UTAH ASSOCIATION OF SPECIAL DISTRICTS

Audit Committee Charter Template

Prepared for

The adoption and use of Special and Special Service Districts in Utah in consultation with their legal counsel

Prepared by
The Utah Association of Special Districts
November 9, 2023 Update

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[insert name of special or special service district]

Audit Committee Charter

Audit Committee Authority

The legislative body (the "Board") of __________________ (the "District") either has established or soon will establish an audit committee ("Audit Committee") to assist the Board in the oversight of both the internal controls and external audit functions.

Mission

The Audit Committee will provide independent advice, assistance, and recommendations to the Board in the oversight of the internal controls and the external audit functions of the District.

Composition and Requisite Skills

The Audit Committee may be comprised of a subset of Board members, and may have as few as two members. The Audit Committee is charged with ensuring that investigations regarding the work of management and external auditors remain confidential until reports are made public to the Board.

The Audit Committee members collectively should possess the knowledge in accounting, auditing, and financial reporting needed to understand and evaluate the District's financial statements, the external audit, and the District's internal controls. Accordingly, the Audit Committee's members, collectively, should:

1. Possess the requisite knowledge necessary to understand technical and complex financial reporting issues.

2. Have the ability to communicate with auditors, public finance officers and the Board.

3. Be knowledgeable about internal controls, financial statement audits and management/ operational audits.

    a. If no Audit Committee members have sufficient personal internal control or finance knowledge, the Committee may gain this knowledge via a financial expert (either volunteer or paid) advisor.
        i. The financial expert advisor must:
            1) Be independent of management
            2) Be present for meetings
            3) Not be a member of the Audit Committee
            4) Not vote on Committee actions

Duties and Responsibilities

The duties and responsibilities of the Audit Committee include the following:

1. **External Audit Focus**

    a. Provide recommendations regarding the selection of the external auditor.
    b. Meet with the external auditor prior to commencement of the audit to, among other things, review the engagement letter. The Audit Committee Chair may sign the engagement letter.
    c. Review and discuss with the external auditor any risk assessment of the District's fiscal operations developed as part of the auditor's responsibilities under governmental auditing standards for a financial statement audit and federal single audit standards, if applicable.
    d. Receive and review the draft annual audit report and any single audit reports as applicable and accompanying draft management letters, including the external auditor's assessment of the District's system of internal controls and, working directly with the external auditor, assist the Board in interpreting such documents.
    e. Make a recommendation to the Board regarding accepting the annual audit and single audit reports.
    f. Review every corrective action plan developed by District management and assist the Board in the implementation of such plans.

2. **Administrative Matters**

    a. The Audit Committee shall hold regularly scheduled meetings.
    b. The Audit Committee may review and revise this Audit Committee Charter, as necessary, and report all revisions to the Board.

Membership

Membership duties of the District Audit Committee include the following:

1. **Good Faith** – Members of the Audit Committee shall perform their duties in good faith, in a manner that they reasonably believe to be in the best interest of the District with such care as a generally prudent person in a similar position would use under similar circumstances.

2. **Independence** – An individual may not serve on the Audit Committee if he or she:

    a. Is employed by the District (other than as a Board member).
    b. Currently provides, or within the prior two years has provided, goods or services to the District.
    c. Is an immediate family member of a District employee or officer.
    d. Is the owner of or has a direct and material interest in a business entity that provides goods or services to the District.

3. **Confidentiality** – During the exercise of duties and responsibilities, the Audit Committee members may have access to confidential information. The Audit Committee shall have an obligation to the District to maintain the confidentiality of all such information.

Meetings and Notification

The Audit Committee shall meet a minimum of two times each year. An agenda of each meeting should be clearly determined in advance and the Audit Committee should receive supporting documents in advance, for reasonable review and consideration.

The Audit Committee shall create meeting minutes which include the meeting:

1. Agenda
2. Time, date, and location
3. Attendance
4. Findings requiring further investigation
5. Items to be reported to the Board

Decision-Making Process

All decisions shall be reached by the vote of a simple majority of the total membership of the Audit Committee. A quorum constitutes a simple majority of the total membership and meetings will not be conducted unless a quorum is present.

Reporting Requirements

The District Audit Committee has the duty and responsibility to report its activities to the Board as needed, but not less frequently than annually. Periodic written reports of Audit Committee activities are an important communication link between the Audit Committee and the Board on key decisions and responsibilities. The Audit Committee's reporting requirements are to:

1. Report on the scope and breadth of Audit Committee activities so the Board is kept informed of its work.
2. Provide minutes or a summary of minutes of meetings which clearly record the actions and recommendations of the Committee.
3. Report on their review of the District's draft annual audit report and accompanying management letter and their review of significant findings.
4. Report on suspected fraud, waste or abuse, or significant internal control findings and activities of the internal control function.
5. Report on indications of material or significant non-compliance with laws or District policies and rules.
6. Report on any other matters that the Audit Committee believes should be disclosed to the Board.

Approved by the governing body of the District on the ____ day of __________, 20___.

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Title: ______________________________

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