

**Mecklenburg County North Carolina
Board of County Commissioners
Audit Review Committee
Summary of Charter Responsibilities
March 2013**

Charter Responsibilities

Annual Activities

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<p><u>Financial Statements</u></p> <ul style="list-style-type: none"> • Review significant accounting and reporting issues, including complex or unusual transaction and recent professional and regulatory pronouncements and understand their impact on the financial statements. • Review with County executive management and the external auditors the results of the audit, including any difficulties encountered. • Review the annual financial statements and consider whether they are complete, consistent with information known to Committee members and reflect appropriate accounting principles. • Review with County executive management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards. 	<ul style="list-style-type: none"> • On June 19, 2012, September 18, 2012 and November 20, 2012, the external auditors (CBH) presented audit information to the Audit Review Committee. • On June 19, 2012, CBH presented the annual audit plan including new GASB pronouncements effective for FY13. • On September 18, 2012 CBH presented an interim audit update to the Committee including preliminary findings from the Single Audit. • On November 20, 2012, CBH presented the final audit which including the SAS 114 letter, adjusting journal entries, single audit findings and the management letter.
<p>Internal Control</p> <ul style="list-style-type: none"> • Consider the effectiveness of the County’s internal control system, including information technology security and control. • Understand the scope of internal and external auditors’ review of internal control over financial reporting and obtain available reports. 	<ul style="list-style-type: none"> • On November 20, 2012 CBH presented the final audit report and audit opinion to the Committee. Audit activities included a review of the internal control system. The management letter prepared by CBH included recommendations on improving in internal controls over information technology, cash disbursements and sub-recipient monitoring. • On March 20, 2012, September 18, 2012, June 19, 2012 and November 20, 2012 Internal Audit Reports were provided. • The Internal Audit Director met with some Department Directors, General Managers and senior managers in the County to discuss risk. Department Directors completed self assessments that assisted in the development of the audit plan.

Internal Audit

- Review with County executive management and internal audit director the charter, activities, staffing and organizational structure of the internal audit function.
- Advise the Board on the adequacy of resources to carry out the internal audit function, including completion of the approved internal audit plan.
- Review and recommend to the Board approval of the annual internal audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations and be apprised by County executive management of the appointment of the internal audit director.
- Review and concur with County executive management in any reassignment, replacement or dismissal of the internal audit director as a means of safeguarding the uniquely independent status of the internal audit function.
- Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.
- Review all internal audit reports and provide advice to the Board on significant issues identified and actions taken to resolve those issues.
- Meet separately with the internal audit director to discuss any matters that the Committee or the internal audit director believes should be discussed without executive management's presence, as needed.

- On September 18, 2012, a revision to the Internal Audit Charter was approved by the Committee.
- On June 19, 2012, an update on FY2012 audits and FY2013 Internal Audit Plan was presented to the Committee.
- On March 20, 2012, June 19, 2012, September 18, 2012 and November 20, 2012 Internal Audit Reports were provided.
- On March 20, 2012, June 19, 2012, September 18, 2012 and November 20, 2012, the Committee received presentations on the Report Line.
- On September 18, 2012 the Internal Audit Peer Review process was presented to the Committee. The Internal Audit Department successfully passed the Peer Review process with some input from the Audit Review Committee.
- On September 18, 2012, the Internal Audit Director confirmed the organizational independence of the internal audit function.

External Audit

- Review the external auditors' proposed audit scope and approach.
- Review the performance of the external auditors and make final recommendation to the Board on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements for the auditors on relationships between the auditors and the County that could potentially impact their independence.

- On June 19, 2012 CBH presented the audit plan to the Committee.
- On March 20, 2012 the Committee reviewed the performance of the external auditors including statements that the firm has a quality control system for monitoring compliance with independence requirements.

<ul style="list-style-type: none"> • Meet separately with the external auditors to discuss any matters that the Committee or the auditors believe should be discussed without executive management’s presence, as needed. 	<ul style="list-style-type: none"> • A component of the audit process included individual meetings between the external auditors, and the Committee Chairman, the County Manager and the Finance Director and one BOCC member of the Committee.
<p>Compliance</p> <ul style="list-style-type: none"> • Review the effectiveness of the system for monitoring compliance with laws, regulations or the results of the County executive management’s investigation of any instances of non-compliance. • Review the process for communicating the Code of Ethics to County personnel and for monitoring compliance therewith. • Review updates from County executive management and/or other County staff regarding compliance matters. 	<ul style="list-style-type: none"> • On September 18, 2012 CBH presented an interim audit update to the Committee including preliminary findings from the Single Audit/Compliance Report. • On November 20, 2012 CBH presented the final single audit and compliance reports to the Committee. • On September 18, 2012, the Committee received a report on the status of the County’s Compliance Program • On March 20, 2012, September 18, 2012, June 19, 2012 and November 20, 2012 Internal Audit Reports, which may include compliance were provided. • On March 20, 2012 the Committee heard a report on the DSS Business Affairs Unit and its role in programmatic compliance. • On March 20, 2012 and September 18, 2012 the Committee heard reports on the status of the Human Services Finance Contract Compliance Unit.
<p>Reporting Responsibilities</p> <ul style="list-style-type: none"> • Regularly report to the Board about committee activities, issues and related recommendations. • Provide an open avenue of communication between internal audit, the external auditors and the Board. • Report annually to the Board, describing the Committee’s composition, responsibilities and how these responsibilities were discharged and any other information required by rule. • Review any other reports the County issues that relate to the Committee’s responsibilities. 	<ul style="list-style-type: none"> • On November 20, 2012, the Committee presented the results of the external audit to the full Board of County Commissioners. • On March 20, 2012, September 18, 2012, June 19, 2012 and November 20, 2012 the Committee received presentations on the Report Line. • On March 20, 2012 the Committee heard a report on an audit performed by the City’s Internal Audit Unit on the County’s Business Tax Collection Program. • On June 19, 2012, the Committee approved a recommendation to revise the financial reporting requirements for small non-profit providers under

	<p>contract with the County.</p> <ul style="list-style-type: none"> • On September 18, 2012 and November 20, 2012, the Committee heard reports about the DSS Transportation Program. • On November 20, 2012, the Committee Chair made a report to the full Board on the results of the FY2012 financial audit.
<p>Other Responsibilities</p> <ul style="list-style-type: none"> • Perform other activities related to the charter as requested by the Board. • Review the process, protocol and scope of investigations, as requested by the Board. • Review and assess the adequacy of the Audit Review Committee charter annually, requesting Board approval for proposed changes and ensure appropriate disclosure as may be required by law or regulation. • Confirm annually that all responsibilities outlined in this charter have been carried out. 	<ul style="list-style-type: none"> • On March 20, 2012 the Committee confirmed that all of the responsibilities in the Audit Review Committee Charter have been carried out.