

NEW POLICY 1.091

4-C I recommend the Board adopt the proposed new Policy 1.091, to be entitled "Audit Committee."

[Contact: Lung Chiu or Cindy Adair, 434-7335.]

Adoption

CONSENT ITEM

- The District Auditor's Office and the Office of Chief Counsel worked together to prepare this proposed Policy based on the existing committee charter. The charter is now incorporated into this proposed Policy.
- This proposed Policy was discussed at the Joint Meeting of the Audit Committee and School Board on October 7.
- On October 14, the Board approved the Policy for final reading/adoption on Nov. 18 (rescheduled to Dec. 2).

PROPOSED NEW POLICY 1.091

AUDIT COMMITTEE

1 The School Board has created an Audit Committee, which is an advisory committee to
2 the Board. The Committee shall be governed by its charter, as set forth herein.

3
4 **1. Authority**

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6 a. Primary responsibility for the District's financial reporting and internal operating
7 controls is vested in senior operating management as overseen by the School
8 Board. The Audit Committee is advisory only, and has been created consistent
9 with Policy 1.09, "Advisory Committees to the Board," for purposes of providing
10 advice to the School Board and providing guidance and assistance to the District
11 Auditor. The District Auditor shall report to the School Board.

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13 b. Whenever a recommendation of the Committee on a substantive issue is
14 reported to the School Board and the recommendation was not unanimous, the
15 basis for the majority and minority positions should be brought to the attention of
16 the School Board.

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18 c. The Audit Committee shall be appointed by the School Board from nominations
19 by School Board members (one appointee per Board member) and will be
20 composed of seven (7) voting members from the community and six (6) non-
21 voting ex-officio members. The non-voting ex-officio members shall include: two
22 School Board members, the Superintendent/designee, Chief Counsel to the
23 School Board/designee (solely to provide legal advice), the President of the
24 Classroom Teachers Association, and a representative from the District's school
25 principals.

26
27 d. In nominating individuals to serve on the Audit Committee, School Board
28 members are encouraged to take into consideration representation from various
29 racial and ethnic groups and professionals with a background in accounting,
30 finance, or business.

31
32 e. The terms of community members nominated by School Board members shall be
33 consistent with the terms of their respective nominating School Board members,
34 unless the nominating School Board member exercises his/her discretion to
35 remove the Committee member. The terms of ex-officio members shall be
36 consistent with their term of service in the position which qualified them to serve
37 ex-officio on the Audit Committee.

38
39 f. The Committee shall elect a Chair and a Vice Chair from among the seven
40 community members. All Committee members serve in a voluntary capacity and
41 shall be residents of Palm Beach County. Community members will be removed

42 automatically should they miss three (3) consecutive regular meetings without
43 good cause.

44
45 g. Committee members, and/or their company(ies) in which the members have a
46 direct financial interest, shall not do business with the District during the
47 members' term, in accordance with § 112.313, Fla. Stat., and pertinent Opinions
48 of the Florida Commission on Ethics.

49
50 h. The School Board will reasonably provide adequate support to the Audit
51 Committee to discharge its responsibilities. The Board, with the advice and
52 counsel of the Audit Committee, shall ensure that the auditors have unrestricted
53 reasonable access to District personnel and public documents. The
54 management shall cooperate with the Committee in promoting the use of the
55 internal audit as a constructive process. Committee activities shall be reported to
56 the School Board on a regular basis.

57 58 **2. Responsibilities**

59 60 **a. Meetings**

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62 The Audit Committee will meet on a regular basis and call special meetings as
63 required with proper notice. Four (4) voting members shall constitute a quorum.
64 Audit Committee meetings are to be conducted under *Robert's Rule of Order*
65 *Newly Revised*. All Committee and subcommittee meetings are governed by the
66 Sunshine Law as required by Chapter 286, Fla. Stat.

67 68 **b. Management Accountability**

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70 i. The responsibility of the Audit Committee in the area of financial reporting is
71 to review interim financial statements, annual financial statements, and the
72 district's annual management letter, and assist the Board in interpreting these
73 documents.

74
75 ii. Specific responsibilities of the Audit Committee shall include, but not be
76 limited to: nominating external auditors; reviewing auditor engagement letters;
77 coordinating with the District's chief financial officer in overseeing the audits
78 by external auditors; arranging for periodic reports from management, the
79 external auditors, and the District Auditor to assess the impact of significant
80 regulatory changes and accounting or reporting developments; reviewing
81 external auditors' performance; reviewing management letters and auditor's
82 opinions; reviewing and monitoring implementation of management's
83 response to auditors' recommendations; reviewing and recommending to the
84 Board any necessary changes to the Audit Committee charter or Internal
85 Audit procedures as set forth in Policies 1.091 and 1.092; and recommending
86 an annual audit plan to the School Board.

87
88 c. District Governance
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90 i. The Audit Committee is to provide assurance that the District is in compliance
91 with pertinent laws and regulations relating to accounting and financial
92 matters; is operating in accordance with sound business practices; is
93 conducting its affairs ethically; maintains effective controls against employee
94 conflict of interest, errors and fraud; and provides accurate and complete
95 financial disclosure.
96

97 ii. Among other responsibilities, the Committee shall provide input to the Board
98 in the Board's performance evaluations of the District Auditor, whose written
99 evaluations will be kept on file pursuant to Fla. Stat. § 231.291.

100 iii. The Audit Committee may review and make recommendations on any
101 proposed disciplinary action upon, or termination of the employment of, the
102 District Auditor. In the event of a vacancy in the position of District Auditor,
103 the Audit Committee should review the applicants and provide its
104 recommendations to the School Board regarding selection.
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106 **3. Internal Control**
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108 The responsibility of developing and implementing adequate internal control rests
109 with the management of the District. The Audit Committee must fulfill its internal
110 control oversight responsibilities, through the District Auditor, without unnecessary or
111 inappropriate intervention in the prerogatives of District management. Nevertheless,
112 to carry out its responsibility, the Audit Committee must, among other actions, assist
113 in determining if any restrictions have been placed by management on the scope of
114 independent auditors' examinations. The Committee should review the results of
115 each peer review of the Office of District Auditor and discuss the nature of any
116 corrective measures. The District Auditor shall also coordinate with the Chief
117 Counsel to the School Board and the School Police Chief in special investigations
118 into significant matters.
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120 **4. Duration of Charter**
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122 The Audit Committee's charter shall remain in effect until repealed or amended by
123 the Board following appropriate procedures. The Board may modify or terminate the
124 charter with stated cause.
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126 STATUTORY AUTHORITY: §§ 230.22(2); 230.23(22), Fla. Stat.

127 LAW IMPLEMENTED: §§ 230.22, 230.23(10)(l); 286.011, Fla. Stat.

128 OTHER REQUIREMENTS: *Government Auditing Standards*, General Accounting
129 Office, U.S. Comptroller of the Treasury.

130 HISTORY: __/__/02

Legal signoff:

The Legal Department has reviewed proposed Policy 1.091 and finds it legally sufficient for development by the Board.

Attorney

Date