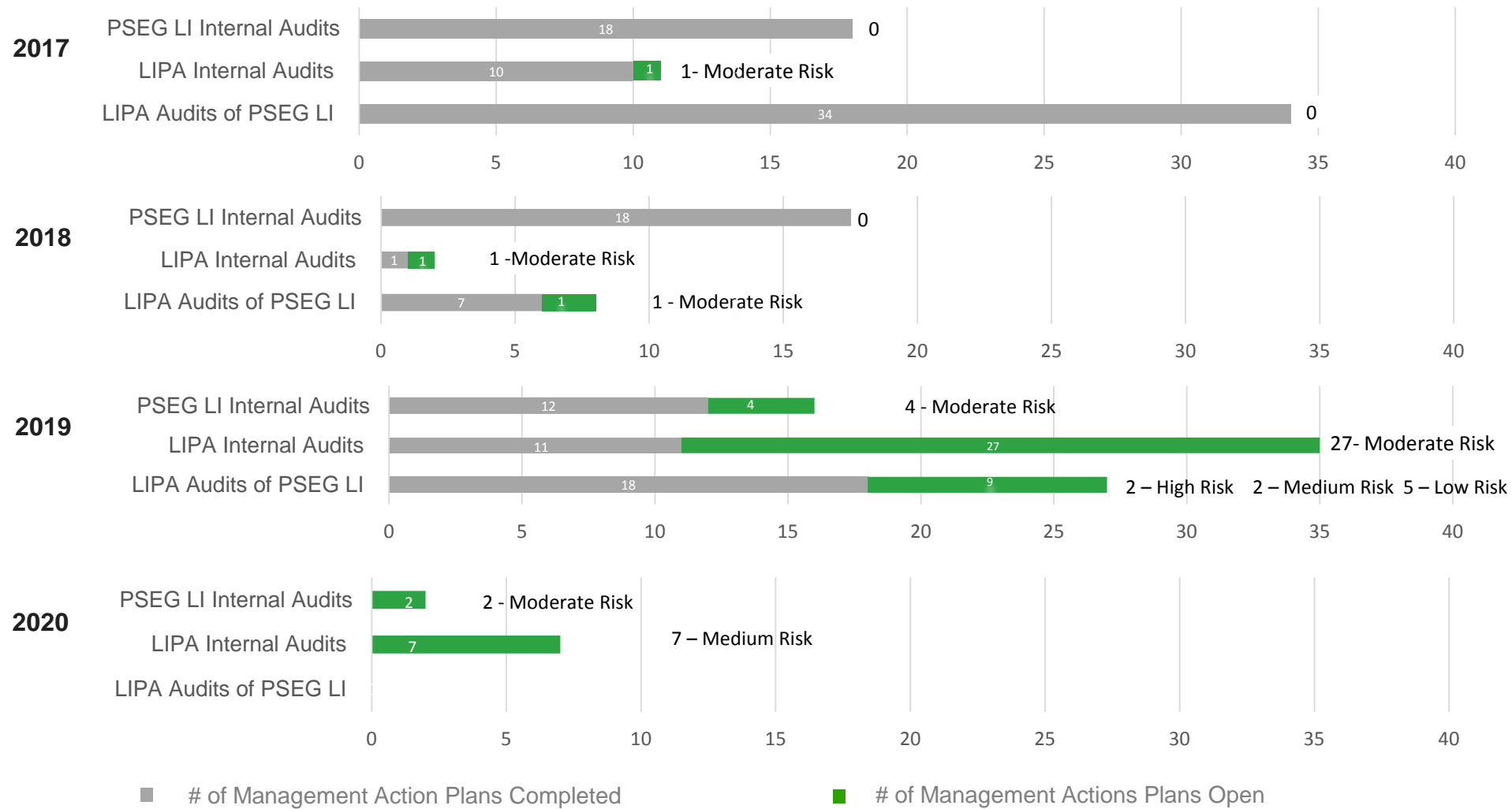
2019 AUDIT PLAN STATUS

| # | Entity | Audit/Review | 2019 Audit Plan | Proposed Timing | Status |
|----|-------------------------|--------------|---|-----------------|-----------|
| 1 | PSEG Long Island | Audit | Fleet Asset Management | 2nd Qtr | Completed |
| 2 | PSEG Long Island | Audit | Customer Refunds | 3rd Qtr | Completed |
| 3 | PSEG Long Island | Audit | Customer Data Protection | 2nd Qtr | Completed |
| 4 | PSEG Long Island | Review | Dynamic Load Management Program | 3rd Qtr | Completed |
| 5 | PSEG Long Island | Audit | 2019 A&R Operations Services Agreement (OSA) Metrics | 3rd Qtr | Completed |
| 6 | PSEG Long Island | Review | Revenue Assurance (5-Pack Review) | 1st - 4th Qtrs | Completed |
| 7 | PSEG Long Island | Review | Power Supply Natural Gas Invoices | 1st Qtr | Completed |
| 8 | PSEG Long Island | Review | Solar Liberty Feed-In Tariff Purchase Power Agreement | 1st Qtr | Completed |
| 9 | PSEG Long Island | Review | Power Supply Invoices - Start -Up Fees | 1st Qtr | Completed |
| 10 | PSEG Long Island | Review | Purchase Power Agreement - Service Agreement True-Ups | 4th Qtr | Completed |
| 11 | PSEG Long Island | Audit | Electric Infrastructure Maintenance | 1st Qtr | Completed |
| 12 | LIPA & PSEG Long Island | Audit | NorthStar Management Action Plans Audit | 1st - 4th Qtrs | Completed |
| 13 | LIPA | Audit | Cybersecurity and Data Back-Up and Recovery | 4th Qtr | Completed |
| 14 | LIPA & UDSA | Audit | LIPA & UDSA Internal Control Testing | 4th Qtr | Completed |

2020 AUDIT PLAN STATUS

| # | Entity | Audit/Review | 2019 Audit Plan | Proposed Timing | Status |
|----|-------------------------|--------------|--|-----------------|-------------|
| 1 | PSEG Long Island | Audit | Customer Protection Programs | 3rd Qtr | Not Started |
| 2 | PSEG Long Island | Audit | Deferred Payment Agreements | 1st Qtr | Reporting |
| 3 | PSEG Long Island | Audit | Capital Project Performance | 1st - 2nd Qtrs | In Progress |
| 4 | PSEG Long Island | Audit | Pole Replacement Program | 3rd Qtr | Not Started |
| 5 | PSEG Long Island | Audit | 2020 A&R Operations Services Agreement (OSA) Metrics | 3rd Qtr | Not Started |
| 6 | PSEG Long Island | Audit | Power Supply Agreement Generating Unit Net Book Value Calculation | 1st Qtr | Completed |
| 7 | PSEG Long Island | Advisory | Annual Evaluation of PSEG Long Island Performance Metrics and Incentive Compensation | 2nd Qtr | Completed |
| 8 | LIPA | Audit | Data Protection | 1st Qtr | Completed |
| 9 | LIPA | Audit | Ethics & Compliance Programs | 2nd Qtr | In-Progress |
| 10 | LIPA | Advisory | Pre-Implementation Review - Enterprise Resource Planning System | 1st - 4th Qtrs | Planning |
| 11 | LIPA | Advisory | LIPA Oversight | 3rd Qtr | Planning |
| 12 | LIPA & PSEG Long Island | Audit | NorthStar Management Action Plans Audit | 1st - 4th Qtrs | In Progress |
| 13 | LIPA | Audit | Cybersecurity and Data Back-up and Recovery | 4th Qtr | Not Started |
| 14 | LIPA & UDSA | Audit | LIPA & UDSA Internal Control Testing | 4th Qtr | Planning |

STATUS OF THE IMPLEMENTATION OF MANAGEMENT'S ACTION PLANS



CHIEF AUDIT EXECUTIVE (CAE) REQUIRED COMMUNICATION FOR 2019

| Standard Communication Requirement | Annual Communication Requirement |
|--|---|
| <p>1000: The CAE must periodically review the Internal Audit Charter and present it to senior management and the board for approval.</p> | <p>The Internal Audit Charter was amended and presented to senior management and the Finance & Audit Committee for review and approval at the January 23, 2019 Audit Committee Meeting.</p> |
| <p>1010: The CAE should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the board.</p> | <p>The Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework were discussed with senior management and the Finance & Audit Committee in at the December 18, 2019 Finance & Audit Committee meeting.</p> |
| <p>1110: The CAE must confirm to the Audit Committee, at least annually, the organizational independence of the internal auditing activity.</p> | <p>As the CAE, I confirmed the organizational independence of the internal audit activity as of January 23, 2019.</p> |
| <p>1111: The CAE must communicate and interact directly with the Audit Committee.</p> | <p>As the CAE, I confirm that an appropriate level of communication and interaction has taken place between me and the Finance & Audit Committee.</p> |
| <p>1312: The chief audit executive must discuss with the board the form and frequency of the external assessment as well as the qualifications and independence of the external assessor or assessment team, including any potential conflicts of interest.</p> | <p>Discussions were held at the December 18, 2019 Finance & Audit Committee Meeting related to the form and frequency of the external assessment. We also discussed the qualifications and independence of the external assessment team, including any potential conflicts of interest.</p> |

CHIEF AUDIT EXECUTIVE (CAE) REQUIRED COMMUNICATION FOR 2019

| Standard Communication Requirement | Annual Communication Requirement |
|---|--|
| <p>1320: The CAE must communicate the results of the quality assurance and improvement program to senior management and the board.</p> <p>Disclosure should include:</p> <ul style="list-style-type: none"> • The scope and frequency of both the internal and external assessments. • The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest. • Conclusions of assessors. • Corrective action plans. | <p>Results of ongoing monitoring of performance were reported to the Finance & Audit Committee as a component of the internal activity reports on January 23, 2019, March 20, 2019, May 22, 2019, July 24, 2019, September 25, 2019 and December 18, 2019. The results of the periodic internal self-assessment were reported to the Finance & Audit Committee on December 18, 2019.</p> <p>Results of the external assessment were reported to the Finance & Audit Committee on December 18, 2019.</p> <p>All communications included the required disclosures.</p> |
| <p>2020: The CAE must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The CAE must also communicate the impact of resource limitations.</p> | <p>Communication of status of internal audit plans and resource requirements was reported on at least a quarterly basis to the Audit Committee. At the December 18, 2019 Finance & Audit Committee Meeting, Internal Audit reported that there were no audits below the resource cut line on the Proposed 2020 Audit Plan that Internal Audit believed were necessary to be performed in 2020. Accordingly, there were no material impacts associated with resource limitations.</p> |

CHIEF AUDIT EXECUTIVE (CAE) REQUIRED COMMUNICATION FOR 2019

| Standard Communication Requirement | Annual Communication Requirement |
|---|---|
| <p>2060: The CAE must report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the board. There were no situations where the CAE concluded management had accepted an inappropriate level of risk.</p> | <p>All required communications have taken place within the established timeframes.</p> <p>Communications have included information about:</p> <ul style="list-style-type: none"> • The internal audit charter. • Independence of the internal audit activity. • The audit plan and progress against the plan. • Resource requirements. • Results of audit activities. • Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues. • Management’s response to risk that, in the CAE’s judgment, may be unacceptable to the organization. |
| <p>2600: When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.</p> | <p>There were no situations where the CAE concluded management had accepted an inappropriate level of risk.</p> |