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PROPOSED NEW POLICY 1.091

IHISTORY 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 <u>alternate paragraphs version "A"</u>), 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 <u>alternate paragraphs version "B."</u>
 (Other recommendations from the Audit Committee also appear, in bold print.)
- The Legal Department suggested that the Board discuss the merits of each alternate paragraph, versions A and B. On August 5, the Board discussed the issues and chose version A of § (2)(c)ii.
- By request of a Board member at the Aug. 5 meeting, lines <u>13-16</u> have been added regarding reporting non-unanimous recommendations of the Committee.
- On August 5, the Board also requested input on how to amend these Policies to strengthen management accountability. After discussion with District staff, legal counsel suggested an amendment (part of which is in the existing charter), to <u>70-75</u>. At its meeting on Sept. 17, the Audit Committee voted to amend lines 70-75 as shown herein.
- Additionally, language from the existing charter has been restored to this draft at lines <u>127-129</u> concerning peer review.

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PROPOSED NEW POLICY 1.091

AUDIT COMMITTEE

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

1. Authority

- a. Primary responsibility for the District's financial reporting and internal operating controls is vested in senior operating management as overseen by the School Board. The Audit Committee is advisory only, and has been created consistent with Policy 1.09, "Advisory Committees to the Board," for purposes of providing advice to the School Board and providing guidance and assistance to the District Auditor. The District Auditor shall report to the School Board.
- b. Whenever a recommendation of the Committee on a substantive issue is reported to the School Board and the recommendation was not unanimous, the basis for the majority and minority positions should be brought to the attention of the School Board.
- c. The Audit Committee shall be appointed by the School Board from nominations by School Board members (one appointee per Board member) and will be composed of seven (7) voting members from the community and six (6) non-voting ex-officio members. The non-voting ex-officio members shall include: two School Board members, the Superintendent/designee, Chief Counsel to the School Board/designee (solely to provide legal advice), the President of the Classroom Teachers Association, and a representative from the District's school principals.
- d. In nominating individuals to serve on the Audit Committee, School Board members are encouraged to take into consideration representation from various racial and ethnic groups and professionals with a background in accounting, finance, or business.
- e. The terms of community members nominated by School Board members shall be consistent with the terms of their respective nominating School Board members, unless the nominating School Board member exercises his/her discretion to remove the Committee member. The terms of ex-officio members shall be consistent with their term of service in the position which qualified them to serve ex-officio on the Audit Committee.
- f. The Committee shall elect a Chair and a Vice Chair from among the seven community members. All Committee members serve in a voluntary capacity and shall be residents of Palm Beach County. Community members will be removed

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42 <u>automatically should they miss three (3) consecutive regular meetings without good cause.</u>

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

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

2. Responsibilities

a. Meetings

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

b. Management Accountability

i. The responsibility of the Audit Committee in the area of financial reporting is to provide assurance that financial disclosures made by management reasonably portray the District's financial condition, results of operations and plans, and long-term commitments review interim financial statements, annual financial statements, and the district's annual management letter, and assist the Board in interpreting these documents.

[Note from Legal (NOT part of the Policy): There is also an annual "management representation letter" signed by the Superintendent, Chief Operating Officer, Chief Financial Officer, and Director of Accounting. This letter is provided to the external auditors. However, it probably would not be appropriate for the Audit Committee to review this letter before it is signed.]

 ii. Specific responsibilities of the Audit Committee shall include, but not be limited to: nominating external auditors; reviewing auditor engagement letters; coordinating with the District's chief financial officer in overseeing the audits

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by external auditors; arranging for periodic reports from management, the external auditors, and the District Auditor to assess the impact of significant regulatory changes and accounting or reporting developments; reviewing external auditors' performance; reviewing management letters and auditor's opinions; reviewing and monitoring implementation of management's response to auditors' recommendations; reviewing and recommending to the Board any necessary changes to the Audit Committee charter or Internal Audit procedures as set forth in Policies 1.091 and 1.092; and recommending an annual audit plan to the School Board.

c. District Governance

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

ii. D [VERSION A] Among other responsibilities, the Committee shall provide input to the Board in the Board's performance evaluations of the District Auditor, whose written evaluations will be kept on file pursuant to Fla. Stat. § 231.291. [Was chosen by the Board on Aug. 5.]

 □ [VERSION B] Among other responsibilities, the Committee <u>shall evaluate</u> the District Auditor. <u>The Audit Committee Chair will discuss the recommended evaluation with the School Board Chair, and the recommendation is subject to review by the Board. The final written evaluations will be kept on file pursuant to Fla. Stat. § 231.291. [Not chosen by the Board on Aug. 5.]</u>

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

3. Internal Control

The responsibility of developing and implementing adequate internal control rests with the management of the District. The Audit Committee must fulfill its internal control oversight responsibilities, through the District Auditor, without unnecessary or inappropriate intervention in the prerogatives of District management. Nevertheless, to carry out its responsibility, the Audit Committee must, among other actions, assist

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122	in determining if any restrictions have been placed by management on the scope of
123	independent auditors' examinations. The Committee should review the results of
124	each peer review of the Office of District Auditor and discuss the nature of any
125	corrective measures. The District Auditor shall also coordinate with the Chief
126	Counsel to the School Board and the School Police Chief in special investigations
127	into significant matters.
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129	4. Duration of Charter
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131	The Audit Committee's charter shall remain in effect until repealed or amended by
132	the Board following appropriate procedures. The Board may modify or terminate the
133	charter with stated cause.
134	
135	
136	STATUTORY AUTHORITY: §§ 230.22(2); 230.23(22), Fla. Stat.
137	LAW IMPLEMENTED: §§ 230.22, 230.23(10)(I); 286.011, Fla. Stat.
138	OTHER REQUIREMENTS: Government Auditing Standards, General Accounting
139	Office, U.S. Comptroller of the Treasury.
140	HISTORY://02