

MINUTES OF THE REGULAR JOINT MEETING OF THE NYPA AND CANAL AUDIT COMMITTEE

December 9, 2020

Table of Contents

<u>Sub</u>	<u>bject</u>	<u>Page No.</u>	<u>Exhibit</u>	
Intro	roduction	2		
1.	Adoption of the December 9, 2020 Proposed Meeting A	genda 3		
2.	Motion to Conduct an Executive Session	4		
3.	Motion to Resume Meeting in Open Session	5		
4.	DISCUSSION AGENDA:	6		
	a. New York Power Authority and Canal Corporation:	6		
	i. 2020 Internal Audit Update	6	4a i-A	
	ii. 2021 Internal Audit Plan	8	4a ii-A	
	iii. 2021 Internal Audit Budget	12	4a iii-A	
	b. New York Power Authority: (KPMG)	13		
	 i. Audit Plan and Strategy Update – Year-end December 31, 2020 	13	4b i-A	
5.	CONSENT AGENDA:	16		
	a. Approval of the Minutes of the Joint Regular Meeting he July 16, 2020	eld on 16		
6.	Next Meeting	17		
Clos	osing	18		

Minutes of the regular meeting of the New York Power Authority and Canal Corporation's Audit Committee held via video conference, at approximately 8:00 a.m.

The following Members of the Audit Committee were present:

Eugene Nicandri, Chairman John R. Koelmel Tracy McKibben Dennis Trainor Michael Balboni

Anthony Picente, Jr. - Excused

Also in attendance were:

Gill Quiniones President and Chief Executive Officer

Justin Driscoll Executive Vice President and General Counsel
Joseph Kessler Executive Vice President and Chief Operations Officer
Adam Barsky Executive Vice President and Chief Financial Officer
Sarah Salati Executive Vice President and Chief Commercial Officer

Soubhagya Parija Senior Vice President and Chief Risk Officer

Angela Gonzalez Senior Vice President – Internal Audit Karen Delince Vice President and Corporate Secretary

Daniella Piper Vice President – Digital Transformation/Chief of Staff

Christine Reynolds Treasurer

Anne Reasoner Vice President Budgets & Business Controls

Sundeep Thakur Controller

Lorna Johnson Senior Associate Corporate Secretary

Sheila Quatrocci Associate Corporate Secretary
Scott Heiser Lead Audit Partner - KPMG
Christopher Davanzo Lead Audit Manager - KPMG

Chairman Eugene Nicandri presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

Chairman Nicandri welcomed committee members and senior staff to the meeting. He said the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to section B(4) of the Audit Committee Charter.

1. Adoption of the December 9, 2020 Proposed Meeting Agenda

On motion made by member Tracy McKibben and seconded by member John Koelmel, the agenda for the meeting was adopted.

2. <u>Motion to Conduct an Executive Session</u>

Mr. Chairman, I move that the Audit Committee conduct an executive session to discuss the financial and credit history of a particular corporation (pursuant to section 105f of New York Public Officers Law). On motion made by member John Koelmel and seconded by member Tracy McKibben, an Executive Session was held.

3. <u>Motion to Resume Meeting in Open Session</u>

Mr. Chairman, I move to resume the meeting in Open Session. On motion made by member Dennis Trainor and seconded by member Tracy McKibben, the meeting resumed in Open Session.

Chairman Nicandri said no votes were taken during the Executive Session.

4. DISCUSSION AGENDA:

a. New York Power Authority and Canal Corporation:

i. 2020 Internal Audit Update

Ms. Angela Gonzalez, Senior Vice President, Internal Audit, provided an update on the New York Power Authority and Canal Corporation's 2020 Internal Audit ("IA") activities. (Exhibit "4a i-A")

Internal Audit Scorecard

Key metrics:

OPERATIONAL EXCELLENCE

IA has achieved or exceeded most of the metrics under Operational Excellence.

Audit Plan – The Audit Plan is 92% complete. IA is on target to finish the Plan by the end of the year, with four more reports to issue.

Audit Deliverables with Opinions - Achieved or exceeded Benchmark/Internal Target/on Track

Fieldwork to Report Issuance – Achieved or exceeded Benchmark/Internal Target/on Track.

Audit Utilization Rate - Target is a little lower than the benchmark and is being monitored.

IA Average Project Cycle – On track to achieve target.

Audit Standards

External Assessment Remediation Completion Status – All 2019 remediation items have been completed and closed.

VALUE AND IMPACT

All the 2018 recommendations have all been remediated and closed. For 2019, five to be implemented, some are due by the end of the year and some in Q1. They are all tracking to be closed on time. Management has started work on the 2020 recommendations and have made progress in addressing the open recommendations.

- **1.** Percentage of high-risk Observations Identified for informational purposes; observations that IA has identified over the last year.
- 2. Percentage of High-Risk Observations Implemented This includes only observations that had an original due date prior to 11/15/20; Seventeen (17) after November 15, 2020.
- 3. Percentage of All Observations by Due Date Includes observations that had an original due date prior to 11/15/20.
- **4.** Percentage of Observations Extended and Subsequently Implemented Includes observations that had an original due date prior to 11/15/20. To date, one observation has been extended.

2020 Audit Plan Status

- 38 Audits are included in the NYPA and Canals Audit Plan. One audit project has more than one deliverable for a total of 39 deliverables. IA has reached 92% audit plan completion.
- 35 audit reports have been issued to date. One audit has moved to the reporting stage and is expected to be issued by early December.
- 3 audit projects are in fieldwork ad reports should be issued by mid-December.

Key Transformation Accomplishments

Highlights of IA's transformation accomplishments include:

GRC Automation:

- All audit projects from Q2 on have been executed in the GRC Audit System.
- Audit entities, as part of the Audit Universe, were risk assessed and the Audit Plan was created using the GRC Audit System.
- The Observation Management module is now in user acceptance testing and is targeted for production in January 2021. As soon as that system is in place, IA will no longer be using SharePoint for Observation tracking and reporting; the GRC system will be used.

Quality Assurance Improvement Program (QAIP):

- The QAIP team has reached 100% remediation of the recommendations from the 2019 external quality assessment.
- As part of the QAIP program, the QAIP team completed the required annual internal assessment for compliance with the IIA Standards. The team found that IA is compliant with the standards. Suggested improvements to be made is related to maturity of data analytics, and retention of emails indicating final report approval when a report goes into the GRC audit system.
- Required Communications to the Audit Committee checklist states specific standards required for reporting to the Audit Committee.

ii. 2021 Internal Audit Plan

Ms. Angela Gonzalez, Senior Vice President, Internal Audit, provided an update on the New York Power Authority and Canal Corporation's 2021 Internal Audit Plan (Exhibit "4a ii-A"). She said that the 2021 IA Plan has been fully developed and reflects several components based on a defined and risk-scored Audit Universe aligned by Business Unit.

The projects in the Plan are a subset of the Audit Universe entities and are based on audit risk ranking, last audit date, and Internal Audit resources. The plan aligns to top Enterprise Risks and NYPA's current core strategic priorities and Foundational Pillars.

The Plan will be evaluated each quarter to address emerging risks and will be adjusted as business needs change. IA received several inputs from Executive Management, Risk Management, and other Business Units across the organization.

Risk Assessment Process - NYPA and Canal Corporation

The EMC has reviewed, and IA is still obtaining internal inputs on the which includes: the Risk Assessment Process which includes:

Key Stakeholders

 Key Stakeholder input is vital to obtaining risk assessment information. To date, IA has completed 81 interviews with NYPA and Canal Corporation management.

External Inputs

- Gartner 2021 Hot Spots in terms of risks
- NYPA Internal Audit Benchmark to Peers
- Industry Benchmarks

Audit Universe

- 57 Audit Entities in IA's universe
- Refined and updated the Risk Scoring Model
- All Audit Entities are in the GRC Audit System

2021 Audit Plan

38 NYPA and 5 Canal Corporation audit projects based on available resources.

The Plan will be COVID-dependent; how it will affect the organization.

Audit Universe

The Audit Universe contains 57 audit entities for both NYPA and the Canal Corporation and are broken down between high-, medium-, and low-rated.

Audit Universe Cycle

IA have been focusing mostly on the high-rated and medium-rated entities. The low-rated entities are reviewed on an "as-needed" basis or as business needs change.

Proposed 2021 Audit Plan Coverage - NYPA

- There are 38 projects in the proposed NYPA 2021 Audit Plan broken down into Audits, Assessments, and Advisory, 82% of which are Audits.
- Audits, Assessments and Advisory audit projects for 2021 are based on open positions to be filled by the end of January 2021. Co-sourced partner will primarily supplement IT Audit staff as per Internal Audit's staffing model and subject matter expertise where needed.
- The number of audit projects included in the 2021 Audit Plan is based on actual audit project hours collected in 2020. This data showed that audit projects took an average of 475 hours as opposed to the average of 430 hours in 2019. This is primarily due to certain audit projects that required more fieldwork testing, applying data analytics, observation analysis, management agreement and subsequent action plan development.
- Audit projects were budgeted using 525 hours on the average for the majority of NYPA audit projects (i.e., some audit projects were budgeted more/less hours as needed). IA increased budgeted hours by 50 more hours for data analytics and total plan hours equate to 18,700 hours. Internal staff hours available for the audit plan equate to 18,690. Approximately 1,000 hours have been allotted as contingency hours for special projects. Historically, Internal Audit is requested by the business to execute at least two to three special projects during the year.

Proposed 2021 Audit Plan Coverage - Canal Corporation

- There are 5 projects in the proposed Canal 2021 Audit Plan broken down into Audits (4) and Assessments (1).
- Based on internal staff hours available for the audit plan, 2,575 hours were budgeted for Canal Corporation audit projects based on 525 hours per audit project for the majority of these projects.

Proposed Audit Plan Resource and Audit Type Allocation - NYPA

- 38 projects are included in the Audit Plan based on Resource Availability.
 - (1) Internal staff hours available include all open positions filled in January 2021 equating to 3,200 audit hours.
 - (2) Third-party co-source technology hours are to support technology audit projects (IT and OT) and cover the increase in integrated audits as per Internal Audit's staffing model. Third-party co-source business hours are for subject matter expertise.

A comparison of business, technology, and integrated type audits between 2020 and 2021 shows an increase in integrated audits.

Proposed Audit Plan Resource and Audit Type Allocation – Canal Corporation

Five (5) audit projects are included in Canal's Audit Plan based on Resource Availability, three of which will review support operations for asset management, post-retirement benefits and post-integration activities. Two are integrated, covering technology audits for system implementation and an application review which include enhanced operational functionalities.

2021 Audit Plan Risk Category Allocation – NYPA ad Canal Corporation

- The allocation of 2021 audit projects by risk category does not materially deviate from the 2020 actual allocation.
- Relatively same audit coverage percentage for operational risk for NYPA due to continued support of the Utility Operations business unit for compliance with ISO 55001 standards and an increase in coverage within the Human Resources & Administration business unit for workforce planning.
- Audit coverage for technology risk remained relatively the same in support of digitization.
- For the Canal Corporation, a decrease in operational risk audit coverage is due to focus on technology areas not reviewed in prior years.

Proposed NYPA 2021 Audit Plan Alignment

87% of the projects in the Audit Plan directly align to either Strategic Core Priorities and Foundational Pillars with concentration on Resource Alignment and Digital Transformation, or Top Enterprise Risks with concentration on Attract and Retain Qualified Workforce, Critical Infrastructure and Cyber Security.

Proposed Canal Corporation 2021 Audit Plan Alignment

100% of the projects in the Audit Plan align to either Strategic Core Priorities, Foundational Pillars and/or Top Enterprise Risks.

Internal Audit Strategy Refresh

Internal Audit have been reporting to the Audit Committee on its strategy over the last two years. The transformation initiatives introduced in 2018 have been substantially operationalized, with a focus on process and automation.

To continue the path of moving the Internal Audit function forward and meeting the needs of the business, IA reviewed its current state, conducting maturity benchmarking through the Gartner Audit Leadership Council and refreshed Internal Audit's strategy. Internal Audit conducted several strategy sessions and developed three key themes and corresponding roadmaps that will be the center of focus: Optimization of AGILe and GRC, Data Analytics, and Talent Management strategies.

Agile and GRC Optimization Roadmap

- Enhance current Agile Methodology.
- Implement Enterprise-wide Agile tools to manage the portfolio.
- Adding AGILe concepts to other areas such as Risk Assessments.
- Enhance and further develop Agile KPIs.
- Continuous Improvements, e.g., Agile Certifications at all levels.
- Develop Reporting and Dashboards.
- Enhance Training.

Data Analytics Strategy

 The Data Analytics Strategy has been on hold this year because of the COVID-19 pandemic. Internal Audit is now in the evaluation process to procure and implement the digital tools required to support the Data Analytics goals by February 2021. Once the tool is in place, IA will start developing some of its continuous auditing pilots, e.g., Work with IT's Data Governance team and business units to enhance and build out data analytics capabilities, and hand off key data analytics to the business units for monitoring.

Talent Management Strategy Roadmap

Expand Competency Development

Perform department skills assessment to understand gaps within desired competencies that align to Staff Excellence and Talent Strategy.

Provide HR with initial competency updates.

• Enhance Performance Management

Review current performance management process for enhancement opportunities, i.e., criteria that drives performance ratings.

Enhance current audit project evaluation form to align with updated competencies.

Expand Sourcing and Recruiting

Work with HR on updating competencies to add to job descriptions.

• Enhance Learning and Development

Roll out updated learning development program.

Develop Rewards and Well Being

Identify permissible rewards for employee performance.

Design program to recognize and reward top talent and accomplishments.

Create Career Mobility and Update Succession Planning

Work milestones, and expected competencies to align with Staff Excellence and Talent Strategy. Work with HR to create a career development program that includes a career path, defined to update the current succession plans that include Senior Audit Managers and above.

The Audit Committee is requested to approve the 2021 NYPA and Canal Corporation Internal Audit Plan. On motion made by member John Koelmel and seconded by member Tracy McKibben the members approved the 2021 Internal Audit Plan.

iii. 2021 Internal Audit Budget

Ms. Angela Gonzalez, Senior Vice President, Internal Audit, provided an update on the New York Power Authority and Canal Corporation's 2021 Internal Audit Budget. (Exhibit "4a iii-A"). She said that pursuant to the Internal Audit Standard, the Audit Committee is required to approve the Internal Audit Budget and requested that the Audit Committee approve the 2021 budget for Internal Audit.

On motion made by member John Koelmel and seconded by member Michael Balboni, the members approved the 2021 Internal Audit Budget.

b. New York Power Authority: (KPMG)

i. Audit Plan and Strategy Update - Year-end December 31, 2020

Mr. Scott Heiser, KPMG's Lead Audit Partner, and Mr. Christopher Davanzo, Lead Audit Manager presented an update on KPMG's Audit Plan and Strategy for the year ending December 31, 2020. (Exhibit 4b i-A).

Mr. Heiser outlined the Client Service team for the engagement adding that there were no significant changes in the engagement team for the audit. An Industry Manager was added, and Grace Kachigian is assisting based on her knowledge of NYPA and GASB expertise. This shows that there is continuity on the team. Communications with Adam Barsky, NYPA's Executive Vice President and Chief Financial Officer and Sundeep Thakur, Controller, and the KPMG team has been very good and enabled KPMG to build a strong relationship with NYPA.

KPMG had a more aggressive timeline and plan this year than historically because it provides for a better audit and takes some of the pressure off the February-March time frame. This has been driven by KPMG's team with the cooperation of NYPA's team to be open to making some of those changes and doing more work during the October – December time periods.

The impact of COVID-19 resulted in more planning in risk assessment and KPMG will continue on this path and communicate any changes with NYPA's management and report any findings to the Audit Committee in March.

KPMG's Commitment to NYPA

Mr. Scott Heiser provided highlights on the Audit key items. He reiterated that KPMG's client services team this year is very consistent. KPMG has continuity at all levels with the addition of an Audit Manager who will be assisting the audit staff in performing the audit on a day-to-day basis.

KPMG is committed to delivering an exceptional client experience focusing on audit quality, delivering thoughtful, coordinated and a transparent approach, being productive in its audit through design and execution of the processes, and providing industry insights into any audit or business topics.

COVID-19: Resilience and Readiness

As KPMG moves along with its planning process, they are understanding the impact of COVID-19, not only on the results of the financial statements, but as well as the impact to the business processes. For example, if management used manual sign offs, KPMG will be looking for changes in that process with remote sign offs on such things as reconciliations.

KPMG have conducted risk assessment of planning related to COVID-19, and this will be a continuous effort throughout the audit process.

Required Audit Committee Communications:

Scope of Audit

KPMG is conducting an audit of the consolidated financial statements of New York Power Authority as of and for the year-end of December 31st, 2020. KPMG's reporting deliverables this year are consistent with the prior year. KPMG will be delivering an audit opinion, a report on Internal Control over Financial Reporting and Compliance and Other Matters, as well as a report on the Investment Compliance, ensuring they are within the guidelines.

Audit Timeline

KPMG have been meeting with NYPA management, debriefing them on the prior year audit, and discussing ways to improve the audit process. They also discussed key issues and updates during the current year and ongoing risk assessment procedures.

In the interim period, which is the September through December time period, KPMG is performing process walkthroughs to get an understanding of key processes at NYPA, as well as evaluating the design and implementation of controls and performing interim audit procedures.

At year's end, KPMG will be performing any remaining substantive audit procedures, evaluating the results of those audit procedures, reviewing financial statement disclosures, and will be meeting with NYPA to present those audit results. And, consistent with prior years, KPMG's filing date to issue audit reports on financial statements is expected to be prior to March 31, 2021.

Audit Improvements

As mentioned earlier, KPMG's biggest change and improvement is the timing of audit. KPMG's goal is to improve audit quality and reduce some of the compression of the audit procedures that they perform at the year-end audit time period, moving them up to the interim time period of October through December. KPMG's focus has been on testing high volume accounts, including revenue, expenses, and capital assets. KPMG is currently going through the process of performing walkthroughs to gain an understanding of the key processes as well as any COVID impacts.

Along with KPMG's audit improvements, Adam Barsky and Sundeep Thakur and team have done a great job working with KPMG to execute the plan. They have worked to coordinate some key contacts in the remote work environment and facilitate conversations and have also been a great help in getting KPMG's improvements implemented.

RISK ASSESSMENTS:

i. Significant Risks

KPMG identified one significant risk, Fraud, which is related to management override of controls and is present in all entities. In response, KPMG will be assessing the design, implementation, and operating effectiveness of journal entry controls, with an emphasis on closing entries.

ii. Estimates and other Significant Audit Areas

Estimates – Pension and Post Retirement Obligations –

KPMG identified one significant estimate related to Pension and OPEB at NYPA and Canals. The relevant factor being the measurement uncertainty of assumptions utilized in that evaluation.

Significant Audit Areas: Revenue Recognition; Long-Term Debt; Capital Assets, including Depreciation; and Investment –

Some of KPMG's risk assessment were around the size and composition of the accounts; volume of activity processed through the accounts, and the nature of the disclosures.

For each of these areas, among others, KPMG understands the impact of COVID-19 on the processes, the financial results, and the audit as a whole.

INVOLVEMENT OF OTHERS

KPMG engages a number of subject matter professionals:

- KPMG National Pricing Desk which tests the valuation of investment selections.

- KPMG Actuarial Specialists to review the valuation of the NYPA and Canals OPEB and Pension liability.
- KPMG Tax Specialists to review financial statements to determine the appropriateness of the taxexempt status.
- KPMG Forensics team to identify fraud risks and fraud risk factors that are present in the NYPA audit.
- NYPA Internal Audit to conduct inquiries of Internal Audit, review the Internal Audit Plan for FY20, and review results of audits conducted by Internal Audit.

ACCOUNTING PRONOUNCEMENTS:

Accounting pronouncements are some of the GASB statements that will be applicable in the near-term:

GASB Statement Number 87 – Leases

This statement addresses the recognition of certain lease assets and liabilities and an intangible right-to-use lease asset.

KPMG had discussions with NYPA's management last year and is continually working with Adam Barsky ad Sundeep Thakur regarding timing of the adoption of this pronouncement.

GASB Statement Number 91 - Conduit Debt Obligations

This statement addresses the reporting of conduit debt obligations by issuers. It creates a single method of reporting conduit debt obligations on the financial statements, eliminating the existing option for issuers to report these debt obligations as their own liabilities.

GASB 87 and 91 is planned to be adopted by NYPA in FY 2021.

GASB Statement Number 95 – Postponement of the Effective Dates of Certain Authoritative Guidance

This statement was issued in response to the COVID-19 pandemic. It postponed the effective dates of certain GASB statements by one year. This statement did pushback both 87 and 91, mentioned earlier, by one year.

SHARED RESPONSIBILITIES

Shared responsibilities between KPMG and NYPA management regarding independence – Auditor independence is a shared responsibility and most effective when management, Audit Committee and audit firms work together in considering compliance with the independence rules.

Required communications regarding independence, responsibilities for the audit, and any inquiries will be performed throughout the audit.

5. CONSENT AGENDA:

a. Approval of the Minutes of the Joint Regular Meeting held on July 16, 2020

On motion made by member Dennis Trainor and seconded by member Tracy McKibben, the Consent Agenda was approved.

6. Next Meeting

Chairman Nicandri said that the next regular meeting of the Audit Committee is to be determined.

Closing

On motion made by member Tracy McKibben and seconded by member Dennis Trainor, the meeting was adjourned by the Chairman at approximately 9:44 a.m.

Karen Delince

Karen Delince Corporate Secretary

EXHIBITS

For Audit Committee Minutes

December 9, 2020



Audit Committee

New York Power Authority and Canal Corporation Internal Audit Update

12/9/2020

Table of Contents

Executive Summary

Internal Audit Scorecard

Appendix

- Appendix A 2020 Audit Plan Status
- Appendix B 2020 Internal Audit Plan
- Appendix C Internal Audit Key Transformation Accomplishments
- Appendix D Quality Assurance Improvement Program Status
- Appendix E Metrics Definitions

Executive Summary

Internal Audit Scorecard

	Metric		Progress		Internal Target	Status
		2019	2020			
	Internal Audit Performance					
e	Audit Plan Percentage Complete	100%	92%	88%		
Operational Excellence	Audit Deliverables with Opinions	62% (31/50)	54% (19/35)	N/A	50% Opinions Issued	
nal E	Fieldwork to Report Issuance (weeks)	3.1	3.1	5.1		
eratio	Audit Utilization Rate	65%	67% (1)	75%		
Ope	IA Average Project Cycle Time (weeks - Excludes ongoing projects)	12	11	12		
	Audit Standards			•		
	External Quality Assessment Remediation Completion Status		100%		100% by year-end 2020	

'					
	Achieved o	r Exceeded Benchmark/Internal Target/O	n Track		
Key	Benchmark/Internal Target Monitored				
¥	Benchmark	/Internal Target Not Achieved			
	N/A - Benc	hmark Not Available			

	Metric	Observations by Year Identified			Internal Target	Status
		2018	2019	2020		
ţ	% of High-Risk Observations Identified	14% (14/102)	12% (11/90)	24% (19/80)		Information Purposes
Value and Impact	% of High-Risk Observations Implemented	100% (14/14)	100% (2) (10/10) One due 12/31/20	100% (2) (2/2) 17 are due after 11/15/20	100% for each year	
Valu	% of All Observations Implemented by Due Date	100% (2) 102/102	100% (2) 85/85	100% (2) 27/27	100%	
	% of Observations Extended and Subsequently Implemented	100% (15/15)	89% (17/19) Two observations are due after 11/15/20	0% (0/1) One observation extended to date	100% for each year	

Note:

- (1) Maintained utilization rate given COVID-19 and remote working. Staff continue to work on IA key reinvestment activities (GRC system, Data Analytics, QAIP) and internal administration.
- (2) Includes only observations that had an original due date prior to 11/15/20.
- (3) Benchmarks used are from Gartner Audit Leadership Council and the IIA Global Audit Information Network (GAIN) report.

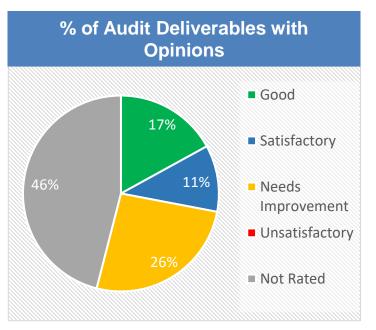
Appendix A – 2020 Audit Plan Status

2020 Audit Plan Status

- 2020 Audit Plan Status*:
 - > 38 audits are included in the NYPA and Canals Audit Plan. One audit project has more than one deliverable for a total of 39 deliverables. We have reached 92% audit plan completion.
 - 35 audit reports have been issued to date. One audit has moved to the reporting stage and is expected to be issued by early December.
 - > Three audit projects are in fieldwork and reports should be issued by mid-December.







NOTE: * See Appendix B for details

Appendix B – 2020 Internal Audit Plan



Authority Corporation

2020 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment			
	Deliverable Issued: 35									
1	NYPA	2020-AU-01	Recharge NY Customer Compliance Audit (D&M)	Commercial Operations	Audit	N/A	2/27/20			
2	NYPA	2020-AU-15	Intrusion Detection/Intrusion Protection Management	Information Technology	Audit	Satisfactory	3/11/20			
3	NYPA	2020-AU-39	FEMA Reimbursement	Utility Operations	Audit	Good	3/16/20			
4	NYPA	2020-AU-19	Active Directory Review	Information Technology	Audit	Needs Improvement	3/19/20			
5	NYPA	2020-AU-43	Inventory & Warehousing: NIA, STL, BG, SENY	Utility Operations	Audit	Satisfactory	4/8/20			
6	NYPA	2020-AU-27	Payroll (NYPA and Canals)	Business Services	Audit	Needs Improvement	4/20/20			
7	NYPA	2020-AU-04	Commercial Operations Product Pricing	Commercial Operations	Audit	Needs Improvement	5/18/20			
8	NYPA	2020-AU-11	Ariba Application Review	Human Resources & Administration	Audit	Needs Improvement	5/26/20			
9	NYPA	2020-AU-26	Accounts Payable	Business Services	Audit	Needs Improvement	5/26/20			
10	NYPA	2020-AU-08	New York Energy Manager Strategy, Customer and Management Reporting	Commercial Operations	Audit	Good	5/28/20			
11	NYPA	2020-AS-22	Data Governance & Protection Program	Information Technology	Assessment	N/A	6/3/20			
12	NYPA	2020-AS-10	Supply Chain Management (NYPA and Canals)	Human Resources & Administration	Assessment	N/A	6/9/20			
13	NYPA	2020-AU-20	Microsoft 365	Information Technology	Audit	Good	7/31/20			
14	NYPA	2020-AU-24	Treasury Workstation System Implementation	Business Services	Audit	N/A	8/13/20			
15	NYPA	2020-AU-32	Insurance Risk Management (NYPA and Canals)	Business Services	Audit	Needs Improvement	8/21/20			
16	NYPA	2020-AU-17	Database Security (NYPA and Canals)	Information Technology	Audit	Needs Improvement	8/26/20			
17	NYPA	2020-AS-02	Economic Development Customer Assistance (Memo 1)	Commercial Operations	Assessment	N/A	9/16/20			
18	NYPA	2020-AU-44	Operations Technology Operating System Security	Utility Operations	Audit	Good	9/18/20			
19	NYPA	2020-AU-29	Finance & Administration (NIA, STL, CEC, WPO)	Business Services	Audit	Good	9/23/20			
20	NYPA	2020-AU-31	Energy Commodity Risk Management System Imp.	Business Services	Audit	N/A	9/28/20			
21	NYPA	2020-AU-41	ISO 55001 Audit Remediation Follow-up	Utility Operations	Audit	Satisfactory	9/30/20			
22	NYPA	2020-AS-51	COVID-19 Expenses Assessment	Human Resources & Administration	Assessment	N/A	10/22/20			

2020 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment	
23	NYPA	2020-AU-37	GE Asset Performance Management Implementation (APM)	Utility Operations	Audit	N/A	10/26/20	
24	NYPA	2020-AU-14	Threat and Vulnerability Management	Information Technology	Audit	Needs Improvement	10/30/20	
25	NYPA	2020-AS-02	Economic Development Customer Assistance	Commercial Operations	Assessment	N/A	11/3/20	
26	NYPA	2020-AS-52	COVID-19 Data Privacy	Human Resources & Administration	Assessment	N/A	11/9/20	
27	NYPA	2020-AS-34	Utility Operations Construction Projects – COVID-19 Response Review	Utility Operations	Assessment	N/A	11/18/20	
28	NYPA	2020-AS-28	COVID-19 Timekeeping	Human Resources & Administration	Assessment	N/A	11/20/20	
29	NYPA	2020-AS-53	IT Expense Allocation	Information Technology	Assessment	N/A	11/23/20	
30	NYPA	2020-AU-42	Site SCADA Systems - NIA, BG, STL, SENY	Utility Operations	Audit	Satisfactory	11/24/20	
31	NYPA	2020-AV-21	IT Disaster Recovery Test	Information Technology	Advisory	N/A	11/25/20	
32	Canals	2020-AU-46	Canals Vendor Payment Accruals Follow-up	Administrative Services	Audit	Good	5/26/20	
33	Canals	2020-AU-45	Canals Budgeting and Forecasting	Administrative Services	Audit	Needs Improvement	5/29/20	
34	Canals	2020-AS-47	Canals Real Property	Administrative Services	Assessment	N/A	7/2/20	
35	Canals	2020-AS-49	Canals Fleet Management Operations	Administrative Services	Assessment	N/A	7/16/20	
				ess – Fieldwork Complete: 1				
36	NYPA	2020-AU-30	Generation & Transmission Customer Rate Development	Business Services	Audit			
				rk in Progress: 3				
37	NYPA	2020-AU-07	Unforced Capacity (UCAP) & Transmission Congestion Charge (TCC) Services & Trading	Commercial Operations	Audit			
38	NYPA	2020-AU-18	Network Administration (NYPA and Canals)	Information Technology	Audit			
39	NYPA	2020-AU-25	Green Bond Framework	Business Services	Audit			
				ng in Progress: 0				
Planning Not Started: 0								
				jects Canceled: 15				
1	NYPA	2020-AU-35	Communications Backbone Program	Utility Operations	Audit			
2	NYPA	2020-AU-36	Transmission LEM	Utility Operations	Audit			
3	NYPA	2020-AU-03	Customer Digital Experience (CDEx)	Commercial Operations	Audit			
4	NYPA	2020-AU-40	Digital Worker	Utility Operations	Audit	NEW STATE OI OPPORTI	Authority Cor	

2020 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment
5	Canals	2020-AU-48	Canals Vendor Management	Administrative Services	Audit		
6	Canals	2020-AU-50	Canals Maximo System Implementation	Technical Services	Audit		
7	NYPA	2020-AU-12	Succession Planning (NYPA and Canals)	Human Resources & Administration	Audit		
8	NYPA	2020-AU-13	Pension Plan Management	Human Resources & Administration	Audit		
9	NYPA	2020-AU-38	Data Splice Post Implementation	Utility Operations	Audit		
10	NYPA	2020-AS-23	Enterprise Program Management	Executive Office	Assessment		
11	NYPA	2020-AU-16	Software License Management	Information Technology	Audit		
12	NYPA	2020-AU-05	Customer Credit (Customer Financing)	Commercial Operations	Audit		
13	NYPA	2020-AS-33	Environmental Health & Safety Program (NYPA and Canals)	Utility Operations	Assessment		
14	NYPA	2020-AS-09	EVolve Program	Commercial Operations	Assessment		
15	NYPA	2020-AU-06	Bid to Bill System Implementation	Commercial Operations	Audit		



Appendix C – Internal Audit Key Transformation Accomplishments

Internal Audit Key Transformation Accomplishments

	Accomplishments						
	Delivery						
Agile Project Methodology	 Continued to scale the Agile model with 79% of the audit plan (30 audit projects) applied the Agile methodology. The remaining 21% (eight projects) used the Traditional methodology since these projects are comprised of three ongoing system implementations, one advisory engagement and four Canals audit projects. Maintained continuous improvement efforts throughout 2020 related to an enhanced audit liaison risk monitoring program, consistent process retrospectives held with staff and Agile coaching. 						
GRC Automation	 All audit projects from Q2 on have been executed in the GRC audit system. Enhancements to the audit module related to audit process workflow, user interface and the overall platform have been completed. Audit entities as part of the Audit Universe were risk assessed and the audit plan was created using the GRC audit system. The Observation Management module is now in user acceptance testing and is targeted for production in January 2021. All observations continue to be uploaded to SharePoint for observation tracking and reporting and will be used until the Observation Management module is in production. 						
Data Analytics	 To date, 25 out 38 (66%) of 2020 audit projects have been identified where data analytics could be applied. 20 out of 38 (52%) of the audit projects have applied data analytics to date. The Data Analytics team is in the process of bid evaluation for the new data analytics tool working with Strategic Supply Management. Selection of the vendor will be completed in Q4 with tool onboarding in Q1 2021. 						



Internal Audit Key Transformation Accomplishments

	Delivery (Continued)
Quality Assurance Improvement Program	 The QAIP team has reached 100% remediation of the recommendations from the 2019 external quality assessment. See slide 15 for details of the standards where remediation items were cited. As part of the Quality Assurance Improvement Program, the QAIP team has completed the required annual internal assessment for compliance with the IIA standards. The results of the assessment found that Internal Audit is compliant with the IIA standards with a few improvement opportunities related to maturity of data analytics and retention of emails indicating final report approval by the CAE in the GRC audit system. See slide 16 for details. The Required Communications to the Audit Committee list states specific standards required of the CAE to communicate with the Audit Committee as per IIA Standard 1000 and 2060. See slide 17 for details.
	Talent Talent
Staff Excellence	 As of November 2020, 72% of staff currently have at least one certification and 17% of staff are pursuing various certifications such as the CIA, CPA and CISA. The Training and Development program is now on Internal Audit's SharePoint site and staff can look up internal and external training classes, links to industry organizations, review their training hour logs and more.



Appendix D – Quality Assurance Improvement Program Status

2019 External Quality Assurance Assessment Remediation Status

IIA Standard #	Standard Description	GAP/ Improvement Opportunity	GAP OR Improvement Opportunity Description	Status
1311	Internal Assessments	GAP	Conduct an Internal Quality Assessment (QA) annually.	Completed
1312	External Assessments	GAP	Conduct an external QA every five years.	Completed
1320 1311	Reporting on the QAIP	GAP	Communicate internal and external assessment results.	Completed
1311	Internal Assessments	GAP	Develop a balanced scorecard and report results during the periodic reporting process to the Audit Committee.	Completed
1000 1100	Purpose, Authority and Responsibility	GAP	Update the NYPA and Canals Audit Committee Charters to include QAIP responsibilities and obtain CAE and Audit Committee approvals.	Completed
1000	Purpose, Authority and Responsibility	Improvement Opportunity	Update the IA Charter and obtain CAE and Audit Committee approvals.	Completed
1000 2060	Purpose, Authority and& Responsibility Reporting to Senior Management and the Board	Improvement Opportunity	Implement a checklist including Required Communications of the CAE to the Audit Committee.	Completed
1210	Proficiency	Improvement Opportunity	Consider developing IA staff in specialized areas of the energy industry.	Completed
1210	Proficiency	Improvement Opportunity	Consider use of technology-based audit.	Completed
1210	Proficiency	Improvement Opportunity	Consider other data analysis techniques and Computer Assisted Audit Techniques (CAATS) to better evaluate data and identify problems.	Completed
2240	Engagement Work Program	Improvement Opportunity	Document supervisory review of the Audit Program to evidence approvals.	Completed
2410 2411	Criteria for Communicating	Improvement Opportunity	Incorporate limitations on the distribution of deliverables in the report.	Completed
2450	Overall Opinions	Improvement Opportunity	Include a section in the report for description of any scope limitations.	Completed
1300	Quality Assurance and Improvement Program	Improvement Opportunity	Update QAIP documentation in policy. Develop the QAIP program. Perform the 2020 Internal QA. Present final 2020 Internal Annual QAIP report to the Audit Committee.	Completed
2050	Coordination and Reliance	Improvement Opportunity	Provide an Assurance Map that describes coverage of risk between IA and other providers of assurance for NYPA.	Completed

Summary: 2020 Internal Audit Conformation with the Standards and the Code of Ethics

	GC	PC	DNC
Overall Evaluation	✓		

	GC	PC	DNC
Code of Ethics	\checkmark		

1000	Standards (1000 through 1300) Purpose, Authority, and Responsibility	1		
			-	
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	✓		
1100	Independence and Objectivity	\checkmark		
1110	Organizational Independence	\checkmark		
1111	Direct Interaction with the Board	\checkmark		
1112	Chief Audit Executive Roles Beyond Internal Auditing	✓		
1120	Individual Objectivity	✓		
1130	Impairment to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
1300	Quality Assurance and Improvement Program	✓		
1310	Requirements of the Quality Assurance and Improvement Program	✓		
1311	Internal Assessments	\checkmark		
1312	External Assessments	\checkmark		
1320	Reporting on the Quality Assurance and Improvement Program	\checkmark		
1321	Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"	✓		
1322	Disclosure of Nonconformance	✓		
	Performance Standards (2000 through 2600)			
2000	Managing the Internal Audit Activity	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination and Reliance	1		

2060	Reporting to Senior Management and the Board	✓	
2070	External Service Provider and Organizational Responsibility for Internal Auditing	\checkmark	
2100	Nature of Work	\checkmark	
2110	Governance	\checkmark	
2120	Risk Management	\checkmark	
2130	Control	✓	
2200	Engagement Planning	\checkmark	
2201	Planning Considerations	\checkmark	
2210	Engagement Objectives	✓	
2220	Engagement Scope	\checkmark	
2230	Engagement Resource Allocation	\checkmark	
2240	Engagement Work Program	\checkmark	
2300	Performing the Engagement	\checkmark	
2310	Identifying Information	✓	
2320	Analysis and Evaluation	\checkmark	
2330	Documenting Information	\checkmark	
2340	Engagement Supervision	✓	
2400	Communicating Results	✓	
2410	Criteria for Communicating	✓	
2420	Quality of Communications	✓	
2421	Errors and Omissions	✓	
2430	Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"	✓	
2431	Engagement Disclosure of Nonconformance	✓	
2440	Disseminating Results	✓	
2450	Overall Opinions	✓	
2500	Monitoring Progress	✓	
2600	Communicating the Acceptance of Risks	1	

GC	Generally Conforms
РС	Partially Conforms
DNC	Does Not Conform

CAE Required Communications to the Audit Committee

Standard	Communication Requirement	Form	Audit Communication
1111	The CAE must communicate and interact directly with the Audit Committee.		As the CAE, I confirm that an appropriate level of communication and interaction has taken place between myself and the Audit Committee.
1320	The CAE must communicate the results of the quality assurance and improvement program to senior management and the Board. Disclosure should include: - Results of ongoing monitoring of the internal audit activity's performance. - Scope and frequency of both internal and external assessments. - Qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest. - Conclusions of assessors and corrective action plans.	Presentation Monthly Activity Report & IA Scorecard	Results of ongoing monitoring of performance were reported to the Audit Committee as a component of the monthly internal activity reports. The results of the annual QAIP internal self-assessment was reported to the Audit Committee on 12/9/2020. All communications included the required disclosures.
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.	Annual Audit Plan Monthly Activity Report	Communication of status of internal audit plans and resource requirements was reported on a monthly basis to the Audit Committee. At the 12/9/2020 Audit Committee Meeting, Internal Audit reported the budgeted resources and the proposed 2021 audit plan that Internal Audit deemed necessary based on risk to be performed in 2021. Accordingly, there were no material impacts associated with resource limitations.
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 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.	Internal Audit Charter Monthly Activity Report & IA Scorecard	As the CAE, I confirm that all required communications have taken place within the established timeframes, including significant risk exposures and control issues, fraud risks, governance issues and other matters that require the attention of senior management and/or the Board.
2600	When the CAE concludes that management has accepted a level of risk that may be unacceptable to the organization, the CAE must discuss the matter with senior management. If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the Board.	Audit Committee Meetings & Private Sessions	As the CAE, I confirm that there were no situations during the year 2020 where I concluded management had accepted an inappropriate level of risk.



Appendix E – Metric Definitions

Metric Definitions

Operational Excellence		
Audit Plan Percentage Complete	Measures effectiveness at completing the audit plan.	
Audit Deliverables have Opinions	Measures the level of opinions provided to management.	
Fieldwork to Report Issuance	Measures time to issue an audit report from the end of fieldwork.	
Audit Utilization Rate	Measures the percentage of time staff charge to audit work (audit projects, remediation follow-up, risk assessment, client support).	
IA Average Project Cycle Time (Excludes Ongoing Projects)	Measures audit cycle from Audit Start to Report Issuance.	

Value and Impact		
Percentage of High-Risk Observations Identified	Measures valuable insights for high-risk areas provided to management.	
Percentage of High-Risk Observations Implemented	Measures closure of high-risk observations by year.	
Percentage of All Observations Implemented by Due Date	Measures timeliness of closing open observations either by original due date or extended due date.	
Percentage of Observations Extended and Subsequently Implemented	Measures the timeliness of closing extended observations.	





NEW YORK STATE OF OPPORTUNITY. Authority Canal Corporation



Exhibit 4a ii-A

Audit Committee

New York Power Authority and Canal Corporation 2021 Internal Audit Plan

12/9/2020

Table of Contents

	<u>Page</u>	
Executive Summary	3	
Risk Assessment Process (NYPA and Canal Corporation)	4	
Audit Universe	5	
Proposed NYPA 2021 Audit Plan Coverage	6	
Proposed Canal Corporation 2021 Audit Plan Coverage	7	
Proposed NYPA 2021 Audit Plan Resource and Audit Type Allocation	8	
Proposed Canal Corporation 2021 Audit Plan Resource and Audit Type Allocation	9	
Proposed NYPA and Canal Corporation 2021 Audit Plan Risk Category Allocation	10	
Proposed NYPA 2021 Audit Plan – Alignment	11	
Proposed Canal Corporation 2021 Audit Plan – Alignment	12	
Internal Audit Strategy Refresh	13	
Agile and GRC Optimization Roadmap	14	
Data Analytics Strategy Refresh Roadmap	15	
Talent Management Strategy Roadmap	16	
Appendix		
Appendix A – Audit Universe Entities by Risk Rating	17-20	
Appendix B – Proposed 2021 Internal Audit Plan	21-32	
Appendix C - Proposed 2021 Canal Corporation Internal Audit Plan	33-35	
Appendix D – Supporting Information	36	
 Proposed NYPA and Canal Corporation Q1 Projects 	37	
 Plan Alignment to Strategic Core Priorities and Foundational Pillars 	38-39	
 Plan Alignment to Top Enterprise Risks 	40-41	
 Appendix E – Audit Plan Internal Audit Resource Capacity (NYPA and Canal Corporation) 	42-43	
Internal Audit Plan – NYPA and Canal Corporation Approval Request 44		



Executive Summary

Annual Audit Plan

The proposed 2021 Audit Plan is fully developed and reflects the following:

- A defined and risk-scored Audit Universe aligned by business unit.
- Audit projects in the plan are a subset of the Audit Universe entities selected based on audit risk ranking, last audit date, Internal Audit resources.
- > The audit plan has been aligned to the Top Enterprise Risks and NYPA's current Strategic Core Priorities and Foundational Pillars.
- > The audit plan will be evaluated each quarter to address emerging risks and given appropriate consideration. The audit plan will be adjusted as business needs change.
- > Key stakeholder input from Executive Management, Risk Management and various Business Units.
- Internal Audit requests that the Audit Committee approve the 2021 NYPA and Canal Corporation Internal Audit Plan.



Risk Assessment Process (NYPA and Canal Corporation)

EMC Review and **External Inputs** 2021 Audit Plan **Internal Inputs Key Stakeholders Audit Universe Audit Committee Approval** 81 interviews with 38 NYPA and five 2020 Audit Plan Gartner 2021 Hot *57 Auditable NYPA and Canal **Canal Corporation** Spots Results Entities **Deferred Audits** Corporation > NYPA Internal Audit Refined Risk audit projects based on available Last Audit Year management Benchmark to Scoring Model Open/Closed started in Risk Scored all Peers resources Recommendations September 2020 Industry **Auditable Entities** Strategic Core Benchmarks in GRC audit Priorities/Pillars system Top Enterprise Risks



^{*}See Slide 5 for details.

Audit Universe

- The Audit Universe contains 57 audit entities for both NYPA and the Canal Corporation and were adjusted for any new audit entities, department name changes; or combinations that have occurred within both organizations. All audit entities within the Audit Universe now reside in the audit module of the GRC system. Each audit entity was risk assessed using Internal Audit's risk model within the audit module, which was adjusted to reflect changes in risk due to the pandemic.
- The breakdown of the audit entities by risk are as follows (See Appendix A Slides 17 20 for details):

NYPA Audit Entities		Canal Corp. Audit Entities	
High Rated:	11	High Rated:	1
Medium Rated:	27	Medium Rated:	2
Low Rated:	<u>15</u>	Low Rated:	<u>1</u>
Total	53	Total	4

Audit Universe Cycle

- ➤ Audit projects included in each year's plan will continue to focus on the high-rated and medium-rated audit entities within the coverage period of the five-year cycle considering last year audited, business needs, strategic initiatives, emerging risks and degree of change. Low-rated entities will be included on an as needed basis in alignment with Gartner Audit Leadership Council benchmarks or as risks within these entities change. Internal Audit has conducted audit work within every high-rated entity and the majority of the medium-rated entities within the audit cycle. See Appendix A Slides 17 20 for details of audit cycle coverage.
- Internal Audit will continue to use the five-year cycle to cover audit entities within the Audit Universe as follows:

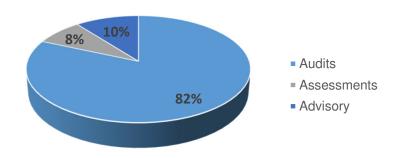
Audit Entity	Coverage Period in Years
High	1-2 years
Medium	2-4 years
Low	4-5 years



Proposed NYPA 2021 Audit Plan Coverage

2021 Planned Activities

38 projects in the Proposed NYPA 2021 Audit Plan*



Comparison to Prior Years			
	2021 Plan	2020 Actual	2019 Actual
Audits	31	25	28
Assessments	3	8	8
Advisory	4	1	5
Quick Impact Review	-	-	3
Total	38	34	44

- Audits, Assessments and Advisory audit projects for 2021 are based on open positions filled by the end of January 2021. Co-source partner will primarily supplement IT Audit staff as per Internal Audit's staffing model and subject matter expertise where needed (See Slide 8 for details).
- The number of audit projects included in the 2021 audit plan is based on actual audit project hours collected in 2020. This data showed that audit projects took an average of 475 hours as opposed to the average of 430 hours in 2019. This is primarily due to certain audit projects that required more fieldwork testing, applying data analytics, observation analysis, management agreement and subsequent action plan development.
- Audit projects were budgeted using 525 hours on the average for the majority of NYPA audit projects (i.e. some audit projects were budgeted more/less hours as needed). We increased budgeted hours by 50 more hours for data analytics and total plan hours equate to 18,700 hours (See Slide 8 and 9). Internal staff hours available for the audit plan equate to 18,690 (See Appendix E note rounding), however, approximately 1,000 hours have been allotted as contingency hours for special projects. Historically, Internal Audit is requested by the business to execute at least two to three special projects during the year.

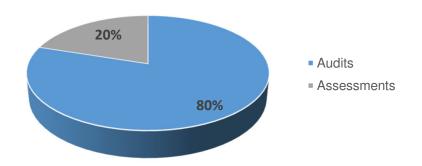
*See Appendix B for the Proposed 2021 Audit Plan (Slides 21-32) and Appendix D – Supporting Information for Q1 Audit Projects (Slide 37).



Proposed Canal Corporation 2021 Audit Plan Coverage

2021 Planned Activities

5 projects in the Proposed 2021 Audit Plan*



2021 2020 2019 Plan Actual **Actual Audits** 2 5 2 Assessments 1 5 4 6 Total

Comparison to Prior Years

> Based on internal staff hours available for the audit plan (See Slide 9 for details), 2,575 hours were budgeted for Canal Corporation audit projects based on 525 hours per audit project for the majority of these projects.

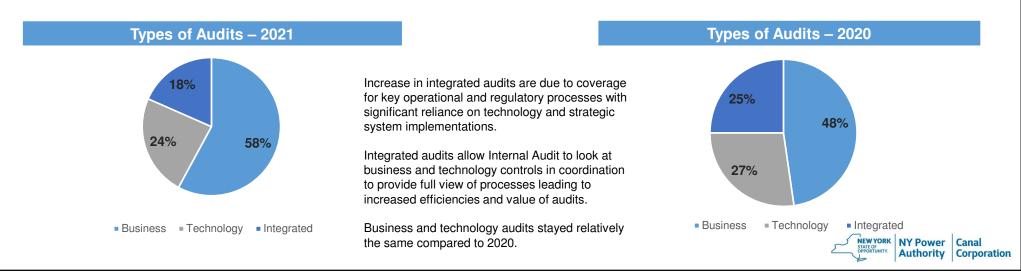
*See Appendix C for Proposed 2021 Audit Plan (Slides 33-35) and Appendix D – Supporting Information for Q1 Audit Projects (Slide 37).



Proposed NYPA 2021 Audit Plan Resource and Audit Type Allocation

38 projects are included in the Audit Plan based on Resource Availability		
Resource Allocation	Business	Technology
Internal Staff Hours Available for Audit Plan (1)	12,550	3,625
Budgeted Third Party Hours (2)	50	2,900
Total Resources Available for 2021 Audit Plan	12,600	6,525

- (1) Internal staff hours available include all open positions filled in January 2021 equating to 3,200 audit hours. (See Appendix E Audit Plan Internal Resource Capacity for details).
- (2) Third party co-source technology hours are to support technology audit projects (IT and OT) and cover the increase in integrated audits as per Internal Audit's staffing model. Third-party co-source business hours are for subject matter expertise.



Proposed Canal Corporation 2021 Audit Plan Resource and Audit Type Allocation

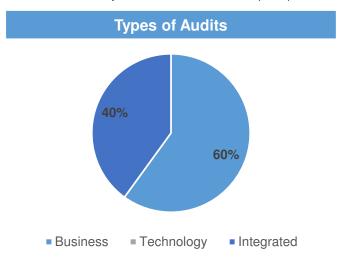
5 projects are included in the Audit Plan based on Resource Availability

Resource Allocation		
	Business	Technology
Internal Staff Hours Available for Audit Plan (1)	2,000	525
Budgeted Third Party Hours (2)	50	0
Total Resources Available for 2020 Audit Plan	2,050	525

- (1) Audit Plan hours include available hours from NYPA staff (See Appendix E Audit Plan Internal Resource Capacity).
- (2) Co-source hours allocated are for subject matter expertise hours needed.

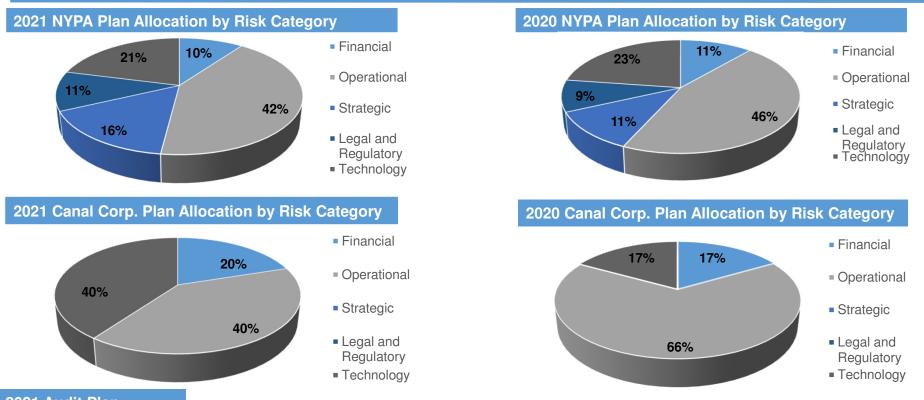
2021 audit projects for the Canal Corporation will focus on key business operations areas as follows:

Three out of five audit projects (60%) will review key support operations for asset management, post retirement benefits and post integration activities. Two out of five audit projects are integrated, covering a system implementation and application review which include enhanced operational functionalities (40%).





Proposed NYPA and Canal Corporation 2021 Audit Plan Risk Category Allocation



2021 Audit Plan

- The allocation of 2021 audit projects by risk category does not materially deviate from the 2020 actual allocation.
- Relatively same audit coverage percentage for operational risk for NYPA due to continued support of the Utility Operations business unit for compliance with ISO 55001 standards and an increase in coverage within the Human Resources & Administration business unit for workforce planning. Audit coverage for technology risk remained relatively the same in support of digitization. For the Canal Corporation, a decrease in operational risk audit coverage is due to focus on technology areas not reviewed in prior years.



Authority | Corporation

Proposed NYPA 2021 Audit Plan – Alignment

87% of the projects in the Audit Plan directly align to either Strategic Core Priorities, Foundational Pillars and/or Top Enterprise Risks (See Appendix D for list of projects)

Strategic Core Priorities and Foundational Pillars	# of Projects
Hydropower	2
Transmission	2
Natural Gas *	0
Customer and State	4
Reimagine the Canals	1
Resource Alignment	10
Digital Transformation	7
Environment, Social & Governance	2
Diversity, Equity & Inclusion	1
Enterprise Resilience	1

Top Enterprise Risks	# of Projects
Attract & Retain Qualified Workforce	6
Commodity Market Volatility	1
Critical Infrastructure	9
Customer Energy Choices	4
Cyber Security	5
Disruptive Innovation	1
Hydro Generation	1
Workforce Health & Safety	1

*Note: Natural Gas – audit projects will be conducted as this strategic core priority develops.



Proposed Canal Corporation 2021 Audit Plan - Alignment

100% of the projects in the Audit Plan align to either Strategic Core Priorities, Foundational Pillars and/or Top Enterprise Risks

Strategic Core Priorities and Foundational Pillars	2021 Audit Plan Coverage
Hydropower	N/A
Transmission	N/A
Natural Gas	N/A
Customer and State	N/A
Reimagine the Canals	N/A
Resource Alignment	Canals Pension and Other Post Retirement Benefits
Digital Transformation	Canals Maximo System Implementation
Environment, Social & Governance	N/A
Diversity, Equity & Inclusion	N/A
Enterprise Resilience	N/A

Top Enterprise Risks	2021 Audit Plan Coverage
Attract and Sustain a Qualified Workforce	Canals Pension and Other Post Retirement Benefits
Critical Infrastructure	Canals Asset Management Lifecycle (Inventory and Maintenance) Canals Flood Warning System Application Review
Financial Planning	Canals Maximo System Implementation
Health and Safety*	None
Organizational Execution	Canals Post Integration Review

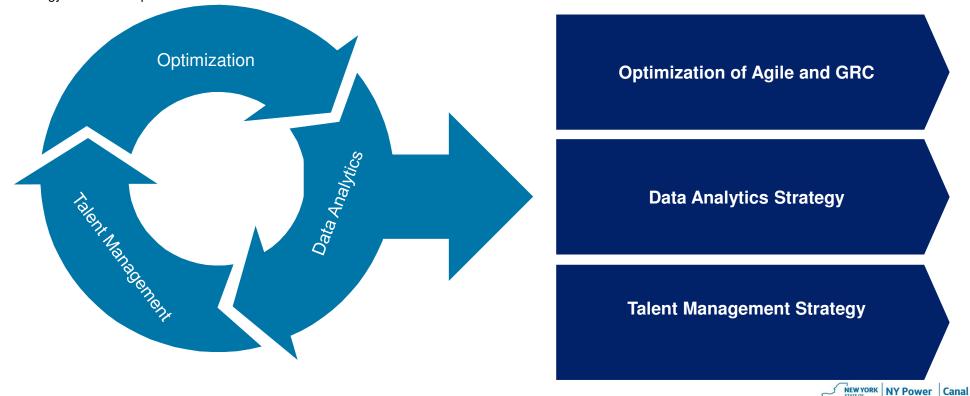


^{*} Note: Audit projects related to Health and Safety were covered in the Canal Corporation 2019 Audit Plan.

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Internal Audit Strategy Refresh

The transformation initiatives introduced in 2018 have been substantially operationalized. To continue the path of moving the Internal Audit function forward and meeting the needs of the business, we reviewed the function's current state, conducted some maturity benchmarking through the Gartner Audit Leadership Council and refreshed Internal Audit's strategy. We conducted several strategy sessions and developed three key themes and corresponding roadmaps (See Slides 14 -16) that will be the center of focus: Optimization, Data Analytics and Talent Management. In addition, these key areas align with certain NYPA 2030 Strategy foundational pillars.



Agile and GRC Optimization Roadmap

	January-March 2021	April-June 2021	July-September 2021	October-December 2021
	Enhance Current Agile Methodology	Implem	ent Enterprise-wide Agile Tools	
	 Perform Agile health check to identify areas Incorporate Agile concepts in IA activities, v 	- Moocoo	available Enterprise-wide Agile tools. ent Agile tools where applicable to support the departmen	t.
d)	Risk Assessme		Enhance Agile KPIs	
Agile	implement Agile	lisk Assessment process for enhancement op concepts. enhanced Audit Liaison Program.	Portunities to • Enhance and further devel • Implement and track Agile	
		Continuous Improvement		
		Agile Certifications at all levels (Foundation Continue to train department via target train		
	Develop User Manual	Change Management Co	ommunication for Tool Standardization	
	Closeout any open/pending system issues prior to development of user	Communicate new changes	s to GRC functionality and process updates to staff and a	oplicable stakeholders.
GRC	• Create and distribute user manual to staff. • Cre	velop System nual ate and distribute system manual for Internal C administrators.	Audit	
ច	Develop Reporting and Dashboards			
	Identify key reports, dashboards, and system Implement reports, dashboards, and autom		ctionality.	
	Enhance Training			
	Enhance system training curriculum to be con-			

Data Analytics Strategy Refresh Roadmap

January-March 2021	April-June 2021	July-September 2021	October-December 2021	January-March 2022	April-June 2022
Change Management Plan					
Refine and enhance Data Analyti Establish the overall project plan Create and implement a Change	and timeline with clear metrics and g	oals.			
Talent and Ope	erating Model				
 Align desired da 	ata analytics competency model with ise current resourcing model to alloca	rehensive data analytics RACI matrix. a robust technical and non-technical t ate time for data analytics projects and			
	Update and enhance methodolo analytics KPIs and develop additional analytics KPIs analytics KPI			Work with IT's Data Governance enhance and build out data anal Hand off key data analytics to the	ytics capabilities.
ata and Tools Procure and implement digital to required to support data analytics Establish a dataset inventory and	goals.	uditing Pilots			
	Build pilot data units.	business areas to apply continuous a a analytics scripts, execute and share re internally and externally that comm	results with the designated business	Mature Data Analytics	



Talent Management Strategy Roadmap

January-March 2021	April-June 2021	July-September 2021	October-December 2021	January-March 2022	April-June 2022
within desired competencies and Talent Strategy.	seessment to understand gaps that align to Staff Excellence current competency model to s.	enhancement opportunitie ratings.	danagement ce management process for s, i.e. criteria that drives performance ject evaluation form to align with		
Expand Sourcing and Recruiting Work with HR on update competencies and add t job descriptions. Assess the feasibility for internal and external recruiting events. Create audit skills assessment for potential hires.	Strategy through spec • Roll out updated learned	and Development Ing and development program to aligolific learning tracks (Core, Immediated in the control of	e, Advanced). Il Being s for employee ze and reward top s. Improve Career Mobility and • Work with HR to create a care milestones, and expected com	d Update Succession Plannir er development program that inclu petencies to align with Staff Excel urrent succession plans that include	des a career path, defined lence and Talent Strategy.



Appendix A – Audit Universe Entities by Risk Rating



Audit Universe Entities by Risk Rating

BUSINESS UNIT	DEPARTMENT NAME	AUDIT ENTITY	RISK RATING H-M-L	LAST AUDIT YEAR	WITHIN AUDIT CYCLE YES/NO
Business Services	Business Services	Controller	Н	2020 (1)	Yes
Business Services	Business Services	Treasury	Н	2020 (1)	Yes
Commercial Operations	Commercial Operations	e-Mobility	Н	-	No (2)
Human Resources & Administration Human Resources &	Strategic Supply Management	Strategic Supply Management	Н	2020 (1)	Yes
Administration	Human Resources	Human Resources	Н	2019 (1)	Yes
Information Technology	Critical Services - Infrastructure	Critical Services: Infrastructure	H	2020 (1)	Yes
Information Technology	Critical Services – Cyber Security	Cyber Security	Н	2020 (1)	Yes
Utility Operations	Asset Performance Management	Asset Performance Management	Н	2020 (1)	Yes
Utility Operations	Power Supply	Power Supply (All Regions)	Н	2020 (1)	Yes
Utility Operations	Operations Support Services	Project Management & Operations Portfolio Management	Н	2020 (1)	Yes
Utility Operations	Technology & Innovation	Strategic Operations	Н	2020 (1)	Yes
Canal Corporation	Power Supply	Canals - Engineering & Maintenance	Н	2019 (1)	Yes
Total High Entities			12		
Business Services	Business Services	Budgets	M	2019	Yes
Business Services	Business Services	Finance	M	2020 (1)	Yes
Business Services	Risk Management	Operational Risk	M	- (1)	Yes
Commercial Operations	Clean Energy Solutions	Clean Energy Solutions – Contract and Program Operations	M	2020 (1)	Yes
Commercial Operations	Clean Energy Solutions	Clean Energy Solutions – Engineering and Construction Management	М	2019	Yes
Commercial Operations	Clean Energy Solutions	Clean Energy Solutions – Market Services and Business Controls	M	2019 (1)	Yes
Commercial Operations	Energy Resource Management	Energy Resource Management	M	2020 (1)	Yes
Commercial Operations	Marketing Analysis & Administration	Marketing & Product Development	M	2020	Yes
Commercial Operations	Product and Business Development	Project Development & Licensing	M	2015 (1)	Yes
Human Resources & Administration	Knowledge Management – Digital Warehouse	Knowledge Management – Digital Warehouse	M	2019	Yes
Human Resources & Administration	Civil Rights & Inclusion	Civil Rights & Inclusion	M	- (1)	Yes

Note: (1) The 2021 Internal Audit Plan has included coverage of this audit entity in the audit plan. (2) 2020 OSC Audit is underway. Internal Audit will conduct a follow-up audit.



Audit Universe Entities by Risk Rating

BUSINESS UNIT	DEPARTMENT NAME	AUDIT ENTITY	RISK RATING H-M-L	LAST AUDIT YEAR	WITHIN AUDIT CYCLE YES/NO
Information Technology	Architecture and Engineering	Architecture & Engineering	М	2015	No (2)
Information Technology	Critical Services – Service Delivery	Critical Services – Service Delivery	M	2019 (1)	Yes
Information Technology	Information Technology	IT Project Management Office	M	2019	Yes
Information Technology	IT Resiliency	IT Resiliency	M	2020	Yes
Information Technology	Product Development and Data Integration	Product Development and Data Integration	M	2020 (1)	Yes
Information Technology	Strategy and Planning	Strategy & Planning	M	2019 (1)	Yes
Corporate Strategy		Strategy	M	2016 (1)	Yes
Utility Operations	Enterprise Resilience	Business Continuity Program	M	2019	Yes
Utility Operations	Operations Support Services	Engineering & Systems Planning & Analysis	M	-	No (2)
Utility Operations	Environmental Health & Safety (EH&S)	Environmental Health & Safety (EH&S)	M	2019	Yes
Utility Operations	Technology & Innovation	SOC & AGILe Lab	M	2019	Yes
Utility Operations	Operations Support Services	Operational Performance & Reporting	М	- (1)	Yes
Utility Operations	Enterprise Resilience	Physical Security & Crisis Management	M	2019 (1)	Yes
Utility Operations	Enterprise Resilience	Quality Assurance & Code Compliance	M	2015	No (2)
Utility Operations	Enterprise Resilience	Reliability Standards & Compliance	M	2019 (1)	Yes
Utility Operations	Operations Support Services	Technical Training	M	2016	No (2)
Canal Corporation	Power Supply	Canals – Admin Services	M	2020 (1)	Yes
Canal Corporation	Power Supply	Canals – Technical Services	M	2017 (1)	Yes
Total Medium Entities			29		

Note: (1) The 2021 Internal Audit Plan has included coverage of this audit entity in the audit plan.

(2) Medium-rated audit entities indicated as "No" for within audit cycle have not been audited due to higher priority medium-rated audit entities.

Audit Universe Entities by Risk Rating

BUSINESS UNIT	DEPARTMENT NAME	AUDIT ENTITY	RISK RATING H-M-L	LAST AUDIT YEAR	WITHIN AUDIT CYCLE YES/NO
Business Services	Risk Management	Enterprise Risk Management	L	-	No (2)
Business Services	Risk Management	Insurance Risk Management	L	2020	Yes
Business Services	Business Services	Internal Business Controls (New Audit Entity)	L	-	Yes
Commercial Operations	Project & Business Development	Origination & Structuring (New Audit Entity)	L	-	Yes
Executive Office	Digital Transformation Office	Digital Transformation Office	L	-	Yes
Human Resources & Administration	Corporate Communications	Corporate Communications	L	2018	Yes
Human Resources & Administration	Enterprise Shared Services	Enterprise Shared Services	L	2018	Yes
Human Resources & Administration	Human Resources	Project Planning & Development	L	-	No (2)
Legal Affairs	Public & Regulatory Affairs	Community & Government Relations	L	2017	Yes
Legal Affairs	Public & Regulatory Affairs	Corporate Secretary Office	L	-	No (2)
Legal Affairs	Public & Regulatory Affairs	Environmental Justice	L	2019 (1)	Yes
Legal Affairs	Public & Regulatory Affairs	Legislative & Regulatory Affairs	L	2016	Yes
Legal Affairs	Office of Ethics & Compliance	Office of Ethics & Compliance	L	2019	Yes
Corporate Strategy	Strategy	Enterprise Excellence	L	-	No (2)
Utility Operations	Technology & Innovation	R & D	L	2016	Yes
Canal Corporation	Power Supply	Policy & Program Development /Community Economic Development /Public Affairs	L	2018	Yes
Total Low Entities			16		
Total Audit Universe Entities (NYPA & Canal Corporation)			57		

Note: (1) The 2021 Internal Audit Plan has included coverage of this audit entity in the audit plan.

⁽²⁾ Low-rated audit entities indicated as "No" for within audit cycle have not been audited since low-rated entities are audited as needed or as risks change.

Appendix B – Proposed 2021 NYPA Internal Audit Plan



	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
1	Business Services	Business Services	Controller	High	Audit	Customer Billing	Customer Billing may not be complete, accurate and timely, leading to inaccurate collections, expected revenue and financial reporting.	Evaluate the controls implemented to ensure that the customer billing is timely, accurate and complete.	Operational	Q1
2	Business Services	Business Services	Controller	High	Audit	Fixed Assets	Fixed assets may not be recorded accurately, completely or timely which may lead to inaccurate financial statements.	Evaluate the controls to ensure that the fixed assets are recorded accurately and completely, including the capitalization and depreciation of the assets. Determine that fixed assets are recorded in a timely manner.		Q4
3	Business Services	Business Services	Treasury	High	Audit	Customer Financing	Customers may default on financing provided by NYPA and cannot collect payments for financing provided which can affect NYPA's cash flows.	Verify controls exist to ensure that NYPA is financing creditworthy customers and that protections are put in place to minimize the risk to NYPA in case of default.	Operational	Q3
4	Business Services	Business Services	Controller	High	Audit	SAP General Ledger	The General Ledger may not comply with regulatory requirements, impacting the accuracy, completeness; and timeliness of NYPA's financial statements.	Evaluate the adequacy of controls in place to ensure the appropriateness of the chart of accounts and the correct mapping to the financial reports, FERC requirements and WBS codes. Review the process for reconciliations using the new Blackline system for effectiveness.	Financial	Q3
5	Business Services	Business Services	Finance	Medium	Assessment	Enterprise Program Management	Project management practices may be inconsistent and lead to inefficiencies and financial impact such as cost overruns, delays and inefficient use of resources. Project management functions may not be aware of projects executed within the organization which can impact the delivery of projects as expected.	Determine to what extent the newly developed Enterprise Program Management Office procedures have been implemented to manage NYPA's project portfolio. Evaluate the existing project management functions within NYPA, how they interact with the Enterprise Program	Operational	Q4



	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
6	Business Services	Business Services	Finance	Medium	Audit	Financial Forecast Model System Implementation	Lack of effective system implementation, project management and functionality including business controls may not be appropriately designed to assure the accuracy of inputs, assumptions and calculations of the financial forecast model resulting in inaccurate reporting or decision making.	system configuration, interfaces,	Financial	Ongoing
7	Business Services	Risk Management	Operational Risk	Medium	Audit	Trading Process Controls	Inaccurate or inappropriate trading activities are not prevented or detected which can lead to excessive risk positions that are beyond NYPA's risk appetite.	Determine there is appropriate segregation of duties across all types of products and instruments traded within NYPA.	Operationa	I Q4
8	Business Services	Business Services	Treasury	High	Audit	Other Post Employment Benefits	Investment guidelines may not be met, and sufficient funds are not available to meet the requirements of other post employment benefits.	Evaluate the controls to ensure that other post employment benefits are managed in an appropriate manner, including the oversight of investment returns, management to investment guidelines and allocation to employees.		Q2
9	Commercial Operations	Clean Energy Solutions	Clean Energy Solutions - Contract and Program Operations	Medium	Audit	Economic Development Programs	NYPA may not comply with the requirements of its various economic development program commitments, and customers may not comply with program requirements leading to the state not benefiting from job or capital investments.	Ensure adequacy and effectiveness of controls in place to comply with NYPA's multiple economic development programs and agreements such as Recharge NY, Western NY, Preservation Power, Power Proceed Programs and others.	Legal & Regulatory	Q1
10	Commercial Operations	Project and Busines: Development	sProject Development and Licensing		Audit	Project and Business Case Development	The investment returns for projects in development may not be included in business cases and the requirements to operationalize these projects once development has been completed, may not have been adequately determined.	appropriate evaluation of the operational risks for projects under development, the business development checklist is used, and	Strategic	Q2

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	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
11	Commercial Operations	Clean Energy Solutions	Clean Energy Solutions - Contract and Program Operations	Medium	Audit	ReCharge NY Customer Compliance	Power is provided to customers that do not comply with the job and capital commitment requirements of the ReChargeNY program leading to NY State not benefiting from the increase in jobs or capital commitments.		Legal & Regulatory	Ongoing
12	Commercial Operations	Clean Energy Solutions	Clean Energy Solutions - Contract and Program Operations	Medium	Audit	Western NY Customer Compliance	Power is provided to customers that do not comply with job and capital commitment requirements of the Western NY Economic developmen program leading to the state of NY not benefiting from the increased job or capital commitments.	customers provide accurate compliance reporting as it relates to	Legal & Regulatory	Ongoing
13	Commercial Operations	Clean Energy Solutions	Clean Energy Solutions - Market Services & Business Controls	Medium	Audit	Bid to Bill System Implementation	designed for Capacity and Energy settlements, can result with	Review implementation activities to ensure the Bid to Bill system has proper business requirements including controls, system configuration, interfaces, systems and user acceptance testing, system security and overall project management.	Operational	Ongoing
14	Human Resources & Administration	Strategic Supply Management	Strategic Supply Management	Medium	Audit	Supply Chain Management	Management has not identified supply chain risks including the unavailability of necessary equipment/services for NYPA operations which may cause disruption to the business. In addition, strategies or actions have not been developed to mitigate and	supply chain risks identified by management and determine whether all risks have been properly considered for the organization. Review actions implemented to mitigate these risks and determine whether these actions are effective and demonstrate compliance with	Operational	Q4



	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
15	Human Resources & Administration	Human Resources	Human Resources	High	Audit	Contingent Worker (NYPA & Canals)	Failure to identify and monitor risks associated with the contingent staffing processes may result in fines, penalties, lawsuits; exposure/loss of confidential and proprietary information, and reputational risk to NYPA and Canals.	Confirm contingent and temporary staffing vendors that support NYPA and Canals are compliant with contract terms, relevant Department of Labor laws and regulations and Internal Revenue Service requirements. Determine that NYPA and Canals staff are using contingent workers for the purposes they were contracted.		Q2
16	Human Resources & Administration	Human Resources	Human Resources	High	Audit	Third Party Services (NYPA & Canals)	Unnecessary use of third-party consulting services can result in excessive spending, inefficiencies, loss of institutional knowledge and potential fraudulent activities.	Determine the population of third- party consulting service contracts within NYPA and Canals and evaluate the overlap between business units and where efficiencies may be gained. Review and assess third-party service contracts and determine whether consultant activities are within the agreed upon scope and deliverables. Evaluate whether invoice rates are in line with the contracts and if consultants continue working at NYPA past their contract expiration.	Operational	Q1
17	Human Resources & Administration	Human Resources	Human Resources	High	Audit	Transitional Positions (NYPA & Canals)	unmitigated resource and succession planning risks.	Assess the use of transitional positions as a key mitigation to NYPA's resource and succession planning risk. Ensure NYPA has clearly defined procedures for how business units are to leverage this mitigation strategy as a part of their risk management effort.	Operational	Q4
18	Human Resources & Administration	Human Resources	Human Resources	Medium	Audit	Succession Planning (NYPA & Canals)	Significant workforce retirements or an increasing number of key staff exiting NYPA could lead to busines disruptions, knowledge loss and critical skills shortages.	associated with NYPA's Succession	NEW YORK N	Q3 Y Power Came

В	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
	luman desources & dministration	Civil Rights & Inclusion	Civil Rights & Inclusion	Low	Advisory	Diversity, Equity and Inclusion Program	Lack of oversight for the Diversity, Equity and Inclusion program goals and objectives may result in program goals not achieved in alignment with NYPA's 2030 strategy. In addition, management support may not be consistently provided and possible adverse perception of the program.		Strategic	Q3
	nformation echnology	Critical Services - Infrastructure	Critical Services - Infrastructure	High	Audit	Cloud Services	Migration to the cloud computing environment introduces risks where NYPA has decreased visibility and control over cloud services, thereby increasing third party risks. Lack of proper configuration and security controls at NYPA and with cloud services providers can lead to unauthorized access to sensitive data, system compromise and potentially damage NYPA's reputation.	implemented cloud services currently align with NYPA business strategies and the providers'	Technology	Q1
	nformation echnology		Critical Services - Service Delivery	Low	Audit	IT Asset Management System Implementation		Review implementation activities to ensure the IT Asset Management system, Flexera, has proper business requirements including controls, system configuration, interfaces, systems and user acceptance testing, system security and overall project management.	Technology	Ongoing
	nformation echnology	Strategy & Planning	Strategy & Planning	Medium	Audit	IT Governance	Lack of an IT Governance framework can lead to IT not operating efficiently to benefit NYP and deliver quality services, leading to financial loss, poor compliance with regulation and law, and reputational damage.	structure and IT's ability to deliver aresults for the organization.	Technology	Q1



	Business Unit	Department		Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
23		Critical Services - Cyber Security	Cyber Security	High	Audit	Mobile Device Security	Ineffective controls for mobile devices can lead to unauthorized access to NYPA data stored on mobile devices, download of inappropriate applications, outdated software versions, and device unavailability due to compromise.	Review the processes, procedures and system tools to manage mobile devices. Evaluate security controls for the physical devices, data stored/transmitted by these devices and monitoring processes and technologies. Review of security controls would include access controls and authentication, virus and malware prevention, secure connection and transmission, data encryption and device decommissioning.	Technology	Q3
24		Product Development & Data Integration	Product Development & Data Integration	Medium	Audit	Rapid Application Development	Increased use of rapid application development methodology can lead to potentially taking short cuts to develop applications which are designed to collect sensitive data. This presents elevated risks of unauthorized use, exposure to security vulnerabilities, violation of laws and potential for fraud due to poorly designed security controls or misconfigured systems.	Determine the technologies used for rapid development of applications and if these applications were built with safety and security controls. Also, review the development process to determine if requirements were met and validated prior to moving the application to production.	Technology	Q1
25	Information Technology	Information Technology	IT Project Management Office	Medium	Audit	System Development Lifecycle (SDLC)	Inadequate governance policies and procedures for Systems Development Lifecycle (SDLC) processes for systems/applications can lead to cost overruns, systems/applications developed or vendor solutions that do not meet user requirements, delays in promoting systems/applications to production, poor system performance and ineffective production support.	Evaluate the various systems development governance processes for both in-house developed systems and vendor solutions. Assess the requirements for each phase of the SDLC and ensure policies and procedures align with IT's Gate process for IT solution implementation. Determine if the proper checkpoints and signoffs have been incorporated to ensure consistency and accountability. Verify if metrics have been developed and are monitored to ensure successful system implementation.	Technology	Q2



Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
Information Technology		Critical Services - Service Delivery	Medium	Audit	User Access Management	may result in users with unauthorized access beyond those	Review IT's established policies and procedures for requesting, establishing, issuing, suspending, modifying and closing user accounts and related user privileges for systems, applications and related subscriptions to ensure these procedures are adequately followed. Determine if an approval procedure outlining the data or system owner granting the access privileges, applies to all users, including administrators (privileged users), employees and third-party users (e.g., consultants, contingent workers, vendors) for normal and emergency cases.	·	Q2
27 Information Technology	Critical Services - Infrastructure	Critical Services - Infrastructure	High	Advisory	Emergency Energy Control Center (E2C2) Physical and Environmental Controls	Inadequate physical security and environmental controls of NYPA's data centers increases the risk of confidential data exposure and damage and theft of valuable IT equipment, resulting with NYPA's inability to recover systems in the event of a service interruption, and damage NYPA's reputation.	Determine the adequacy of physical and environmental controls implemented at the E2C2 backup data center. Verify the effectiveness of policies and procedures in place for NYPA's data centers governing physical security and environmental controls management.		Q1
28 Legal Affairs	Public & Regulatory Affairs	Environmenta I Justice	Low	Assessment	Sustainability Plan Refresh	The Sustainability Plan goals may not be met and not align with NYPA's 2030 Strategy.	Evaluate the controls implemented to ensure the Sustainability Plan goals are met to ensure there is accurate and complete reporting of metrics. Determine the plan goals align with NYPA's 2030 Strategy.	Strategic	Q3
9 Strategic Planning Corporate Strategy	Strategy	Strategy	Medium	Assessment	Reimagine Canals Program Implementation	Reimagine Canals Program objectives may not be met if specific project milestones are not accomplished which could lead to exceeding the program budget, delays in program implementation and potential damage to NYPA's reputation.	Evaluate the controls in place to ensure that the objectives of the Reimagine Canals Program are met, projects as part of the overall program are meeting their milestones; and are managed to their respective budgets.	Strategic	Ongoing

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
30		Operations Support Services	Operational Performance & Reporting	Medium	Audit	Apprenticeship Program	Misalignment and poor planning of business needs to the Apprenticeship Program may lead to critical skills shortage as well as insufficient coverage of business activities, succession planning, knowledge transfer and overall workforce development, resulting in ineffective execution of operational and maintenance activities, increasing operational risk.	monitoring of program governance activities, including program recruitment, approvals, committee structure, metrics, reporting, and training requirements and completion. Evaluate the process implemented by NYPA and the	Operational	Q2
31	Utility Operations	Technology & Innovation	Strategic Operations	High	Audit	Asset Management Governance	Inadequate implementation and adherence of policies, procedures, and controls related to the asset management system objectives and ISO 55001 requirements could result in sub-optimized asset performance, increased cost and risk, and non-maintenance of the ISO 55001 certification.	Validate adequacy of policies, procedures and controls related to NYPA's asset management system	Operational	Q2
32	Utility Operations	Power Supply	Power Supply (All Regions)	High	Audit	Energy Management System (EMS) Replacement	Lack of effective system implementation, project management and business process controls can result with inadequate system design, project delays, cost overruns, poor system performance and user dissatisfaction.	Review implementation activities to ensure the Energy Management system has proper business requirements including controls, system configuration, interfaces,	Technology	Ongoing



	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
33		Operations Support Services	Project Management & Operations Portfolio Management		Audit	Generation and Transmission Project Planning and Implementation	Project plans do not consider viability of the project, return on investment, asset ownership, cost and resources for operations and maintenance activities, and other considerations to operationalize the project, which may result in financia and operational risks to the organization.	Determine that project plans include considerations to the viability of projects, return on investments, asset ownership, cost and resource implications related to O&M activity once the assets have been placed at in service. Validate that implementation activities agree with project plans and all deviations from the plan have been pre-approved and assessed for appropriateness.	Č	Q2
34		Operations Support Services	Project Management & Operations Portfolio Management		Audit	Next Gen Niagara Implementation	Failure to follow established NYPA project management policies and procedures during the implementation of the Next Gen Niagara project could lead to fraud, waste and abuse of NYPA funds and resources, operational failure, and security vulnerabilities. It can also lead to the existing systems no supporting NYPA's long term strategic goals and objectives to power economic growth across the State by providing NYPA's customers with the low cost, clean, reliable energy and innovative energy infrastructure and services.	project management policies and procedures. Validate project activities are appropriately managed and project milestones and status are reported to relevant management on a periodic basis. Determine that project objectives ottand requirements are met by reviewing the project plan and progress to date and project costs are tracked against budget. Review configurations to confirm	Operational	Ongoing
35	Utility Operations	Enterprise Resilience	Physical Security & Crisis Management	Medium	Advisory	Pandemic Plan After Action Review	Inadequate capture of lessons learned in the pandemic response After Action Report could lead to inappropriate development of actior plans to address pandemic risks identified.	Confirm that the After Action Report includes lessons learned from the pandemic. Determine the plan is updated on a regular basis, communication and reporting protocols have been defined and are adhered to, and roles and responsibilities have been designated. If applicable, validate the steps are followed in a pandemic situation and After Action Reports are completed.	Operational	Q3



	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
36		Operations Support Services	Project Management & Operations Portfolio Management		Audit	Communications Backbone Program	Failure to follow established NYPA project management policies and procedures during the implementation of the Communication Backbone could lead to fraud, waste and abuse of NYPA funds and resources, operational failure, and security vulnerabilities. It can also lead to the backbone not supporting NYPA's long term strategic goals and objectives to power economic growth across the State by providing NYPA's customers with the low cost clean, reliable energy, and innovative energy infrastructure and services.	and requirements are met by reviewing the project plan and progress to date and project costs are tracked against budget. Review configurations to confirm	Strategic	Ongoing
37		Operations Support Services	Project Management & Operations Portfolio Management		Audit	Smart Path Transmission Line Upgrade	Inefficient or ineffective project management activities could result in sub-optimal use of resources, projects do not meet objectives or are delivered with poor quality, cost overruns, project delays and reporting data is inaccurate leading to poor business decisions.	Ensure management has identified project risks and follow adequate project management procedures to ensure projects are on time, within budget and project deliverables have quality. Verify management is aware of project status and can verify percentage complete, and significant vendors or contractors are performing in accordance with contract terms. Verify the accuracy of project activity reports. Ensure appropriateness of financial management activities including compliance with procurement, cost estimation, quality assurance plan, accounting policies and procedures and budget to actual analysis is maintained.		Q3



	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description		Risk Category	Quarter Planned
88 (Jtility Operations		Reliability Standards & Compliance	Medium		Infrastructure Protection Audit Prep	Operations and Planning/Critical Infrastructure Protection (NERC O&P/CIP) standards and its requirements may result with regulatory fines/penalties, increased regulatory scrutiny from the NPCC and damage to NYPA's reputation.	upcoming NERC O&P and CIP standards audit to ensure management has the proper	Legal & Regulatory	Ongoing



Appendix C – Proposed 2021 Canal Corporation Internal Audit Plan



Proposed 2021 Canal Corporation Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
	Utility Operations		Engineering & Maintenance	High	Assessment	Canals Asset Management Lifecycle (Inventory and Maintenance)	and are inaccurately recorded on the financial statements leading to financial misstatements.	current Capital Asset Management strategic plan, risk matrix, policies and procedures as they relate to asset procurement, valuation, tracking and monitoring, recording and reporting, disposal of assets, and depreciation to ensure capital assets are valued appropriately and recorded accurately on the financial statements.	Operational	Q1
2	Utility Operations		Canals - Technical Services	Medium	Audit	Canals Flood Warning System Application Review	the Canal's water flow rates, monitoring rainfall and water level impacts, making water level orceasts, flood extent and impact forecasts, sending alerts and warning messages, and other operational failures. This could lead to financial, operational, legal, reputational, environmental, health and safety risks.	Review the functionality and current configuration of the Canals Flood Warning System to ensure they are in accordance with vendor recommended specifications and are operating as intended, validate any	Technology	Ongoing
3	Utility Operations	,	Canals - Administrative Services (Need Full Name)	Low	Audit	Canals Pension and Other Post Retirement Benefits	post retirement benefits costs could lead to over or underfunding of post retirement benefit accounts. Data (e.g. inputs, assumptions, projections) used to determine the pension plan liability	Evaluate the support for judgments made by Canals related to post retirement benefits and ensure proper accounting treatment. Evaluate the controls exist to ensure data used to determine the pension plan liability is complete, accurate and is reported correctly.	Financial	Q2



Proposed 2021 Canal Corporation Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Project Type	Audit Project Name	Risk Description	Scope / Objectives	Risk Category	Quarter Planned
4	Utility Operations		Canals - Administrative Services (Need Full Name)	Medium	Audit	Canals Post Integration Review	technology for shared services functions car lead to process and control breakdowns, duplication of efforts and other inefficiencies, which can lead to financial, operational, workforce management and reputational	been established post integration and validate whether adequate roles and responsibilities have been defined,	Operational	Q3
5	Utility Operations	,	Canals - Technical Services	Low	Audit	Canals Maximo System Implementation		business requirements have been	Technology	Ongoing



Appendix D – Supporting Information



Proposed NYPA and Canal Corporation Q1 Projects

Q1 projects were selected based on management requests, timing of key business initiatives or implementations and balancing audit work throughout the year:

Area	Audit Project
Operational	 Customer Billing Bid to Bill System Implementation Third Party Services (NYPA & Canals) Canals Asset Management Lifecycle (Inventory and Maintenance)
Strategic	Communications Backbone Program (Ongoing – Q1 start)
Financial	Financial Forecast Model System Implementation (Ongoing – Q1 start)
Legal and Regulatory	 Economic Development Programs NERC Operations and Planning/Critical Infrastructure Protection Audit Prep
Technology	 IT Asset Management System Implementation (Ongoing – Q1 start) IT Governance Emergency Energy Control Center (E2C2) Physical and Environmental Controls Cloud Services Rapid Application Development



Plan Alignment to Strategic Core Priorities and Foundational Pillars

Strategic Core Priorities and Foundational Pillars	Projects Projects
Hydropower	 Project and Business Case Development Next Gen Niagara Implementation
Transmission	 Generation and Transmission Project Planning and Implementation SMART PATH Transmission Line Upgrade
Customer and State	 Customer Financing Economic Development Programs ReCharge NY Customer Compliance Western NY Customer Compliance
Reimagine the Canals	Reimagine Canals Program Implementation
Resource Alignment	 Trading Process Controls Other Post Employment Benefits Enterprise Program Management Contingent Worker (NYPA & Canals) Transitional Positions (NYPA & Canals) Succession Planning (NYPA & Canals) Emergency Energy Control Center (E2C2) Physical and Environmental Controls Apprenticeship Program Asset Management Governance NERC Operations and Planning/Critical Infrastructure Protection Audit Prep



Plan Alignment to Strategic Core Priorities and Foundational Pillars

Strategic Core Priorities & Foundational Pillars	Projects Projects
Digital Transformation	 Bid to Bill System implementation IT Asset Management System Implementation Cloud Services Mobile Device Security Rapid Application Development Energy Management System (EMS) Replacement Communications Backbone Program
Environment, Social & Governance	IT GovernanceSustainability Plan Refresh
Diversity, Equity & Inclusion	Diversity, Equity and Inclusion Program
Enterprise Resilience	Pandemic Plan After Action Review

Plan Alignment to Top Enterprise Risks

Top Enterprise Risk	Projects Projects
Attract and Retain Qualified Workforce	 Other Post Employment Benefits Contingent Worker (NYPA & Canals) Transitional Positions (NYPA & Canals) Succession Planning (NYPA & Canals) Diversity, Equity and Inclusion Program Apprenticeship Program
Commodity Market Volatility	Trading Process Controls
Critical Infrastructure	 Supply Chain Management Emergency Energy Control Center (E2C2) Physical and Environmental Controls Asset Management Governance Energy Management System (EMS) Replacement Generation and Transmission Project Planning and Implementation Next Gen Niagara Implementation Communications Backbone Program SMART PATH Transmission Line Upgrade NERC Operations and Planning/Critical Infrastructure Protection Audit Prep
Customer Energy Choices	 Customer Financing Economic Development Programs ReCharge NY Customer Compliance Western NY Customer Compliance



Plan Alignment to Top Enterprise Risks

Top Enterprise Risk	Projects
Cyber Security	 IT Asset Management System Implementation Cloud Services Mobile Device Security Rapid Application Development User Access Management
Disruptive Innovation	Project and Business Case Development
Hydro Generation	Financial Forecast Model System Implementation
Workforce Health & Safety	Pandemic Plan After Action Review

Appendix E – Audit Plan Internal Audit Resource Capacity



Audit Plan Internal Resource Capacity (NYPA and Canal Corporation)

	# of Hours
Total Available Time (1)	24,600
Continuous Improvement (Reinvest in IA processes) (2)	(2,160)
Available Resource Time	<u>22,440</u>
Professional Services - Client Support Hours (3)	(3,195)
EH&S Compliance Audit Program Methodology and Project Management	(555)
Hours Available for NYPA and Canal Corporation Audit Plan	<u>18.690</u>

- (1) Hours assume filled open positions by the end of January 2021 and excludes Non-Audit Time: training, vacation/sick/holidays, administrative time
- (2) Continuous Improvement Hours include: Agile and GRC optimization, Data Analytics Strategy Refresh, QAIP
- (3) Client Support Hours include: Audit Liaison Program, Committees/Work Groups participation, policies/procedures review, management request reviews



Internal Audit Plan - NYPA and Canal Corporation Approval Request

➤ Internal Audit requests the Audit Committee to approve the 2021 NYPA and Canal Corporation Audit Plan.





Exhibit 4a iii-A

Audit Committee Update 2021 Internal Audit Budget NYPA and Canal Corporation

12/9/2020

Proposed 2021 Internal Audit Budget

	2021 Budget	2020 Budget	2020 Actual (as of 11/20/20)	Explanation
Payroll and Benefits*	\$3,184,900	\$3,241,333	\$3,114,737	Reflects full year of FTE costs for staff level at budget time.
Computer Software – Data Analytics Extraction Tool	\$250,000	\$0	\$0	Cost of data analytics tool and IT Support Services.
Software Maintenance	\$175,000	\$75,000	\$0	Cost of GRC maintenance and IT Support Services.
Training & Professional Fees	\$99,443	\$94,684	\$55,275	40 hours professional development per staff member as per IIA best practice and professional fees for staff members. Most training in 2020 was virtual at reduced cost and/or covered by the Technical Training group.
Travel Expenses	\$20,000	\$25,000	\$1,113	2021 travel will depend on future imposed travel restrictions. 2020 decrease in expenses due to travel restrictions, virtual training.
Books & Publications	\$0	\$9,532	\$0	Added to Internal Audit's budget for 2020. Will be budgeted through Digital Warehouse in 2021.
Miscellaneous Office	\$17,250	\$25,600	\$5,179	Virtual lunch and learn/staff meetings. Tentative Department off-site staff training meeting in 2021.
Audit Consulting -Internal Audit Co-Sourcing -Economic Development Job Commitment -Environmental Health & Safety Compliance Audit Program	\$1,350,000	\$1,680,000	\$1,526,509	Reduction in co-source costs with hired positions, some support hours for Data Analytics Strategy and Agile Optimization. Addition of outsourced auditors for Environmental Health & Safety Compliance Audit Program.
Total	\$5,096,593	\$5,151,149	\$4,702,813	

^{*}Payroll and co-source support costs will change to reflect reallocation of cost as open positions are filled. The overall budget will remain substantially the same.



Internal Audit Budget Approval Request

➤ Internal Audit requests the Audit Committee to approve the 2021 Internal Audit Budget.



New York Power Authority Report to the Audit Committee

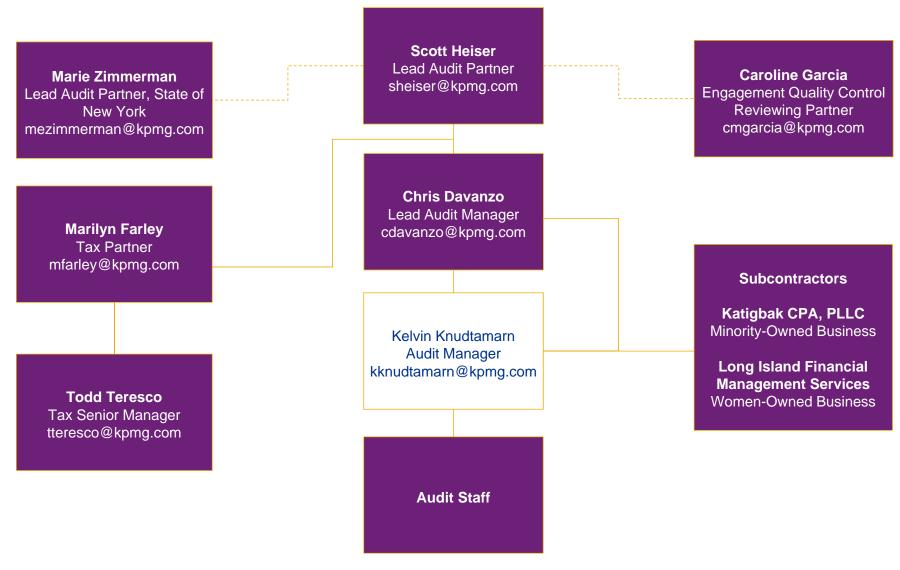
Audit plan and strategy for the year ending December 31, 2020

December 9, 2020





Client service team



Team members with continuity are designated in purple.





Our commitment to you

We aim to deliver an exceptional client experience by focusing on



processes



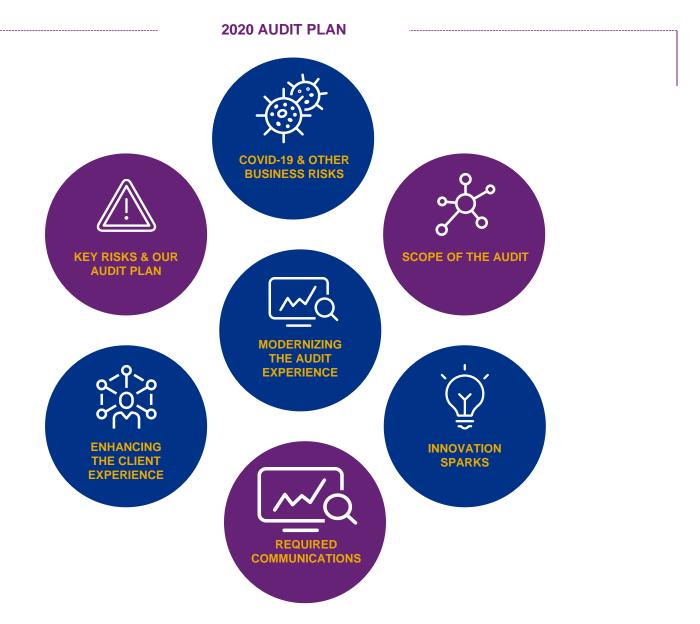
decisions and share

those relevant

insights



Executive summary





COVID-19: Resilience & Readiness

COVID-19 is truly a unique and demanding challenge with severe human consequences. We place the highest priority on the health of our people and yours, and continue to take action based on guidance from public health authorities.

Key Insights For Your Organization

- Our team is producing insights and providing perspectives on actions we can all take to respond with resilience.
- Our <u>Audit Committee Institute</u> and <u>Board Leadership</u>
 <u>Center</u> is producing insights on oversight of
 companies' pandemic response.
- Our <u>COVID-19 resource center</u> also covers topics such as financial reporting, global economic impacts, financial management, contingency planning and business continuity, and more.



Business Continuity Excellence

- Our business continuity plan is working effectively and we have taken steps to prepare for future, potentially longer-term, alternative work arrangements.
- We are coordinating with your teams to best work together and communicating frequently to keep each other informed.
- Our Heads Up Thinking culture vision is helping to shape the way the firm responds to challenges like this to the benefit of our clients.



COVID-19 is a major consideration in the development of our audit plan in 2020. We are focused on understanding the impact of COVID-19 to your business, and coordinating and adjusting our audit plan as appropriate.



Required Audit Committee Communications

Presented on: December 9, 2020



Our audit of the consolidated financial statements of the New York Power Authority (the Authority), as of and for the year ended December 31, 2020, will be performed in accordance with auditing standards generally accepted in the United States of America.

Performing an audit of the consolidated financial statements includes consideration of internal control over financial reporting (ICFR) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR.

We plan to issue the auditor report on the consolidated financial statements of the Authority as of and for the two-year period ended December 31, 2020. Other planned audit deliverables include a report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Accounting Standards as of December 31, 2020, and a report on the Investment Compliance as of December 31, 2020.





Materiality in the context of an audit

We will apply materiality in the context of the preparation and fair presentation of the consolidated financial statements, considering the following factors:

Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

Judgments about materiality involve both qualitative and quantitative considerations.

Judgments about matters that are material to users of the consolidated financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the consolidated financial statements.

Judgments about the size of misstatements that will be considered material provide a basis for

- a) Determining the nature and extent of risk assessment procedures;
- b) Identifying and assessing the risks of material misstatement; and
- c) Determining the nature, timing, and extent of further audit procedures.





April 1 - May 31

June 1 – Aug 31

Sept 1 – Dec 31

Jan – Mar

Planning and risk assessment

- Debrief on prior year audit with management
- Planning and initial risk assessment procedures, including:
 - Involvement of others
 - Identification and assessment of risks of misstatements and planned audit response for certain processes

Planning and risk assessment

- Meetings with management to discuss key issues and updates during the current year
- Ongoing risk assessment procedures, including:
 - Identification and assessment of risks of misstatements and planned audit response for remaining processes

Interim

- Communicate audit plan
- Evaluate design & implementation (D&I) of general IT and automated controls
- Perform interim substantive audit procedures
- Evaluate D&I of entity level controls and process level controls for certain processes
- Perform process walkthroughs and identification of process risk points for certain processes
- Evaluate D&I of process level controls for remaining processes
- Coordinate with Internal Audit

Year-end

- Complete control testing for remaining process level, general IT, and entity-level controls, where applicable
- Inquire with management regarding litigation and property tax related matters
- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Present audit results to the audit committee and perform required communications

Filing date (Before March 31, 2021): Issue audit reports on financial statements.





Changes to audit plan during FY 2020

Timing of Audit

- KPMG has adjusted the timing of interim audit procedures
 - Increased the time period of field work during the months of October December 2020
 - Focus on testing of high volume accounts including revenue, expenses and capital assets during November 2020 and December 2020
 - Planned walkthroughs of key processes during the month of December 2020

Ultimate goal to improve audit quality and to reduce compression of audit procedures during the yearend audit time period in February and March. KPMG has been and is continuing to work with management on improving the timing of the audit process.





Risk assessment: Significant risks

Significant Risks

Management override of controls

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent consolidated financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Susceptibility to:		
Error	Fraud	
	Yes	





Risk assessment: Estimates and other significant audit areas

Audit areas*	Relevant factors affecting our risk assessment
Estimates – Pension and Post Retirement Obligations	 Size and composition of the accounts Nature of account and disclosure Measurement uncertainty (assumptions utilized)
Significant Audit Area – Revenue Recognition	 Size and composition of the accounts Volume of activity processed through the account Nature of the account and disclosure
Significant Audit Area – Long term debt	 Size and composition of the accounts Nature of account and disclosure
Significant Audit Area – Capital Assets, including depreciation	 Size and composition of the accounts Volume of activity processed through the account Nature of the account and disclosure
Significant Audit Area – Investments	 Size and composition of the accounts Issuance of Investment Compliance Report

^{*}The engagement team is considering the impact of COVID-19 on the above audit areas and the audit as a whole.





Subject Matter Professionals	Extent of planned involvement
KPMG National Pricing Desk	Testing the valuation of Investment selections
KPMG Actuarial Specialists	Testing the valuation of the NYPA and Canals OPEB and Pension liability
KPMG Tax	Review the entity's financial statements to determine tax-exempt status is appropriate
KPMG Forensics	Assist in brainstorming sessions related to fraud risks and fraud risk factors

Other	Extent of planned involvement
NYPA Internal Audit	Inquiries of internal audit, review of internal audit plan for FY20, and review results of audits conducted by internal audit





GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

GASB Statement No. 87, Leases

This Statement addresses the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a model for lease accounting based on the principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NYPA plans to adopt this Statement in FY2021.

GASB Statement No. 91, Conduit Debt Obligations

This Statement addresses the reporting of conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, (3) related note disclosures. This statement establishes a single method of reporting conduit debt obligations thus eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby eliminating significant diversity in practice among entities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, although GASB 95 (noted above) postponed the effective date by one year.

NYPA plans to adopt this Statement in FY2021.





Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, audit committee and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, audit committee, and KPMG each play an important role.

System of independence quality control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

 New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)

Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- NYPA or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.





Management responsibilities



- Communicating matters of governance interest to those charged with governance.
- The audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities.

KPMG responsibilities – Objectives



- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.

KPMG responsibilities – Other



- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
 - Withdraw from the audit engagement when possible under applicable law or regulation,
 - Communicate the circumstances to those charged with governance, and
 - Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the consolidated financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.





The following inquiries are in accordance with AU-C 260

Is the audit committee aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the consolidated financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the consolidated financial statements?
 - Whether all required information has been included in the consolidated financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Does the audit committee have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting NYPA, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
 - If so, have the instances been appropriately addressed and how have they been addressed?

Additional inquiries:

- What are the audit committee's views about fraud risks in NYPA?
- Who is the appropriate person (audit committee chair or full committee) for communication of audit matters during the audit?
- How are responsibilities allocated between management and the audit committee?
- What are NYPA's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are the audit committee's attitudes, awareness, and actions concerning (a) NYPA's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has NYPA entered into any significant unusual transactions?
- Whether the is in compliance with other laws and regulations that have a material effect on the consolidated financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?



Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit KPMG's Audit Committee Institute (ACI) at www.kpmg.com/ACI

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