

**CITY OF COLORADO SPRINGS
OFFICE OF THE CITY AUDITOR
AUDIT COMMITTEE CHARTER**

PURPOSE

The purpose of the Audit Committee is to assist the City Auditor and City Council with oversight on matters relating to the City's and its enterprises' fiscal soundness, compliance with legal and regulatory requirements, system of internal controls, management of the citywide risk environment and the activity of internal and external auditors.

AUTHORITY

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to

- advise City Council on the appointment, compensation, and oversee the work of any registered public accounting firm hired by the organizations;
- resolve any disagreements between management and the auditor regarding audit services;
- retain at the City's expense independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation;
- obtain any information it requires from any employee or other external parties subject to legal confidentiality restrictions;
- meet with organizational senior management, external auditors, or outside counsel as necessary;
- request from City Council, sufficient funds to exercise the powers and duties set forth herein; and
- request attendance of any employee of the City and its enterprises at Audit Committee meetings.

COMPOSITION

The Audit Committee will consist of between three and six members, a minimum of two of whom shall be members of City Council. The Audit Committee will be chaired by one of the two City Council members serving on the Audit Committee. The president of Council will appoint the chair. The second council member serving on the Audit Committee will serve as the vice-chair. Additional members of the Audit Committee shall be nominated by the existing Audit Committee and approved by City Council.

No member of the Audit Committee shall hold any other office or employment with the City or its enterprises while serving on the Audit Committee. Members shall be free from any relationships that would interfere with the exercise of independent judgment. Members of the Audit Committee shall be appointed on the basis of education or experience in accounting, auditing, financial management, or related fields of expertise. At least one member shall have accounting or financial management expertise. Member expertise could include information technology and auditing as valuable to the committee.

The chairperson of the Audit Committee has the authority to sign correspondence and resolutions of the Audit Committee as the official representative of the Audit Committee. Members will be appointed for a period not exceeding three (3) years after which they will be eligible for extension or re-appointment for one (1) additional term. Any vacancy shall be filled in a timely manner. Members shall be appointed to achieve staggered three (3) year terms. Council members shall not be term limited from serving on the Audit Committee.

Appointees to the Audit Committee serve at the pleasure of City Council. Per city charter,

§1.2.905: Vacation of Office:

Any member of any board or commission established by ordinance who without good cause is absent in any twelve (12) month period from twenty five percent (25%) or more of the regularly scheduled meetings of the board or commission may be removed by City Council as a member of that board or commission for the remainder of the term, and a new member may be appointed by the City Council to fill the vacancy. (Ord. 11-18; Ord. 18-104)

MEETINGS

The Audit Committee shall meet as frequently as circumstances dictate, but no less than on a quarterly basis. Meetings can be held in person, by telephone, or by video conference. The City Auditor in coordination with the chair of the Audit Committee shall prepare an agenda in advance of each meeting. Meeting agendas will be provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

The City Auditor will be invited to attend each meeting, unless requested not to do so by the chair. The Audit Committee may also request employees of the City or its enterprises to attend Audit Committee meetings or participate for certain agenda items. The Audit Committee shall afford the senior management, any member of City Council, and the external auditor or others, a private, confidential audience. Such requests shall be made through the Audit Committee chair.

VOTING

Each member of the Audit Committee shall have one vote. Members must be present at the time of the vote. The act of the majority of members present at the meeting, at which a quorum is present, is the act of the Audit Committee. A quorum shall consist of a total of three (3) members, one of whom shall be a City Council member.

RESPONSIBILITIES

Internal Audit

The Audit Committee shall receive the results of the internal audits conducted by the City Auditor and ensure appropriate communications to all City executives and the public. The City Auditor shall submit each audit report to the Audit Committee. Draft audit reports, working papers, and other audit information and work products are considered confidential.

As related to the internal audit function, the Audit Committee shall

- provide a forum for communications between City Council, the City and its enterprises' executives, and the internal and external auditors;
- review and recommend the annual audit plan for City Council approval;
- review all major changes to the audit plan;
- review and advise on Office of the City Auditor budget and resources;
- review and advise in the appointment, replacement, or dismissal of the City Auditor;
- review the effectiveness of the internal audit function; and as necessary,
- meet separately with the City Auditor to discuss any matters that the committee or internal audit believes should be discussed privately.

At least once per year, the Audit Committee council members will review the performance of the City Auditor and advise City Council concerning annual compensation and salary adjustment.

External Audit / Financial Statements

The Audit Committee shall provide independent review and oversight of the external auditor, including coordination of audit effort with internal audit. Specific Audit Committee responsibilities related to the external auditor shall include the following:

- Provide a forum for communication between City Council and the internal and external auditors.
- Review and provide feedback on the audit services provided. The committee's review shall entail an understanding from the external auditor of the factors considered by the external auditor in determining the audit scope, including
 - risk characteristics of the City and its enterprises,
 - external reporting requirements,
 - materiality of the various segments of the City's and its enterprises combined activities,
 - quality of internal accounting, and administrative and compliance controls; and
 - the extent of the City Auditor's involvement in the audit examination.
- Review and comment on external audits. Specifically, the committee's review shall encompass the City's and its enterprises' financial reports, including the financial statements and footnote disclosures and supplemental disclosures required by generally accepted accounting principles (GAAP), including
 - significant transactions, accounting and reporting issues;
 - adoption of or changes to accounting practices or pronouncements and their application;
 - significant adjustments proposed by the external auditor;
 - the process used by City or its enterprises management in formulating accounting estimates and the external auditor's conclusions regarding the reasonableness of the estimates;
 - any disagreements between the external auditor and City and its enterprises management about matters that could be significant to the City's or its enterprises' financial statements or the external auditor's report; and
 - difficulties encountered in the performance of the audit.

- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the City and its enterprises, including non-audit services, and discussing the relationships with the auditors.

Complaints

The Audit Committee shall oversee the City Auditor's receipt, retention and treatment of fraud hotline complaints regarding fraud, waste, and abuse of City resources. The City Auditor shall keep a record of complaints and inform the Audit Committee semiannually of complaints received and actions taken for resolution.

Risk Management Environment

The Audit Committee shall

- ensure the City and its enterprises have addressed the risk environment; and
- consider whether the City and its enterprises' have an ethical culture and sound corporate governance.

Control Framework

The Audit Committee shall

- consider the effectiveness of the internal control framework, including external parties such as contractors and advisors;
- consider whether management has taken steps to embed a culture which is committed to ethical and lawful behavior; and
- ensure that the Office of the City Auditor complies with the requirements established in City Code and Charter;
- review the Audit Committee Charter every five years with approval for proposed changes.

PROTOCOL

To the extent not contrary to Audit Committee Charter bylaws, *Roberts Rules of Order* shall govern all meetings of the Audit Committee.

CONFLICTS OF INTEREST

Audit Committee members will annually provide written declarations to the chair stating they do not have any conflicts of interest that would preclude them from being members of the Audit Committee.