

## OFFICE OF THE CITY AUDITOR

July 22, 2021

**Objectives for enhancing Audit and Finance Committee structure:**

- 1) Add a third person, a subject matter expert, to the Audit Committee to strengthen governance of organizational risks, management of fraud risk, City's internal control environment, and stewardship of the City's resources. The external subject matter expert would also improve opportunity to meet quorum at Committee meetings.
- 2) Consider two options (A and B) to approach focused governance of internal audit activities and reports, and GG and GRU finance, budget and accounting reporting.

**Recommendation:** The City Commission approve Option A or Option B, below, and authorize staff to prepare necessary amendments to the City Commission Rules.

Option	Proposed Change -Title	Proposed Change -Description	Committee Structure	Committee Subject Matter	Approval Process to Change AEC	# of Meetings Needed Annually
A	Separate <b>Audit Committee</b> (2 Commissioners, 1 external SME)  and  <b>Finance Committee</b> (3 Commissioners)	<b>Audit Committee</b> As a general rule, the minimum number of members for an effective audit committee is <b>three</b> . This ensures that a sufficient range of skills and experience is available. <sup>1</sup>  The Audit Committee, through oversight of the Internal Audit function, ensures the City's governance, operational risk management, and internal control processes are suitably designed and working as intended to achieve strategic goals and objectives.  <i>All items forwarded to the City Commission on consent or for discussion as appropriate.</i>	<b>2 Commissioners + 1 external subject matter expert (SME)</b>  The SME to be selected upon review of applicants by City Auditor who recommends a qualified applicant to CCOM for approval. The SME can be removed at will.  Staff Liaison: City Auditor	The Audit Committee reviews:  * Internal audit reports * Enterprise Risk and Audit Plan * Status of internal audit activities reported in the City Auditor Quarterly Update * Audit Issue follow up * External financial statement audit reports and other external auditor reports.	Amendment to City Commission Rules	<b>Four</b> required meetings annually. Optional to add meetings.  We recommend ability for Audit Committee Members who are Commissioners have a Commissioner alternate designated as a back up for quorum purposes.
		<b>Finance Committee</b> A Finance Committee provides oversight and guidance through policy level direction and input on financial items such as the operating budget, review of financial reporting documents, debt management, investments, contracts, capital improvement programs, long-term financing, real property or other items requiring fiscal policy direction and input. <sup>2</sup>  <i>All items forwarded to the City Commission on consent or for discussion as appropriate.</i>	<b>3 City Commissioners</b>  Staff Liaisons: GG Finance Director; GRU Chief Financial Officer	The Finance Committee reviews GG and GRU:  * Operating activity financial reports * Budget reports * Investment reports		
B	<b>Audit and Finance Committee</b> (2 Commissioners, 1 external SME)	<b>Audit &amp; Finance Committee</b> As a general rule, the minimum number of members for an effective audit committee is <b>three</b> . This ensures that a sufficient range of skills and experience is available. <sup>1</sup>  The Audit Committee, through oversight of the Internal Audit function, ensures the City's governance, operational risk management, and internal control processes are suitably designed and working as intended to achieve strategic goals and objectives.  <i>All items forwarded to the City Commission on consent or for discussion as appropriate.</i>	<b>2 Commissioners + 1 external subject matter expert (SME)</b>  The SME to be selected upon review of applicants by City Auditor who recommends a qualified applicant to CCOM for approval. The SME can be removed at will.  Staff Liaison: City Auditor	Internal Audit meetings: * Internal audit reports * Enterprise Risk and Audit Plan * Status of internal audit activities reported in the City Auditor Quarterly Update * Audit Issue follow up * External financial statement audit reports and other external auditor reports.  Finance Meetings (GG and GRU): * Operating activity financial reports * Budget reports * Investment reports	Amendment to City Commission Rules	<b>Eight</b> required meetings annually. Optional to add meetings: * Internal Audit only - 4 quarterly meetings * Finance only - 4 quarterly meetings (GG and GRU combined)  We recommend ability for Audit Committee Members who are Commissioners have a Commissioner alternate designated as a back up for quorum purposes.

1	Global Public Sector Insight: INDEPENDENT AUDIT COMMITTEES IN PUBLIC SECTOR ORGANIZATIONS, p. 10. URL: <a href="https://global.theia.org/standards-guidance/Public%20Documents/Independent-Audit-Committees-in-Public-Sector-Organizations.pdf">https://global.theia.org/standards-guidance/Public%20Documents/Independent-Audit-Committees-in-Public-Sector-Organizations.pdf</a>
2	Jacksonville <a href="https://www.coj.net/city-council/standing-committees/finance">https://www.coj.net/city-council/standing-committees/finance</a>
	Miami <a href="http://miamifl.iqm2.com/Citizens/Board/1120-Finance-Committee">http://miamifl.iqm2.com/Citizens/Board/1120-Finance-Committee</a>
	Miami Beach <a href="https://www.miamibeachfl.gov/city-hall/city-clerk/boards-and-committees/finance-and-economic-resiliency/">https://www.miamibeachfl.gov/city-hall/city-clerk/boards-and-committees/finance-and-economic-resiliency/</a>
	St. Cloud <a href="https://www.stcloudfl.gov/DocumentCenter/View/30596/04272021-Finance-Committee-Regular-Meeting-Agenda-PDF?bidId=">https://www.stcloudfl.gov/DocumentCenter/View/30596/04272021-Finance-Committee-Regular-Meeting-Agenda-PDF?bidId=</a>
	Orlando <a href="https://www.orlando.gov/Our-Government/Records-and-Documents/Financial/Budget-Review-Committee">https://www.orlando.gov/Our-Government/Records-and-Documents/Financial/Budget-Review-Committee</a>
	Tallahassee Audit Committee - <a href="https://www.talgov.com/transparency/boards.aspx">https://www.talgov.com/transparency/boards.aspx</a>
	Dunedin <a href="https://www.dunedingov.com/Home/Components/Calendar/Event/33059/274?backlist=%2F">https://www.dunedingov.com/Home/Components/Calendar/Event/33059/274?backlist=%2F</a>
	Neptune Beach <a href="https://www.ci.neptune-beach.fl.us/finance-committee">https://www.ci.neptune-beach.fl.us/finance-committee</a>
	Ocala <a href="https://www.ocalafl.org/Home/Components/Calendar/Event/417/">https://www.ocalafl.org/Home/Components/Calendar/Event/417/</a>
	Madison, WI <a href="https://www.cityofmadison.com/cityhall/legislativeInformation/roster/102800.cfm">https://www.cityofmadison.com/cityhall/legislativeInformation/roster/102800.cfm</a>
	Minneapolis, MN <a href="https://www.minneapolismn.gov/government/city-council/about-city-council/committees/budget/">https://www.minneapolismn.gov/government/city-council/about-city-council/committees/budget/</a>
	San Ramon, CA <a href="https://www.sanramon.ca.gov/our_city/boards_committees_commissions/city_council_finance_committee">https://www.sanramon.ca.gov/our_city/boards_committees_commissions/city_council_finance_committee</a>