NES Power Board
Audit Committee
July 22, 2026
Executive Summary – Internal Audit

FY26 Internal Audit Status Report

Nashville Electric Service	
Internal Audit Status Report-FY26	
As of July 22, 2026	
CURRENT AUDITS	
Audit Description	**Date Started**
Physical Security & Employee Safety	November 2025
Storm Expenditures	April 2026
Meter to Cash	April 2026
Network and Cybersecurity - Corporate	May 2026
UPCOMING AUDITS	
Audit Description	**Scheduled Start Date**
Capital Projects and Capitalization Process	Defer to FY27
NON-AUDIT SERVICES	
Service Description	**Status/Scheduled Date**
Enterprise Risk Management Assistance	Complete
Oracle C2M User Roles Segregation of Duties Assistance	In-Process
ServiceNow Integrated Risk Management (IRM) Assistance	In-Process
Fraud Risk Assessment	May 2026
Completed AUDITS	
Audit Description	**Completion Date**
Travel Expenses	November 2025
Q1 FY26 Follow-up and Remediation	January 2026
Environmental Safety	March 2026
T&D Operations	March 2026
Non-Metered Electric Billing and Miscellaneous Revenues	May 2026
Equipment and Materials Management	May 2026
Contribution in Aid to Construction	May 2026
Board, Executive, and Employee Accounts	May 2026
Q2 & Q3 FY26 Follow-up and Remediation	May 2026
Cybersecurity Operations	July 2026

Summary of Audit Reports Issued – July 26, 2026

Baker Tilly Advisory Group, LP completed certain internal audit services for Nashville Electric Service (NES) for the following audits.

Audit: FY26 Cybersecurity Operations

Scope of work included a review of physical access to System Operations area, administrative access to systems, internal and external firewalls, network monitoring, server and workstation patching, change management, and disaster recovery processes. Additionally, we performed follow-up on prior review observations. Our fieldwork was performed April through May 2026. The audit covered the period April 1, 2025 through March 31, 2026. Our primary objective was to independently and objectively test and assess the internal controls related to Non-Metered Electric Billing and Miscellaneous Revenues.

Based on the scope of the audit, the following table portrays the number of audit findings by response priority. Red reflects audit findings that are considered high response priority, yellow reflects audit findings of medium response priority, and green reflects findings of low response priority.

Internal Audit Area	High	Medium	Low
Operations Compliance Department	-	-	1
Total	-	-	1

Internal Audit Annual Communications

The IIA Global Internal Audit Standards require that we (Internal Audit) discuss at least annually, certain aspects of governance of the internal audit function with the board and senior management to maintain alignment among respective responsibilities of the board, senior management, and the internal audit function. In the spirit of these communications, we affirm that:

- The purpose of internal auditing is to help strengthen the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight,
- The Internal Audit function is established, approved, and supported by the board,
- The Internal Audit function's authority, purpose, roles, independence, access rights, responsibilities, and services (i.e., Internal Audit Mandate) are documented in the Internal Audit Charter,
- The Internal Audit Charter is approved by the board and senior management,
- The Internal Audit Director provides the board and senior management with information needed to support the internal audit function throughout the organization,
- The Internal Audit function is positioned independently,
- The Internal Audit Director maintains and enhances the qualifications and competencies needed to fulfill the roles and responsibilities expected by the board and senior management,

and,

- The Internal Audit function is overseen by the board and provides sufficient communications to the board and senior management regarding the sufficiency of internal audit resources, potential impairments to independence, results of internal audit services, and results from internal and external quality assurance assessments and improvement programs.

Internal Audit Plan

We updated the prior year's risk assessment by interviewing key members of management including board members, the CEO, EVP, CFO, CIO, and all VPs.

Fiscal year 2026 was the final year of the three-year plan proposed in June 2023. Consistent with our prior methodology, this year's risk assessment was used to develop a new three-year audit plan that covers fiscal years 2027, 2028, and 2029. The FY27 audit plan includes 6,990 hours.