GOVERNANCE, AUDIT, & COMPLIANCE COMMITTEE

8th Floor, 21 West Church Street, Jacksonville, FL 32202
January 13, 2023 | 10:00 am – 12:00 pm

WELCOME

Meeting Called to Order
Adoption of Agenda (Action) Marty Lanahan, Chair
Approval of Minutes – October 13, 2022 (Action)

Safety Briefing & Values Moment Julie Moore, Manager, Internal Audit

COMMENTS / PRESENTATIONS

Comments from the Public Public

FOR COMMITTEE CONSIDERATION

Ernst & Young FY22 Audit Results John DiSanto, Managing Director, Ernst & Young
Internal Audit Update Lee Montanez, Director, Audit Services
Internal Audit Charter (Action)
Ethics Officer’s Report Walette Stanford, Director, Ethics
Slate of Officers (Action)
FY22 Board Self-Assessment Summary Laura Dutton, Chief Strategy Officer
FY22 CEO Evaluation Summary

OTHER BUSINESS AND CLOSING CONSIDERATIONS

Old and Other New Business / Open Discussion Marty Lanahan, Chair
Announcements – Next Committee Meeting August 4, 2023
Adjournment
SAFETY BRIEFING

In the event of an emergency, JEA Security will call 911 and coordinate any required evacuation.

Emergency Evacuation Route (use stairwell)

Assembly Location: Parking Lot (corner of Church & Ocean St.)

Safety or Medical Assistance: Notify JEA Security Officer

Hazard & Situational Awareness

Cell Phone & Computer Etiquette
Integrity

If you plant honesty, you will reap trust
If you plant humility, you will reap greatness
If you plant perseverance, you will reap contentment
If you plant consideration, you will reap perspective
If you plant hard work, you will reap success

Source: Drake University
JEA Financial Statement Audit Results Book

2022 audit results

January 13, 2023
Executive summary

Key business priorities

- Adoption of GASB 87 (Leases)
- Use of JEA internal audit

Areas of emphasis

- Revenue recognition
- GASB 87 (Leases)
- Accounts and unbilled receivable and related allowance for doubtful accounts
- Derivatives Instruments and hedging activities
- Pollution remediation obligations
- Pension and OPEB plan accounting and reporting
- Investments
- Capital assets
- Legal reserves
- Plant Vogtle PPA
- SJRPP and Plant Scherer Asset Retirement Obligations

Looking forward (effective 2023)

- GASB 91 (Conduit Debt Obligations)
- GASB 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements)
Required Communications
## Required communications

<table>
<thead>
<tr>
<th>Area</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Auditor’s responsibility under generally accepted auditing standards, including a discussion of the type of auditor’s report we are issuing and the reasons for any modification to our report</td>
<td>Our responsibilities are included in our audit engagement agreement. A copy of such agreement has previously been provided to you. We plan to issue an unqualified opinion on JEA’s financial statements on January 24, 2023 for the year ended September 30, 2022.</td>
</tr>
<tr>
<td>Key audit matters</td>
<td>No matters to be communicated,</td>
</tr>
<tr>
<td>Changes to the audit strategy, timing of the audit and significant risks identified</td>
<td>Our audit strategy is consistent with the plan communicated during the July 2022 meeting.</td>
</tr>
<tr>
<td>Matters relevant to our evaluation of the entity’s ability to continue as a going concern</td>
<td>We did not identify any events or conditions that led us to believe there was substantial doubt about JEA’s ability to continue as a going concern.</td>
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All communications are to be made annually unless marked otherwise:
* Communicate at least annually or when event occurs.
** Communicate when event occurs, and consider need for separate communications within the presentation.
## Required communications

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<tbody>
<tr>
<td>Our views about the qualitative aspects of the entity’s significant accounting practices, including:</td>
<td>During fiscal year 2022, management has implemented GASB 87, Leases. GASB 87 requires the inclusion of contractual lease agreements within the consolidated financial statements of JEA. EY has reviewed and audited the immaterial impact of GASB 87 and concur with management’s assessment.</td>
</tr>
<tr>
<td>• Accounting policies</td>
<td>We noted no significant matters regarding JEA’s relationships and transactions with related parties.</td>
</tr>
<tr>
<td>• Accounting estimates</td>
<td>None.</td>
</tr>
<tr>
<td>• Related party relationships and transactions*</td>
<td>None.</td>
</tr>
<tr>
<td>• Changes to the terms of the audit with no reasonable justification for the change</td>
<td>None.</td>
</tr>
<tr>
<td>• Significant unusual transactions**</td>
<td>We are not aware of any significant unusual transactions executed by JEA.</td>
</tr>
</tbody>
</table>
| • Difficult or contentious matters subject to consultation or use of EY specialist outside of the core audit team | We engaged internal specialists for the following areas:  
  • Hedge effectiveness and valuation  
  • Environmental liabilities  
  • Pension and OPEB                                                      |

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<tr>
<td>• Material corrected misstatements related to accounts and disclosures</td>
<td>No misstatements identified.</td>
</tr>
<tr>
<td>• Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial</td>
<td></td>
</tr>
<tr>
<td>• Significant deficiencies and material weaknesses in internal control over financial reporting*</td>
<td>No material weaknesses have been identified.</td>
</tr>
<tr>
<td>• Our responsibility, procedures performed, the results of those procedures and any reporting to be included in our auditor’s report relating to other information included in the annual report</td>
<td>We have reviewed JEA’s Supplementary Information and Required Supplementary Information and found the information presented to be consistent with information in the audited financial statements.</td>
</tr>
</tbody>
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<tbody>
<tr>
<td>Fraud and noncompliance with laws and regulations (illegal acts)**</td>
<td>We are not aware of any matters that require communication.</td>
</tr>
<tr>
<td>Obtain information relevant to the audit</td>
<td>None noted.</td>
</tr>
<tr>
<td>Independence matters*</td>
<td>We are not aware of any matters that in our professional judgment would impair our independence.</td>
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<td>No issues have been identified with regard to management’s application of new accounting pronouncements.</td>
</tr>
<tr>
<td>Significant issues discussed with management in connection with the auditor’s initial appointment or recurring retention**</td>
<td>None.</td>
</tr>
<tr>
<td>Disagreements with management and significant difficulties encountered in dealing with management when performing the audit**</td>
<td>None.</td>
</tr>
<tr>
<td>Management’s consultations with other accountants**</td>
<td>None.</td>
</tr>
<tr>
<td>Other material written communications with management</td>
<td>Refer to Appendix C for all material inquiries and communications with management.</td>
</tr>
<tr>
<td>Other matters**</td>
<td>There are no other matters arising from the audit that are significant and relevant to those charged with governance regarding the oversight of the financial reporting process.</td>
</tr>
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<td>AICPA ethics ruling regarding third-party service providers</td>
<td>From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Company or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.</td>
</tr>
<tr>
<td>Representations we are requesting from management</td>
<td>We expect to obtain from management a letter of representations related to the 2022 audit prior to our report issuance.</td>
</tr>
</tbody>
</table>

As required, provided above is a summary of required communications between the audit team and those charged with governance, as required by AICPA Clarified US Auditing Standard (AU-C) 260, The Auditor’s Communication With Those Charged With Governance, and other applicable auditing standards. This communication is intended solely for the information and use of the audit committee and, if appropriate, management, and is not intended to be, and should not be, used by anyone other than these specified parties.
JEA St. John’s Retirement Power Plan Audit Results Book

2022 audit results

January 13, 2023
# Executive summary

## Key business priorities
- Pension accounting, including valuation of assets and liabilities

## Areas of emphasis
- **Pension Investments:**
  - We audited the investments and fair value measurement disclosures in the financial statements.
  - No corrected or uncorrected misstatements identified.

- **Total Pension liability**
  - We audited the total pension liability and disclosures in the financial statements.

## Appendices
- Required Communications
- Peer Review Report
## Required communications

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<tr>
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<td>Our responsibilities are included in our JEA engagement agreement. A copy of such agreement has previously been provided to you. We plan to issue an unqualified opinion on the JEA SIPP financial statements on January 24, 2023 for the year ended September 30, 2022.</td>
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<tr>
<td>Our views about the qualitative aspects of the entity’s significant accounting practices, including:</td>
<td>EY has reviewed and audited the significant accounting policies outlined with the financial statement draft and consider these policies appropriate. Refer to the Areas of audit emphasis within the Executive Summary (slide 1) where we have discussed our conclusions over such matters we determine most critical to our audit.</td>
</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>• Accounting estimates</td>
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</tr>
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<td>• Related party relationships and transactions*</td>
<td>We noted no significant matters regarding IEA’s relationships and transactions with related parties.</td>
</tr>
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<td>• Changes to the terms of the audit with no reasonable justification for the change</td>
<td>None.</td>
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<td>We are not aware of any significant unusual transactions executed by IEA.</td>
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<td>There were no material corrected or uncorrected misstatements related to accounts and disclosures for the 9/30/2022 audit.</td>
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<td>We are not aware of any matters that require communication.</td>
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<td>Inquiries regarding:</td>
<td>Inquiries regarding these matters are to be performed at this meeting.</td>
</tr>
<tr>
<td>- Risks of material misstatement</td>
<td></td>
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<td>Representations we are requesting from management</td>
<td>We will obtain from management a letter of representations related to the audit.</td>
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Peer review report

REPORT ON THE FIRM’S SYSTEM OF QUALITY CONTROL

November 15, 2019
To the Partners of Ernst & Young LLP and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Ernst & Young LLP (the Firm), applicable to engagements not subject to the peer review requirements of the PCAOB. This peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

The standards require that the peer review be performed by a peer review firm. We were not engaged by the peer review firm to perform this peer review.

The peer review report is based on a system of quality control that has been designed to provide reasonable assurance that the Firm’s engagements are performed in accordance with applicable professional standards, and that the Firm complies with the requirements of the PCAOB relating to system of quality control and the peer review process.

Firm’s Responsibility

The Firm is responsible for designing a system of quality control and ensuring compliance with it to provide reasonable assurance that the engagements are performed in conformity with applicable professional standards. The Firm is also responsible for providing reasonable assurance that the engagements are performed in conformity with the requirements of the PCAOB.

Peer Reviewer’s Responsibility

Our responsibility is to express an opinion on the design and operation of the system of quality control and the Firm’s compliance therewith based on our review.

Required Services and Considerations

Engagements included in the peer review included engagements performed under the Sarbanes-Oxley Act of 2002 (SOX) and engagements performed under the PCAOB’s standards for audits of registered public accounting firms.

The peer review firm conducted its peer review in accordance with the standards established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards). The peer review firm is not bound by the PCAOB’s rules and regulations, and the results of the peer review are subject to the peer review firm’s discretion.

We have determined that the Firm’s system of quality control provides reasonable assurance that the engagements are performed in accordance with applicable professional standards and that the Firm complies with the requirements of the PCAOB.

[Signature]
Grant Thornton LLP

[Stamp]
Governance, Audit, and Compliance Committee - Presentation

EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

About EY's Assurance Services:
Our assurance services help our clients meet their reporting requirements by providing an objective and independent examination of the financial statements that are provided to investors and other stakeholders. Throughout the audit process, our teams provide a timely and constructive challenge to management on accounting and reporting matters and a robust and clear perspective to audit committees charged with oversight.

The quality of our audits starts with our 90,000 assurance professionals, who have the breadth of experience and ongoing professional development that come from auditing many of the world’s leading companies.

For every client, we assemble the right multidisciplinary team with the sector knowledge and subject matter knowledge to address your specific issues. All teams use our Global Audit Methodology and latest audit tools to deliver consistent audits worldwide.

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Internal Audit Update & Charter

Lee Montanez, Director, Audit Services
Internal Audit
Completed Audits/Projects

- Pay for Performance
- Ernst & Young Audit Support
- The Energy Authority Audit Support
- Fleet Services
- Project Accounting

Action Plans

Open: 35
Closed during FY23: 3
Internal Audit Charter

Updated Definitions / Required Language from the Institute of Internal Auditors

Policy Statement

Director, Audit Services Responsibilities

Internal Auditors - Independence and Objectivity

Committee Name Change

Replaced Finance and Audit Committee with Governance, Audit, and Compliance Committee

Position Title Change

Replaced Chief Compliance Officer with Chief Administrative Officer

Language Revisions

Added 'risk-based' in front of all mentions of 'audit plan'

Staff requests the Governance, Audit, and Compliance Committee recommend the proposed revisions to the Board for approval
A Resolution by the Board Approving Changes to the Internal Audit Charter

WHEREAS, JEA’s Audit Services provides independent and objective assurance and consulting services designed to add value to JEA’s operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control, compliance, and governance processes; and

WHEREAS, JEA’s Audit Services adheres to the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing, which requires for the review and approval of the Internal Audit Charter; and

WHEREAS, approval of the Internal Audit Charter (i) demonstrates that the Board has reviewed, and is in agreement with, the Internal Audit Charter and (ii) allows Audit Services to be in compliance with IIA standards; and

WHEREAS, the proposed Internal Audit Charter was reviewed and recommended for Board approval by the Governance, Audit, and Compliance Committee (Committee) on January 13, 2023; and

WHEREAS, Staff requests that the Board adopt the Committee’s recommendation and approve the proposed Internal Audit Charter.

BE IT RESOLVED by the JEA Board of Directors that:

1. The recitals stated above are hereby incorporated into and made part of this Resolution, and such recitals shall serve as findings of fact.

2. The Board hereby adopts the Committee’s recommendation and approves the Internal Audit Charter in substantially the form and format attached hereto.

3. To the extent that there are any typographical, administrative, and/or scrivener’s errors contained herein that do not change to tone, tenor or purpose of this Resolution, then such errors may be corrected with no further action required by the Board.

4. This Resolution shall be effective upon approval by the Board.

Dated this 24th day of January, 2023.
FY23 ETHICS OFFICER REPORT

Walette Stanford, Ethics Director/Officer
Increase employee commitment to, and knowledge and awareness of a strong ethical culture

Performance Measures

Higher percentage of respondents to the Employee Engagement Survey who report that people at JEA behave ethically

Increased number of employees who complete compliance-based ethics training per fiscal year

Enhanced familiarity with ethics-related rules and regulations after completion of online training, based on pre-post ethics training evaluation results
Impactful Employee Enhancements
Action Plan

- More awareness on the tools to report unethical behavior
- Provide Values Moments at employee Townhalls and Board meetings
- Continue conducting 1:1 Ethical Training in various business units
- Communicate more about issues/concerns to the organization
- Implemented a streamlined process for hotline intake
Slate of Officers

Laura Dutton, Chief Strategy Officer
Slate of Officer Elections

Composition of Officers
In accordance with the Article 21 - JEA Charter, the governing body of JEA shall elect a Chair, Vice Chair, and Secretary and may elect one or more assistant secretaries, each of whom shall serve for one year or until such officer’s successor is chosen.

Term Limits
In accordance with the JEA Board Policy Manual, the Chair may serve for two consecutive one-year terms, which shall not include any period served as replacement Chair during the unexpired portion of the predecessor’s term.

Election Process
In accordance with the JEA Board Policy Manual, Election of Officers shall be conducted at the first regular meeting in March, or the next subsequent Board of Directors meeting, which shall be preceded by a meeting of the Governance, Audit, and Compliance Committee to recommend a slate of officers.
Slate of Officer Elections

Current Board Officers

- Bobby Stein, Board Chair
  Current Board Term Ends: 2/28/25
  Board Vice Chair: 4/28/20 - 3/31/22
  Board Chair: 4/1/22 - Present

- Marty Lanahan, Board Vice Chair
  Current Board Term Ends: 2/28/23
  Board Secretary: 4/28/20 - 3/31/22
  Board Vice Chair: 4/1/22 - Present
  Board Reappointment Pending

- General Joseph DiSalvo,
  Board Secretary
  Current Board Term Ends: 2/28/26
  Board Secretary: 4/1/22 - Present

- John Baker
  Current Board Term Ends: 2/28/24
  Board Chair: 4/28/20 - 3/31/2022

- Dr. Zachary Faison
  Current Board Term Ends: 2/28/26

- Rick Morales
  Current Board Term Ends: 2/28/24

- Tom VanOsdol
  Current Board Term Ends: 2/28/23
  Board Reappointment Pending
Slate of Officers Process

Governance, Audit & Compliance Committee
January 13, 2023

Committee recommends a slate of Officers

JEA Board of Directors Meeting
January 24, 2023

Governance, Audit, and Compliance Committee Chair reviews recommendation for the slate of Officers

JEA Board of Directors Meeting
March 28, 2023

Board of Directors vote on the slate of Officers

April 1, 2023

Term begins for the slate of Officers
FY22 Board Self-Assessment Summary
Laura Dutton, Chief Strategy Officer
Annual Board of Directors 
Self-Assessment

JULY 14
Governance, Audit, and Compliance Committee to review Board Self-Assessment timeline / criteria and discuss adjustments needed

OCTOBER 13
Board members will receive the online self-assessment. JEA will send an email to Board members including:
- Instructions for completing the online self-assessment
- An electronic version can be made available upon request
- Completion Date: November 15

JANUARY 13
Governance, Audit, and Compliance Committee will receive an overview of the Board Self-Assessment results

JANUARY 24
Governance, Audit, and Compliance Committee Chair will provide the results of the Board Self-Assessment
Board Self-Assessment Results

The Board has a strong working relationship with the CEO.
Average Response: 5.0 (Strongly Agree)

Board Member Comments:
I appreciate Jay's consistent outreach and transparency, and 24/7 availability.

The Board has a great relationship with the CEO-open, transparent

Jay is beginning to expose the Board to his staff rather than just the CEO... he is asking them to answer our questions before he steps in. It is good to see them in action and I have really appreciated his ability to let go and trust his team. Jay gives us heads up as appropriate and stays connected to us regarding agenda items for Board and Committee meetings.

Jay appears to work well with all Board members, and I feel he works very well with me to make sure I am not surprised by something or someone in the community.

Jay has been fantastic in cultivating and authentically engaging right relationships with Board members and other key constituents throughout our community.

The Board is regularly updated and addresses JEA's performance of key measures aligned to JEA's strategy as outlined in JEA's corporate scorecard.
Average Response: 5.0 (Strongly Agree)

Board Member Comments:
I have no issues with the performance scorecard.

Board materials keep us up to date on our progress.

Resource Planning process is under way and as mentioned above is a critical piece of our go forward strategy. We review the scorecard regularly and I have applauded the team that it isn’t all green... if it were, we wouldn’t have set the right goals!

The team does an excellent job with ongoing, transparent performance reporting to the Board.
Board Self-Assessment Results

The Board understands and adheres to the Article 21 Charter, JEA By-Laws, JEA Board Policy Manual, City of Jacksonville Ethics Code, and applicable Florida Statutes and City Ordinances
Average Response: 5.0 (Strongly Agree)

Board Member Comments:
JEA staff did a superb job in updating the by-laws, policy manual---- revised to make both documents clearer and more succinct.

We have reviewed these and are fully informed.
Board Self-Assessment Results

The Board understands and supports JEA's mission, vision, and strategic focus areas and engages in strategic planning
Average Response: 4.71 (5 - Strongly Agree / 4 - Agree)

Board Member Comments:
It will be very important for the Board to identify their appropriate role within the IRP process in order to avoid identifying issues after the IRP is complete.

The Board was appointed at a time when JEA's mission and vision had been challenged and we returned JEA to the community

I think this Board is totally on board with mission, vision and strategy of the organization. The upcoming Resource Planning process will be critical to our future.

The Board is very engaged.

Jay and team have done an outstanding job over the last few years clarifying the strategic vision of the organization, inviting the Board appropriately into the development of it, and communicating it clearly and with appropriate repetition and nuancing of messaging for multiple constituent audiences.

As a Board member, I feel I have the knowledge needed to tackle the important issues and to provide proper oversight for JEA
Average Response: 4.71 (5 - Strongly Agree / 4 - Agree)

Board Member Comments:
I appreciate the ability to go directly to the CEO and/or Senior Leadership Team for any issues and their patience in explaining the issue/question.

I do have the knowledge to be an effective Board member and I feel that my knowledge is valued by staff. Having said that, I will NEVER know enough because I am always learning something. It is one of the things that I love about this Board.
Board Self-Assessment Results

Board members are well prepared for the meetings and spend adequate time engaged in discussion and providing direction to staff
Average Response: 4.71 (5 - Strongly Agree / 4 - Agree)

Board Member Comments:
My fellow Board members are absolutely outstanding; all totally dedicated to providing essential oversight be it at board meetings and/or committee meetings.

I know I am prepared and engaged with strategy and staff. We are missing some Board members on a pretty regular basis from being with us face to face... that has hampered the ability for me to say that we are all engaged in discussion. It is hard to chime in on WebEx in a meaningful manner.

The Board is focused on being proactive rather than reactive and is primarily focused on the future rather than past or present
Average Response: 4.71 (5 - Strongly Agree / 4 - Agree)

Board Member Comments:
I sense the Board is very good at looking out 12 to 18 months and is leaning forward 2 to 3 years.

We had so many things to react to when we arrived as a new board that we have just begun to pivot to proactive matters. It feels good that some of the big decisions are behind us however I feel that the environment we live in (rate increases, fuel uncertainty, inflation and a potential recession, supply chain) will keep us in a reactive mode for a few more years.

The Board is working to try to assist the staff to look into the future.
Annual Board Self-Assessment

Are there areas where the Board can improve?

Board Member Comments:
Better understanding of Capital Allocation

Improve on 100%-member physical attendance at Board meetings.

Not all Board members attend the meetings in person, which is a requirement to have a quorum. We do have good attendance counting virtual attendance

I would like to see us commit to being at meetings face to face and not on WebEx. I understand that is an option, but I do believe that our conversations could be more robust if everyone was there.

Attendance of all Board members is difficult at times. We are all executives in our organizations, but I think we can improve this item.

Continued "living into" the new committee structure and functioning.

In what areas is the Board most effective?

Board Member Comments:
Corporate governance

Communicating candidly with the CEO and staff, Board members are not afraid to ask the hard questions and give input.

Governance and staying out of the day-to-day issues

I think the Board does a good job balancing our roles in setting policy, creating strategy and managing the CEO between the day-to-day business of the utility. We engage appropriately and staff informs appropriately. I believe we are working in a manner that has created transparency with the community and hope over time we can regain their trust. I appreciate my fellow Board members commitment to operating in the Sunshine as expected... no ‘side bar” conversations with this group!

The Board does a good job to monitor the executive staff to make sure everyone has the same goals

Exceptional leadership by John Baker and now Bobby Stein in engaging the Board in participative dialogue and guiding the Board to weigh in on the right ways when and where appropriate.
FY22 CEO Evaluation Summary
Laura Dutton, Chief Strategy Officer
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>JULY 14</td>
<td>Governance, Audit, and Compliance Committee review current CEO Evaluation criteria and discuss any adjustments to criteria for FY23</td>
</tr>
<tr>
<td>BY OCTOBER 6</td>
<td>CEO to complete a self-evaluation to be included in the October 13 Governance, Audit, and Compliance Committee materials</td>
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| BEGINNING OCTOBER 13 | Board Members Complete Online Evaluation  
|              | Board Members will receive:  
|              | • Evaluation Criteria  
|              | • FY22 Performance Scorecard  
|              | • CEO Self-Evaluation  
|              | Completion Date: November 15                                                                                                                      |
| DECEMBER 15 | Board Chair and Chief Human Resources Officer met with CEO to review evaluation and feedback                                                        |
| JANUARY 13  | Governance, Audit, and Compliance Committee  
|              | • Overview of FY22 CEO Evaluation Process                                                                                                         |
| JANUARY 24  | January Board Meeting  
|              | • Board Chair will provide overview of FY22 CEO Evaluation Process and Results                                                                  |
The Governance, Audit, and Compliance Committee of the JEA Board met at 2:00 pm on Thursday, October 13, 2022 on the 8th Floor, 21 W. Church Street, Jacksonville, Florida. The public was invited to attend this meeting in-person at the physical location and virtually via WebEx.

WELCOME

Meeting Called to Order – Committee Chair Marty Lanahan called the meeting to order at 2:00 p.m. Attending the meeting was Committee Vice Chair General Joseph DiSalvo. Dr. Zachary Faison was not in attendance for the meeting. Board Member John Baker attended the meeting virtually. A quorum of the committee was physically present for the meeting.

Others in attendance in-person were Jay Stowe, Managing Director/CEO; Jody Brooks, Chief Administrative Officer; Ted Phillips, Chief Financial Officer; Jordan Pope, Vice President, Corporate Strategy; and Regina Ross, Chief Legal Officer, Office of General Counsel. Others in attendance virtually were Raynetta Curry-Marshall, Chief Operating Officer; Laura Schepis, Chief External Affairs Officer; Sheila Pressley, Chief Customer Officer; Kurtis Wilson, Vice President, Government Relations; Hai Vu, Vice President, Water/Wastewater Systems; Pedro Melendez, Vice President, Planning, Engineering & Construction; Stephen Datz, Vice President, IT Infrastructure and Operations; and Wayne Young, Vice President, Environmental Services.

Adoption of the Agenda – On motion by General Joseph DiSalvo and seconded by Marty Lanahan, the agenda was approved.

Approval of Minutes – On motion by General Joseph DiSalvo and seconded by Marty Lanahan, the July 14, 2022 Governance, Audit, and Compliance Committee meeting minutes were approved.

Safety Briefing and Values Moment – Jeanie Gillespie, Manager, Information Governance, noted the safety protocol is outlined in the materials and provided a Values Moment on respect in the workplace.

Committee Chair Lanahan extended appreciation to the JEA team for their work to restore power to Sanibel Island during Hurricane Ian.

Comments from the Public – There were no in-person, virtual, or emailed public comments.

FOR COMMITTEE CONSIDERATION

FY22 Audit Services Update – Lee Montanez, Director, Audit Services, provided an update on the Audit Services team including the promotion of Rashid Brittain to Manager, Internal Audit and recruitment of additional staff. Mr. Montanez provided an update on open audits and projects, closed action plans, a review of the sewer flow meter process, Enterprise Asset Management strategy, and Technology Services talent strategy. Mr. Phillips addressed the committee on supply chain challenges. This presentation was received for information.

FY23 Internal Audit Plan – Rashid Brittain, Manager, Internal Audit, provided a presentation on the proposed FY23 audit plan for committee consideration to include audits, consulting/special projects and recurring audits. Mr. Brittain provided a review of JEA’s risk-based approach which considers external and internal inputs, annual risk assessments, and discussions with the Leadership Team. Mr. Stowe addressed the Committee on recruiting challenges.
On motion by General DiSalvo and seconded by Marty Lanahan, the FY23 Internal Audit Plan was approved.

**Annual Board Self-Assessment Criteria and Process** – Laura Dutton, Chief Strategy Officer, reviewed the annual Board self-assessment criteria, process, and timeline. This presentation was received for information.

**Annual CEO Evaluation Criteria and Process** – Laura Dutton, Chief Strategy Officer, highlighted the CEO evaluation would be conducted in tandem with the Board Self-Assessment and would be distributed later today. This presentation was received for information.

**CLOSING CONSIDERATIONS**

**Old and Other New Business/Open Discussion** – Chair Lanahan provided remarks on her recent tour of the new JEA Headquarters.

**Announcements** – Next Governance, Audit, and Compliance Committee Meeting is January 13, 2023.

**Adjournment** – With no further business coming before the Committee, Chair Lanahan declared the meeting adjourned at 2:33 p.m.

APPROVED BY:

______________________________
Marty Lanahan, Committee Chair

Date: __________________________

Submitted by:

______________________________
Allison S. Hickok
Office Support Associate
BOARD RESOLUTION: 2023-07
January 24, 2023

A RESOLUTION BY THE BOARD APPROVING CHANGES TO THE INTERNAL AUDIT CHARTER

WHEREAS, JEA’s Audit Services provides independent and objective assurance and consulting services designed to add value to JEA’s operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control, compliance, and governance processes; and

WHEREAS, JEA’s Audit Services adheres to the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing, which requires for the review and approval of the Internal Audit Charter; and

WHEREAS, approval of the Internal Audit Charter (i) demonstrates that the Board has reviewed, and is in agreement with, the Internal Audit Charter and (ii) allows Audit Services to be in compliance with IIA standards; and

WHEREAS, the proposed Internal Audit Charter was reviewed and recommended for Board approval by the Governance, Audit, and Compliance Committee (Committee) on January 13, 2023; and

WHEREAS, Staff requests that the Board adopt the Committee’s recommendation and approve the proposed Internal Audit Charter.

BE IT RESOLVED by the JEA Board of Directors that:

1. The recitals stated above are hereby incorporated into and made part of this Resolution, and such recitals shall serve as findings of fact.

2. The Board hereby adopts the Committee’s recommendation and approves the Internal Audit Charter in substantially the form and format attached hereto.

3. To the extent that there are any typographical, administrative, and/or scrivener’s errors contained herein that do not change to tone, tenor or purpose of this Resolution, then such errors may be corrected with no further action required by the Board.

4. This Resolution shall be effective upon approval by the Board.

Dated this 24th day of January, 2023.

__________________________
JEA Board Chair

__________________________
JEA Board Secretary

Form Approved by ________________________________
Office of General Counsel

VOTE
In Favor
Opposed
Abstained
POLICY STATEMENT:
The purpose of JEA’s internal audit function is to provide risk-based independent and objective assurance, advice, and insight to enhance and protect JEA’s organizational value. Internal Audit helps JEA to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

JEA’s internal audit function governs itself by adhering to the mandatory elements of the Institute of Internal Auditors’ International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the definition of Internal Auditing.

GENERAL DESCRIPTION of PROCEDURE:
This procedure is intended to:
1. Address the authority of the Director, Audit Services, and the Internal Audit Staff.
2. Describe the key roles and responsibilities of Internal Audit.
3. Outline Internal Audit’s Quality Assurance program.

ASSIGNMENT of RESPONSIBILITY:
The Director, Audit Services or designee shall establish, maintain, and disseminate this Charter and any related supporting documentation.

DEFINITIONS:
Internal Auditing – The Institute of Internal Auditors’ (IIA) definition of internal auditing is “An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. It also enhances and protects organizational value by providing risk-based and objective assurance, advice, and insight.”

Assurance Services – An objective examination of evidence for the purpose of providing an independent assessment of governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements. A key part of Internal Audit’s responsibilities.

Consulting Services – Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value, and improve an organization’s governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training. A key part of Internal Audit’s responsibilities.

Quality Assurance – A program based on an IIA Standard, which is designed to enable an evaluation of Internal Audit’s conformance with the IIA’s Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement. Adequate supervision and quality assurance will be performed and documented for each auditor and each audit assignment as defined in Internal Audit’s Quality Assurance Improvement Program (QAIP) Procedure ASC0500QA, which includes external peer reviews as required by the IIA, at least every five years.

Effective Date: January 13, 2023,
**PROCEDURE:**

**A. Roles & Responsibilities**

<table>
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| Director, Audit Services              | Oversees the execution of a program of Internal Audit projects as necessary to fulfill the purpose and mission of the department, including an annual risk assessment and development of an annual risk-based audit plan. Is also the organization’s Chief Audit Executive (CAE).  
Additionally, the Director, Audit Services will confirm to the Governance, Audit and Compliance Committee, at least annually, the organizational independence of the internal audit function and conformance with the IIA’s Code of Ethics and Standards. |
| VP & Chief Administrative Officer (CAO)| To whom the Director, Audit Services, and Internal Audit reports administratively.                                                                                       |
| Managing Director / Chief Executive Officer (CEO) | To whom the Director, Audit Services reports when Internal Audit conducts audits of Compliance Department functions. Meets regularly with the Director, Audit Services. |
| JEA Management                        | Although the role of Internal Audit is to assess internal controls, systems, procedures, risks, etc., JEA management retains full responsibility for ensuring that JEA maintains an appropriate framework of controls to reduce business risks to an acceptable level.  
Management also has the responsibility and accountability for addressing weaknesses and inefficiencies identified in both External and Internal Audit Reports and for taking the necessary corrective action. If JEA management decides to accept a level of risk that Internal Audit believes is imprudent and improper, and this difference of opinion cannot be resolved, the CAE has the option to refer the matter to the Enterprise Compliance & Risk Committee (ECRC) for discussion and resolution, as stated in the ECRC Charter.  
Management should immediately inform the CAE of any significant internal control problems, thefts, frauds, or unauthorized transactions. |
| Internal Audit Staff                  | Executes the program of Internal Audit projects, including the annual risk-based audit plan. Internal Audit’s authority and key responsibilities are described as follows:  
**Authority, Independence & Objectivity**  
- To have access to all JEA records, assets, properties, plants, computers, personnel, etc., with strict and absolute accountability for safekeeping and confidentiality while conducting their internal audit duties.  
- Internal Audit staff will maintain an unbiased mental attitude that allows them to perform engagements objectively, with no quality compromises, and without subordinating their judgement on audit matters to others.  
- Internal Audit staff will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement.  
- Auditors will not be assigned to audits or projects in areas where they previously worked within the past 24 months, or where their degree of independence could be questioned in any other way. |
Annual Risk Assessment and Audit Plan Activities
- Perform annual risk assessment activities and develop an annual risk-based audit plan. The Director, Audit Services will present the annual audit plan to the Governance, Audit and Compliance Committee for review and approval.

Assurance/Audit Activities
- Evaluate the effectiveness of controls over the reliability and integrity of management information. Ascertain the level of compliance with policies, procedures, laws, and regulations.
- Review operations to evaluate whether established objectives and goals are being achieved.
- Assist management in identifying operational, financial, regulatory, and reputational risks, and assess JEA's ability to adequately mitigate these risks.
- Conduct objective reviews of company business activities, operations, internal controls and performance management systems, and report results to JEA management.
- Proactively consult with internal customers on recommendations and the implementation of action plans and monitor results.
- Perform engagement level audit planning and risk control assessment.
- Perform action plan follow-up.

Consulting Activities
- Provide consulting services where the level of risk warrants our involvement. However, Internal Audit does not act in an operating capacity, and cannot be part of the approval process.

Reporting
- Detailed written reports will be prepared and issued to management following the completion of each audit. The contents will be discussed with auditee management before the reports are finalized, except in cases of fraud.
- Reports will generally be distributed to the Chief/Vice President and Director/Manager of the area being audited, along with the Managing Director/Chief Executive Officer and/or the President/Chief Operating Officer, as well as the Chief Risk and Compliance Officer. Final audit reports are also submitted to the City of Jacksonville’s Council Auditor’s office and the Office of the Inspector General. Quarterly summaries of audit results are presented to the Governance, Audit and Compliance Committee of the Board of Directors.

Governance, Audit, and Compliance Committee of JEA’s Board of Directors
- Meets regularly with the Director, Audit Services. Annual review and approval of Charter.

JEA’s External Auditors
- Primary auditor of JEA’s financial statements. To minimize duplication of efforts, Internal Audit will not audit JEA’s financial statements, although operational audits of Finance areas may be scheduled.
Governance, Audit, and Compliance Committee - Informational Material

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<td></td>
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<td>Internal Audit Charter</td>
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**SIGNED:**

- **Title:** Managing Director / Chief Executive Officer (CEO)
- **Effective Date:** August 14, 2020

**Revised Dates:** August 14, 2020 (1.13.23)

**Origination Date:** October 5, 2004, with twelve (13) subsequent annual subsequent revisions / presentations / approvals, most recently on November 14, 2022

**Keywords:** internal audit, assurance, consulting, quality assurance
POLICY STATEMENT:
The purpose of JEA’s internal audit function is to provide risk-based independent and objective assurance, advice, and insight and consulting services designed to enhance and protect JEA’s organizational value, add value and improve JEA’s operations. Internal Audit helps JEA to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes, internal control, compliance, and governance processes.

The Institute of Internal Auditors’ (IIA’s) Mission of Internal Audit is “To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.” The specific mission of JEA's Internal Audit is to perform comprehensive, objective audits (assurance services) and consulting reviews (consulting services) that fulfill the purpose outlined above, while conforming to the IIA’s Standard Practices, Code of Ethics, Definition of Internal Auditing, and Mission of Internal Audit.

JEA’s internal audit function will govern itself by adherence to the mandatory elements of the Institute of Internal Auditors’ International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the definition of Internal Auditing.

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1. Address the authority of the Director, Audit Services, and the Internal Audit Staff.
2. Describe the key roles and responsibilities of Internal Audit.
3. Outline Internal Audit’s Quality Assurance program.

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Internal Auditing – The Institute of Internal Auditors’ (IIA) definition of internal auditing is “An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Also enhances and protects organizational value by providing risk-based and objective assurance, advice, and insight.”

Assurance Services – An objective examination of evidence for the purpose of providing an independent assessment of governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements. A key part of Internal Audit’s responsibilities.

Consulting Services – Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value, and improve an organization’s governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training. A key part of Internal Audit’s responsibilities.
Quality Assurance – A program based on an IIA Standard, which is designed to enable an evaluation of Internal Audit’s conformance with the IIA’s Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement. Adequate supervision and quality assurance will be performed and documented for each auditor and each audit assignment as defined in Internal Audit’s Quality Assurance Improvement Program (QAIP) Procedure ASC0500QA, which includes external peer reviews as required by the IIA, at least every five years (beginning in 2005).

PROCEDURE:
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<td>Although the role of Internal Audit is to assess internal controls, systems, procedures, risks, etc., JEA management retains full responsibility for ensuring that JEA maintains an appropriate framework of controls to reduce business risks to an acceptable level. Management also has the responsibility and accountability for addressing weaknesses and inefficiencies identified in both External and Internal Audit Reports and for taking the necessary corrective action. If JEA management decides to accept a level of risk that Internal Audit believes is imprudent and improper, and this difference of opinion cannot be resolved, the CAE has the option to refer the matter to the Enterprise Compliance &amp; Risk Committee (ECRC) for discussion and resolution, as stated in the ECRC Charter. Management should immediately inform the CAE of any significant internal control problems, thefts, frauds, or unauthorized transactions.</td>
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Authority, Independence & Objectivity

- To have access to all JEA records, assets, properties, plants, computers, personnel, etc., with strict and absolute accountability for safekeeping and confidentiality while conducting their internal audit duties.
- Internal Audit staff will maintain an unbiased mental attitude that allows them to perform engagements objectively, with no quality compromises, and without subordinating their judgement on audit matters to others.
- Internal Audit staff will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement.
- Auditors will not be assigned to audits or projects in areas where they previously worked within the past 24 months, or where their degree of independence could be questioned in any other way.

Annual Risk Assessment and Audit Plan Activities

- Perform annual risk assessment activities and develop an annual risk-based audit plan. The Director, Audit Services will present the annual audit plan to the Governance, Audit and Compliance Finance & Audit Committee for review and approval.

Assurance/Audit Activities

- Evaluate the effectiveness of controls over the reliability and integrity of management information. Ascertain the level of compliance with policies, procedures, laws, and regulations.
- Review operations to evaluate whether established objectives and goals are being achieved.
- Assist management in identifying operational, financial, regulatory, and reputational risks, and assess JEA’s ability to adequately mitigate these risks.
- Conduct objective reviews of company business activities, operations, internal controls and performance management systems, and report results to JEA management.
- The audit scope will be based on Internal Audit’s assessment of risk. Audit coverage will focus on high risk areas as defined in the annual risk assessment process.

Consulting Activities

- Provide consulting services where the level of risk warrants our involvement. However, Internal Audit does not act in an operating capacity, and cannot be part of the approval process.
- Detailed written reports will be prepared and issued to management following the completion of each audit. The contents will be discussed with auditee management before the reports are finalized, except in cases of fraud.
- Reports will generally be distributed to the Chief/Vice President and Director/Manager of the area being audited, along with the Managing Director/Chief Executive Officer and/or the President/Chief Operating Officer, as well as the Chief Risk and Compliance Officer. Final audit reports are also submitted to the City of Jacksonville’s Council Auditor’s office and the Office of the Inspector General. Quarterly summaries of audit results are presented to the Governance, Audit and Compliance Committee of the Board of Directors.

**Team Assignment Restrictions**
- Auditors will not be assigned to audits or projects in areas where they previously worked within the past 24 months, or where their degree of independence could be questioned in any other way.

---

**Finance and Audit Governance, Audit and Compliance Committee of JEA’s Board of Directors**

Meets **quarterly, regularly** with the Director, Audit Services. Annual review and approval of Charter.

---

**JEA’s External Auditors**

Primary auditor of JEA’s financial statements. To minimize duplication of efforts, Internal Audit will not audit JEA’s financial statements, although operational audits of Finance areas may be scheduled.

---

**SIGNED:**

**Title:** Managing Director / Chief Executive Officer (CEO)

**Effective Date:** August 14, 2020

**Revised Dates:** August 14, 2020 [1.6.23]

**Origination Date:** October 5, 2004, with twelve (12) subsequent annual subsequent revisions / presentations / approvals, most recently on November 14, 2022 August 14, 2020.

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Effective Date: January 13, 2023