

# Audit Committee

## Audit Committee Authority

Pursuant to resolution number 1099, dated January 10, 2017, the Gladstone City Council has established an audit committee to assist the Council in the oversight of both the internal and external audit functions. The role of an audit committee shall be advisory and any recommendations it provides to Council shall not be substituted for any required review and acceptance by the City Council.

## Mission

The City of Gladstone City Council has established an audit committee to provide independent advice, assistance, and recommendations to the Council in the oversight of the internal and external audit functions of the city.

## Composition and Requisite Skills

The City of Gladstone Audit Committee will be comprised of up to six members. The term limits will be set at 2 or 3 years staggered.

The Committee members collectively should possess the knowledge in accounting, auditing, financial reporting and city finances needed to understand and evaluate the city's financial statements, the external audit and the city's internal controls. Accordingly, the Audit Committee's members, collectively, should:

- Possess the requisite knowledge necessary to understand technical and complex financial reporting issues.
- Have the ability to communicate with auditors, public finance officers and the City Council.
- Be knowledgeable about internal controls, financial statement audits and management/operational audits.

## Duties and Responsibilities

The duties and responsibilities of the City of Gladstone Audit Committee include the following:

- **External Audit Focus**
  - Provide recommendations regarding the selection of the external auditor to City Council.
  - Meet with the external auditor prior to commencement of the audit to, among other things, review the engagement letter.

- Review and discuss with the external auditor any risk assessment of the district's fiscal operations developed as part of the auditor's responsibilities under governmental auditing standards for a financial statement audit and federal single audit standards, if applicable.
  - Receive and review the draft annual audit report and accompanying draft management letter, including the external auditor's assessment of the city's system of internal controls, and, working directly with the external auditor, assist the City Council in interpreting such documents.
  - Make a recommendation to City Council on accepting the annual audit report.
  - Review every corrective action plan developed by the city and assist the City Council in the implementation of such plans.
- **Administrative Matters**
    - Hold regularly scheduled meetings.
    - Review and revise the Audit Committee document, as necessary.

## Membership

The membership duties of the City of Gladstone Audit Committee include the following:

- **Good Faith** – Members of the Committee shall perform their duties in good faith, in a manner they reasonably believe to be in the best interests of the Committee and the City with such care as a generally prudent person in a similar position would use under similar circumstances.
- **Independence** – An individual, other than members of the City Council, may not serve on an audit committee constituted as an advisory committee if he or she:
  - Is employed by the city.
  - Currently provides, or within the prior two years, has provided, goods or services to the city.
  - Is an immediate family member (spouse, spouse equivalent or dependent [whether or not related]) or close family member (parent, sibling or nondependent child) of an individual who is an employee, officer or contractor providing services to the city.
  - Is the owner of or has a direct and material interest in a company providing goods or services to the city.
- **Confidentiality** – During the exercise of duties and responsibilities, Committee members may have access to confidential information. The Committee shall have an obligation to the city to maintain the confidentiality of such information.

## Meetings and Notification

The City of Gladstone Audit Committee shall meet a minimum of two times each year. An agenda of each meeting should be clearly determined in advance and the Audit Committee should receive supporting documents in advance, for reasonable review and consideration. Any member of the City Council, who is not a member of the Audit Committee, may attend audit committee meetings if authorized by a resolution of the Council.

The Audit Committee shall give notice and prepare minutes of each meeting. At a minimum, the minutes will include the following:

- The meeting agenda
- Date, attendance and location of the meeting
- Except as otherwise provided by law in connection with executive sessions, summaries of the topics discussed, and all motions, proposals, resolutions and any other matter formally voted upon and the vote thereon, including recommendations agreed to by the committee.
- As appropriate, copies of materials discussed or presented at the meeting.

## Decision-Making Process

All decisions shall be reached by vote of a simple majority of the total membership of the committee. A quorum constitutes a simple majority of the total membership and meetings will not be conducted unless a quorum is present.

## Reporting Requirements

The City of Gladstone Audit Committee has the duty and responsibility to report its activities to the City Council as needed, but not less than annually. Periodic written reports of Audit Committee activities are an important communication link between the Audit Committee and the Council on key decisions and responsibilities. The Audit Committee's reporting requirements are to:

- Report on the scope and breadth of committee activities so that the City Council is kept informed of its work.
- Provide minutes or a summary of minutes of meetings which clearly record the actions and recommendations of the Committee.
- Report on their review of the District's draft annual audit report and accompanying management letter and their review of significant findings.
- Report on suspected fraud, waste or abuse, or significant internal control findings and activities of the internal control function.

- Report on indications of material or significant non-compliances with laws or District policies and regulations.
- Report on any other matters that the committee believes should be disclosed to the City Council.

### Review of the Committee

The City of Gladstone Audit Committee shall assess and report to the City Council on the adequacy of this committee no less than an annual basis or as necessary. Committee modifications, as recommended by the Audit Committee, should be presented to the City Council in writing for their review and action.