



Town Council Agenda Report

Date: June 25, 2019 Item No. 11

To: Honorable Mayor and Town Council

Subject: ESTABLISHMENT OF AN AUDIT COMMITTEE

From: Douglas Robertson, Town Manager

Submitted by: Sydnie Harris, Director of Finance
Finance Department

Budgeted Item: Yes No N/A

RECOMMENDED ACTION

That Town Council:

- A) Establish an audit committee; and
- B) Appoint two (2) members to serve on the audit committee.

BACKGROUND

The purpose of an audit committee is to support and enhance accountability. The Sarbanes-Oxley Act, a 2002 federal law mandates the establishment and minimum duties of audit committees for all publicly traded companies in the United States. While this requirement does not extend to the public sector, the Government Finance Officers Association (GFOA) Best Practice recommends that state and local governments formally establish audit committees by charter, enabling legislation, or other legal means. Governments draw from Sarbanes-Oxley language to establish audit committee guidelines and responsibilities.

In developing this report, staff researched best practices as outlined by the GFOA, Institute of Internal Auditors (IIA), Association of Local Government Auditors (ALGA), and American Institute of Certified Public Accountants (AICPA), as well as guidelines set forth by major public accounting firms. Staff also reviewed and considered research conducted by other Southern California cities and related enabling resolutions.

ANALYSIS

The following outline provides a synopsis of audit committee recommendations:

- Responsibilities. Depending on the entity's structure and existing practices, an audit committee should, among other duties:
 - monitor the work of public accounting firms performing the annual financial audits or other audit services;
 - make recommendations to the auditor relating to the annual audit plan and to the Town Council regarding the auditor's budget;
 - provide independent review and oversight of the financial reporting process, internal controls, and management's practices;

FISCAL IMPACT

There is no immediate financial impact associated with the recommended action.