

# METROPOLITAN COUNCIL AUDIT COMMITTEE CHARTER

## Introduction

The Metropolitan Council Audit Committee plays an important role in providing oversight of the organization's governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The Audit Committee performs its role by providing independent advisory and assurance services to the Council.

## Policy

The Metropolitan Council will establish and maintain an independent internal audit program to provide independent, objective assurance and consulting services with the goal of adding value and improving Council operations. The internal audit program will be implemented by a Program Evaluation and Audit Department.

## Purpose

The purpose of the Audit Committee is to provide structured systematic oversight of the organization's governance, risk management, and internal control practices. The Audit Committee assists the Council by providing advice and guidance on the adequacy of the organization's initiatives for:

- Governance structure.
- Risk management.
- Values and ethics.
- Internal control framework.
- Oversight of internal and external audit.
- Financial statements and public accountability reporting.

In broad terms, the Audit Committee reviews each of the items noted above and provides the board with independent advice on the adequacy and effectiveness of management's practices. This advice and guidance also may include suggestions and recommendations to strengthen these arrangements.

## Mandate

The mandate for the establishment of the Audit Committee was derived from the Bylaws of the Metropolitan Council, Article III, Section D; and the Metropolitan Council's Audit Policy (3-5).



## Authority

The authority of the Audit Committee to perform its work is established within the scope of its charter. In discharging its responsibilities, the Audit Committee shall, subject to accountability for confidentiality and safeguarding of records and information and the Minnesota Data Practices Act:

- Have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties.
- Have unrestricted access to records, data, and reports.
- Be entitled to receive explanations from management and staff of the organization that it deems necessary to discharge its responsibilities.

The Audit Committee may engage independent counsel and/or other advisers as it deems necessary to carry out its duties. The Audit Committee is empowered by the Council to approve an Audit Department Charter that will authorize the department to carry out its responsibilities as an internal audit activity in compliance with mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework.

## Composition of the Audit Committee

The Audit Committee shall consist of eight (8) members, four (4) of whom shall be members of the Metropolitan Council and four (4) of whom shall be external members of the community. The members should collectively possess sufficient knowledge of audit, finance, IT, the law, risk, and control. Further, members shall collectively have a diversity in qualities such as race and national origin, age, gender, and professional experience. Audit Committee members shall be appointed by the Council Chair and approved by the full Council. As the responsibilities of the Audit Committee evolve in response to regulatory, economic, and reporting developments, it is important that members' competencies and the overall balance of skills on the committee be periodically evaluated to respond to emerging needs.

## The Chair of the Audit Committee

The Chair shall designate a chair and a vice chair for the Audit Committee.

## Terms of Office

The term of office for an Audit Committee member is a term of four (4) years. External members of the committee should not serve more than two terms. To ensure continuity within the Audit Committee, the appointment of members should be staggered.

## Operational Principles of the Audit Committee

**Audit Committee Values.** The Audit Committee will conduct itself in accordance with the Code of Ethics for Metropolitan Council Members.

**Communications.** The Audit Committee expects that all communication with management and staff of the organization as well as with any external assurance providers will be direct, open, and complete.

**Work Plan.** The Audit Committee Chair, in coordination with senior management and the Chief Audit Executive (CAE), may establish a work plan to ensure that the responsibilities of the Audit Committee are scheduled and will be carried out.

**Meeting Agenda.** The Audit Committee Chair shall establish meeting agendas in consultation with Audit Committee members, senior management, and the CAE.

**Information Requirements.** The Audit Committee shall establish and communicate its information requirements. This shall include the nature, extent, and timing of such information requirements. Information shall be provided to the Audit Committee at least three full business days prior to the meeting.

**Executive Sessions.** At the discretion of the Audit Committee Chair, the Audit Committee shall hold a private session with the Regional Administrator (RA), the Chief Financial Officer (CFO), the Deputy Chief Financial Officer (DCFO), the CAE, external assurance providers, and with any other officials that the Audit Committee may deem appropriate.

**Preparation and Attendance.** Audit Committee members have an obligation to prepare for and participate in committee meetings.

**Conflict(s) of Interest.** It is the responsibility of an Audit Committee member to disclose a conflict of interest or the appearance of a conflict of interest to the Committee. If there is any question as to whether Audit Committee member(s) should recuse themselves from a vote, the committee should vote to determine whether the member should recuse himself or herself.

**Orientation and Training.** Audit Committee members should receive formal orientation training on the purpose and mandate of the committee and on the organization's objectives. A process of continuing education should be established.

## Operational Procedures

**Meetings.** The Audit Committee shall meet at least three times annually or more frequently as the committee deems necessary.

**Rules.** Audit Committee meetings shall be regulated by Robert's Rules of Order.

**Quorum.** The quorum for the Audit Committee shall be a majority of members.

**Voting.** A motion of the Audit Committee shall be considered passed when a majority of members present vote in the affirmative.

**Minutes.** Minutes shall be prepared by the Audit Coordinator in accordance with applicable law, regulation, policy or procedure, bylaw, or whatever is applicable.

**Access to Officials.** The Audit Committee shall have unrestricted access to officials of the organization as may be required to discharge their duties.

**Required Attendance.** The CAE and the CFO (or DCFO, or designee) are required to attend all Audit Committee meetings.

**Secretariat Services.** The Audit Coordinator shall facilitate and coordinate meetings as well as provide ancillary support to the Committee, as time and resources permit.

**Remuneration of Committee Members.** Committee members may be reimbursed for travel and committee-related expenses. Payment rates and allowances for committee members' time or services are established formally in Travel and Meeting Reimbursement Policy (3-3-2). Professional indemnity insurance arrangements are to be established that are suitable to both the member and the organization.

## Responsibilities

It is the responsibility of the Audit Committee to provide the Council with independent, objective advice on the adequacy of management's arrangements with respect to the following aspects of the management of the organization:

**Values and Ethics.** To obtain reasonable assurance with respect to the organization's values and ethics practices, the Audit Committee shall:

- Review and assess the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of the organization.
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all managers and staff of the organization.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.

**Governance.** To obtain reasonable assurance with respect to the organization's governance arrangements, the Audit Committee shall review and provide advice on the governance arrangements established and maintained within the organization and the procedures in place to ensure that they are operating as intended.

**Risk Management.** To obtain reasonable assurance with respect to the organization's risk management arrangements, the Audit Committee shall:

- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
- Review and provide advice on the risk management arrangements established and maintained by management and the procedures in place to ensure that they are operating as intended.

**Fraud.** To obtain reasonable assurance with respect to the organization's procedures for the prevention and detection of fraud, the Audit Committee shall:

- Take an active role in the prevention and deterrence of fraud.
- Challenge management and the auditors to ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.
- Ensure that appropriate action is taken against known perpetrators of fraud.

**Control.** To obtain reasonable assurance with respect to the adequacy and effectiveness of the organization's controls in responding to risks within the organization's governance, operations and information systems, the Audit Committee will:

- Consider the effectiveness of the organization's control framework, including information technology security and control.
- Review and provide advice on the control of the organization as a whole and its individual units.
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior management and the board.

**Compliance.** The Audit Committee will:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies.
- Review the process for communicating the code of conduct to the organization's personnel and for monitoring compliance.
- Obtain regular updates from management and the organization's legal counsel regarding compliance matters.

## Oversight of Internal and External Audit and Other Assurance Providers

**Internal Audit.** To establish, maintain, and assure that Audit has sufficient authority to fulfill its duties, and to obtain reasonable assurance with respect to the work of the audit activity, the Audit Committee shall:

- Review and approve the Audit Charter at least annually. The charter should be reviewed to ensure that it is consistent with changes in the financial, risk management, and governance arrangements of the organization and reflects developments in internal audit professional practices.
- Review and approve proposed risk-based internal annual audit work plans and make recommendations concerning internal audit projects.
- Consult with the Chair and the Regional Administrator regarding the qualifications and recruitment, retention, release and appropriate compensation of the CAE.
- Provide input to management on the annual performance evaluation of the CAE.
- Review Audit's budget, expertise, and staffing levels.
- Advise the Council about increases and decreases to the requested budget for the internal audit program and any additional expertise needed. Consider whether additional expertise is in the form of permanent staff or contracting for outside consulting services.
- Review internal audit reports and other communications to management.
- Review and advise management on the results of any special investigations. Inquire of the CAE whether any evidence of fraud has been identified during internal audits and further action to be taken.

- Review and accept results from external assurance providers including federal oversight reviews, audits, desk reviews and other relevant oversight from external sources.
- To obtain reasonable assurance that management has acted on the observations and recommendations from internal and external audit, the Audit Committee shall review regular reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audits.
- Be informed of all matters that impair the conduct of an audit or review. However, where feasible such matters shall be first brought to the attention of the Regional Administrator for resolution before communicating them to the Audit Committee.
- Inquire of the CAE whether any internal audit engagements or tasks have been carried out that did not result in a report to the committee. If there have been, inquire as to the matters of significance, if any, arising from such work.
- Review and provide input on internal audit's strategic plan, program goals, performance measures, and outcomes.
- Inquire of the CAE about steps taken to ensure that the audit activity is consistent with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards).
- Ensure that the internal audit function has an external quality assurance review every five years.
- Review the results of the independent external quality assurance review and monitor the implementation of the action plans to address recommendations raised.
- Advise the Council of any recommendations concerning the continuous improvement of the audit activity.

**Financial Statements and Public Accountability Reporting.** The Audit Committee is responsible for oversight of the independent audit of the government entity's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

**Other Responsibilities.** In addition, the Audit Committee shall:

- Perform other activities related to this charter as requested by the Council.
- Institute and oversee special investigations as needed.
- Regularly evaluate the performance of the committee and individual members.

**Reporting on Audit Committee Performance.** The Audit Committee shall:

- Make an annual report to the Council summarizing the committee's activities and recommendations.
- The report should include:
  - A summary of the work the committee performed to fully discharge its responsibilities during the preceding year.
  - A summary of management units' progress in addressing corrective actions on the findings and recommendations made in internal and external audit reports.
  - An overall assessment of the management units' risk, control, and compliance framework, including details of any significant emerging risks or legislative changes impacting the governing organization.

- Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- The Audit Committee may, at any time, report to the Council any other matter it deems of sufficient importance.

By:

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Nora Slawik

Its: Chair

Date:

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By:

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Meredith Vadis

Its: Regional Administrator

Date:

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