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## **LCRA BOARD POLICY**

### **221 – AUDITORS**

**Nov. 17, 2021**

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#### **221.10 PURPOSE**

This policy defines the relationship of LCRA's Board of Directors, the independent auditors and internal audit function.

#### **221.20 POLICY**

Independent auditors will be approved and retained by the Board of Directors, with the advice and recommendations of the Audit and Risk Committee and the general auditor. Following retention, the independent auditor will function in cooperation with, but independent of, executive management, the general auditor and staff.

Auditing Services is LCRA's internal audit function and consists of a general auditor, who is LCRA's chief audit executive, and audit personnel employed and contracted under the general auditor's supervision. To provide for the objectivity of its work, Auditing Services will report functionally to the LCRA Board and administratively to the GM/CEO and maintain independence from any other department or office within LCRA.

#### **221.30 SCOPE OF SERVICES**

The independent auditor is engaged to conduct an examination of the financial statements of LCRA in accordance with generally accepted auditing standards, and to express an opinion as to the fairness of the financial statements in conformity with generally accepted accounting principles.

The independent auditor will meet with the Board's Audit and Risk Committee at least twice each year to discuss the audit plan, audit results and other related matters.

The independent auditor also may be engaged to perform other audit and consulting and advisory services. To the extent these additional services are requested by and performed at management's request, the Board's Audit and Risk Committee must approve such engagements before the work is assigned. Audit and Risk Committee approval is not required for the use of the independent auditor for co-sourced or outsourced services or for services required for the issuance of LCRA debt.

Auditing Services' purpose is to assist the LCRA Board, the GM/CEO, management and employees in the effective discharge of their responsibilities by providing audits, analyses,

recommendations, counsel and information regarding whether LCRA's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning.

#### **221.40      TERM OF SERVICE**

The independent auditor will be evaluated and appointed annually by the Board. LCRA will retain the right to terminate the engagement at any time following due notice.

In connection with the annual evaluation, the Board may consider selecting and appointing a new independent auditor. The Board may decide it is in LCRA's best interest to do so even if the current independent auditor is performing satisfactorily.

The general auditor will be hired by the LCRA Board in consultation with the GM/CEO. The general auditor may be discharged only upon a majority vote of the Board following consultation with the GM/CEO. The Board will approve and make any adjustment to the general auditor's compensation and will review his or her performance. The general auditor may meet with the Board, Audit and Risk Committee or other designee without other LCRA staff present, and the Board or Audit and Risk Committee will have final authority to review and approve the Auditing Services charter, resource plan, annual audit plan and all significant changes to the plan. The Audit and Risk Committee will have oversight of the Auditing Services budget. The Board will make appropriate inquiries of management and the general auditor to determine whether there is inappropriate scope or resource limitations.

**EFFECTIVE:** November 1985. Republished March 19, 1987. Amended Oct. 22, 1992; June 21, 2000; April 16, 2008; and Aug. 25, 2010. Reaffirmed April 20, 2011. Amended Sept. 21, 2016; and Nov. 17, 2021.