

AUDIT COMMITTEE CHARTER
CITY OF GREAT FALLS, MONTANA
UPDATED MAY 2, 2023

AUTHORITY:

Primary responsibility for the City’s financial reporting and internal operating controls is vested in the City Manager as overseen by the City Commission. The audit committee, composed of the City Manager, Finance Director, the Mayor, one City Commissioner, and two Private Citizens is a standing committee of the City Commission established to assist it in fulfilling its statutory and fiduciary responsibilities. The Private Citizens will be appointed by the City Commission for three year terms. The terms will be from July 1st to June 30th. The audit committee will meet at least twice a year and call additional meetings as required.

RESPONSIBILITIES:

1. Financial reporting

The responsibility of the audit committee in the area of financial reporting is to provide assurance that financial disclosures made by management reasonably portray the City’s financial condition, results of operations and plans and long-term commitments. To accomplish this, the audit committee will:

- Oversee the external audit coverage, including:
 - Auditor engagement letters.
 - Estimated fees.
 - Monitoring of audit results.
 - Review of auditor’s performance which includes the independence of the auditors.
 - Review final audit reports and accept, or not accept the audit results.
 - Review of nonaudit services.
- Review accounting policies.
- Review the financial statements, including:
 - Annual financial statements, auditor’s opinion and management letters.

Other reports requiring approval by the City Commission before submission to other government agencies.

- Inquire about the existence and substance of any significant accounting accruals, reserves or estimates made by management that had or may have a material impact on the financial statements.
- Arrange for periodic reports from management, the independent public accountant and the Finance Director to assess the impact of significant regulatory changes and accounting or reporting developments proposed by the Financial Accounting Standards Board, Governmental Accounting Standards Board and Office of Management and Budget or any other significant matters that may affect the City.
- Review with management the introductory and statistical section of the Annual Comprehensive Financial Report (ACFR).
- Ask management and the independent public accountants if there were any significant reporting or operational issues affecting the financial statements that were discussed during the accounting period and, if so, how they were resolved.
- Obtain from management a notification of issues and responses whenever second opinion is sought from an independent public accountant.
- Review the letter of management representations given to the independent public accountants and inquire whether any difficulties were encountered in obtaining the letter.

2. City governance

The responsibility of the audit committee in the area of City governance is to provide assurance the City is in reasonable compliance with pertinent laws and regulations, is conducting its affairs ethically and is maintaining effective controls against employee conflict of interest and fraud. To accomplish this, the audit committee may:

- Review City policies relating to compliance with laws and regulations, ethics, conflict of interest and the investigation of misconduct or fraud.
- Review in-house policies and procedures for regular review of city employees' expenses and perquisites, including use of City assets.
- Determine the extent to which the planned audit scope of the independent public accountant can be relied on to detect fraud or weaknesses in internal

controls, and review management's plans to monitor compliance with these internal controls.

- Discuss with the independent public accountant the review of the City's electronic data processing procedures and controls and inquire about specific security programs to protect against computer fraud or misuse both within and outside the City.

3. Internal control

It is incumbent on the audit committee to fulfill its oversight responsibilities without unnecessary or inappropriate intervention with the prerogatives of City management. Nevertheless, to carry out its responsibility, the audit committee must:

- Meet privately with the independent public accountants to discuss pertinent matters, and to determine if any restrictions have been placed by management on the scope of their examination or if there are other matters that should be discussed with the audit committee.
- Request information on the results of the most recent peer review of external auditors and the nature of any needed corrective measures.
- Review different aspects of the City on a planned basis to ensure a general understanding of the operations and functional areas of the organization.
- Review internal controls.
- Report audit committee activities to the City Commission.