

THE CITY OF MARCO ISLAND, FL
AUDIT ADVISORY COMMITTEE
OBJECTIVES AND RESPONSIBILITIES
NOVEMBER 12, 2019

The Audit Advisory Committee (“AAC”) was established by City Council to assist it in the oversight of the preparation of the City’s financial information, monitoring the effectiveness of the system of internal accounting controls, and to interface with the City’s external auditors in connection with the audit of the Comprehensive Annual Financial Report (“CAFR”) and other required special audits.

Specific objectives and responsibilities within each area are as follows:

FINANCIAL REPORTING:

1. Through inquiry of the Director of Finance and the external auditors, gain a general understanding of:
 - a. the current areas of greatest financial risk, including fraud and fraud protection procedures, and how these are being managed by City Management;
 - b. the critical accounting policies and practices, and any changes in them;
 - c. accounting entries requiring a significant element of judgment and estimation; and
 - d. the extent to which the financial statements are affected by known significant or unusual transactions and related disclosures.
2. Meet with appropriate City Management and external auditors to review:
 - a. the financial statements, CAFR and other required audited reports or statements and the results of the audit;
 - b. significant adjustment arising from the audit(s);
 - c. significant unrecorded adjustments and the impact on the CAFR;
 - d. disagreements between City Management and the external auditors, whether or not resolved, that would have had an impact (favorable or unfavorable) on the audit opinion(s); and
 - e. internal control weaknesses and recommended actions and corrective plans.
3. Prepare an evaluation of external auditors in connection with the audit, and, if applicable, the City Manager and Finance Director solely in connection with the conduct of the audit.

INTERNAL CONTROL:

1. The AAC will serve as a resource for City Management in developing and documenting its internal control systems, as well as the method the City uses to communicate its philosophy to maintain a control driven culture among city employees.
2. The AAC will inquire whether City Management has adequately addressed recommendations made by the external auditors, including corrective actions, where deemed necessary.

EXTERNAL AUDITORS:

1. The AAC will assess the qualifications, independence and performance of the external auditors and make recommendations to City Council for their appointment, reappointment or termination, as well as fee proposals and terms for recurring and nonrecurring services.
2. The AAC will meet with the external auditors at least three times per year:
 - a. during the audit planning phase;
 - b. prior to completion of the audit; and
 - c. upon completion of the audit and prior to the issuance of their report(s) on the CAFR.

REGULATORY COMPLIANCE:

The AAC will inquire of City Management (Finance Director) whether the:

1. City has established a process to address compliance with laws and regulations;
2. financial statements reflect provisions, if applicable, for the results of any regulatory agencies' reports or examinations; and
3. financial statements include provisions, if applicable, for pending or threatened litigation.

RISK MANAGEMENT:

Risk Management is a pervasive and integral element of City Management's objective setting and the link between those objectives and the setting of internal controls, both financial and operational, to ensure that risks are maintained at an acceptable level while still achieving the desired objectives. Some risks can be quantified and be determined objectively; others are subjective in nature. Some risks are directly related to financial reporting; others are directly related to ongoing operations of the City.

If City Council decides that the City will implement such a comprehensive Risk Management program to be developed, implemented and monitored by City Management, the AAC will be a resource to City Management in this endeavor.

OTHER MATTERS:

1. Membership:
 - a. The term of membership on the AAC will be for up to two consecutive four-year terms or eight years in total. The terms will be staggered and mirror the terms of the appointing City Council Members, but run from June 1 through May 31.
 - b. AAC members will be financially literate and financially independent of any City operations or City financial obligations.
 - c. Annually, all AAC members will attend an orientation session presented by the Chairperson of the AAC with assistance of City Management, where appropriate, covering such items as:
 - i. responsibilities,
 - ii. city governance and management structure,
 - iii. government (fund) accounting,
 - iv. the CAFR,
 - v. the security of computer systems and applications,
 - vi. contingency plans for processing financial information in the event of a system breakdown (disaster recovery plan) and
 - vii. the prevention and/or detection of fraud or misuse of the City's resources.
2. The Chairperson of the AAC will make presentations, as requested, to City Council no less than:
 - a. Prior to the end of the current fiscal year, give a brief presentation on the status of any material weaknesses or significant deficiencies communicated by the External Auditors.
 - b. After the completion of the audit, give a brief presentation as to the activities of the AAC, an overview of the results of the audit of the CAFR and any communications received from the External Auditors that are deemed necessary to report to City Council.
3. The AAC will consider assisting in any other ad hoc functions as requested by City Council.

The above objectives and responsibilities have been designed to comply with the requirements of all rules, regulations, provisions and responsibilities set forth in Florida Statute, Title XIV, Chapter 218.391, as amended from time to time.