
LCRA BOARD POLICY

221 – INDEPENDENT AND INTERNAL AUDITORS

March 26, 2025

221.10 PURPOSE

This policy defines the relationship of LCRA's Board of Directors to both the independent auditors and the 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 Board's Audit and Risk Committee. 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/or 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 general manager (GM)/CEO and maintain independence from any other department or office within LCRA.

221.30 INDEPENDENT AUDITOR

221.301 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 Audit and Risk Committee at least annually 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, unless those additional services would adversely impact the independent auditor's obligation of independence. To the extent these additional services are requested by and performed at management's request, the 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.

221.302 Term of Service

The independent auditor will be appointed or reappointed annually by the Board. The Board may, at any time, choose to evaluate the performance of the independent auditor, and 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. In any engagement contract with the independent auditor, LCRA will retain the right to terminate the engagement at any time.

221.40 GENERAL AUDITOR

221.401 Scope of Services

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.

221.402 Term of Service

The general auditor will be hired by the LCRA Board in consultation with the GM/CEO. Review of the general auditor will be conducted in accordance with Board Policy 107 and the general auditor may be discharged only upon a majority vote of the Board following consultation with the GM/CEO.

The general auditor may meet with the Board, Audit and Risk Committee or other designee without other LCRA staff present. The Board, or the Audit and Risk Committee to the extent delegated by the Board, will have final authority to review, discuss, require changes to, 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.

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. Amended and renamed March 26, 2025.