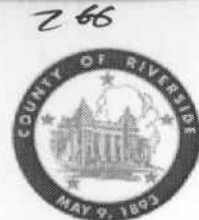


**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



SUBMITTAL DATE:
June 22, 2004

FROM: County Auditor-Controller

SUBJECT: Audit Committee

RECOMMENDED MOTION: That the Chairman of the Board of Supervisors appoints two members from the Board of Supervisors to sit on the audit committee.

BACKGROUND: On September 24, 2002, Agenda No. 3.4, the Board of Supervisors voted to endorse the Auditor-Controller's recommendation to establish an audit committee.

At this time, the Auditor-Controller is recommending formation of the committee. Attached is the audit committee charter outlining the membership, and the roles and responsibilities of the audit committee.

Attachment

Departmental Concurrence



 Robert E. Byrd
 County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	N/A	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	N/A	Budget Adjustment:	N/A
	Annual Net County Cost:	N/A	For Fiscal Year:	N/A

SOURCE OF FUNDS:	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: Board Policy

County Executive Office Signature 

Consent
 Policy
 Consent
 Policy
 Dep't Recomm.:
 Per Exec. Ofc.:

500P 11W SP 6N IS: 00
 COUNTY OF RIVERSIDE
 CLERK OF SUPERVISORS

Prev. Agn. Ref.: | **District:** | **Agenda Number:**

3.45



Robert E. Byrd, CGFM
Auditor-Controller

Ivan M. Chand, CGFM
Assistant Auditor-Controller

Audit Committee Charter

Purpose

The audit committee will begin its work on July 1, 2004 as an independent body of qualified individuals to advise and assist elected and management officials in fulfilling their oversight responsibilities by:

- Assisting the Board of Supervisors and the Auditor-Controller in fulfilling their responsibility for financial and management reporting, internal controls, and compliance with laws and regulations.
- Being the link between operating departments and the external auditors.
- Assisting the Board in ensuring the independence and effectiveness of the internal auditing function and assure appropriate consideration is given to address audit findings and recommendation.

Authority

The audit committee has the authority to authorize an internal audit or review of any department or function under the control of the Board of Supervisors or any Special District whose funds are kept in the county treasury. It is empowered to:

- Recommend the appointment and compensation, and oversee the work of any public accounting firm employed by the county.
- Approve auditing and consulting services.
- Meet with county officials, employees, external auditors and County Counsel, as necessary.
- Resolve audit disagreements between management and the internal or external auditors.

Composition

The audit committee will be a seven-member committee consisting of five voting members and two non-voting members. The voting members will be: two members from the Board of Supervisors and three members from the public at large while the County Auditor-Controller and the County Executive Officer will be the non-voting members. The two members from the Board of Supervisors will be appointed by the Chairman of the Board of Supervisors. Committee members will recuse themselves from participating in any matter that poses a conflict of interest.

Meetings

The committee will meet at least quarterly, but may convene additional meetings as necessary. All committee members are expected to attend each meeting. The committee will invite members of management, internal and external auditors or others to attend meetings in order to provide pertinent information to the committee in the performance of its responsibilities. It will hold private meetings with auditors and management as deemed necessary. Agendas and minutes will be prepared for each meeting.

Responsibilities

The audit committee will exercise responsibility in two primary areas, financial reporting and internal controls over areas of risk.

Financial Reporting

The responsibility of audit committees in the area of financial reporting is to provide added assurance about the adequacy of reported financial information.

The specific steps involved in carrying out this responsibility include:

- Recommending the independent external auditors.
- Overseeing the external audit coverage, including:
 - Auditor engagement letters
 - Estimated fees
 - Monitoring of audit results
 - Review of auditor's independence and performance
 - Review of nonaudit services

Internal Controls

- Consider the effectiveness of the county's internal control system to mitigate risk; including information technology security and control.
- Understand the scope of internal and external auditors' review of internal controls, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Review and recommend Board of Supervisors approval of any modification to the internal audit charter.
- Review plans, budgets and management requests for audit services. The audit committee must satisfy itself that internal audit objectives and goals, staffing plans, financial budgets, and audit schedules provide for adequate

support of the committee's own goals, objectives and responsibility to the Board of Supervisors, the County Auditor-Controller and management.

- Review the results of all internal audits and meet with the Chief of Audits separately as needed to discuss issues the committee members believe should be discuss privately. Prior to each quarterly meeting, the Chief of Audits shall provide the committee with summary information concerning the results of audits and reviews.
- The committee may request internal auditing to perform special studies, investigations or other services in matters of interest or concern to the committee. Such projects could include:
 - Investigation of potential or suspected fraud or other irregularities.
 - Evaluation of compliance with laws and regulations.
 - Evaluation of external auditors.

The Auditor-Controller will continue to decide about the use of audit resources as the need arises without calling a meeting of the audit committee. The audit committee will be informed of those resource allocations during their next meeting.

- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.

Reporting Responsibilities

- Report to the Board of Supervisors semi-annually about committee activities, issues, and related recommendation.
- Provide an avenue of communication between Internal Audits, the external auditors and the Board of Supervisors.