

POLICY 1.091

5-A I recommend the Board approve the proposed new Policy 1.091, to be entitled "Audit Committee," after selecting between alternate versions A and B of specified paragraphs.

◆ **Development**

HISTORY NOTES of Policy Development:

- 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.
- On April 12, 2002, the Audit Committee approved the proposed Policy for recommendation to the Board.
- The School Board preliminarily approved the proposed Policy as a first reading for Development at the Special Meeting on Policies on April 22, 2002.
- At the June 3, 2002, Special Meeting on Policies, the Board voted to request some changes (reflected in alternate paragraphs version "A"), but also voted to postpone adoption of the Policy until further discussion with the Audit Committee at the joint meeting of the Board and Audit Committee on June 10.
- At the Joint Meeting on June 10, the Board requested that the Audit Committee discuss the Board's suggestions from the June 3rd Special Meeting and report the Committee's recommendations to the Board. The Committee's recommendations are reflected herein in alternate paragraphs version "B." (Other recommendations from the Audit Committee also appear, in **bold** print.)
- The Legal Department suggests that the Board discuss the merits of each alternate paragraph, versions A and B, and vote to select between each of the alternate versions.
- Even for first readings for Development, the Legal Department recommends that any member wishing to insert or delete language should propose the amendment as follows: "I move that we insert language at line # x to the effect that _____" (which may be subject to editing by Legal), or "I move that we strike the language on line # x." For clarity, the motion should be put to a vote.
- Upon approval of this proposed Policy as a first reading for Development on August 5, it can be scheduled for final reading/Adoption on Sept. 9.

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.

12
13 b. The Audit Committee shall be appointed by the School Board from nominations
14 by School Board members and will be composed of seven (7) voting members
15 from the community and six (6) non-voting ex-officio members. The non-voting
16 ex-officio members shall include: two School Board members, the
17 Superintendent/designee, Chief Counsel to the School Board/designee (solely to
18 provide legal advice), the President of the Classroom Teachers Association, and
19 a representative from the District's school principals.

20
21 c. In nominating individuals to serve on the Audit Committee, School Board
22 members are encouraged to take into consideration representation from various
23 racial and ethnic groups and ~~various~~ ~~categories~~ ~~with a~~
24 background in accounting, finance, or business.

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26 d. **[VERSION A]** The terms of community members nominated by School
27 Board members shall be consistent with the terms of their respective nominating
28 School Board members, up to a maximum of eight (8) years, unless the
29 nominating School Board member exercises his/her discretion to remove the
30 Committee member. The terms of ex-officio members shall be consistent with
31 their term of service in the position which qualified them to serve ex-officio on the
32 Audit Committee.

33
34 **[VERSION B]** The terms of community members nominated by School Board
35 members shall be consistent with the terms of their respective nominating School
36 Board members, ~~up to a maximum of eight (8) years,~~ unless the nominating School
37 Board member exercises his/her discretion to remove the Committee member.
38 The terms of ex-officio members shall be consistent with their term of service in
39 the position which qualified them to serve ex-officio on the Audit Committee.

- 40
41 e. The Committee shall elect a Chair and a Vice Chair from among the seven
42 community members. All Committee members serve in a voluntary capacity and
43 shall be residents of Palm Beach County. Community members will be removed
44 automatically should they miss three (3) consecutive regular meetings without
45 good cause.
- 46
- 47 f. Committee members, and/or their company(ies) in which the members have a
48 direct financial interest, shall not do business with the District during the
49 members' term, in accordance with § 112.313, Fla. Stat., and pertinent Opinions
50 of the Florida Commission on Ethics.
- 51
- 52 g. The School Board will reasonably provide adequate support to the Audit
53 Committee to discharge its responsibilities. The Board, with the advice and
54 counsel of the Audit Committee, shall ensure that the auditors have unrestricted
55 reasonable access to District personnel and public documents. The
56 management shall cooperate with the Committee in promoting the use of the
57 internal audit as a constructive process. Committee activities shall be reported to
58 the School Board on a regular basis.

60 2. Responsibilities

61 a. Meetings

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

69 b. Management Accountability

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- 72 i. The responsibility of the Audit Committee in the area of financial reporting is
73 to provide assurance that financial disclosures made by management
74 reasonably portray the District's financial condition, results of operations and
75 plans, and long-term commitments.
- 76
- 77 ii. Specific responsibilities of the Audit Committee shall include, but not be
78 limited to: nominating external auditors; reviewing auditor engagement letters;
79 coordinating with the District's chief financial officer in overseeing the audits
80 by external auditors; arranging for periodic reports from management, the
81 external auditors, and the District Auditor to assess the impact of significant
82 regulatory changes and accounting or reporting developments; reviewing
83 external auditors' performance; reviewing management letters and auditor's
84 opinions; reviewing and monitoring implementation of management's

85 response to auditors' recommendations; reviewing and recommending to the
86 Board any necessary changes to the Audit Committee charter or Internal
87 Audit procedures as set forth in Policies 1.091 and 1.092; and recommending
88 an annual audit plan to the School Board.

89
90 c. District Governance

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

98
99 ii. [VERSION A] Among other responsibilities, the Committee shall provide
100 input to the Board in the Board's performance evaluations of the District
101 Auditor, whose written evaluations will be kept on file pursuant to Fla. Stat. §
102 231.291.

103
104 [VERSION B] Among other responsibilities, the Committee shall evaluate
105 the District Auditor. The Audit Committee Chair will discuss the recommended
106 evaluation with the School Board Chair, and the recommendation is subject to
107 review by the Board. The final written evaluations will be kept on file
108 pursuant to Fla. Stat. § 231.291.

109 iii. The Audit Committee may review and make recommendations on any
110 proposed disciplinary action upon, or termination of the employment of, the
111 District Auditor. In the event of a vacancy in the position of District Auditor,
112 the Audit Committee should review the applicants and provide its
113 recommendations to the School Board regarding selection.

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115 **3. Internal Control**

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117 The responsibility of developing and implementing adequate internal control rests
118 with the management of the District. The Audit Committee must fulfill its internal
119 control oversight responsibilities, through the District Auditor, without unnecessary or
120 inappropriate intervention in the prerogatives of District management. Nevertheless,
121 to carry out its responsibility, the Audit Committee must, among other actions, assist
122 in determining if any restrictions have been placed by management on the scope of
123 independent auditors' examinations. The District Auditor shall also coordinate with
124 the Chief Counsel to the School Board and the School Police Chief in special
125 investigations into significant matters.

127 **4. Duration of Charter**

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129 The Audit Committee's charter shall remain in effect until repealed or amended by
130 the Board following appropriate procedures. The Board may modify or terminate the
131 charter with stated cause.

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134 STATUTORY AUTHORITY: §§ 230.22(2); 230.23(22), Fla. Stat.

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

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

138 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