

School Board of the City of Richmond, Virginia Audit Committee Charter

PURPOSE

To assist the school board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the internal and external audit process, and the school district's process for monitoring compliance with laws and regulations and school board policies and procedures.

AUTHORITY

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests.
- Meet with the superintendent, chief auditor, external auditors, or outside counsel, as necessary.

COMPOSITION

The audit committee will consist of at least three school board members appointed by the Board Chair. The chair of each committee shall select a nonvoting citizen to serve on the committee. Any committee member that misses three or more meetings shall be terminated from said committee. (Policy 1-5.1)

The audit committee shall endeavor to become familiar with the accounting practices of Richmond Public Schools and upon request shall review the general auditing procedures used by the external and internal auditors, but otherwise it may in good faith rely upon the professional accounting expertise of such auditors.

During the exercise of duties and responsibilities, the Committee members may have access to confidential information. The Committee shall have an obligation to the district to maintain the confidentiality of such information.

MEETINGS

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person. The division superintendent or his/her designee shall be invited to

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attend all committee meetings, but shall not be considered a member of the committee. It will hold private meetings with internal and external auditors (see below) and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

DECISION-MAKING PROCESS

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

The Audit Committee is a standing committee of the school board. The committee does not have the power to act for the school board. All findings and recommendations shall be reported to the full board as promptly as practical. Items passed by a majority of the committee shall be placed on the agenda for the full board. (Policy 1-5.I)

RESPONSIBILITIES

The committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing *Standards*.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and consider whether they are complete and consistent with the information known to committee members.

Internal Control

- Consider the effectiveness of the school district's control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

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- Review with the chief auditor the charter, activities, staffing, and organizational structure of the internal audit function.
- Have annual authority to review and approve the annual audit plan and all major changes to the plan.
- Monitor implementation of internal audit's recommendations by management.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief auditor.
- At least once per year, review the performance of the chief auditor and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.
- On a regular basis, meet separately with the chief auditor to discuss any matters that the committee or internal audit believes should be discussed privately.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the school district, including non-audit services, and discussing the relationships with the auditors.
- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating school board policies and procedures to school district personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and school board legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the school board about committee activities, issues, and related recommendations.

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- Provide an open avenue of communication between internal audit, the external auditors, and the school board.
- Review any other reports the company issues that relate to committee responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the school board.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.