



Audit Committee Charter

Sonoma County Audit Committee Charter

March 25, 2025

Background

Today's governance arena requires governing boards to be proactive, informed, investigative, and accountable in order to effectively perform their function to direct and control the organizations they govern. Appropriate governance includes adhering to policies and procedures to ensure success, while maintaining the proper balance with stakeholders' interest. Because the Board of Supervisors (Board) has oversight responsibilities for the financial reporting process, the system of internal control, the audit process and the County's process for monitoring compliance with laws and regulations, a properly constituted audit committee will assist the Board in fulfilling this responsibility. Audit committees help to facilitate communication between management, auditors and the governing board. Audit committees also enhance the perceived independence of the external auditor's by providing a direct link between the auditor and the governing board.

The American Institute of Certified Public Accountants issued auditing standards to address public concerns on the adequacy of internal controls and financial reporting. The Statement on Auditing Standards No. 114, Communicating With Those Charged With Governance, requires the external auditor to communicate directly to those "charged with governance" during the course of their audit. This communication may be to the full Board or to a formally established audit committee.

The Government Finance Officers Association (GFOA) is a professional organization of public officials united to enhance and promote the professional management of governmental financial resources by identifying, developing and advancing fiscal strategies, policies, and practices for the public benefit. The GFOA's Executive Board approved a recommended practice that the governing body of all state and local governments should establish an audit committee or its equivalent. The GFOA recommendation also stipulates that the audit committee should be formally established by charter, enabling legislation, or other appropriate legal means.

Purpose

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by monitoring the financial reporting process, the overall system of internal control and risk mitigation, compliance with laws and regulations, and the independence and performance of the County's internal and external auditors.

Sonoma County Audit Committee Composition, Term and Experience

The Sonoma County Audit Committee will consist of two members of the Board of Supervisors and one member of the public. Audit Committee members shall serve a 4-year term and may be reappointed for one additional 4-year term. The initial term of one Board member will be a 2-year term to stagger the terms. No Committee member shall serve more than 8 consecutive years. Each committee member is to be independent and possess or obtain a basic understanding of governmental financial reporting and auditing. The public member must have experience leading an internal audit function, or significant experience in one or more of the following areas: evaluating internal controls, governmental auditing and accounting or internal audit. The public member shall be recommended by the Auditor-Controller-Treasurer-Tax Collector and confirmed by the Board of Supervisors. The Auditor-Controller-Treasurer-Tax Collector and County Executive, or their designee(s), will sit in an advisory capacity.

Authority

The Sonoma County Audit Committee (Committee) is established and authorized to complete its mission by Sonoma County Board of Supervisors Resolution **xx-xxxx**. The Committee is granted authority to investigate any matter or activity involving financial accounting, financial reporting, and compliance, as well as the County's internal controls. In that regard, the Committee will have access to the County's external professionals to render advice and counsel in such matters.

Meetings

The Audit Committee shall meet at least two times each fiscal year. The Committee is to meet twice annually with the external auditors, and at other times when considered appropriate. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

Meetings of the Committee shall be open and public and shall be subject to the Ralph M. Brown Act, Government Code Section 54950, et seq.

Responsibilities

Oversight of the Internal Audit Division

To establish, maintain, and ensure that the County of Sonoma's internal audit function has sufficient authority and resources to fulfill its duties, the Audit Committee will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the chief audit executive has unrestricted access to and communicates and interacts directly with the Board of Supervisors, including in private meetings without senior management present.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter annually.
- Review, provide input, and approve the annual risk-based internal audit plan.
- Provide input to the internal audit function's human resources administration and budgets.
- Review the internal audit function's expenses.

- Provide input to senior management on the appointment and removal of the chief audit executive, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the chief audit executive's performance.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

Financial Reporting

Review the following matters with management and the external auditors:

- Significant accounting and reporting issues, including recent professional and regulatory pronouncements, understand their impact on the financial statements, and ensure that all such issues have been considered in the preparation of the financial statements.
- Complex and/or unusual transactions.
- Issues related to judgements made involving valuation of assets, liabilities, commitments, and contingencies.
- Disagreements on financial accounting and reporting matters and whether there were any significant difficulties encountered in performing the audit.
- The annual financial statements and the results of the audits as contractually required.

Internal and External Audits

Internal Audits:

- Review all final internal audit reports and management responses.
- Review the status and results of the annual audit plan and sufficiency of Internal Audit Division resources.

External Audit of County of Sonoma Annual Comprehensive Financial Report and Single Audit:

- Review the external auditors proposed audit scope and approach.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the County, including non-audit services, and discussing the relationships with the auditors.

Internal Control

Understand the scope of external auditors' review of internal control over financial reporting and

obtain reports on significant deficiencies and recommendations, together with management's responses, monitor whether internal control recommendations have been implemented by management.

Compliance

Understand the scope of external auditors' review of the County's compliance with certain provisions, laws, regulations, contracts, and grant agreements, including, but not limited to, major federal programs, state and local grants programs, and County policy, review management's response on compliance findings identified, and if necessary, follow up on any instances of noncompliance.

Other Responsibilities

Confirm annually whether responsibilities outlined in this charter have been performed and present annually to the Board, in open session, a written report of how the committee has discharged its duties and met its responsibilities.

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