OFFICE OF THE
STATE AUDITOR

Template

As of October 2018

Audit Committee Charter

Audit Committee Authority

Pursuant to resolution number [number of resolution], dated [insert date of resolution], the [governing body] of [entity name] has established an audit committee to assist the [governing body] in the oversight of both the internal and external audit functions. Resolution number [number of resolution] also states that [insert any other relevant wording from the establishing resolution].

Mission

The [governing body] of the [entity name] has established an audit committee to provide independent advice, assistance, and recommendations to the [governing body] in the oversight of the internal and external audit functions of the [entity].

Composition and Requisite Skills

The [entity name] Audit Committee is comprised of a subset of [governing body] members. This ensures that investigations regarding the work of management, external auditors, and internal auditors remain confidential until reports are made public to the governing body. The committee shall include: {Insert composition of the audit committee, as established by [resolution number]}

The Committee members collectively should possess the knowledge in accounting, auditing, and financial reporting needed to understand and evaluate [entity name's] financial statements, the external audit, and the entity's internal audit activities. Accordingly, the Audit Committee's members, collectively, should:

1) Possess the requisite knowledge necessary to understand technical and complex financial reporting issues.
2) Have the ability to communicate with auditors, public finance officers and the governing body.
3) Be knowledgeable about internal controls, financial statement audits and management/operational audits.
    a. If no audit committee members have sufficient personal internal control or finance knowledge, the committee must gain this knowledge via a financial expert (either volunteer or paid) advisor.
        i. The financial expert advisor must:
            1. Be independent of management
            2. Be present for meetings
            3. Not be a member of the audit committee
            4. Not vote on committee actions

Duties and Responsibilities

The duties and responsibilities of the [entity name] Audit Committee include the following:

1) External Audit Focus

    a. Provide recommendations regarding the selection of the external auditor

    b. Meet with the external auditor prior to commencement of the audit to, among other things, review the engagement letter.

    c. Review and discuss with the external auditor any risk assessment of the entity'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.

    d. Receive and review the draft annual audit report and accompanying draft management letter, including the external auditor's assessment of the entity's system of internal controls, and, working directly with the external auditor, assist the governing body in interpreting such documents.

    e. Make a recommendation to the governing body on accepting the annual audit report.

    f. Review every corrective action plan developed by [entity name] management and assist the governing body in the implementation of such plans.

2) Internal Audit Focus

    a. Make recommendations to the governing body regarding the appointment of the internal auditor.

    b. Assist in the oversight of the internal audit function, including reviewing the annual internal audit plan to ensure that high risk areas and key control activities are periodically evaluated and tested, and reviewing the results of internal audit activities.

    c. Review significant recommendations and findings of the internal auditor.

    d. Monitor management's implementation of the internal auditor's recommendations by management.

    e. Participate in the evaluation of the performance of the internal audit function.

    f. Oversee Hotline complaints received and investigated by the internal auditor.

3) Administrative Matters

    a. Hold regularly scheduled meetings.

    b. Review and revise the Audit Committee Charter, as necessary.

Membership

The membership duties of the [entity name] Audit Committee include the following:

1) 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 [entity type] with such care as a generally prudent person in a similar position would use under similar circumstances.

2) Independence – An individual may not serve on an audit committee if he or she:

    a. Is employed by the entity (other than governing board members).

    b. Currently provides, or within the prior two years, has provided, goods or services to the entity.

    c. Is a family member of an employee or officer.

    d. Is the owner of or has a direct and material interest in a company providing goods or services to the entity.

3) Confidentiality – During the exercise of duties and responsibilities, the Committee members may have access to confidential information. The Committee shall have an obligation to the [entity type] to maintain the confidentiality of such information.

Meetings and Notification

The [entity name] Audit Committee shall meet a minimum of [insert number] 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.

The Audit Committee shall create meeting minutes which include the meeting:

1) Agenda
2) Time, date, and location
3) Attendance
4) Findings requiring further investigation
5) Items to report to the governing body

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 [entity name] Audit Committee has the duty and responsibility to report its activities to the [governing body] 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 [governing body] on key decisions and responsibilities. The Audit Committee's reporting requirements are to:

1) Report on the scope and breadth of committee activities so that the [governing body] is kept informed of its work.
2) Provide minutes or a summary of minutes of meetings which clearly record the actions and recommendations of the Committee.
3) Report on their review of the [entity's] draft annual audit report and accompanying management letter and their review of significant findings.
4) Report on suspected fraud, waste or abuse, or significant internal control findings and activities of the internal control function.
5) Report on indications of material or significant non-compliances with laws or [entity] policies and regulations.
6) Report on any other matters that the committee believes should be disclosed to the [governing body].

Charter Review

The [entity name] Audit Committee shall assess and report to the [governing body] on the adequacy of this Charter no less than an annual basis or as necessary. Charter modifications, as recommended by the Audit Committee, should be presented to the [governing body] in writing for their review and action.