

MECKLENBURG COUNTY

Audit Review Committee Charter



PURPOSE

To assist the Board of County Commissioners in fulfilling its oversight responsibilities for the financial reporting process, the system of internal and external controls, as well as Mecklenburg County's process for monitoring compliance with laws, regulations, and the Code of Ethics.

AUTHORITY

The Audit Review Committee's (the "Committee") authority is conferred by the Board of County Commissioners (the "Board") and consistent with this charter.

Under this authority, the Committee is empowered to:

- Request or authorize an investigation into any matter within its scope of responsibility.
- Recommend to the Board the selection of any registered certified public accounting firm employed by the organization regarding financial reporting, and oversee the work of the firm.
- Resolve any disagreements between County executive management and the external auditor regarding financial reporting.
- Recommend to the Board all financial auditing services.
- Request of the Board retention of independent counsel, accountants, or other expert advisors as needed to advise the Committee.
- Request from County executive management that it provide any information needed within the Committee's scope of responsibility and as permitted by state statute and/or County policy.
- Meet with County executive management, external or internal auditors, or outside counsel, as necessary.

COMPOSITION OF COMMITTEE AND MEMBER SELECTION

The Committee will comprise five voting members and two non-voting ex officio members appointed by the Board of County Commissioners according to its appointment process. The five voting members will comprise four members of the Board of County Commissioners, two from each political party, and one outside person who has experience in accounting and/or auditing and who is appointed through the advisory board appointment process. Ideally, members on the Committee should possess some understanding of governmental financial reporting and auditing.

The County Manager and a staff member designated by the County Manager will serve as the two non-voting ex officio members.

MEETINGS

The Committee shall meet at least four times a year, with authority to convene additional meetings as circumstances require. All committee members are expected to attend each scheduled meeting. The Committee may hold meetings with auditors without County executive management presence, as needed.

The Committee will meet with the County's external auditor at least annually to discuss the financial statements of the County.

Meeting agendas shall be prepared and provided to the Committee, along with appropriate briefing materials as soon as they are available. Meeting minutes shall be prepared and submitted for approval at a subsequent Committee meeting.

RESPONSIBILITIES

The Committee shall have oversight responsibilities related to the external auditor and annual financial statements; and management's governance, risk management, internal controls, and compliance practices, and shall review internal audit activities and reports.

A. External Auditors and Financial Statements

- Recommend to the Board and oversee external auditors retained by the County.
- Review the external auditors' proposed audit scope and approach.
- Review the performance of the external auditors and make final recommendations to the Board on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the County that could potentially impact their independence.
- Review significant accounting and reporting issues, including complex or unusual transactions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Meet with County executive management and the external auditors as necessary to discuss any significant issues that may have surfaced during the course of an audit.
- 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.

B. Internal Auditors

- Review with management and the internal audit director, the charter, internal audit activities, staffing, and the organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations of the internal audit function. Be apprised by County executive management decisions regarding the appointment, 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 annual internal audit plan and all major changes to the plan.
- Review the results of internal audit reports and advise the Board on significant issues identified and actions taken to resolve those issues.
- Review the effectiveness of the internal auditing function, as well as conformance to The Institute of Internal Auditors' mandatory guidance including the Mission, Core Principles, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.
- Meet separately with the internal audit director, as necessary, to discuss any matters the Committee or the internal audit director believes should be discussed without County executive management's presence.

C. Governance, Risk Management, Internal Controls, and Compliance

- Review the effectiveness of the system for monitoring compliance with laws, regulations, or the results of 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.
- Consider the effectiveness of the County's internal control system, including information technology security and control.

D. Reporting Responsibilities

- Regularly report to the Board about Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between the internal auditors, the external auditors, and the Board.
- Report annually to the Board, describing the Committee's composition, responsibilities, how their responsibilities were discharged, and any other information required by rule.
- Review any other reports the County issues that relate to the Committee's responsibilities.

E. Special Investigations

- Ensure the County has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, criminal activity, conflicts of interest, or abuse by directors, County executive management, County employees, or any person having business dealings with the County, or breaches of internal control.

F. Other Responsibilities

- Perform other activities related to this charter as requested by the Board.
- Annually review and assess the adequacy of the Audit Review Committee charter, requesting Board approval for proposed changes, ensuring appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.

MECKLENBURG COUNTY
AUDIT REVIEW COMMITTEE CHARTER

APPROVED THIS _____ DAY OF _____, _____.

CHAIRMAN OF THE BOARD OF COUNTY COMMISSIONERS

CHAIRMAN OF THE AUDIT REVIEW COMMITTEE