Internal Audit Update

Finance and Audit Committee Meeting

Presented by: Cathy Widmark, *Director of Audit Services*

January 28, 2026

The Power is Yours ™

Discussion Topics

- Internal Audit **Risk-Based Planning** Process
- Internal Audit **Budget and Resource Allocation**
- Proposed **2026** Internal Audit **Plan**
- 2025/2026 **Audit Plan** and **Activities** Status
- **Open** Management **Action Plans**
- **Appendix A:** Proposed Audit Plan **Detailed Scope**

Long Island Solar Farm I Upton, New York

Internal Audit **Planning, Budget and Resource** Requirements

Audit **Risk-Based Planning** Process

Internal Inputs	• Prior Audit Reports • Resource Availability • Metrics / PJDs
Enterprise Risk Management	• ERM Risk Register • Emerging Risks
Key Stakeholder Input	• LIPA Management • PSEG Long Island Management
External Inputs	• Institute of Internal Auditors (IIA) • Large Public Power Committee (LPPC) • External Auditors / Consultants

Quarterly Rolling Risk-Based Audit Plan

To continue the advancement of the Internal Audit function towards best-in-class practices, we are utilizing a Risk-Based Quarterly Rolling Audit Plan. A Quarterly Rolling Plan involves continuously updating and adjusting the audit plan, as needed, every quarter with a new set of audits identified based on changing priorities, risks and business needs. At each quarter end, an additional quarter will be added to the plan providing continuous visibility to planned audits for four (4) future quarters.

A risk-based Quarterly Rolling Audit Plan reflects what should be audited now and helps an internal audit activity remain both relevant, valuable and more responsive to emerging risks and issues while ensuring key areas are audited periodically over time.

Internal Audit Update | Finance and Audit Committee January 28, 2026

Internal Audit Budget and Resources

Proposed 2025 Budget	2026 Budget	2025 Budget	Comments
Salaries	$679K	$659K	2026 – Includes Five (5) Full-time staff
Internal Audit Consulting	$730K	$750K	Co-Sourced Internal Audit Activities – inclusion of Subject Matter Experts.
Training / Other Costs	$30K	$50K	Includes professional development training, subscriptions, and business travel.
Total	**1,439M**	**$1,459M**	Represents an approximate **$20K reduction from 2025**

Resource Allocations

Current Internal Audit resource allocation is 5,900 hours and an additional 1,500 Contingency hours for any additional audit activities that arise based on continuous risk assessments.

Co-Sourced subject matter expertise resource allocation is 2,200 hours (reduction of 1,300 hours from 2024).

Internal Audit Resource Allocation is deemed appropriate, sufficient, and effectively deployed to achieve the proposed audit plan.

LIPA

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Proposed **2026** Internal **Audit Plan**

Proposed **2026** LIPA Internal **Audit Plan – Short Scope Descriptions**

See Appendix A for **2025 and 2026 Detailed Audit Scope Descriptions**

Entity Audited	Audit / Review Name	Proposed Scope (to be finalized during planning phase) See Appendix A for Long Scope Descriptions
LIPA and UDSA	Select Internal Control Review	Evaluate the adequacy and effectiveness of select key internal controls for LIPA and UDSA's Business Processes.
LIPA	Records Management Program	Evaluate the design and operating effectiveness of the LIPA records management program, including property records, to ascertain records required for business and compliance purposes are retained in accordance with laws, regulations, and business requirements.
PSEG Long Island	Customer Data Protection	Evaluate the effectiveness of controls in place to protect customer data from unauthorized access, loss, or misuse and to ensure compliance with applicable data privacy laws and company policies.
LIPA	Cybersecurity Practices	Evaluate the adequacy and effectiveness of the internal controls related to cybersecurity practices, including, but not limited to the following assessments: system and network security, data security and protection, operational security, physical security and access control review, vulnerability assessment, and incident detection and response.
LIPA	Office Emergency Incident Response	Evaluate the adequacy, effectiveness and compliance of the organization's office emergency incident response protocols. The audit will assess whether response plans are documented, communicated, tested, and followed during actual and simulated emergency events.
PSEG Long Island	Rate Calculations	Evaluate the adequacy and effectiveness of the internal controls and processes related to select rate calculations to ensure revisions to the Tariff are compliant with CM-F1-006 (Tariff Statement Revisions to LIPA Tariff for Electric Service). Assess the adequacy of internal controls surrounding sources of data and calculation methods utilized for Tariff Statements. Determine if processes are in place to ensure recommendations regarding Tariff updates from DPS are implemented and evaluate if technology is utilized efficiently and adequately documented to reference how rates are calculated. Perform testing to recalculate select rates to ensure accuracy.
PSEG Long Island	Employee Overtime: Management and Oversight	Evaluate the adequacy and effectiveness of the internal controls and processes related to the management and oversight of employee overtime. This audit will assess whether employee overtime is properly authorized, accurately recorded and paid, compliant with union contracts, policies and regulations, monitored and controlled, cost effective and efficient, as well as transparent and accountable. In addition, the audit will assess how overtime budgets are established, approved and analyzed to ensure adherence to budgets.
PSEG Long Island	Physical Security	Evaluate the adequacy, effectiveness, and consistency of PSEG Long Island's physical security processes in protecting personnel, critical infrastructure, assets, and operations from unauthorized access, damage, theft, or disruption. The audit will assess whether physical security controls are designed and operating effectively to support operational resilience, regulatory compliance, and risk management objectives.
PSEG Long Island	*Internal Audit Assist Project in conjunction with LIPA T&D* Major Equipment Condition and Reliability	Assess the effectiveness, efficiency, and compliance of the company's programs and processes related to the testing, preventative maintenance, repair, and replacement of major electrical and mechanical equipment. The audit will determine whether controls are adequate to ensure equipment reliability, regulatory compliance, safety, and asset life-cycle management and appropriate alignment of major equipment replacement activities with the capital budget. This audit will focus on major electrical and mechanical equipment critical to the utility's operations, including but not limited to transformers, circuit breakers, switchgear, relays, substations, transmission/distribution assets, and backup power systems. Additionally, this audit will assess the adequacy of capital planning and budget oversight related to equipment investments.

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2025 / 2026 **Audit Plan** and **Activities** Status

2025 / 2026 LIPA Internal **Audit Plan** and **Status of Activities**

Entity	Audit / Review Name	2025				2026				Start Date	Report Date
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
2025 Audits											
LIPA and UDSA	Select Internal Control Review (2025)									1/2/2025	TBD
PSEG Long Island	Storm Invoicing Process									10/28/2024	TBD
PSEG Long Island	Asset Management – Outside Plant Assets									12/6/2024	11/3/2025
PSEG Long Island	Clean Energy Program									1/13/2025	11/4/2025
PSEG Long Island	Customer Credit and Collections									9/15/2025	TBD
PSEG Long Island	*Fleet Asset Management									9/15/2025	TBD
PSEG Long Island	Contract Compliance for Anti-Discrimination									9/8/2025	1/16/2026
PSEG Long Island	Employee Expenses									TBD	TBD
PSEG Long Island	Non-Product Billing: 3rd Party Billing & Property Damage Claims									TBD	TBD
2026 Audits											
LIPA and UDSA	Select Internal Control Review (2026)									TBD	TBD
LIPA	Records Management Program									TBD	TBD
PSEG Long Island	Customer Data Protection									TBD	TBD
LIPA	Cybersecurity Practices									TBD	TBD
LIPA	Office Emergency Incident Response									TBD	TBD
PSEG Long Island	Rate Calculations									TBD	TBD
PSEG Long Island	Employee Overtime: Management and Oversight									TBD	TBD
PSEG Long Island	*Physical Security									TBD	TBD
Audit Assist Projects 2025 & 2026											
PSEG Long Island	Rate Implementation and Customer Billing									9/8/2023	9/9/2025
PSEG Long Island	Major Equipment Condition and Reliability - Substation									TBD	TBD
LIPA & PSEG Long Island	M&O Audit Implementation Plan Review & Validation									N/A	N/A

***Note: Status change since the November 2025 Finance and Audit Committee meeting**

Status Legend					
Complete	Reporting	In Process	Planning	Not Started	Delayed

Open Management **Action Plans**

Audit / Review Name	Total # of **Open** Observations	Total # of **Open High-Risk** Observations	Entity	Action Plan Status
Metric Performance Evaluation Standardization Review (IV&V)	1	0	LIPA	**On Target**
Internal Controls	3	0	LIPA	**On Target**
Clean Energy Program	2	0	PSEG Long Island	**On Target**
Asset Management – Outside Plant – Poles Audit	10	7	PSEG Long Island	**On Target**
Total Open Observations	**16**	**7**		

***Note** – High-Risk observations require immediate management attention.

A total of **ten** Management Action plans were closed since the November 2025 F&A Committee meeting.

All Management Action plan items are independently verified and validated by LIPA Internal Audit prior to closure.

Questions?

Cathy Widmark
Director of Audit Services

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Appendix A

2025/2026 Internal **Audit Plan Scope**

2025 Audit Plan Scope

Entity	Audit / Review Name	2025 Audit Scope (to be finalized during planning phase)
LIPA and UDSA	**Select Internal Control Review**	Evaluate the adequacy and effectiveness of select key internal controls for LIPA and UDSA's Business Processes. Review of LIPA and UDSA Internal Control processes to be completed over 3-year planning cycle.
PSEG Long Island	**Storm Invoicing**	Evaluate the adequacy and effectiveness of the internal controls related to the Storm Invoicing process. This will include a review of select invoices to determine whether PSEG Long Island invoiced storm costs are accurate and in compliance with the terms of the 2nd A&R OSA, LIPA's Guidelines for Storm Invoice Review, FEMA requirements, applicable PSEG Long Island Emergency Response Implementation Procedures (ERIPs), and other prudent utility standards and best practices. This review will include, but may not be limited to, a review of direct labor charges (including overtime) inclusive of crew availability, schedules, direct material costs, outside services costs, storm card costs as applicable, and PSEG Long Island's management of storm resources inclusive of vendor oversight.
PSEG Long Island	**Asset Management – Outside Plant Assets – Poles**	Evaluate the adequacy and effectiveness of the internal controls related to the PSEG Long Island's Asset Management Program affiliated with Outside Plant (OSP) assets. The audit will include evaluating the effectiveness, efficiency and accuracy of the OSP asset Quality Assurance verification process, examination of the policies and procedures governing OSP asset validations, tagging processes and inventory records accuracy. During fieldwork, we will perform an independent review of OSP assets on a sample basis to validate the accuracy and completeness of inventory records on field surveys and EGIS and ensure that assets are correctly tagged in the field. This review will incorporate validation of the PSEG Long Island assets in the field against the field survey and to the EGIS system to ensure data accuracy. Validate that third-party equipment is accurately captured and recorded. This review will also include a review of PSEG Long Island's data governance processes, including the transfer of data from asset management software, Cartegraph to EGIS, ensuring completeness and accuracy.
PSEG Long Island	**Clean Energy Program**	Evaluate the adequacy and effectiveness of internal controls related to the Clean Energy and Energy Efficiency Programs including, but not limited to the following assessments: clean energy program alignment to achieve the New York State Climate Leadership and Community Protection Act (CLCPA) goals and how PSEG Long Island communicates its progress and plans for achieving goals to stakeholders and the public; process to develop and prioritize proposals made as part of the Utility 2.0 and evaluate receptivity to suggestions made in the public comment period of the Utility 2.0 review; vendor management, including vendor selection and performance; oversight of program initiatives and allocated budgets to ensure program plans and initiatives are aligned with program expectations, including a review of budget changes against program initiatives to ensure program goals remain achievable and align with expectations; role and scope Oversight and Clean Energy Committee on clean and renewable energy programs; evaluate initiatives to achieve climate justice and assess how they ensure that the transition to a low-carbon economy results in beneficial outcomes for traditionally underserved communities; coordination with NYSERDA; and capabilities of PSEG Long Island's information systems for meeting clean energy policy objectives.
PSEG Long Island	**Customer Credit and Collections**	Evaluate the adequacy and effectiveness of the internal controls related to customer credit and collection activities including compliance with applicable laws, regulations, and company policies, 16 NYCRR Part 11 (also known as Home Energy Fair Practices Act (HEFPA)) and the LIPA Tariff for Electric Service. The audit will also include, but not be limited to outbound collections, Deferred Payment Agreements (DPA), bankruptcy, Debt Next, collection agencies, write-offs and recoveries.

Audit Plan Scope (continued)

Entity	Audit / Review Name	2025 Proposed Scope (to be finalized during planning phase)
PSEG Long Island	**Fleet Asset Management**	Evaluate the adequacy and operating effectiveness of processes and controls related to fleet management, ensuring compliance with regulatory requirements and strategic goals. This will include an evaluation of fleet inventory accuracy and completeness, fleet condition assessments, including maintenance and vehicle replacements/retirements, procurement processes, PSEG Long Island's analysis and studies of fleet electrification including potential funding and progress towards state mandates and requirements, registration and tax implication of vehicle sales including asset recovery, safety management systems for reporting vehicle-related incidents, motor vehicle accident claims administration; and environmental inspection and safety processes related to fleet facilities.
PSEG Long Island	**Contract Compliance review for Anti-Discrimination**	Evaluate the adequacy and effectiveness of internal controls implemented within the procurement process to mitigate risks of fraud, errors, and non-compliance with applicable laws, regulations and the OSA as it relates to Section 10.8 for vendors. Ensure compliance with procurement policies, procedures and regulations.
PSEG Long Island	**Employee Expenses**	Evaluate the adequacy and operating effectiveness of processes and controls related to employee expenses, ensuring compliance with company policies, procedures, and applicable regulatory requirements. This evaluation will include reviewing employee expenses, use of P-Cards, and expense reimbursements to determine whether employee expenses are valid, accurate, and properly supported; expenses comply with internal policies and relevant tax and legal guidelines; approval workflows are appropriately followed and adequately segregated; timeliness of the reimbursement process; reimbursement trends and potential anomalies or high-risk patterns; assessment of current practices against industry standards and internal control best practices; and controls over expense submissions and payments are functioning effectively to prevent fraud, errors, or abuse.
PSEG Long Island	**Select Non-Product Billing Services: Third Party Billing and Property Damage Claims**	Evaluate the adequacy and operating effectiveness of processes and controls related to PSEG Long Island's Non-Product Billing, ensuring compliance with regulatory requirements and strategic goals. The focus of this audit will include an assessment of the following non-product billing categories: *Third Party Attachments*: Fees for third-party attachments (e.g., Verizon, Cablevision, American Traffic System) occupying space on LIPA owned utility poles, including evaluating: Governance over third-party agreements, including maintenance of contracts, renewals, and pricing updates, assessing compliance with relevant accounting policies, inter-utility agreements, and industry best practices; end-to-end processes for billing third-parties for non-electric commodity services, including accurate and completeness of invoice processing; adequacy and completeness of supporting documentation and evidence retained for billed services; the accuracy and completeness of revenues recorded from third-party billings, ensuring proper recording and reconciliation in the general ledger; and the adequacy of system controls related to access, segregation of duties, and audit trails within billing and financial reporting systems. *Property Damage Claims*: Recovery of costs incurred to restore company property damaged by external parties, including evaluating: governance over the management of property damage claims, including assessing the process from initial claim intake through investigation, evaluation, negotiation, and settlement to ensure claims are handled accurately, timely, and consistently; end-to-end processes for claims arising from utility operations, including but not limited to damages caused by: buried infrastructure (e.g., water or gas main breaks), above-ground infrastructure (e.g., downed power lines, fallen poles, or trimming incidents), construction, maintenance, or repair activities, or other negligent acts or omissions by the company or its contractors; the accuracy and completeness of costs recovered from property damage claims, ensuring proper recording and reconciliation in the general ledger; and the adequacy of system controls related to access, segregation of duties, and audit trails within billing and financial reporting systems.

2026 Audit Plan Scope

Entity	Audit / Review Name	2026 Proposed Scope (to be finalized during planning phase)
LIPA and UDSA	**Select Internal Control Review**	Evaluate the adequacy and effectiveness of select key internal controls for LIPA and UDSA's Business Processes. Review of LIPA and UDSA Internal Control processes to be completed over 3-year planning cycle.
LIPA	**Records Management Program**	Evaluate the design and operating effectiveness of the LIPA records management program, including property records, to ascertain records required for business and compliance purposes are retained in accordance with laws, regulations, and business requirements.
PSEG Long Island	**Customer Data Protection**	Evaluate the effectiveness of controls in place to protect customer data from unauthorized access, loss, or misuse and to ensure compliance with applicable data privacy laws and company policies. The audit will focus on the policies, procedures, and technical safeguards established to protect customer data across the organization. The review will cover the collection, storage, transmission, access and disposal of customer data, including personally identifiable information (PII).
LIPA	**Cybersecurity Practices**	Through the use of a third-party co-sourced IT audit partner, Internal Audit will evaluate the adequacy and effectiveness of the internal controls related to cybersecurity practices, including, but not limited to the following assessments: system and network security, data security and protection, operational security, physical security and access control review, vulnerability assessment, and incident detection and response.
LIPA	**Office Emergency Incident Response**	Evaluate the adequacy, effectiveness and compliance of the organization's office emergency incident response protocols. The audit will assess whether response plans are documented, communicated, tested, and followed during actual and simulated emergency events. The audit will focus on the design and operational effectiveness of policies, procedures, controls, and staff readiness related to the organization's response to emergency incidents including: governance over preparedness and planning; roles and responsibilities; availability and accuracy of emergency contact lists; adequacy of evacuation, shelter in place, lockdown and medical response plans; training and awareness; coordination with building management, local authorities and first responders; and compliance with applicable laws, regulations and internal standards.
PSEG Long Island	**Rate Calculations**	Evaluate the adequacy and effectiveness of the internal controls and processes related to select rate calculations to ensure the following: revisions to the Tariff are compliant with CM-F1-006 (Tariff Statement Revisions to LIPA Tariff for Electric Service). Assess the adequacy of internal controls surrounding sources of data and calculation methods utilized for Tariff Statements. Determine if processes are in place to ensure recommendations regarding Tariff updates from DPS are implemented and evaluate if technology is utilized efficiently and adequately documented to reference how rates are calculated. Perform testing to recalculate select rates to ensure accuracy.
PSEG Long Island	**Employee Overtime: Management and Oversight**	Evaluate the adequacy and effectiveness of the internal controls and processes related to the management and oversight of employee overtime. This audit will assess whether employee overtime is properly authorized, accurately recorded and paid, compliant with union contracts, policies and regulations, monitored and controlled, cost effective and efficient, as well as transparent and accountable. In addition, the audit will assess how overtime budgets are established, approved and analyzed to ensure adherence to budgets.
PSEG Long Island	**Physical Security**	Evaluate the adequacy, effectiveness, and consistency of PSEG Long Island's physical security processes in protecting personnel, critical infrastructure, assets, and operations from unauthorized access, damage, theft, or disruption. The audit will assess whether physical security controls are designed and operating effectively to support operational resilience, regulatory compliance, and risk management objectives. The audit will include a review of physical security governance, policies, procedures, systems, and controls across selected PSEG Long Island facilities and operations. The audit will encompass, but is not limited to, the following areas: Governance and Oversight; Facility and Perimeter Security; Access Control Systems; Monitoring and Detection; Incident Response and Reporting; Vendor and Contractor Physical Security; Training and Awareness; and Regulatory and Industry Alignment. The audit scope excludes cybersecurity and logical access controls, except where they directly intersect with physical security systems (i.e., electronic access control systems or surveillance systems).

2026 Audit Plan Scope (continued)

Entity	Audit / Review Name		2025 Proposed Scope (to be finalized during planning phase)
PSEG Long Island	***Internal Audit Assist Project in conjunction with LIPA T&D*** **Major Equipment Condition and Reliability**		Assess the effectiveness, efficiency, and compliance of the company's programs and processes related to the testing, preventative maintenance, repair, and replacement of major electrical and mechanical equipment. The audit will determine whether controls are adequate to ensure equipment reliability, regulatory compliance, safety, and asset life-cycle management and appropriate alignment of major equipment replacement activities with the capital budget. This audit will focus on major electrical and mechanical equipment critical to the utility's operations, including but not limited to transformers, circuit breakers, switchgear, relays, substations, transmission/distribution assets, and backup power systems. Additionally, this audit will assess the adequacy of capital planning and budget oversight related to equipment investments.

FOR CONSIDERATION
January 28, 2026

TO: The Finance and Audit Committee

FROM: Catherine Widmark

REQUEST: Recommendation for Approval of Revised Internal Audit Charter

Requested Action

The Finance and Audit Committee (the "Committee") is requested to adopt a resolution recommending revisions to the Long Island Power Authority (the "LIPA") Internal Audit Charter (the "Charter") in the form attached hereto.

Background

The Charter, which the Committee most recently adopted on January 23, 2025, establishes the purpose, authority, and responsibilities of LIPA's Internal Audit function.

Proposed Changes

Consistent with the Charter, the Committee has undertaken a thorough annual review of the Charter's adequacy. Suggested revisions are limited to non-substantive stylistic and grammatical revisions intended to clarify the existing language.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form of the draft resolution attached hereto.

Attachments
Exhibit "A" Resolution
Exhibit "B" Internal Audit Charter — Redline
Exhibit "C" Internal Audit Charter — Clean Version for Adoption

Exhibit "A"

RECOMMENDATION FOR APPROVAL OF REVISED LONG ISLAND POWER AUTHORITY INTERNAL AUDIT CHARTER

WHEREAS, on January 28, 2026, the Finance and Audit Committee (the "Committee") of the Board of Trustees (the "Board") last adopted the Internal Audit Charter ("Charter") which establishes, among other things, the purpose, authority, and responsibilities of LIPA's Internal Audit; and

WHEREAS, the Committee has reviewed the proposed revised Charter and believes it is reasonable and appropriate to approve for the reasons set forth in the accompanying memorandum.

NOW, THEREFORE, BE IT RESOLVED, that the Committee hereby adopts the Long the Charter in the form presented at this meeting.

Exhibit "B"

LONG ISLAND POWER AUTHORITY
INTERNAL AUDIT CHARTER

INTRODUCTION:

Internal Audit strengthens the Long Island Power ~~Authority's~~ Authority's (LIPA) ability to create, protect, and sustain value by providing the Board of Trustees ~~("~~("the Board~~")~~ ") and management with independent, risk-based, and objective assurance, advice, insight, and foresight. Internal Audit enhances the ~~organization's~~organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards ~~("~~("the Standards~~"),~~ "), which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

ROLE:

The Board establishes the internal audit function and receives its mandate from the Finance and Audit Committee ("F&A Committee") of the Board. The internal audit function ~~carries~~ fulfills~~out the~~ its mandate by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes throughout the organization.

This Charter defines the responsibilities of the internal audit function~~responsibilities~~. The internal audit activity will adhere to The Institute of Internal ~~Auditors'~~ Auditors' International Professional Practices Framework (IPPF), which includes the Standards and Topical Requirements. The Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. The Institute of Internal ~~Auditors'~~ Auditors' Global Guidance, referred to as Supplemental Guidance, will also be adhered to as applicable to guide operations.

ETHICS AND PROFESSIONALISM:

All internal auditors are required to conform to high ethical standards and professionalism as outlined in the ~~Standards'~~ Standards' Ethics and Professionalism domain. In addition, the internal audit activity will adhere to ~~LIPA's~~ LIPA's Code of Conduct, other relevant policies and procedures, and the internal audit ~~activity's~~ activity's standard operating procedures manual.

While internal auditors are responsible for their own conformance, the Director of Audit Services, serving as the Chief Audit Executive ~~("~~("CAE~~"),~~ "), is expected to support and promote conformance with the principles and standards in the Ethics and Professionalism domain by

providing opportunities for training and guidance. The Director of Audit Services/CAE may delegate specific responsibilities for managing conformance, but retains accountability for the ethics and professionalism of the internal audit function.

INTERNAL AUDIT AUTHORITY:

The internal audit activity, abiding by strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to all of LIPA and PSEG Long Island records, physical properties, and personnel pertinent to carrying out any engagement. All employees are expected to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have unrestricted access to the Finance and Audit Committee.

ORGANIZATION:

The Director of Audit Services/CAE will report on functional matters to the ~~Finance and Audit~~F&A Committee and administratively (i.e., day-to-day operations) to the Chief Executive Officer ~~("~~("CEO~~").~~").

The ~~Finance and Audit~~F&A Committee will:

- Approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit budget and resource plan.
- Receive communications from the Director of Audit Services/CAE on the performance of the internal audit activity relative to its plan and other matters.
- Review and approve the appointment or removal of the Director of Audit Services/CAE.
- Delegate to the CEO the power to appoint an individual to serve as CAE on an interim basis.
- Make appropriate inquiries of management and the Director of Audit Services/CAE to determine whether there are scope or resource limitations.

As appropriate, the Director of Audit Services/CAE will communicate and interact directly with the ~~Finance and Audit~~F&A Committee members in at least two executive sessions annually and between Board meetings as necessary.

INDEPENDENCE AND OBJECTIVITY:

Internal auditors must maintain professional objectivity when performing all aspects of internal audit services. Professional objectivity requires internal auditors to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances. The internal audit activity will remain free from interference by any element ~~in~~ within the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content, to ~~permit~~ ensure the maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over ~~any of~~ the activities ~~audited~~they audit. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal ~~auditor's~~ auditor's judgment.

The Director of Audit Services/CAE will confirm the organizational independence of the internal audit activity to the ~~Finance and Audit~~F&A Committee at least annually.

RESPONSIBILITY:

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the ~~organization's~~ organization's governance, risk management, and internal controls, as well as the quality of performance in carrying out assigned responsibilities to achieve the ~~organization's~~ organization's stated goals and objectives. Assurance and Advisory engagements include:

- Evaluating risk exposure relating to the achievement of the ~~organization's~~ organization's mission and strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations ~~which~~ that could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the ~~organization's~~ organization's risk management processes.
- Performing advisory services related to governance, risk management, and control as appropriate for the organization.
- Reporting periodically on the internal audit ~~activity's~~ activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board or management, as appropriate.

The internal audit activity may perform consulting, advisory, and related client service engagements and activities, the nature and scope of which will be agreed upon with the client, provided that the internal audit activity does not assume management responsibility. Consulting engagements include, but are not limited to:

- Participation in significant system implementation efforts.

- Specific management requests to promote the efficiency and effectiveness of an operation or process.

INTERNAL AUDIT PLAN:

At least annually, the Director of Audit Services/CAE will submit an internal audit plan to the ~~Finance and Audit~~F&A Committee for review and approval by senior management and the F&A ~~Finance and Audit~~ Committee. The internal audit plan will include a work schedule, budget, and resource requirements for the next fiscal/calendar year. The Director of Audit Services/CAE will communicate the impact of resource limitations and significant interim changes to the ~~Chief Executive Officer~~CEO and the F&A ~~Finance and Audit~~ Committee.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input from senior management and the F&A ~~Finance and Audit~~ Committee. As necessary, the Director of Audit Services/CAE will review and adjust the plan in response to changes in the ~~organization's~~ organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the F&A ~~Finance and Audit~~ Committee through periodic activity reports.

It is recognized that LIPA has contracted with PSEG Long Island and other entities to ~~carry out~~perform certain functions. The Internal Audit activity will encompass services provided by such service providers, and the internal audit plan will reflect the scope of internal audit responsibility.

REPORTING AND MONITORING:

A written report will be prepared and issued by the Director of Audit Services/CAE or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the F&A ~~Finance and Audit~~ Committee.

The internal audit report may include ~~management's~~ management's response (from LIPA, PSEG Long Island, or other service providers, as ~~the case may b~~applicable) and corrective action taken or to be taken regarding the specific findings and recommendations. ~~Management's~~ Management's response, whether included within the original audit report or provided thereafter (i.e., within thirty days) by management of the audited area, should include a timetable for the anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for ~~appropriate~~ following~~-~~ up on engagement findings and recommendations. All significant findings will ~~remain~~ be recorded in an open issues file until cleared.
The Director of Audit Services/CAE will periodically report to the CEO and the F&A ~~Finance and Audit~~ Committee on the ~~internal audit activity's purpose, authority, responsibility, and performance~~purpose, authority, responsibility, and performance of the internal audit activity relative to its plan. Reporting will also include significant risk exposures and control issues, ~~including~~ such as fraud risks, governance issues, and other matters needed or requested by senior management and the Finance and Audit Committee.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:

The internal audit activity maintains a quality assurance and improvement program that covers all aspects of the internal audit activity. The program includes an evaluation of the internal audit ~~activity's~~ activity's conformance with the Standards (including conformance with the Ethics and Professionalism domain) and Topical Requirements. The program also assesses the internal audit ~~activity's~~ activity's efficiency and effectiveness and identifies improvement opportunities.

The Director of Audit Services/CAE will communicate to senior management and the F&A~~Finance and Audit~~ Committee on the internal audit ~~activity's~~ activity's quality assurance and improvement program, including the results of ongoing internal assessments and external assessments.

Internal Audit Activity Charter

Approved this _____ day of _____, _____.

_____
Director of Audit Services/ Chief Audit Executive

_____ _____
Chairman of the Finance & Audit Committee Chief Executive Officer

Exhibit "C"

LONG ISLAND POWER AUTHORITY
INTERNAL AUDIT CHARTER

INTRODUCTION:

Internal Audit strengthens the Long Island Power Authority's (LIPA) ability to create, protect, and sustain value by providing the Board of Trustees ("the Board") and management with independent, risk-based, and objective assurance, advice, insight, and foresight. Internal Audit enhances the organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards (“the Standards”), which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

ROLE:

The Board establishes the internal audit function and receives its mandate from the Finance and Audit Committee (“F&A Committee”) of the Board. The internal audit function fulfills its mandate by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes throughout the organization.

This Charter defines the responsibilities of the internal audit function. The internal audit activity will adhere to The Institute of Internal Auditors’ International Professional Practices Framework (IPPF), which includes the Standards and Topical Requirements. The Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. The Institute of Internal Auditors’ Global Guidance, referred to as Supplemental Guidance, will also be adhered to as applicable to guide operations.

ETHICS AND PROFESSIONALISM:

All internal auditors are required to conform to high ethical standards and professionalism as outlined in the Standards’ Ethics and Professionalism domain. In addition, the internal audit activity will adhere to LIPA’s Code of Conduct, other relevant policies and procedures, and the internal audit activity’s standard operating procedures manual.

While internal auditors are responsible for their own conformance, the Director of Audit Services, serving as the Chief Audit Executive (“CAE”), is expected to support and promote conformance with the principles and standards in the Ethics and Professionalism domain by providing opportunities for training and guidance. The Director of Audit Services/CAE may delegate specific

responsibilities for managing conformance but retains accountability for the ethics and professionalism of the internal audit function.

INTERNAL AUDIT AUTHORITY:

The internal audit activity, abiding by strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to all of LIPA and PSEG Long Island records, physical properties, and personnel pertinent to carrying out any engagement. All employees are expected to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have unrestricted access to the Finance and Audit Committee.

ORGANIZATION:

The Director of Audit Services/CAE will report on functional matters to the F&A Committee and administratively (i.e., day-to-day operations) to the Chief Executive Officer ("CEO").

The F&A Committee will:

- Approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit budget and resource plan.
- Receive communications from the Director of Audit Services/CAE on the performance of the internal audit activity relative to its plan and other matters.
- Review and approve the appointment or removal of the Director of Audit Services/CAE.
- Delegate to the CEO the power to appoint an individual to serve as CAE on an interim basis.
- Make appropriate inquiries of management and the Director of Audit Services/CAE to determine whether there are scope or resource limitations.

As appropriate, the Director of Audit Services/CAE will communicate and interact directly with the F&A Committee members in at least two executive sessions annually and between Board meetings as necessary.

INDEPENDENCE AND OBJECTIVITY:

Internal auditors must maintain professional objectivity when performing all aspects of internal audit services. Professional objectivity requires internal auditors to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances. The internal audit activity will remain free from interference by any element within the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content, to ensure the maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over the activities they audit. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

The Director of Audit Services/CAE will confirm the organizational independence of the internal audit activity to the F&A Committee at least annually.

RESPONSIBILITY:

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls, as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. Assurance and Advisory engagements include:

- Evaluating risk exposure relating to the achievement of the organization's mission and strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Performing advisory services related to governance, risk management, and control as appropriate for the organization.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board or management, as appropriate.

The internal audit activity may perform consulting, advisory, and related client service engagements and activities, the nature and scope of which will be agreed upon with the client, provided that the internal audit activity does not assume management responsibility. Consulting engagements include, but are not limited to:

- Participation in significant system implementation efforts.
- Specific management requests to promote the efficiency and effectiveness of an operation or process.

INTERNAL AUDIT PLAN:

At least annually, the Director of Audit Services/CAE will submit an internal audit plan to the F&A Committee for review and approval by senior management and the F&A Committee. The internal audit plan will include a work schedule, budget, and resource requirements for the next fiscal/calendar year. The Director of Audit Services/CAE will communicate the impact of resource limitations and significant interim changes to the CEO and the F&A Committee.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input from senior management and the F&A Committee. As necessary, the Director of Audit Services/CAE will review and adjust the plan in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the F&A Committee through periodic activity reports.

It is recognized that LIPA has contracted with PSEG Long Island and other entities to perform certain functions. The Internal Audit activity will encompass services provided by such service providers, and the internal audit plan will reflect the scope of internal audit responsibility.

REPORTING AND MONITORING:

A written report will be prepared and issued by the Director of Audit Services/CAE or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the F&A Committee.

The internal audit report may include management's response (from LIPA, PSEG Long Island, or other service providers, as applicable) and corrective action taken or to be taken regarding the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e., within thirty days) by management of the audited area, should include a timetable for the anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for following up on engagement findings and recommendations. All significant findings will be recorded in an open issues file until cleared.

The Director of Audit Services/CAE will periodically report to the CEO and the F&A Committee on the purpose, authority, responsibility, and performance of the internal audit activity relative to its plan. Reporting will also include significant risk exposures and control issues, such as fraud risks, governance issues, and other matters needed or requested by senior management and the Finance and Audit Committee.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:

The internal audit activity maintains a quality assurance and improvement program that covers all aspects of the internal audit activity. The program includes an evaluation of the internal audit activity's conformance with the Standards (including conformance with the Ethics and Professionalism domain) and Topical Requirements. The program also assesses the internal audit activity's efficiency and effectiveness and identifies improvement opportunities.

The Director of Audit Services/CAE will communicate to senior management and the F&A Committee on the internal audit activity's quality assurance and improvement program, including the results of ongoing internal assessments and external assessments.

Internal Audit Activity Charter

Approved this _____ day of _____, _____.

_____
Director of Audit Services/ Chief Audit Executive

_____ _____
Chairman of the Finance & Audit Committee Chief Executive Officer

FOR CONSIDERATION
January 28, 2026

TO: Finance and Audit Committee

FROM: Carrie Meek Gallagher

SUBJECT: Consideration of Recommendation to Approve the Annual Report and Amendments to the Board Policy on Audit Relationships

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Requested Action

The Finance and Audit Committee (the "Committee") of the Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution recommending that the Board: (i) approve the annual report on the Board Policy on Audit Relationships (the "Policy"); (ii) find that LIPA has complied with the Policy; and (iii) approve certain amendments to the Policy, which resolution is attached hereto as **"Exhibit A"**.

Board Policy on Audit Relationships

F&A Committee, in its Charter, was delegated the responsibility for reviewing LIPA's audit-related policies and practices.

The Policy defines the expectations of the Board regarding the existing authority granted to the F&A Committee for, among other matters, (i) selecting an independent certified public accounting firm to conduct annual audits of LIPA; (ii) the annual review of the audit plan as well as the Charter, activities, staffing, budget, and organizational structure of Internal Audit, and confirming the independence of the internal auditors; (iii) monitoring, in consultation with the Chief Audit Executive ("CAE"), the significant findings of internal audit reports and the status of the implementation of management's action plans in response to such audit findings; (iv) setting forth the procedures for the Board's receipt, review and implementation of any recommendations in a Management and Operations Audit conducted by the New York State Department of Public Service ("DPS").

Since the last review of the Policy, the following activities have been performed consistent with the Policy:

Independent External Auditor

- The Board previously selected KPMG as the independent certified public accounting firm to conduct annual audits of LIPA. On March 26, 2025, the F&A Committee met with KMPG to complete its annual audit for 2024. KPMG reported no significant findings as a result of its audit.

Internal Auditors

- Internal Audit conducted audits as identified in the annual audit plan and special projects requested by the F&A Committee or management. Internal audit activities were performed in accordance with the Institute of Internal Auditors' Global Standards ("the Standards").
- On January 23, 2025, the F&A Committee reviewed and approved the audit plan, activities, staffing, budget, and organizational structure of the internal audit department.
- The CAE, or delegate, met with the F&A Committee at each Board meeting to discuss internal audit activities and progress toward remediation of Management Action Plans in response to internal audit findings.
- The CAE met with the F&A Committee at least twice per year in executive sessions independent of other LIPA staff and reported significant internal audit findings to the Board in a timely manner.

DPS Management and Operations Audits

- As required by the LIPA Reform Act, DPS procured NorthStar Consulting Group to conduct the Management and Operations audit, which concluded on March 22, 2024, with the filing of a final report containing 80 individual recommendations in 15 areas of management, oversight, and operations. On April 17, 2024, DPS briefed the Board on this final audit report and key recommendations.
- At the April 17, 2024, Board meeting, the Board directed LIPA and PSEG Long Island staff to implement the recommendations from the audit report in accordance with the timeframe specified in the audit.
- At the December 18, 2024, Board meeting, the Board adopted the implementation plans for each recommendation and directed LIPA and PSEG Long Island to submit an annual report to both the Board and DPS on the status of their implementation.
- LIPA's CAE provided an annual update to the F&A Committee on the status of the 2022 recommendations at the Board's September 25, 2025, meeting.

Annual Review of the Policy

The proposed changes to the Board Policy include updates that reflect LIPA Internal Audit's assumed control of the Management and Operations Audit administrative process, as well as minor stylistic changes. The proposed changes to the Policy are more specifically set forth in **Exhibit "B"**.

Recommendation

Based upon the foregoing, I recommend the approval of the adoption of the resolution in the form attached hereto as **Exhibit "A"**.

Attachments

Exhibit "A" Resolution
Exhibit "B" Board Policy on Audit Relationships (redline)
Exhibit "C" Board Policy on Audit Relationships (clean)

Exhibit "A"

RESOLUTION RECOMMENDING APPROVAL OF THE ANNUAL REPORT AND AMENDMENTS TO THE LONG ISLAND POWER AUTHORITY BOARD POLICY ON AUDIT RELATIONSHIPS

WHEREAS, the Board of Trustees (the "Board") of Long Island Power Authority ("LIPA") is responsible for setting LIPA's audit relationship policy and overseeing its fulfillment; and

WHEREAS, the Finance & Audit Committee (the "F&A Committee"), in its Charter, was delegated the responsibility of reviewing LIPA's policies regarding audit relationships; and

WHEREAS, in LIPA's By-Laws, LIPA's Board delegated certain responsibilities to the Chief Executive Officer for managing and directing LIPA Staff.

WHEREAS, the F&A Committee has recommended approval of the annual report and amendments to the Audit Relationships Policy.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the F&A Committee hereby recommends that the Board find that LIPA has complied with Policy for the period since the last annual review and approve the annual report; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the F&A Committee hereby recommends that the Board approve the changes to the Policy that are reflected in **Exhibit "B"**.

Dated: January 28, 2026

Exhibit "B"

Board Policy:	**Audit Relationships**
Policy Type:	**Governance Process**
Monitored by:	**Finance and Audit Committee**
Board Resolution:	**#1355, approved March 29, 2017** **#1410, amended March 29, 2018** **#1420, amended July 25, 2018** **#1462, amended January 23, 2019** **#1528, amended, May 20, 2020** **#1632, amended, May 19, 2021** **#1725, amended, May 18, 2022** **#1800, amended, June 28, 2023** **~~##[1885xxxx]~~, amended, January 23, 2025** **#xxxx, amended, January 28, 2026**

~~LIPA's~~ LIPA's vision for audit relationships is to use audits to provide independent, objective assurance to the Board of Trustees (the ~~"~~"Board~~"),~~ "), management, and stakeholders designed to improve ~~LIPA's~~ LIPA's operations, risk management, controls, and governance processes, including those managed on ~~LIPA's~~ LIPA's behalf by service providers.

To achieve our vision for audit relationships, LIPA will do the following:

Independent External Auditor

- The Board, on the recommendation of the Finance and Audit Committee (the ~~"~~"F&A Committee~~"),~~ "), will select an independent certified public accounting firm to conduct annual audits of LIPA. The Board will ~~make the choice of~~select the external auditor based on advice from staff and others as it deems necessary to exercise prudent, and independent judgment.
- The F&A Committee will annually review the audit services to be performed by such independent auditor, including the scope, fees, and terms thereof and all relationships between the auditor and LIPA.
- The F&A Committee will meet each year with the external auditors at the commencement of the annual audit and again after the audit is complete. The meeting at the completion of the audit will be independent of staff. The F&A Committee members will report any significant findings to the Board in a timely manner.

Internal Auditors

- ~~LIPA's~~ LIPA's internal auditors will adhere to the Institute of Internal Auditors' Mandatory Guidance, which includes ~~the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics,~~ the Global Internal Audit Standards (~~"~~"the Standards~~"~~"),~~International Standards for the Professional Practice of Internal Auditing~~ , and ~~the Definition of Internal Auditing~~Topical Requirements.

- Internal auditors shall conduct audits as identified in the annual audit plan as well as special projects requested by the F&A Committee~~,~~ or management.
- The annual audit plan will include audits of LIPA and its service provider~~s~~. ~~, and t~~The internal auditors shall have unlimited access to all activities, records, property, and personnel of LIPA and its service provider~~s~~ in the performance of their duties.
- The F&A Committee will annually review and provide guidance on the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit department, and ~~will~~ confirm the independence of the internal auditors. The ~~chief~~ Chief ~~audit~~ Audit ~~executive~~ Executive shall administratively report to the Chief Executive Officer. ~~.~~
- The F&A Committee will review and approve the appointment or removal of the ~~chief~~ Chief Audit Executive.~~audit executive.~~ The Chief Executive Officer ~~CEO~~ may appoint an individual to serve as ~~chief~~ Chief ~~audit~~ Audit ~~executive~~ Executive on an interim basis.
- The F&A Committee will monitor, in consultation with the ~~chief audit executive~~ Chief Audit Executive, the significant findings of internal audit reports and the status of the implementation of ~~management's~~ management action plans in response to such audit findings.
- The F&A Committee will meet at least twice per year with the ~~chief audit executive~~ Chief Audit Executive, ~~-~~independent of other LIPA staff, and will report any significant audit findings to the Board in a timely manner.

Department of Public Service Management and Operations Audits

The LIPA Reform Act (the "Act") directs the Department of Public Service ("DPS") to conduct a comprehensive management and operations audits of LIPA and PSEG Long Island at least once every five years.

- Upon completion of an audit, the DPS must deliver to the Board a report of its findings together with any recommendations for improvements. Absent a preliminary finding of inconsistency made by the Board, under the procedures set forth in the Act, the audit report's recommendations become final 30 days after receipt by the Board.
- ~~Ninety days a~~After the audit ~~report's~~ report's finalization, ~~LIPA's~~ LIPA~~Chief Executive Officer~~, in coordination with PSEG Long Island, shall submit an implementation plan to the ~~Oversight and Clean Energy~~Finance and Audit Committee of the Board to effectuate the ~~audit's~~ audit's recommendations.
- ~~LIPA's~~ LIPA's Chief Audit Executive~~Chief Executive Officer~~ ~~, together with PSEG Long Island,~~ will submit an annual report to the ~~Oversight and Clean Energy~~~~Finance and Audit~~ F&A Committee of the Board and the DPS on the status of the implementation plan. That annual report will include a summary of the activities completed to date and any revisions to completion targets. ~~The annual report will be reviewed by Internal Audit for completeness prior to submission.~~ The ~~Oversight and Clean Energy~~~~Finance and Audit~~F&A Committee will report significant matters to the Board.
- LIPA and PSEG Long Island's ~~i~~internal a~~A~~udit departments will review the

effectiveness of the implementation plan in addressing each audit recommendation after the ~~completion of the plan~~plan is completed for that recommendation.

The F&A Committee will annually review the provisions of the Board Policy on Audit Relationships.

Exhibit "C"

Board Policy:	**Audit Relationships**
Policy Type:	**Governance Process**
Monitored by:	**Finance and Audit Committee**
Board Resolution:	**#1355, approved March 29, 2017** **#1410, amended March 29, 2018** **#1420, amended July 25, 2018** **#1462, amended January 23, 2019** **#1528, amended, May 20, 2020** **#1632, amended, May 19, 2021** **#1725, amended, May 18, 2022** **#1800, amended, June 28, 2023** **#1885, amended, January 23, 2025** **[xxxx], amended, January 28, 2026**

LIPA's vision for audit relationships is to use audits to provide independent, objective assurance to the Board of Trustees (the "Board"), management, and stakeholders designed to improve LIPA's operations, risk management, controls, and governance processes, including those managed on LIPA's behalf by service providers.

To achieve our vision for audit relationships, LIPA will do the following:

Independent External Auditor

- The Board, on the recommendation of the Finance and Audit Committee (the "F&A Committee"), will select an independent certified public accounting firm to conduct annual audits of LIPA. The Board will select the external auditor based on advice from staff and others as it deems necessary to exercise prudent, and independent judgment.
- The F&A Committee will annually review the audit services to be performed by such independent auditor, including the scope, fees, and terms thereof and all relationships between the auditor and LIPA.
- The F&A Committee will meet each year with the external auditors at the commencement of the annual audit and again after the audit is complete. The meeting at the completion of the audit will be independent of staff. The F&A Committee members will report any significant findings to the Board in a timely manner.

Internal Auditors

- LIPA's internal auditors will adhere to the Institute of Internal Auditors' Mandatory Guidance, which includes the Global Internal Audit Standards ("the Standards") and Topical Requirements.
- Internal auditors shall conduct audits as identified in the annual audit plan as well as special projects requested by the F&A Committee or management.

- The annual audit plan will include audits of LIPA and its service provider. The internal auditors shall have unlimited access to all activities, records, property, and personnel of LIPA and its service provider in the performance of their duties.
- The F&A Committee will annually review and provide guidance on the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit department, and confirm the independence of the internal auditors. The Chief Audit Executive shall administratively report to the Chief Executive Officer.
- The F&A Committee will review and approve the appointment or removal of the Chief Audit Executive. The Chief Executive Officer may appoint an individual to serve as Chief Audit Executive on an interim basis.
- The F&A Committee will monitor, in consultation with the Chief Audit Executive, the significant findings of internal audit reports and the status of the implementation of management action plans in response to such audit findings.
- The F&A Committee will meet at least twice per year with the Chief Audit Executive, independent of other LIPA staff, and will report any significant audit findings to the Board in a timely manner.

Department of Public Service Management and Operations Audits

The LIPA Reform Act (the "Act") directs the Department of Public Service ("DPS") to conduct a comprehensive management and operations audit of LIPA and PSEG Long Island at least once every five years.

- Upon completion of an audit, the DPS must deliver to the Board a report of its findings together with any recommendations for improvements. Absent a preliminary finding of inconsistency made by the Board, under the procedures set forth in the Act, the audit report's recommendations become final 30 days after receipt by the Board.
- After the audit report's finalization, LIPA, in coordination with PSEG Long Island, shall submit an implementation plan to the Finance and Audit Committee of the Board to effectuate the audit's recommendations.
- LIPA and PSEG Long Island's internal audit departments will review the effectiveness of the implementation plan in addressing each audit recommendation after the plan is completed for that recommendation.
- LIPA's Chief Audit Executive will submit an annual report to the F&A Committee of the Board and the DPS on the status of the implementation plan. That annual report will include a summary of the activities completed to date and any revisions to completion targets. The F&A Committee will report significant matters to the Board.

The F&A Committee will annually review the provisions of the Board Policy on Audit Relationships.