

FOR CONSIDERATION

January 23, 2025

TO: The Board of Trustees

FROM: John Rhodes

SUBJECT: Consideration of Approval of the Annual Report and Amendments to the Board Policy on Audit Relationships

Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Audit Relationships (the "Policy"); (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as "**Exhibit A**".

Board Policy on Audit Relationships

F&A Committee, in its Charter, was delegated the responsibility for reviewing LIPA's audit-related policies and practices.

The Policy defines the expectations of the Board regarding the existing authority granted to the F&A Committee for, among other matters, (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 Internal Audit, and confirming the independence of the internal auditors; (iii) monitoring, in consultation with the Chief Audit Executive ("CAE"), the significant findings of internal audit reports and the status of the implementation of management's action plans in response to such audit findings; (iv) setting forth the procedures for the Board of Trustees' receipt, review and implementation of any recommendations in a Management and Operations Audit conducted by the New York State Department of Public Service ("DPS").

Since the last review of the Policy, the following activities have been performed consistent with the Policy:

Independent External Auditor

- The Board previously selected KPMG as the independent certified public accounting firm to conduct annual audits of LIPA. In March 2024, the F&A Committee met with KPMG to complete its annual 2023 annual audit. KPMG reported no significant findings as a result of its audit.

Internal Auditors

- Internal Audit conducted audits as identified in the annual audit plan and special projects requested by the F&A Committee or management. Internal audit activities were performed in accordance with the Institute of Internal Auditors' Mandatory Guidance.
- In December 2024, the F&A Committee reviewed and approved the audit plan, activities, staffing, budget, and organizational structure of the internal audit department.
- The CAE met with the F&A Committee at each Board meeting to discuss internal audit activities and progress toward remediation of Management Action Plans in response to internal audit findings.
- The CAE met with the F&A Committee at least twice per year in executive sessions independent of other LIPA staff and reported significant internal audit findings to the Board in a timely manner.

DPS Management and Operations Audits

- As required by the LIPA Reform Act, DPS procured NorthStar Consulting Group to conduct the Management and Operations audit, which concluded on March 22, 2024 with the filing of a final report containing 80 individual recommendations in 15 areas of management, oversight, and operations. In April 2024, DPS briefed the Board on this final audit report and key recommendations.
- During the April 2024 Board meeting, the Board of Trustees directed the LIPA and PSEG Long Island staff to implement the audit report's recommendations in accordance with the timeframe specified under such audit.
- LIPA staff will provide an annual update on the status of the 2022 recommendations starting with the Board's December 2025 meeting.

Annual Review of the Policy

The proposed changes to the Board Policy include minor stylistic changes. 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)

Exhibit "A"

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

WHEREAS, the Board of Trustees (the "Board") of Long Island Power Authority ("LIPA") is responsible for setting LIPA's audit relationship policy and overseeing its fulfillment; and

WHEREAS, the Finance & Audit Committee (the "F&A Committee"), in its Charter, was delegated the responsibility of reviewing LIPA's policies regarding audit relationships; and

WHEREAS, in LIPA's By-Laws, LIPA's Board delegated certain responsibilities to the Chief Executive Officer for managing and directing LIPA Staff.

WHEREAS, the F&A Committee has recommended approval of the annual report and amendments to the Audit Relationships Policy.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the Board hereby approves the changes to the Policy that are reflected in **Exhibit "B"**.

Dated: January 23, 2025



Board Policy:	Audit Relationships
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 #1462, amended January 23, 2019 #1528, amended, May 20, 2020 #1632, amended, May 19, 2021 #1725, amended, May 18, 2022 #1800, amended, June 28, 2023 #[xxxx], amended, January 23, 2025

LIPA's vision for audit relationships is to use audits to provide independent, objective assurance to the Board of Trustees (the "Board"), management, and stakeholders designed to improve LIPA's operations, risk management, controls, and governance processes, including those managed on LIPA's behalf by service providers.

To achieve our vision for audit relationships, LIPA will do the following:

Independent External Auditor

- The Board, on the recommendation of the Finance and Audit Committee (the "F&A Committee"), will select an independent certified public accounting firm to conduct annual audits of 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 judgment.
- The F&A 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 F&A 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 F&A Committee members will report any significant findings to the Board in a timely manner.

Internal Auditors

- LIPA's internal auditors 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 Global Internal Audit Standards \("the Standards"\)](#), [International Standards for the Professional Practice of Internal Auditing](#), and [the Definition of Internal Auditing Topical Requirements](#).
- Internal auditors shall conduct audits as identified in the annual audit plan as

- well as special projects requested by the F&A Committee, 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 F&A 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 chief audit executive shall administratively report to the Chief Executive Officer.
 - The F&A Committee will review and approve the appointment or removal of the chief audit executive. The CEO may appoint an individual to serve as chief audit executive on an interim basis.
 - The F&A Committee will monitor, in consultation with the chief audit executive, 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 F&A Committee will meet at least twice per year with the chief audit executive independent of other LIPA staff and will report any significant audit findings to the Board in a timely manner.

Department of Public Service Management and Operations Audits

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

- Upon completion of an audit, the DPS must deliver to the 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, 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 DPS on 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 F&A Committee will annually review the provisions of the Board Policy on Audit Relationships.



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- The F&A 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 F&A 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 F&A Committee members will report any significant findings to the Board in a timely manner.

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- LIPA’s internal auditors will adhere to the Institute of Internal Auditors’ Mandatory Guidance, which includes the Global Internal Audit Standards (“the Standards”) and Topical Requirements.
- Internal auditors shall conduct audits as identified in the annual audit plan as well as special projects requested by the F&A Committee, or management.
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