

**BOARD AGENDA SUMMARY SHEET**

<b>Committee or Board:</b> Board	<b>Date:</b> January 11, 2019	<b>Board Meeting Date:</b> January 23, 2019
-------------------------------------	----------------------------------	--

**For All Board Voting Items:**

**Title of Agenda Item:** Approval of Amendments to the Audit Relationship Policy

**Consent Agenda:**  Yes  No

**Accompanying Presentation:**  Yes  No

**Recommendation from Committee:**  N/A  F&A;  GP&P;  Oversight & REV

**LIPA Presenter:** N/A

**PSEG Long Island Presenter:** N/A

**For Policy Reports Only:**

**Type of Policy / Report:**  Operating;  Governance;  Compliance;  Mission

**Date of Last Report:** July 25, 2018

**Compliance Since Last Report:**  Yes  No

**Proposed Changes to Policy:**  Yes  No

<b>Requested Action:</b>	The Board is requested to adopt a resolution approving an amended Board Policy on Audit Relationships.
<b>Summary: (include proposed amendments to Board Policies, if applicable)</b>	The proposed changes to the Board Policy include the following: <ul style="list-style-type: none"><li>• To clarify the Finance and Audit Committee’s role in reviewing decisions to hire or dismiss the head of the Audit Department.</li><li>• The change in the name of the Oversight and REV Committee.</li><li>• The addition of an expectation that the Finance and Audit Committee will review the provisions of the Board Policy on Audit Relationships annually</li></ul>

## **FOR CONSIDERATION**

January 23, 2019

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Approval of an Amended Board Policy on Audit Relationships

---

### **Requested Action**

The Board of Trustees of the Long Island Power Authority (the “Authority”) is requested to adopt a resolution approving an amended Board Policy on Audit Relationships, as further described below.

### **Board Policy on Audit Relationships**

The Finance and Audit Committee of the Authority’s Board of Trustees, in its Charter, was delegated the responsibility of reviewing the Authority’s policies regarding Audit Relationships.

The Board Policy on Audit Relationships defines the expectations of the Board regarding the existing authority granted to the Finance and Audit Committee for:

- Selecting an independent certified public accounting firm to conduct annual audits of the Authority.
- The annual review of the audit plan as well as the Charter, activities, staffing, budget, and organizational structure of the Internal Audit Department and confirming the independence of the internal auditors.
- Monitoring, in consultation with the Vice President - Audit, the significant findings of internal audit reports and the status of the implementation of management’s action plans in response to such audit findings.
- Setting forth the procedures for the Board of Trustee’s receipt, review and implementation of any recommendations in a Management and Operations Audit conducted by the New York State Department of Public Service (“DPS”).

### **Proposed Changes to Board Policy**

The proposed changes to the Board Policy include the following:

- To clarify the Finance and Audit Committee’s role in reviewing decisions to hire or dismiss the head of the Audit Department.

- The change in the name of the Oversight and REV Committee.
- The addition of an expectation that the Finance and Audit Committee will review the provisions of the Board Policy on Audit Relationships annually.

### **Recommendation**

Based upon the foregoing, I recommend the approval of the adoption of the resolution in the form attached hereto as **Exhibit “A”**.

### **Attachments**

**Exhibit “A”** Resolution

**Exhibit “B”** Board Policy on Audit Relationships (redline)

**Exhibit “C”** Board Policy on Audit Relationships (clean)

**RESOLUTION APPROVING AMENDMENTS TO THE LONG ISLAND POWER AUTHORITY BOARD POLICY ON AUDIT RELATIONSHIPS**

---

**WHEREAS**, the Board of Trustees of Long Island Power Authority (the “Authority”) oversees the management of the Authority, the contractual relationship with the Authority’s Service Provider, and fulfillment of the Authority’s mission; and

**WHEREAS**, as stewards of the Authority, the Trustees are responsible for setting the Authority’s audit relationship policy and overseeing its fulfillment; and

**WHEREAS**, the Finance & Audit Committee of the Authority’s Board of Trustees, in its Charter, was delegated the responsibility of reviewing the Authority’s policies regarding Audit Relationships;

**WHEREAS**, in the Authority’s By-Laws, the Authority’s Board of Trustees delegated certain responsibilities to the Chief Executive Officer for managing and directing the staff of the Authority; and

**WHEREAS**, policies addressing audit relationships have been recommended by the Finance & Audit Committee for adoption by the Board.

**NOW, THEREFORE, BE IT IS RESOLVED**, that the Trustees hereby approve and adopt the amended Policy on Audit Relationships, in accordance with the accompanying memorandum; and

**BE IT FURTHER RESOLVED**, that the Policy on Audit Relationships be subject to annual review and evaluation by the Finance & Audit Committee in accordance with the accompanying memorandum.

Dated: January 23, 2019

Board Policy:	<b>Audit Relationships</b>
Policy Type:	<b>Governance Process</b>
Monitored by:	<b>Finance and Audit Committee</b>
Board Resolution:	<b>#1355, approved March 29, 2017</b> <b>#1410, amended March 29, 2018</b> <b>#1420, amended July 25, 2018</b> <b><u>[#xxxx], amended January 23, 2019</u></b>




---

## Board Policy on Audit Relationships

The Board of Trustees shall do the following regarding the independent external auditor, the internal auditors of the Authority, and the—management and operations audits conducted by ~~of~~ the Department of Public Service.

### Independent External Auditor

- The Board of Trustees, on the recommendation of the Finance and Audit Committee, will select an independent certified public accounting firm to conduct annual audits of the Authority. The Board will make the choice of the external auditor based on advice from staff and others as it deems necessary to exercise prudent, independent judgement.
- The Finance and Audit Committee will annually review the audit services to be performed by such independent auditor, including the scope, fees and terms thereof and all relationships between the auditor and the Authority.
- The Finance and Audit Committee will meet each year with the external auditors at the commencement of the annual audit and again after the audit is complete. The meeting at the completion of the audit will be independent of staff. The Committee members will report any significant findings to the Board in a timely manner.

### Internal Auditors

The Authority's internal auditors provide independent, objective assurance and consulting services to the Board and management designed to improve the organization's operations, risk management, control, and governance processes.

- The internal auditors shall conduct audits as identified in the annual audit plan as well as special projects as requested by the Finance and Audit Committee, acting as a whole, or management.
- The annual audit plan will include audits of the Authority and its service providers, and the internal auditors shall have unlimited access to all activities, records, property, and personnel of the Authority and its service providers in the performance of their duties.
- The Finance and Audit Committee will annually review and provide guidance on the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit Department and will confirm the independence of the internal auditors. The Vice President - Audit shall administratively report to the Chief Executive Officer.

- The Finance & Audit Committee will review and approve the appointment or removal of the Vice President – Audit.
- The Finance and Audit Committee will monitor, in consultation with the Vice President - Audit, the significant findings of internal audit reports and the status of the implementation of management’s action plans in response to such audit findings.
- The Finance and Audit Committee will meet at least twice per year with the Vice President - Audit independent of other Authority staff and will report any significant internal audit findings to the Board in a timely manner.

### **Management and Operations Audits**

The LIPA Reform Act (the “Act”) directs the Department of Public Service to conduct comprehensive management and operations audits of the Authority and PSEG Long Island at least once every five years.

- Upon completion of an audit, the Department of Public Service must deliver to the LIPA Board a report of its findings together with any recommendations for improvements. Absent a preliminary finding of inconsistency made by the Board, under the procedures set forth in the Act, the audit report’s recommendations become final 30 days after receipt by the Board.
- Ninety days after the audit report’s finalization, the Authority’s Chief Executive Officer, in coordination with PSEG Long Island, shall submit an implementation plan to the Oversight and REV- Committee of the Board to effectuate the audit’s recommendations.
- ~~Thereafter, t~~The Authority’s Chief Executive Officer, together with PSEG Long Island, will submit an annual report to the Oversight and REV Committee of the Board and the Department of Public Service of the status of the implementation plan. That annual report will include a summary of the activities completed to date and any revisions to completion targets. The annual report will be reviewed by Internal Audit for completeness prior to submission. The Oversight and REV Committee will report significant matters to the Board.
- Internal Audit will review the effectiveness of the implementation plan in addressing each audit recommendation after the completion of the plan for that recommendation.

The Finance and Audit Committee will annually review the provisions of the Board Policy on Audit Relationships.



Board Policy:	<b>Audit Relationships</b>
Policy Type:	<b>Governance Process</b>
Monitored by:	<b>Finance and Audit Committee</b>
Board Resolution:	<b>#1355, approved March 29, 2017</b> <b>#1410, amended March 29, 2018</b> <b>#1420, amended July 25, 2018</b> <b>[#xxxx], amended January 23, 2019</b>

---

### **Board Policy on Audit Relationships**

The Board of Trustees shall do the following regarding the independent external auditor, the internal auditors of the Authority, and the management and operations audits conducted by the Department of Public Service.

#### **Independent External Auditor**

- The Board of Trustees, on the recommendation of the Finance and Audit Committee, will select an independent certified public accounting firm to conduct annual audits of the Authority. The Board will make the choice of the external auditor based on advice from staff and others as it deems necessary to exercise prudent, independent judgement.
- The Finance and Audit Committee will annually review the audit services to be performed by such independent auditor, including the scope, fees and terms thereof and all relationships between the auditor and the Authority.
- The Finance and Audit Committee will meet each year with the external auditors at the commencement of the annual audit and again after the audit is complete. The meeting at the completion of the audit will be independent of staff. The Committee members will report any significant findings to the Board in a timely manner.

#### **Internal Auditors**

The Authority's internal auditors provide independent, objective assurance and consulting services to the Board and management designed to improve the organization's operations, risk management, control, and governance processes.

- The internal auditors shall conduct audits as identified in the annual audit plan as well as special projects as requested by the Finance and Audit Committee, acting as a whole, or management.
- The annual audit plan will include audits of the Authority and its service providers, and the internal auditors shall have unlimited access to all activities, records, property, and personnel of the Authority and its service providers in the performance of their duties.
- The Finance and Audit Committee will annually review and provide guidance on the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit Department and will confirm the independence of the internal auditors. The Vice President - Audit shall administratively report to the Chief Executive Officer.

- The Finance & Audit Committee will review and approve the appointment or removal of the Vice President – Audit.
- The Finance and Audit Committee will monitor, in consultation with the Vice President - Audit, the significant findings of internal audit reports and the status of the implementation of management’s action plans in response to such audit findings.
- The Finance and Audit Committee will meet at least twice per year with the Vice President - Audit independent of other Authority staff and will report any significant internal audit findings to the Board in a timely manner

### **Management and Operations Audits**

The LIPA Reform Act (the “Act”) directs the Department of Public Service to conduct comprehensive management and operations audits of the Authority and PSEG Long Island at least once every five years.

- Upon completion of an audit, the Department of Public Service must deliver to the LIPA Board a report of its findings together with any recommendations for improvements. Absent a preliminary finding of inconsistency made by the Board, under the procedures set forth in the Act, the audit report’s recommendations become final 30 days after receipt by the Board.
- Ninety days after the audit report’s finalization, the Authority’s Chief Executive Officer, in coordination with PSEG Long Island, shall submit an implementation plan to the Oversight and REV Committee of the Board to effectuate the audit’s recommendations.
- The Authority’s Chief Executive Officer, together with PSEG Long Island, will submit an annual report to the Oversight and REV Committee of the Board and the Department of Public Service of the status of the implementation plan. That annual report will include a summary of the activities completed to date and any revisions to completion targets. The annual report will be reviewed by Internal Audit for completeness prior to submission. The Oversight and REV Committee will report significant matters to the Board.
- Internal Audit will review the effectiveness of the implementation plan in addressing each audit recommendation after the completion of the plan for that recommendation.

The Finance and Audit Committee will annually review the provisions of the Board Policy on Audit Relationships.