

RESOLUTION NO. 06-294

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF KEY WEST, FLORIDA, ESTABLISHING THE CITY COMMISSION AUDIT AND FINANCE COMMITTEE; ADOPTING THE COMMITTEE'S CHARTER; PROVIDING FOR AN EFFECTIVE DATE

BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF KEY WEST, FLORIDA, AS FOLLOWS:

Section 1: That The City Commission Audit and Finance Committee is hereby established.

Section 2: That the Committee's Charter, as provided in the attachment to this Resolution, is hereby adopted.

Section 3: That this Resolution shall go into effect immediately upon its passage and adoption and authentication by the signature of the presiding officer and the Clerk of the Commission.

Passed and adopted by the City Commission at a meeting held this 6 day of September, 2006.

Authenticated by the presiding officer and Clerk of the Commission on September 7, 2006.

Filed with the Clerk September 7, 2006.


MORGAN McPHERSON, MAYOR

ATTEST:


CHERYL SMITH, CITY CLERK

CITY COMMISSION AUDIT AND FINANCE COMMITTEE CHARTER

PURPOSE

The City Commission Audit and Finance Committee (Committee) acts on behalf of the City Commission to monitor internal and external audit affairs and provide policy oversight and guidance to management regarding the financial affairs of the City. These responsibilities include:

- Oversight of the City's system of internal control.
- Oversight of the City's process for monitoring compliance with laws and regulations.
- Periodic review of the internal audit function.
- Selection of the independent external auditor.
- Review of the annual audit plans of both the internal and external auditors.
- Review of the Comprehensive Annual Financial Report (CAFR), management letters, interim financial statements and all other financial related matters, and consider whether they are complete and consistent with the information known to the Committee members.
- For Financial Statements, review the following at the completion of the annual external audit:
 - Significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
 - The results of the audit, including any difficulties encountered and consider the City Manager, the internal auditor and the external auditor's comments.
 - The annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
 - Review with management, the internal and the external auditors all matters required to be communicated to the Committee under generally accepted government auditing standards (GAGAS).
 - How management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- For Internal Controls:
 - Consider the effectiveness of the City's internal control system, including information technology security and control.
 - Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with the City Manager's responses.

AUTHORITY

The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work performed of any registered public accounting firm employed by the City.

- Resolve any disagreements between management and the internal or external auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Obtain the services of general counsel, the internal auditor and the external auditor, or others to advise the Committee or to assist in the conduct of an investigation, in relation to information gathering purposes only.
- Recommend to the City Commission the initiation of investigations into any matters within its scope of responsibilities with unrestricted access to members of management, and relevant information, for information gathering purposes only.
- Report Committee actions to the City Commission along with recommendations as the Committee may deem appropriate for any other audit related matters.
- Review and update the Committee's formal charter on an annual basis.

COMPOSITION

The Committee will consist of 2 members of the City Commission and 2 members from the Public. The City Commission will appoint the 2 City Commission Committee members. The Mayor will appoint the 2 Public Committee members and the City Commission will confirm. The Committee will appoint a Committee Chairperson every two years.

At least one Committee member shall have a background in financial reporting, accounting, or auditing, or shall appoint a member of the City staff to assist the Committee in the absence of the background prerequisites.

MEETINGS

The Committee shall meet at least four times a year (quarterly), with authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting, in person or via tele- or video-conference. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

It is the responsibility of the Chairperson to schedule all meetings of the Committee and to provide the Committee with a written agenda prepared and provided in advance of the meeting to all members, along with any appropriate briefing materials.

The Chairperson will ensure that minutes are prepared for all meetings scheduled and held.

The Committee meetings shall be in accordance with Florida Statute, Chapter 286.011, i.e., Sunshine Laws.

RESPONSIBILITIES

The Committee will carry out the following responsibilities:

Internal Auditor

- Review with the City Commission and the City Internal Auditor the charter, activities, staffing, and organizational structure of the internal audit function.
- Have final authority to review and approve the annual audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the City Internal Auditor.
- At least once per year, review the performance of the City Internal Auditor and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including services performed in accordance with GAGAS.

External Auditor

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the City Internal Auditor.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the City, including non-audit services, and discussing the relationships with the auditors.

Compliance

- 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 findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to City personnel, and for monitoring compliance therewith.
- Obtain regular updates from the City Manager, the City Attorney, and the City Internal Auditor regarding compliance matters.

Reporting Responsibilities

- Regularly report to the City Commission about Committee activities, issues, and related recommendations.
- Provide an avenue of open communication between internal audit, the external auditors, and the City Commission.
- Report annually to the City Commission, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the City issues that relate to Committee responsibilities.

Internal Controls and Risk Assessment

- Review and evaluate the effectiveness of the City's process for assessing significant risks or exposures and the steps management has taken to monitor and control such steps.

Other Responsibilities

- Perform other activities related to this charter as requested by the City Commission.
- Institute and oversee special investigations as needed, for information gathering purposes only.
- Review and assess the adequacy of the Committee charter annually, requesting City Commission approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the Committee's and individual members' performance on a regular basis.