

**STATE OF GEORGIA  
CITY OF BROOKHAVEN**

**ORDINANCE 2013-03-05**

**AN ORDINANCE TO AMEND CHAPTER 2 ADMINISTRATION BY ADDING SECTION 2-67 AUDIT COMMITTEE, ADOPTING THE POLICY RELATING TO THE AUDIT COMMITTEE, AS A COMPONENT OF THE FINANCIAL MANAGEMENT PROGRAM FOR THE CITY OF BROOKHAVEN, GA; AND TO PROVIDE FOR GUIDANCE IN ADMINISTERING THE POLICY (Second Read)**

**NOW, THEREFORE, THE COUNCIL OF THE CITY OF BROOKHAVEN HEREBY ORDAINS:**

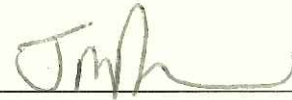
That Section 2-67 of Chapter 2, Administration, Audit Committee, of the Code of Ordinances of the City of Brookhaven be added and the Audit Committee Policy is hereby adopted and approved; and is attached hereto as if fully set forth herein;

**Severability:** Should any section of this Ordinance be declared invalid or unconstitutional by any court of competent jurisdiction, such declaration shall not affect the validity of the Ordinance as a whole or any part thereof which is not specifically declared to be invalid or unconstitutional.

**Repeal of Conflicting Provisions:** All ordinances, part of ordinances, or regulations in conflict herewith are repealed.

**SO ORDANINED AND EFFECTIVE** this 26<sup>th</sup> day of March, 2013.

Approved by:



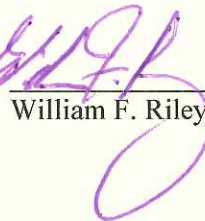
J Max Davis, Mayor

Attest:



Susan Hiott, City Clerk

Approved as to Form:



William F. Riley, Acting City Attorney





CITY OF BROOKHAVEN

*AUDIT COMMITTEE POLICY*



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Developed and approved under the Authority of the City Council

This policy document is designed to provide comprehensive guidance to the Audit Committee members in performing their oversight function. As approved by Council, this policy will apply to all members of the Audit Committee. Members seeking clarification or interpretation and those who wish to comment on the Audit Committee Policy should contact the City Attorney. This policy should be reviewed annually and updated as needed.

## **SECTION I. FRAMEWORK**

### **A. PURPOSE**

The Council and employees are expected to achieve and maintain a high level of governance and transparency. The existence of the Audit Committee provides assistance in this regard by being an independent instrument of control and a review organ. The Audit Committee (an advisory committee as defined in the City's code of ordinances) exists to provide assistance to the Council and City Manager in carrying out its responsibilities. The Audit Committee shall also be responsible for the overseeing and assessing the adequacy and scope of the arrangement for the management of the auditor functions.

### **B. PRINCIPLES**

- a. The creation of Audit Committees within the City will contribute to good corporate governance and thereby improve both efficiency and accountability in the public sector.
- b. The main role of the Audit Committee is to provide independent, effective oversight on the financial reporting process and internal controls of the City.
- c. The Audit Committee is appointed to give advice to the City Manager on the adequacy of audit arrangements (internal and external) and on the assurances provided in respect of risk and control in the City.
- d. The Audit Committee shall have no executive powers and shall not be responsible for the preparation of financial statements or the implementation of proper systems of internal controls.

## **SECTION II. GUIDELINES**

### **A. STRUCTURE OF THE AUDIT COMMITTEE**

- a. Composition of an Audit Committee
  - i. There shall be 5 members on the Audit Committee. A minimum of 4 of the 5 members shall be independent. "Independent" for the purpose of this policy means that the member is not a city employee, appointed or elected official of the City or its contractors or any other individual having a relationship that would interfere with the exercise of independent/impartial judgment in carrying out the responsibilities of the Audit Committee. Since the Audit Committee is advisory only, up to one Council member is permitted to serve on the Audit Committee.



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- ii. Members should exhibit adequate analytical, financial and managerial expertise in order that issues may be comprehensively addressed. To this end it is recommended that the Committee be made up of a balance of skills including at least a majority of individuals with technical skills and experience in accounting, financial and managerial matters.
- iii. Each Committee member must be either a resident of the City of Brookhaven or an owner or officer of a business domiciled in the City of Brookhaven. Should the Committee member move out of the City or no longer be an owner or an officer or a business domiciled in the City of Brookhaven, he or she may remain active until the Mayor and Council appoint his or her replacement.
- iv. The following individuals shall not be appointed to the Audit Committee as a voting member:
  - 1. The Finance Director (though shall serve on the Audit Committee in a nonvoting ex-officio capacity)
  - 2. The City Manager (though may be called upon to serve on the Audit Committee in an advisory role)
  - 3. Any employee on the staff of the selected City Attorney.
  - 4. Any employee on the staff of the selected City Auditor.
- b. Appointment of Audit Committee Members
  - i. As needed, the Mayor may request from the Council members a list of nominees along with their respective qualifications.
  - ii. The City Clerk shall notify nominees to determine if they are willing to fulfill the obligations of an Audit Committee member.
  - iii. A final list of acceptable and accepting nominees shall be submitted to the Mayor.
  - iv. The Mayor shall appoint members to the Audit Committee and members will be confirmed by the City Council.
  - v. The appointed members shall then elect one of its members as chairperson and one member as vice chairperson for terms of one year and may elect as its secretary one of its own members or may appoint as secretary an employee of the city.
- c. Compensation of the Audit Committee – Members of the Audit Committee will serve as volunteers without compensation for their services on the Audit Committee. Reasonable and preapproved expenditures will be reimbursed.

**B. AUDIT COMMITTEE TENURE**

- a. Tenure of the Audit Committee





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In order to ensure that the level of objectivity is maintained, and that any conflict of interest whether real or perceived is minimized, guidelines relating to the tenure of Audit Committees are as follows:

- i. Committee members shall serve for two year terms or as consistent with the City Charter and any applicable City ordinances.
  - ii. At the end of the assigned term, committee members may indicate their willingness to serve for an additional term; provided no additional term shall cause the member to exceed the eight year limit. This should be communicated in writing to the City Manager.
  - iii. In the interest of continuity, the Mayor shall assign (stagger) the terms of the Audit Committee members in a manner that provides an optimum level of experience on the Audit Committee.
- b. Resignation from an Audit Committee

An Audit Committee member, who wishes to resign, should give one month's notice in writing to the Chairperson and the City Manager outlining the reasons. In the case of the Chairperson, the members of the Audit Committee should also be informed of the resignation.

- c. Expiration of an Audit Committee member's term

Members resigning from the committee upon the expiration of their tenure, should tender a letter of resignation to the Chairperson and City Manager. All records should be handed over to the Chairperson, which will be made available to the Audit Committee.

- d. Dismissal of an Audit Committee member

The following are possible circumstances, which may lead to the dismissal of an Audit Committee member:

- i. Failure to attend two-thirds of meetings in a calendar year;
- ii. Lack of Independence/Conflict of Interest;
- iii. Any other reason that the committee may deem to be just and credible;
- iv. Any member may be removed from office for cause by a vote of a majority of the councilmembers in accordance with state laws.

If any of the above should occur, the Chairman must refer the case, in writing, to the Mayor outlining the circumstances and recommending that the member be replaced. A copy of the correspondence should be given to the member. The Mayor shall review the circumstances and state in writing his position to the Audit Committee within one month of receipt.

If the Mayor concurs with the recommendation of the Audit Committee Chairman, he should appoint a replacement using the appointment procedures outlined above. Where the Mayor



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disagrees with the Audit Committee Chairman's recommendations, the Audit Committee member will remain on the Audit Committee.



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**C. AUDIT COMMITTEE AUTHORITY AND RESPONSIBILITIES**

The Authority of the Audit Committee shall include but not be limited to:

- a. Seek and obtain any information it requires from any employee and external parties.
- b. Invite officers, employees, and auditors of the City to meetings, as appropriate.

The Responsibilities of the Audit Committee shall include but not be limited to:

- a. Reviewing and providing comment on the annual audit plans, audit budgets and audit schedules (to ensure sufficient audit coverage)

It is not appropriate for the audit committee to attempt to limit the scope of the audit. However, it is appropriate to query both management and the auditor about improvements that could be made (for example, in internal accounting controls) that would enable the auditor to exercise discretion to reduce the scope of work. The Audit Committee might also ask about additional services that could be of benefit to the company. The external auditor may summarize his understanding of the services to be rendered in an engagement letter. The Audit Committee should receive and review that document at least (ten) 10 business days prior to the City Manager signing.

- b. Perusing, reviewing, and discussing audit reports

The Audit Committee should meet with management and the external auditor to review the financial statements and the audit results. This is an especially important function of the audit committee.

The Audit Committees may confine their review of the financial statements to major or critical items or may examine the statements in considerable detail. The scope of the review is something each Audit Committee establishes, bearing in mind that at the conclusion of the meeting the members should have a comprehensive understanding of any major financial reporting problems encountered, how they were resolved, and whether the resolution is satisfactory. Factors affecting the extent of the review include the committee's confidence in management, the system of internal accounting control, and the auditor; the existence of any unresolved differences between the auditor and management; the extent of adjustments or additional disclosures, if any, proposed by the auditor; and any unusual occurrences during the year. The committee's major concern throughout the review should be whether the financial statements fairly present the city's financial results in conformity with governmental generally accepted accounting principles.

Upon completion of its considerations, the Audit Committee should be in a position to make a report to the Mayor and Council on the financial statements and on the execution of the audit function.

- c. Requesting investigation of specific areas as needed



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- d. Recommending the City Auditor to Council, which shall include the following processes:
  - i. Authorize the release of Requests for Auditing Services Proposals with standards outlined by the Georgia Department of Audits and OCGA;
  - ii. Review proposals from auditing firms to qualify the firms' experience, the audit team, approach, quality control procedures, timetable, scope, personnel training, and fees;
  - iii. Request presentations and interviews of the proposers; and
  - iv. Shortlist no less than three proposers for Council consideration.
- e. Performing other appropriate responsibilities as requested by the Mayor or Council.

**SECTION III. ETHICS**

All members of the Audit Committee have a fiduciary responsibility to demonstrate due professional care and proficiency at all times. In order to optimize their performance, they should seek relevant professional assistance where necessary. They should be and be seen to be independent of the management and audit functions. This will allow them to display objectivity and avoid cases of conflicts of interest. If there is a change in circumstances, causing a member's independence to be impaired, then that member should resign in accordance with this policy.

Where the independence of a member is impaired, but he/she is not willing to resign, the majority of the committee members shall indicate in writing their concerns and make recommendations for the member's removal in accordance with this policy.

**SECTION IV. PERFORMANCE OF THE AUDIT COMMITTEE**

**A. THE OPERATION OF THE AUDIT COMMITTEE**

- a. The Chairperson, upon consulting with the Finance Director and/or City Auditor shall schedule meetings as needed and may invite attendees to meetings. The date and time of each meeting as well as agenda items to be considered shall be publicized in the same manner as meetings of the Mayor and Council. To the extent required by law and when practical, meetings will be subjected to the Open Meetings and Open Records requirements. All meetings at which official action is taken shall be open to the public and all records maintained by the Committee shall be public records unless expressly excepted by a provision of the Georgia Open Records Act. The Committee shall keep minutes of their formal proceedings, showing the vote of each member upon each question; and records of their examinations and other official actions, all of which shall be filed by the committee chair in the office of the City Clerk. Copies of the minutes shall be sent to the Mayor and each member of the City Council. The minutes of the meetings shall be a public record. This section shall not be construed as prohibiting closed sessions when permitted by the Georgia Open Meetings and Open Records Acts.
- b. A quorum should be present prior to the commencement of meetings. A quorum shall consist of a majority of the membership.





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- c. In instances where it is considered necessary, the requisite accounting or other personnel may be invited to answer any questions of the Committee pertaining to their area of responsibility.
- d. The Committee should also request responses from the Finance Director identifying the actions taken to implement the audit recommendations given and should continue to monitor the responses and corrective actions implemented.
- e. The Committee should periodically review and evaluate the audit activity to ensure that the scope and audit approach being applied are relevant to achieve the desired objectives of the entity.
- f. Audit reports should be circulated to the audit committee members within five working days before the proposed committee meeting.
- g. The Committee shall review the audit reports, analyze audit issues and evaluate the adequacy of recommendations and the responses of the Finance Director. The Committee must ensure that these issues are dealt with adequately and satisfactorily.
- h. The duration of the meetings should allow adequate discussion of the issues.
- i. Sufficient interval should be allowed between Audit Committee meetings and Council meetings to allow follow-up actions to be effected.
- j. The Chairperson shall request the City Clerk to provide a secretary for the committee, or may appoint one of its members to be the secretary of the committee. The secretary shall assist the Chairman in:
  - i. Preparing agendas for meetings
  - ii. Drafting minutes and annual report of the committee's activities
  - iii. Collecting and disseminating information

**B. REPORTING RESPONSIBILITIES OF THE AUDIT COMMITTEE**

The Audit Committee reports are intended to provide information on a global level, of the anomalies noted by the audit functions and how and when these were resolved. The reports help to monitor the improvements made in the internal control environment as a result of the audit activity.

The Audit Committee should submit an exception report to the City Manager and Council as needed, outlining any negative trends, for example, lack of management response. The City Manager will communicate with the Finance Director in an effort to resolve outstanding issues. Where these have not been resolved, the issues should be presented to the Council for further discussion and action as deemed appropriate.

All meetings at which official action is taken shall be open to the public and all records maintained by the Committee shall be public records unless expressly excepted by a provision of the Georgia Open Records



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Act. The Committee shall keep minutes of their formal proceedings, showing the vote of each member upon each question; and records of their examinations and other official actions, all of which shall be filed in the office of the City Clerk. Copies of the minutes shall be sent to the Mayor and each member of the Council. The minutes of the meetings shall be a public record. This section shall not be construed as prohibiting closed sessions when permitted by the Georgia Open Meetings and Open Records Acts.

**C. TRAINING OF THE AUDIT COMMITTEE MEMBERS**

The City Manager in conjunction with the Finance Director may make provisions for training Audit Committee members on an on-going basis to fulfill the responsibility of ensuring that Audit Committee members are kept abreast of current financial and audit practices as well as the operations unique to the City. The Mayor may establish a mandatory training program for Committee members.

**D. AUDITOR/AUDIT COMMITTEE RELATIONSHIP**

The senior member of the audit team(s) shall have the right of access to the Audit Committee. The lines of communication should facilitate independence from management and encourage auditors to speak freely, regularly and on a confidential basis with the Audit Committee.

The Audit Committee should provide an open avenue of communication between the auditors and the Finance Director.

