



Item: Increase Audit Committee size
From: Audit Committee
Initiated By: Audit Committee
Presented By: Melissa Kinzler, Fiscal Services Director

Action Requested: Increase Audit Committee size to include at least 6 members

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission (approve/not approve) an increase of the City of Great Falls Audit Committee to at least 6 members which will include an additional private citizen.”

2. Mayor requests a second to the motion, Commission discussion, public comment, and calls for the vote.

Summary: The Audit Committee is recommending adding an additional private citizen to the Audit Committee. This would make the Audit Committee at least 6 members.

Background:

The Audit Committee met on April 8, 2016 to review audit contract request for proposals. During this meeting, a discussion was held about the current size and membership of the Audit Committee (committee). The Committee decided that the current membership should remain the same with an addition of another private citizen. The current charter was reviewed, and already refers to “private citizens”. Amendment of the current charter is not required. The current Committee consists of the Mayor, a City Commissioner, the City Manager, the Fiscal Services Director and a private citizen.


Fiscal Impact: There is no fiscal impact as the private citizen is a volunteer position.

Alternatives: The City Commission may not approve the addition to the Audit Committee.

Attachments/Exhibits: Agenda establishing an audit committee and Audit Committee Charter

AGENDA REPORT

DATE October 6, 1992

ITEM Audit Committee
INITIATED BY Tim Magee, Finance Director
ACTION REQUESTED Establish an Audit Committee and Approve it's Charter
PRESENTED BY Tim Magee, Finance Director 

RECOMMENDATION:

Staff recommends that the City Commission establish an Audit Committee and approve the committee charter.

MOTION:

I move the City Commission:

1. establish a standing Audit Committee with 5 members, consisting of the Mayor, a Commissioner, the City Manager, the Finance Director and a private citizen; and,
2. approve the Audit Committee Charter.

SYNOPSIS:

Approval of the motion to establish an audit committee is a means of demonstrating a higher level of accountability over the use of public funds. The audit committee serves in a unique capacity as an important communication link between external auditors and operating management, and as a means of reducing the risk of management override of key elements of a public entity's internal control structure.

BACKGROUND:

An Audit Committee would be particularly useful to the City of Great Falls by: serving as a channel of communication between external auditors, City management and the City Commission; serving as a pool of technical expertise on which the City can draw in making decisions related to external audit and the internal control structure; serving as a safeguard for independence of the external financial audit. The Audit Committee preserves the integrity of the audit management process by maintaining the process's independence of management in appearance as well as in fact.

Some examples of Audit Committee duties include:

- Planning for the annual financial audit.
- Preparing the Request for Proposals for the annual financial audit.
- Recommending the audit firm.
- Monitoring auditor performance.
- Monitoring audit resolution.
- Reviewing financial statement presentations.
- Monitoring changes in accounting policy.
- Reviewing significant audit adjustments.
- Monitoring difficulties encountered in performing the audit.
- Resolving auditor disagreements with management.
- Reviewing internal audit reports.

The members of the Audit Committee should collectively possess technical expertise in accounting, auditing and financial reporting to fulfill its duties. In addition, the committee membership should be structured so that it cannot be dominated by City management. The proposed membership makeup would preclude that since the majority of the members (Mayor, Commissioner, private citizen) would be from outside City management.

It should be noted that the City has not been staffed for and does not now have an internal audit function. This could be an item for the Audit Committee to consider.

**AUDIT COMMITTEE CHARTER
CITY OF GREAT FALLS, MONTANA**

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 City Commissioners, City Management Officials and Private Citizens is a standing committee of the City Commission established to assist it in fulfilling its statutory and fiduciary responsibilities. The audit committee will meet on a regular basis and call special 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.

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 Comprehensive Annual Financial Report (CAFR).
- * 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 a 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 will:

- * 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 audit reports.
- * Report audit committee activities to the City Commission regularly.