NES Power Board
Audit Committee
May 27, 2026
Executive Summary – Internal Audit

FY26 Internal Audit Status Report

CURRENT AUDITS	
Audit Description	**Date Started**
Physical Security & Employee Safety	November 2025
Cybersecurity Operations	April 2026
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

Summary of Audit Reports Issued – May 27, 2026

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

Audit: Non-Metered Electric Billing and Miscellaneous Revenue

Scope of work included a review of billing of flat rate and pole attachment customers, property and right of way lease agreements processes, contract management process, and the payment and collection process of these accounts. Our fieldwork was performed February 2026 through March 2026. The audit covered the period April 1, 2025 through December 31, 2025. Our primary objective was to independently and objectively test and assess the internal controls related to Non-Metered Electric Billing and Miscellaneous Revenues.

During the course of our work, no reportable findings were identified.

Audit: Equipment and Materials Management

Scope of work included a review of vendor selection, vendor contracts, vendor management, purchasing, requisition and replenishment processes, materials inventory management, and related accounting. Our fieldwork was performed November 2025 through December 2025. The audit covered the period from October 1, 2024 through September 30, 2025. Our primary objective was to independently and objectively test and assess the internal controls related to Equipment and Materials Management.

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
Inventory Cycle Counts and Receiving Process	-	1	-
Scrap Wire Estimated Weight Calculation	-	-	1
Total	**-**	**1**	**1**

Audit: Contribution in Aid to Construction

Scope of work included a review of the Contribution In Aid To Construction (CIAC) processes related to CIAC estimations, calculations, invoicing, payments, true-ups and refunds. Our fieldwork was performed January through March 2026. The audit covered the period from April 1, 2025 through October 31, 2025. Our primary objective was to independently and objectively test and assess the internal controls related to Contribution In Aid To Construction.

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
Revenue Allowance Spreadsheet	-	1	-
Total	**-**	**1**	**-**

Audit: FY26 Board, Executives and Employee Accounts

Scope of work included a review of Board, Executives, and Employee Accounts processes related to billing, adjustments, and meter readings. Our fieldwork was performed February through March 2026. The audit covered the period from January 1, 2025 through December 31, 2025. Our primary objective was to independently and objectively test and assess the internal controls related to Board, Executive, and Employee Accounts.

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
NES Employee Account Flag	-	1	-
Total	**-**	**1**	**-**

Audit: Q2 and Q3 FY26 Follow-up & Remediation

On a quarterly basis Internal Audit performs a follow-up review and testing of internal controls, as needed, to determine and confirm the remediation status of prior audit observations with target implementation dates during the fiscal quarter.

For Q2 and Q3 FY26, 7 prior audit observations were reviewed; 3 were determined to be remediated, 4 have extended target remediation dates.