

BOARD AGENDA SUMMARY SHEET

Committee or Board: Board	Date: May 8, 2020	Board Meeting Date: May 20, 2020
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For All Board Voting Items:

Title of Agenda Item: Approval of Amendments to the Board Policy on Audit Relationships

Consent Agenda: Yes No

Accompanying Presentation: Yes No

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

LIPA Presenter: Kathleen Mitterway (presentation at F&A)

PSEG Long Island Presenter: N/A

Enterprise Risk Management Discussion: Yes No

For Policy Reports Only:

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

Date of Last Report: January 23, 2019

Compliance Since Last Report: Yes No

Proposed Changes to Policy: Yes No

Requested Action:	The Board is requested to adopt a resolution approving an amended Board Policy on Audit Relationships.
Summary: (include proposed amendments to Board Policies, if applicable)	<p>The Board Policy on Audit Relationships defines the expectations of the Board regarding the existing authority granted to the Finance and Audit Committee for: (i) selecting an independent certified public accounting firm to conduct annual audits of LIPA; (ii) 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; (iii) 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; and (iv) 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”)</p> <p>The proposed changes to the Board Policy include the addition that Internal Audit governs itself by adherence to The Institute of Internal Auditors' Mandatory Guidance and certain other minor amendments to the Policy.</p>

FOR CONSIDERATION

May 20, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of Amendments to the Board Policy on Audit Relationships

Requested Action

The Board of Trustees of the Long Island Power Authority (“LIPA”) 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 LIPA’s Board of Trustees, in its Charter, was delegated the responsibility of reviewing LIPA’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 LIPA.
- 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 addition that Internal Audit governs itself by adherence to The Institute of Internal Auditors' Mandatory Guidance and certain other minor amendments to the Policy. The proposed changes to the Policy are more specifically set forth in **Exhibit “B”**.

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 (“LIPA”) oversees the management of the Authority, the contractual relationship with LIPA’s Service Provider, and fulfillment of LIPA’s mission; and

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

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

WHEREAS, in LIPA’s By-Laws, LIPA’s Board of Trustees delegated certain responsibilities to the Chief Executive Officer for managing and directing the staff of LIPA; 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: May 20, 2020



Board Policy:	Audit Relationship
Policy Type:	Governance Process
Monitored by:	Finance and Audit Committee
Board Resolution:	#1355, approved March 29, 2017 #1410, amended March 29, 2018 #1420, amended July 25, 2018 [#xxx], amended January 23, 2019

Board Policy on Audit Relationships

The Board of Trustees shall do the following regarding the independent external auditor, the internal auditors of ~~the Authority~~LIPA, 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~~LIPA. 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~~LIPA.
- 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~~LIPA'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 audit activity will adhere to The Institute of Internal Auditors' Mandatory Guidance, which includes 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.

- 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~~LIPA and its service providers, and the internal auditors shall have unlimited access to all activities, records, property, and personnel of ~~the Authority~~LIPA 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~~LIPA 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~~LIPA 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~~LIPA’s Chief Executive Officer, in coordination with PSEG Long Island, shall submit an implementation plan to the Oversight and ~~Clean Energy~~REV Committee of the Board to effectuate the audit’s recommendations.
- ~~The Authority~~LIPA’s Chief Executive Officer, together with PSEG Long Island, will submit an annual report to the Oversight and ~~REV~~Clean Energy 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 ~~Clean Energy~~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.



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Independent External Auditor

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- 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 LIPA.
- 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

LIPA'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 audit activity will adhere to The Institute of Internal Auditors' Mandatory Guidance, which includes 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.
- 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 LIPA and its service providers, and the internal auditors shall have unlimited access to all activities, records, property, and personnel of LIPA 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 LIPA staff and will report any significant internal audit findings to the Board in a timely manner

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- Ninety days after the audit report’s finalization, LIPA’s Chief Executive Officer, in coordination with PSEG Long Island, shall submit an implementation plan to the Oversight and Clean Energy Committee of the Board to effectuate the audit’s recommendations.
- LIPA’s Chief Executive Officer, together with PSEG Long Island, will submit an annual report to the Oversight and Clean Energy 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 Clean Energy 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.