



Audit Committee Guidance

ALGA Advocacy Committee

The committee works to promote the value of independent performance auditing throughout the local government community.

The committee provides professional resources and support to those in local government communities without audit functions, with new audit functions and with established audit functions.

The committee also provides support for local government communities that are considering diminishing the capacity of the audit function.

ALGA's Mission

ALGA is a professional organization committed to supporting and improving local government auditing through advocacy, collaboration, education, and training, while upholding and promoting the highest standards of professional ethics.

ALGA Member Services



449 Lewis Hargett Circle
Suite 290
Lexington, KY 40503



(859) 276-0686



www.algaonline.org



Why establish an independent audit committee?

Improve government accountability. Audit committees in the public sector help enhance accountability. Audit committees assist local legislatures in fulfilling their governance and oversight responsibilities for the:

- integrity of financial information
- suitability of internal controls
- compliance with regulatory requirements
- performance of government auditors
- performance of audit firms engaged by the governing body

Follow best practices. Audit committees play an important role in ensuring the quality of the annual audits, and ensuring that management implements audit recommendations. They also ensure that the audit function has sufficient resources, competence, and independence from the executive branch to perform audits efficiently and effectively.

Ensure independence. Audit committees ensure that audit functions are empowered to report significant issues to appropriate oversight authorities. The audit committee can prevent management interference with audits or suppression of audit findings.

Are audit committees required?

Audit committees are required for publicly traded U.S. companies. The Sarbanes-Oxley act, created in the wake of widespread failures of auditor independence and corporate governance, mandates the establishment and minimum duties of audit committees for all publicly traded companies in the United States.

Audit committees are required in some states and localities. Audit committees for local governments are sometimes required by state law (as in the state of Florida) or by city or county charters, municipal codes, or other local law. The Government Finance Officer Association (GFOA) recommends that all state and local governments formally establish audit committees by charter, enabling resolution, or other legal means.

What are the audit committee's responsibilities?

Specific responsibilities of the audit committee vary depending on the form of government and reporting relationship of the auditor. If the auditor is elected, for example, the audit committee may serve in a purely advisory capacity to the elected auditor. At a minimum, the audit committee oversees or advises the audit function.

Support and oversight of the government audit function: The audit committee may be directly responsible for recruiting, appointing, overseeing, and removing (if needed) the auditor. The committee may also make recommendations to the auditor relating to the annual audit plan and to the governing body regarding the auditor's budget. An elected auditor may consider establishing an audit committee to ensure that audit issues receive appropriate attention from the legislature, and to safeguard against challenges to independence from management.

Oversight of contracts with accounting firms: The audit committee may also be responsible for the requests for proposals, selection process, and monitoring the work of commercial public accounting firms performing the annual financial audits or other audit services.

Many audit experts, including the Institute for Internal Auditors (IIA), see the audit committee's role as including not only oversight of financial and performance auditing but also of governance, risk management, financial reporting, internal control, compliance, and ethics. Some audit committees are charged with conducting investigations and managing complaints and anonymous employee communications. Regardless of the specific duties assigned, every audit committee must be independent of the entity's management (executive branch) and must obtain sufficient expertise to properly understand and monitor not only the entity's audits, but also its financial systems, internal controls, and fraud risks.

How should the audit committee be structured?

Members should be independent of management. To enhance the independence of the committee, and to enable the auditors to communicate freely about management's shortcomings, no members of the audit committee should be employees of the entity management (executive branch).

Members should collectively be knowledgeable about financial matters and government. Audit committee members should have collective specific expertise necessary to effectively exercise their committee duties. For this reason, while some audit experts recommend that the audit committee be composed solely of members of the governing body, we recommend that audit committees include both members of the legislative body and financial/management experts from the community.

The audit committee should have the authority and resources to seek outside expertise when necessary. We also recommend that, as required by Sarbanes-Oxley for corporate audit committees, local government audit committees be provided with the resources to hire outside experts, including legal counsel, when necessary.

Stagger terms to ensure continuity. Terms of audit committee members should be staggered to ensure continuity.

Advocacy Committee

Jay Poole, Chair
City Auditor
Chesapeake, VA

Laura Doud
City Auditor
Long Beach, CA

Paul Duggan
Director, Audit Services
Regional Municipality of York
Ontario, Canada

Leif Engstrom
Chief City Auditor
Albany, NY

Ann-Marie Hogan
City Auditor
Berkeley, CA

David Jones
City Auditor
Seattle, WA

Bill Miller
County Auditor
Johnson County, KS

Amanda Noble
Deputy City Auditor
Atlanta, GA

Carolyn Smith
Internal Auditor
Columbus City
Schools, OH

Beth Woodward
Senior Mgmt. Auditor
Portland, OR

Patra Carroll, Advisor
Audit Supervisor
Maricopa County, AZ

**Craig Kinton, Advisor and
Liaison to Board**
City Auditor
Dallas, TX

More Info

To find additional resources from the Advocacy Committee, visit the committee page on ALGA's website at www.algaonline.org.