



July 14, 2022

AUDIT COMMITTEE CHARTER

A. PURPOSE

The Audit Committee (“Committee”) of the New York Power Authority (“Authority”) Board of Trustees (“Trustees”) and the New York State Canal Corporation (“Corporation”) Board of Directors (“Board of Directors”) oversees the work of the Internal Audit Department and monitors all internal audits and external audits performed by the Independent Auditor and other external agencies as well as management’s corrective action and implementation plans to all audit findings.

The responsibilities of the Committee are to: recommend to the Trustees/Board of Directors the hiring of a certified independent accounting firm for the Authority/Corporation, establish the compensation to be paid to the accounting firm and provide direct oversight of the performance of the independent audit conducted by the accounting firm hired for such purposes, provide direct oversight of the Internal Audit Department, and perform such other responsibilities as the Trustees/Board of Directors may assign it. The Committee is also responsible to provide oversight and guidance for external audits applicable to the Authority/Corporation.

B. MEMBERSHIP AND ORGANIZATION

(1) Committee Composition

The Committee will be comprised of at least three independent members of the Trustees/Board of Directors, who possess the necessary skills to understand the duties and functions of the Committee and be familiar with corporate finance and accounting. Committee members and the Committee Chair will be selected by a vote of the Trustees/Board of Directors.

Committee members are prohibited from being an employee of the Authority/Corporation or an immediate family member of an employee of the Authority/Corporation. In addition, Committee members shall not engage in any private business transactions with the Authority/Corporation or receive compensation from any private entity that has material business relationships with the Authority/Corporation or be an immediate family member of an individual that engages in private business transactions with the Authority/Corporation or receives compensation from an entity that has material business relationships with the Authority/Corporation.

(2) Term

Committee members will serve for a period of five years subject to their term of office under Public Authorities Law § 1003. Committee members may be re-elected to serve for additional periods of five years subject to their term of office. A Committee member may resign his or her position on the Committee while continuing to serve as a Trustee/Board

of Director. In the event of a vacancy on the Committee due to death, resignation or otherwise, a successor will be selected to serve in the manner and for the term described above.

Removal

A Committee member may be removed if he or she is removed as a Trustee/Board of Director for cause, subject to Public Authorities Law § 2827, or is no longer eligible to serve as a Committee member.

(3) Meetings and Quorum

The quorum of the Committee is a majority of the number of regular Committee members selected by the Trustees/Board of Directors.

A majority vote of all Committee members present is required to take action on a matter. The Committee shall hold regularly scheduled meetings at least three times per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the President and Chief Executive Officer (“CEO”), Executive Vice President and General Counsel (“GC”), or Chief Audit Executive of the Internal Audit Department (“CAE”). The notice of meeting need not state the purpose for which the meeting has been called. In order to transact business, a quorum must be present.

In addition, the Committee: (1) will meet at least three times a year with the CAE for the purpose of reviewing audit activities, audit findings, management’s response, remediation action plans, and providing the CAE with an opportunity to discuss items and topics of relevance with the Committee; (2) will meet at least twice a year with the independent auditors to discuss the audit work plans, objectives, results and recommendations; and (3) may meet independently with the CEO, GC or CAE on matters or issues and items within the Committee’s purview as it deems necessary. These meetings may be held as part of a regular or special meeting at the Committee’s discretion.

An agenda will be prepared and distributed to each Committee member prior to each meeting and minutes of each meeting will be prepared in accordance with the New York Open Meetings Law. Minutes of the meeting should include, at a minimum:

- a. Date; location; time meeting was called to order and adjourned; and if other Board committee (e.g., Finance & Risk Committee) is meeting simultaneously.
- b. Title and name of attendees; public comments period; title and name of public speakers.
- c. Approval of the official proceedings of the previous month’s Committee meeting.
- d. Pre-Approval of audit and non-auditing services as appropriate, all auditing services and non-audit services to be performed by independent auditors will be presented to and pre-approved by the Committee:
 1. External Audit Approach Plans: Independent auditor presents approach/service plan, which is to be submitted to the Committee electronically.
 2. Internal Audit Activity Report: CAE provides overview of Internal Audit activities.
- e. Follow-up items including communications to the Committee of the current status of selected open issues, concerns, or matters previously brought to the Committee’s attention or requested by the Committee.
- f. Status of audit activities as appropriate; representatives of the certified independent accounting firm or agency management will discuss with the Committee significant

audit findings/issues, the status of on-going audits, and the actions taken by agency management to implement audit recommendations.

- g. Copies of handouts or materials presented to the Committee.

Any meeting of the Committee may be conducted by video conferencing. To the extent permitted by law, the Committee may hold meetings or portions of meetings in executive session.

C. FUNCTIONS AND POWERS

The Committee has the following responsibilities:

(1) General Powers

The Committee may call upon the resources of the Authority/Corporation to assist the Committee in the discharge of its oversight functions. Such assistance may include the assignment of staff and the retention of external advisors subject to the requirements of the Public Authorities Law and the Authority's Expenditure Authorization Procedures. The Committee may communicate directly with the CEO.

The Committee may direct any employee to make oral or written reports to the Committee on issues and items within the Committee's purview.

The Committee may direct the internal auditors to conduct special audits of items and issues of concern to the Committee.

(2) Oversight of Independent Auditors

The Committee will oversee the relationship with the independent auditors. To accomplish these objectives, the Committee will:

- a. Provide advice to the Trustees/Board of Directors on the selection, engagement, compensation, evaluation, and discharge of the independent auditors.
- b. Review and discuss as necessary the financial statements including any material changes in accounting principles and practices with the independent auditors or members of management.
- c. Review and approve the annual audited financial statements (including the independent auditors' associated management letter).
- d. Oversee the establishment of procedures for the effective receipt and treatment of (i) matters regarding auditing, internal auditing, and accounting matters, and (ii) the confidential submission of concerns raised by whistleblowers and other persons regarding accounting or auditing practices.
- e. Review at least annually the scope, objectives, and results of the independent auditors' examination of the annual financial statements and notes, and report to the Trustees/Board of Directors on the Committee's findings.

- f. Assure the independence of the independent auditors by approving any non-audit work by them for the Authority/Canal Corporation and examining the independent auditor's relationship with the Authority/Canal Corporation.
- g. Report to the Trustees/Board of Directors on any matters relevant to the audit process or independent auditor's communications and make such recommendations as the Committee deems appropriate.

(3) Oversight of the Internal Audit Department

The Internal Audit Department and CAE will report directly to the Committee. Accordingly, the Committee will:

- a. Have authority over appointment, dismissal, compensation, and performance reviews of the CAE.
- b. Review the charter, activities, staffing and organizational structure of the Internal Audit Department with the CEO and the CAE.
- c. Ensure that the Internal Audit Department is organizationally independent from Authority/Corporation operations.
- d. Provide oversight of the Internal Audit Department and its resources and activities to facilitate the Internal Audit Department's improvement of internal controls.
- e. Provide oversight for the EH&S Compliance Audit Program as part of Internal Audit's audit activities to ensure an independent assessment is conducted for EH&S compliance at the facilities.
- f. Review Internal Audit reports and recommendations of the CAE. This review will include a discussion of significant risks reported in the Internal Audit reports, and an assessment of the responsiveness and timeliness of management's follow-up activities pertaining to the same.
- g. Require the CAE to attend any meeting of the Committee and to prepare and deliver such reports as the Committee requests.
- h. Present periodic reporting to the Trustees/Board of Directors on how the Committee has discharged its duties and met its responsibilities, and regularly report activities, issues, and recommendations.
- i. Review the Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Trustees/Board of Directors.
- j. Conduct an annual self-evaluation of performance, including its effectiveness and compliance with the charter.

Standards Conformance

- k. Inquire of the CAE about steps taken to ensure that the internal audit activity conforms with the IIA's International Standards for the Professional Practice of Internal Auditing (Standards).

- l. Ensure the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the Audit Committee.
- m. Ensure that the internal audit activity has an external quality assurance review every five years.
- n. Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- o. Advise the Trustees/Board of Directors about any recommendations for the continuous improvement of the internal audit activity.

(4) Oversight for External Audits

The Committee will provide oversight for any external audits including the Office of the State Comptroller, Inspector General investigations, and substantive Freedom of Information Law requests. Accordingly, the Committee will:

- a. Receive all external requests, investigations, and audit notifications from the requesting entity.
- b. Receive information at significant milestones during the request, investigation or audit regarding:
 - 1. Preliminary reports of findings.
 - 2. Final draft reports.
 - 3. Management resolutions due 180 days after publication.
- c. Provide sign-off on management comments to final draft reports.