

Minutes of Buncombe County Audit Committee
October 20, 2020
9:00 AM
200 College Street, Room 310
Some Attendees Remote Via Secured Zoom

Members Present: Commissioner Robert Pressley, Commissioner Al Whitesides, Glenda Weinert, Kendra Ferguson, Danny Yelton (Remote), and Mike Knepshield (Remote)

Members Absent: Chairman Larry Harris

County Staff Present: Trisha Burnett, Kelly Houston, Terri Orange, Don Warn, Michael Frue (Remote), Sean Hammac (Remote - IT Support during meeting), Becki King (Remote)

Others Present: Chris Kessler [CliftonLarsonAllen (CLA)] (Remote)

The Audit Committee Vice-Chairman, Commissioner Al Whitesides, called the meeting to order at 9:04 AM.

Review of Remote Meeting Rules – County Attorney – Michael Frue

County Attorney Michael Frue gave instructions to the Audit Committee on how to conduct the meeting remotely and still maintain compliance with public board meeting requirements.

- REFERENCE: North Carolina Session Law 2020-3, § 166A-19.24.
- Summary of differences between remote meetings and in-person meetings
 - Each voting member must state his/her name prior to bringing forth a motion or seconding a motion.
 - Due to some members being in person and some attending remotely, and with some challenges of hearing each other, Mr. Frue recommends that each person state his/her name prior to speaking.
 - The Chairman is required to conduct a roll call vote.
 - The Committee must allow public comment if there are any attendees who wish to make comments at the designated time for public comment.

Mr. Frue will also remain on the remote meeting of the Audit Committee to ensure compliance with procedures and to answer any procedural questions that may arise.

Review and Approval of Meeting Minutes – Vice-Chairman Whitesides

The June 2, 2020 meeting minutes were presented and reviewed.

Kendra Ferguson moved to approve the minutes as presented. Commissioner Whitesides seconded the motion. By roll-call vote led by Commissioner Whitesides, the motion passed unanimously.

Fiscal Year 2020 Financial Audit – Update – Finance Director Don Warn

Finance Director Don Warn introduced Chris Kessler from CLA, who will provide an update of the Fiscal Year 2020 financial audit.

Per Mr. Kessler, the overall audit process is in good shape. The delay in the Single Audit is due to the delay from the federal government in issuing the compliance supplement. The current expectation is that the compliance

supplement will be issued in late November; however, this is not a guarantee. This delay in the Single Audit will delay the completion of the audit, but this delay is of no fault of the County or CLA. If the compliance supplement is issued at the expected time of late November, Mr. Kessler expects that this will push the audit completion to approximately January 2021. Mr. Kessler reports that the majority of the financial statement audit is complete and a draft Comprehensive Annual Financial Report (CAFR) will be prepared in the next few weeks. At that point, the wait will be dependent on the issuance of the federal compliance supplement.

Due to the COVID-19 pandemic, Mr. Kessler reported that audit work was conducted remotely. He notes that the implementation of Workday, electronic workflows and documentation, use of Teams and Zooms meetings, and secure file transfer methods have facilitated this process.

Ms. Ferguson asked Mr. Kessler if there were any significant audit adjustments or findings at this point in the audit. Mr. Kessler reported that there were none at this point in the audit.

Mr. Frue inquired on the status of prior year audit findings. Mr. Kessler explained that CLA reviewed the corrective actions that management put in place.

Mr. Kessler also informed the Audit Committee of discussions occurring regarding potential future audits regarding CARES Act / Coronavirus Relief Funds received. He advised that the Office of Inspector General (OIG) is expected to audit these costs in the future, and is expected to question the reasonableness and appropriateness of costs reimbursed through this funding. Mr. Kessler expects a high level of scrutiny from the OIG, and advised that documentation of reasons for spending choices is a key component.

There were no further questions or comments regarding the fiscal year 2020 financial statement audit update.

Internal Audit Update – Internal Audit Director Trisha Burnett

Trisha Burnett had two areas to include for the Internal Audit update. She started the update by explaining that Internal Auditor Kelly Houston had returned to Internal Audit at the end of July from her temporary reassignment to Emergency Services during the initial COVID-19 pandemic response, and that Trisha was back to Internal Audit work, with the exception of fielding all Buncombe County Let's Talk reports.

Buncombe County Strategic Plan – Internal Audit Plan

Ms. Burnett reviewed the draft strategic plan specific to the Internal Audit Department. Internal Audit has worked with the Performance Management Department to ensure consistency in this process with other County departments. Ms. Burnett would like to get the Audit Committee's feedback on the draft plan prior to the December 1, 2020 meeting, so the plan can be voted on at that meeting to move forward in the overall County process.

Governance Documents

The Committee was provided with the following resources to review:

- Charter Best Practice Resources
- Current Internal Audit Charter
- Current Audit Committee Charter

Ms. Burnett gave an overview of why the Internal Audit governance documents has come into question and what further action needed to occur. There have been several instances over the past few months where County Management and Internal Audit were not clear on the roles and responsibilities of the Internal Audit function, and how the two groups work collaboratively while maintaining the independence required by Government Auditing Standards. In reviewing the existing governance documents, it became clear that the documents either did not address the questions raised or the documents contradicted each other in what was expected. There has

been one meeting between County Manager Avril Pinder, Internal Audit Director Trisha Burnett, Audit Committee Chairman Larry Harris, and Audit Committee Vice-Chairman Commissioner Whitesides to start discussions on these issues.

Below are some discussions of unclear expectations, contradictory expectations and ongoing work to address these issues:

- The Buncombe County Personnel Ordinance
 - The Buncombe County Personnel Ordinance requires Internal Audit to:
 - Investigate all complaints or concerns by employees or the public, as well as ensure appropriate follow-up action if appropriate
 - Investigate all reported complaints from supervisors and managers, who are required to report complaints or concerns about suspected ethical or legal violations in writing to Buncombe County's Internal Auditor
 - Work in partnership with the Human Resources Director to investigate and address any concerns related to personnel matters
 - Notify the Audit Committee immediately of any concerns or complaints regarding organizational accounting practices, internal controls or auditing, and work with the Committee and the Human Resources Director as appropriate until the matter is resolved.
 - However, the Internal Audit Charter, Audit Committee Charter, nor the Internal Audit staff job descriptions address or align with the mandates of the Personnel Ordinance.
 - The contradictory nature of these governance documents gave the perception that because Internal Audit was not publishing audit reports, no work was occurring; however, the Internal Audit staff have been heavily involved with an increase of Ethics Report line cases as well as internal investigations.
 - Partnership with the Human Resources Department to streamline the process as mandated by the Personnel Ordinance:
 - Internal Audit and the Human Resources Department are working together to use Ethics Point (the platform used to manage the Employee Ethics Report Line) for employee investigations that are led by Human Resources.
 - This will allow Internal Audit to be aware of the issues, as per the mandate in the Personnel Ordinance.
 - This will also help Human Resources staff have a system in place for managing the complaints, investigation, documentation, results, and follow-up actions, which they currently do not have.
 - The permissions in the Ethics Point platform will allow Internal Audit staff to see all reports; but will allow Human Resources to only see the reports they manually enter, or the reports assigned to them from Internal Audit.
- Annual Risk Assessment
 - Ms. Burnett reported that the annual risk assessment began in March, but was delayed due to COVID-19.
 - Internal Audit is now working on the annual risk assessment in order to prioritize the work of the Internal Audit Department.
 - Ms. Weinert asked if Internal Audit had Risk Management duties, as they should be separate.
 - Ms. Burnett explained that the County does not have an Enterprise Risk Management (ERM) function. The current Risk Management function in the County primarily works with insurance needs, safety, and HIPAA compliance. Ms. Burnett asked Mr. Frue if he could share more about this area.

- Mr. Frue verified the current structure as Ms. Burnett had explained. He also provided some historical knowledge on how the Internal Audit function started and what limitations might still exist.
 - He mentioned that prior to 2017, there was not a structure or policies in place, as this was the way prior management controlled the flow of information.
 - Mr. Frue recommends the Audit Committee keep that in mind when considering changes to the structure and policies of the Internal Audit Department.
 - Ms. Houston also provided historical context on the Internal Audit Department's history:
 - Prior to 2017 – Internal Audit activities were under the Finance Department, and were directed and controlled by management.
 - In October 2017, the Personnel Ordinance, Audit Committee Charter and Internal Audit Charter were revised to add the required independence.
 - Currently, the collective governance documents are a good start, but are not in alignment with each other.
- Ms. Ferguson asked if the risk assessment would be used by County Management in place of their own risk assessment. Ms. Burnett explained the risk assessment would be comprehensive, as it has not been completed before, but would be used to direct the priorities of Internal Audit's work. She presumes that the County Manager would like to see the results of this work.
- Ms. Burnett stated that an ERM function is now required in federal agencies, and it is expected that this mandate will eventually make its way to state and local governments.
- Where to go from here
 - Based on the meeting between Ms. Pinder, Ms. Burnett, Chairman Harris, and Commissioner Whitesides, it has been determined that revisions of the governance documents are needed.
 - Ms. Burnett stated that having all voices at the table would be the most beneficial approach in revising these documents, so all issues from all perspectives are dealt with at the same time. Ms. Ferguson stated that over the years, small tweaks have been made, but that a comprehensive revision would be ideal to address these issues.
 - Ms. Burnett stated it would be ideal to have the following parties represented when deciding on revisions to the governance documents:
 - Internal Audit
 - A representative from the Board of County Commissioners
 - A representative from the Audit Committee
 - The County Manager
 - Most of the revisions will be based on what authority the Board of County Commissioners are comfortable with delegating to the Audit Committee. For example: one of the best practices states that the Audit Committee should determine the Internal Audit resources, not management. However, the Board of County Commissioners needs to formalize this practice if they are comfortable with delegating this responsibility to the Audit Committee.
 - Ms. Weinert stated that separation of audit and management is key. She recommends to align to best practices, as standards exist for a reason. She also

echoed that the changes need to be something that the Board of County Commissioners are comfortable with.

- Ms. Ferguson asked if they could form a subcommittee to work on the task of revising governance documents. Ms. Burnett stated that would be preferable, so that all voices are at the table.
 - Commissioner Whitesides, Commissioner Pressley, and Kendra Ferguson have volunteered for this short-term subcommittee.
 - Commissioner Whitesides stated they would notify Chairman Harris of this initiative.
 - The revisions will be discussed and proposed among the group prior to the December 1, 2020 Audit Committee meeting, where they will be discussed and voted on.
 - Internal Audit will then plan to have Audit Committee binders for each member available at the first meeting of the 2021 calendar year with all of the responsibilities, authorities, and documentation related to the Audit Committee and Internal Audit, once the governance documents have been revised and approved.

Budget Timeline – Internal Audit Director Trisha Burnett

Ms. Burnett gave a handout of the County’s budget development timeline to the Committee members. Due to these timelines, Internal Audit will be presenting the Internal Audit Department’s proposed budget at the December 1, 2020 for review and approval. The Audit Committee’s approval is needed at this meeting, due to the requirement to meet deadlines for the County budget process.

For fiscal year 2020, the Audit Committee approved an additional FTE for Internal Audit, but it did not pass through the County budget process. For fiscal year 2021, the Audit Committee approved two additional FTEs for Internal Audit and audit management software (to streamline Internal Audit processes and documentation requirements for peer review requirements, as well as to tap into data analysis features). Pre-COVID, one FTE and the audit management software was approved. Once the COVID pandemic hit, the County adopted a conservative approach countywide, due to the uncertainty of revenues and expenses during the pandemic. The approved FTE and software were put on hold until the County assessed how County revenues were affected by COVID. In addition, each County department, including Internal Audit, submitted a 1.5% budget reduction for fiscal year 2021. Ms. Burnett is asking for an update on the one FTE and audit management software, as this will affect the fiscal year 2022 budget request.

Invitation for Risk Assessment Discussions – Internal Audit Director Trisha Burnett

Ms. Burnett stated that she would like to have ongoing conversations with the Audit Committee members, but wanted to extend the invitation for any Audit Committee member to participate in the Risk Assessment process. She reviewed the structure of the risk assessment, how data is collected to support the risk assessment, how interviews are being conducted, and how Internal Audit is working with other governments to benchmark risks. Ms. Ferguson asked if Human Resources had conducted any employee satisfaction surveys. Ms. Burnett stated that this had not been completed yet. Ms. Ferguson stated that Internal Audit should see the results of those surveys when they happen to identify any other areas of risk.

Meeting Schedule Reminder for Calendar Year 2020

The following dates are for scheduled meetings of the Audit Committee for the remainder of calendar year 2020:

- Tuesday, December 1, 2020 at 9:00 AM

Each of these proposed meeting dates aligns with regularly scheduled meeting dates for the Board of Commissioners. If an Audit Committee meeting is needed outside of the adopted regular schedule, it will be advertised in accordance with special meeting requirements.

Public Comment

Vice-Chairman Whitesides asked if there were any members of the public who wish to speak. Ms. Houston asked the member of the public who was in attendance remotely if the attendee would like to speak; the attendee noted that she did not wish to speak, but had only joined the meeting out of general interest.

Adjournment

Vice-Chairman Whitesides adjourned the remote meeting at 10:09.

Remote Attendee Disconnect Times (Documented by Zoom Meeting Data Log)

Danny Yelton	10:09 AM
Mike Knepshield	10:09 AM
Michael Frue	10:05 AM
IT Support	10:10 AM
Chris Kessler	9:26 AM
Becki King	10:03 AM



STRATEGIC BUSINESS PLAN FY 2021

Internal Audit - Draft

Trisha Burnett

Overview / Description of Services

THE BUNCOMBE COUNTY INTERNAL AUDIT DEPARTMENT SUPPORTS THE BUNCOMBE COUNTY BOARD OF COMMISSIONERS, COUNTY MANAGEMENT, THE EXTERNAL AUDIT COMMITTEE, AND RESIDENTS OF BUNCOMBE COUNTY IN ASSESSING ACCOUNTABILITY, TRANSPARENCY, AND CONTINUOUS IMPROVEMENT IN COUNTY OPERATIONS. THE DEPARTMENT SEEKS TO INDEPENDENTLY AND OBJECTIVELY ASSESS AND REPORT ON MANAGEMENT'S CONTROLS AND PERFORMANCE RELATED TO:

- 1) GOVERNANCE; 2) COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS, POLICIES AND PROCEDURES; 3) ACCURACY OF DATA; 4) EFFICIENT AND EFFECTIVE USES OF RESOURCES FOR COUNTY SERVICES; 5) SECURITY OVER COUNTY RESOURCES AND RECORDS; 6) RISK IDENTIFICATION AND MANAGEMENT; AND 7) FRAUD, WASTE AND ABUSE PREVENTION AND DETECTION.

Mission Statement

DRIVEN BY THE HIGHEST PROFESSIONAL AND ETHICAL STANDARDS, THE INTERNAL AUDIT DEPARTMENT WILL PERFORM HIGH QUALITY WORK WITH COMPETENCE, INTEGRITY, OBJECTIVITY, AND INDEPENDENCE THAT PROVIDES ACCOUNTABILITY AND HELPS IMPROVE THE COUNTY'S OPERATIONS AND SERVICES.

Focus Area: *Operational Excellence***Tier 1 Goal: *Foster an Internal Business Culture Focused on Continuous Improvement***

Tier 2 Goal: Ensure Buncombe County Internal Audit processes align with national government auditing standards, which will add to the Department's credibility and authority to add value to Buncombe County Government.

Initiative 1	Finalize Internal Audit governance documents, policies and procedures to ensure consistency and compliance with Government Auditing Standards.	
Actions	Provide specific actions that will be taken to achieve the initiative listed above <ul style="list-style-type: none"> • Ensure consistency in governance documents • Separate audit and investigations procedure manuals (audit versus nonaudit services) • Identify and address any gaps or inconsistencies in the draft policies and procedures 	
Initiative 2	Complete the Peer Review Self-Assessment	
Actions	Provide specific actions that will be taken to achieve the initiative listed above <ul style="list-style-type: none"> • Build the internal Self-Assessment process and document management system • Use the Association of Local Government Auditors (ALGA) Peer Review Checklist to conduct a self-assessment • Catalog any deficiencies 	
Initiative 3	Address any deficiencies discovered through the Self-Assessment process	
Actions	Provide specific actions that will be taken to achieve the initiative listed above <ul style="list-style-type: none"> • Prioritize the listing of deficiencies • Correct the deficiencies in order of importance or difficulty 	
Performance Measure	<ul style="list-style-type: none"> • Rating on Self-Assessment Peer Review Checklist with a pass rating of "Generally Conforms" by 2025 	<p>Data Source:</p> <ul style="list-style-type: none"> • ALGA Self-Assessment Peer Review Checklist <ul style="list-style-type: none"> ▪ Document provided by third party <p>Target:</p> <ul style="list-style-type: none"> • Complete 30% in Fiscal Year 2022 • Complete 35% in Fiscal Year 2023 • Complete 35% in Fiscal Year 2024 • Pass rating of "Generally Conforms" by 2025
Collaborating partners	We expect to work with Information Technology on a technology solution for audit management, quality control and documentation retention, which are all key components of a successful Peer Review. We also expect to work with the Audit Committee, Board of County Commissioners and County Management to ensure our governance documents are in compliance with auditing standards.	

Focus Area: *Operational Excellence*

Tier 1 Goal: *Foster an Internal Business Culture Focused on Continuous Improvement*

Tier 2 Goal: Ensure Buncombe County Internal Audit’s ongoing compliance with national government auditing standards, which will add to the Department’s credibility and authority to add value to Buncombe County Government.

Initiative 1	Request external peer review from the Association of Local Government Auditors (ALGA)	
Actions	Provide specific actions that will be taken to achieve the initiative listed above <ul style="list-style-type: none"> • Complete the formal request • Complete timeline and travel arrangements for the onsite work • Send the Peer Review Team the required assessment documentation for completion before onsite work • Secure work space for the onsite external team 	
Initiative 2	Work collaboratively with the ALGA external peer review team while they are conducting onsite examination	
Actions	Provide specific actions that will be taken to achieve the initiative listed above <ul style="list-style-type: none"> • Participate in interviews requested by external peer review team from ALGA • Participate in working sessions with the external peer review team in reviewing Internal Audit’s governance, audit management, and quality control procedures 	
Initiative 3	Respond to the ALGA external peer review team’s report and distribute the findings as required	
Actions	Provide specific actions that will be taken to achieve the initiative listed above <ul style="list-style-type: none"> • Review and respond to the ALGA external peer review team’s findings • Participate in exit conference with the ALGA external peer review team • Issue final report to Audit Committee, Board of County Commissioners, Management, and publish on public-facing website • Formalize plan for addressing any identified areas for improvement 	
Performance Measure	<ul style="list-style-type: none"> • Rating on Peer Review Report with an overall defined conformance rating of “Generally Conforms” by 2025 	<p>Data Source:</p> <ul style="list-style-type: none"> • ALGA Peer Review Report <ul style="list-style-type: none"> ▪ Third Party, Independent Peer Review Team <p>Target:</p> <ul style="list-style-type: none"> • Complete 20% by 12/31/2023 • Complete 40% by 12/31/2024 • Complete 40% by 06/30/2025 • Pass rating of “Generally Conforms” by 2025

Collaborating partners	We expect to work with Information Technology in working on a technology solution for audit management, quality control and documentation retention, which are all key components of a successful Peer Review. We also expect to work with Information Technology in order to secure access for the external peer review team to have the ability to review our audit management system and documents. In addition, we will need to work with County Management to secure a working space for the external peer review team when they are conducting onsite work.
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Focus Area: *Equity*
Tier 1 Goal: *Ensure Representative and Inclusive Practices are Reflected in Decision Making*

Tier 2 Goal: Increase awareness of equity issues through trainings, workgroups, and other initiatives for all Internal Audit staff.

Initiative 1	Collaboration with the Association of Local Government Auditors (ALGA) Committee on Diversity, Equity, and Inclusion
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Actions	<p>Provide specific actions that will be taken to achieve the initiative listed above</p> <ul style="list-style-type: none"> • Attend trainings sponsored by the ALGA DEI Committee • Participate in workgroups sponsored by the ALGA DEI Committee
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Initiative 2	Collaboration with regional equity initiatives
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Actions	<p>Provide specific actions that will be taken to achieve the initiative listed above</p> <ul style="list-style-type: none"> • Develop an inventory of available equity initiatives in the region available to audit staff participation • Have staff participate in different offerings to broaden the scope of learning, awareness, and influence
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Performance Measure	<ul style="list-style-type: none"> • Number of equity initiatives completed per Internal Audit staff member with at least 10 completed by 2025 	<p>Data Source:</p> <ul style="list-style-type: none"> ○ Internal Spreadsheet ○ Audit Management Software – Staff Qualifications
	<p>Target:</p> <ul style="list-style-type: none"> • 1 activity per year per Internal Audit staff member – FY2021 • 1 activity per year per Internal Audit staff member – FY2022 • 1 activity per year per Internal Audit staff member – FY2023 • 1 activity per year per Internal Audit staff member – FY2024 • 1 activity per year per Internal Audit staff member – FY2025 	

Collaborating partners

We expect to work with many Buncombe County departments on this Tier 2 goal. Equity is a woven thread that in the baseline of Buncombe County staff. As Internal Audit staff learn and participate, we expect to use the equity lens in our daily work, which includes all County departments.

DRAFT

Charter Best Practice Resources

U.S. Government Accountability Office

- Government Auditing Standards – 2018 Revision
 - No guidance on audit committee responsibilities
 - Internal audit functions are encouraged to use the Institute of Internal Auditors' guidance in conjunction with Government Auditing Standards

Institute of Internal Auditors

- *International Professional Practices Framework (IPPF), 2017 Edition:*
 - 1100 – Independence and Objectivity: The internal audit activity must be independent, and internal auditors must be objective in performing their work.
 - 1110 – Organizational Independence: The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.
 - 1111 – Direct Interaction with the Board: The chief audit executive must communicate and interact directly with the board.
 - 1112 – Chief Audit Executive Roles Beyond Internal Auditing: Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.
- *Applying The International Professional Practices Framework (IPPF), 4th Edition:*
 - Examples of internal audit's functional reporting includes the audit committee
 - Approving the internal audit charter
 - Approving the risk based internal audit plan
 - Approving the internal audit budget and resource plan
 - Receiving communications from CAE on performance
 - Approving decisions regarding the appointment and removal of the CAE
 - Approving the remuneration of the CAE
 - Making appropriate inquiries of management and the CAE to determine whether there are inappropriate scope or resource limitations
 - Internal audit charter should describe internal audit purpose in terms of:
 - Enhancing and protecting organizational value
 - Providing risk-based and objective assurance, advice, and insight
 - Adding value
 - Improving governance, risk management, and control processes
 - Should be formally documented, establish the position within the organization, authorize access to records, personnel, and physical properties relevant to completing work, and define the scope of the internal audit's activities
- *Audit Committee Effectiveness – What Works Best, 4th Edition:*
 - Typical charter items include: a) purpose/mission; b) size and member attributes (e.g., independence, financial knowledge); c) meeting frequency and private sessions; d) roles and oversight responsibilities; e) reporting responsibilities; f) authority

- Charter should be reviewed periodically (IIA requires annual review) and may include review by legal
- Committee should periodically evaluate its effectiveness
- Committee should be appropriately supported and have authority to engage additional resources as situations require; charter should specify authority to engage external advisors, as needed
- Orientation programs should be conducted timely and cover topics sufficiently; ongoing development should be considered to assist members to stay current

Committee of Sponsoring Organizations (COSO)

- Internal Control – Integrated Framework
 - Management retains responsibility for the reliability of the financial statements, but the audit committee plays a critical oversight role.
 - The Board, often through the audit committee, has the authority and responsibility to question senior management as to how its internal and external reporting responsibilities are carried out and verify corrective actions are taken timely
 - Independent members
 - Interacts with external auditors; meets regularly to discuss the scope of planned audit procedures and results of procedures, including executive sessions without management present to allow for further dialogue
 - Stagger terms to ensure continuity

Government Finance Officers Association

- *An Elected Official's Guide – Audit Committees:*
 - Three fundamental goals for an audit committee:
 - Be satisfied that management is maintaining a comprehensive framework of internal control
 - Ensure management's financial reporting practices are assessed objectively
 - Determine to its own satisfaction that the financial statements are properly audited and any problems disclosed are satisfactorily resolved
 - Committee has responsibility to provide independent review and oversight of:
 - the government's financial reporting processes,
 - the government's internal controls, and
 - the independent audit of the government's financial statements
- Best Practices – Audit Committees
 - Establish an audit committee formally
 - Committee should be responsible for appointment, compensation, retention, and oversight of any independent accountants engaged for audit, review, or other attest services
 - All accountants thus engaged should report directly to the audit committee

- Charter should prescribe the scope of responsibilities, structure, processes, and membership requirements; these should be reviewed periodically
- All members should possess or obtain basic governmental financial reporting and auditing understanding or have access to such resources
- All members should be members of the governing body
- Member number should be greater than three, but fewer than 10
- Members should be educated regarding their role
- The Committee should provide independent review and oversight of financial reporting processes, internal controls and independent auditors
- The Committee should have access to all internal audit reports and annual work plans
- The Committee should present annually to the full Board and specifically state it has discussed the financial statements with management, with the independent auditors in private and privately among its members, and believes they are fairly presented based on those conversations
- The Committee should establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal controls, or auditing matters allowing for confidential, anonymous submission by employees
- The Committee should monitor controls performed directly by senior management to prevent management override
- The Committee should be adequately funded and authorized to engage needed specialists to perform its function

Association of Local Government Auditors

- Audit Committee Guidance
 - The Committee assists legislators in fulfilling their governance and oversight responsibility for the:
 - Integrity of financial information
 - Suitability of available internal controls
 - Compliance with regulatory requirements
 - Performance of government auditors
 - Performance of audit firms engaged by the governing body
 - Ensures quality of annual audits and ensure management implements audit recommendations
 - Ensures the audit function has sufficient resources, competence, and independence from the executive branch to perform audits efficiently and effectively
 - Ensures audit functions are empowered to report significant deficiencies to appropriate oversight authorities
 - Prevent management interference with audits or suppression of audit findings
 - At a minimum, the audit committee oversees or advises the audit function.
 - May be directly responsible or recruiting, appointing, overseeing, and removing (if needed) the auditor
 - May also make recommendations related to the annual audit plan and to governing board regarding the auditor's budget

- May also be responsible for the requests for proposals, selection process, and monitoring the work of commercial public accounting firms performing the annual financial audits or other audit services.
- Some are charged with conducting investigations and management complaints and anonymous employee communications
- Must be independent of management and must have expertise to understand and monitor audits, financial systems, internal controls, and fraud risks.
- Structure of audit committee:
 - Should require independence from management
 - Should collectively be knowledgeable about financial matters and government
 - Should have the authority and resources to seek outside expertise when necessary

AICPA

- Benefits of Audit Committees and Audit Committee Charters for Government Entities
 - Responsible for keeping the government unit focusing on identifying and mitigating risks, ensuring accountability and compliance, and establishing a governance structure
 - Accomplishes by having responsibility for hiring the internal and external auditors and overseeing the government unit's overall control environment; governance and management processes
 - Should be made up of members that have a level of financial and programmatic knowledge in the subjects they oversee
 - Should have the authority to meet privately with internal or external auditors
 - One main mission is to assess risk within the government
 - Charter defines authority, structure, responsibilities, and membership requirements
 - Should periodically review the charter; typically annually
 - Government organizations should consider requiring periodic member self-evaluations

Buncombe County Charter Resources

Resolution #00-09-17

- Primary responsibilities of the Buncombe County (County) Audit Committee (Committee) shall be to oversee the independent audit of the County's financial statements, from the selection of the audit firm to the resolution of audit findings and to provide an annual evaluation of budget documents
- The Committee shall have access to any internal audit reports and annual work plans
- The Committee shall present annually to the Board of County Commissioners (Board) and management a written report of how it has discharged its duties and met its responsibilities
- Members shall possess expertise and experience needed to understand and resolve audit issues
- Members are appointed by the Board as:
 - ~~One~~ Commissioner
 - ~~One member of management~~
 - One member of another governing body in the County
 - Two accounting professionals
 - One banking professional
 - One business community professional

Resolution #17-10-01

- Primary responsibilities of the Committee were amended to include oversight of the internal audit function
- Composition of the Audit Committee was updated as follows (see strikethrough above):
 - Two Commissioners instead of one
 - No member of County management
- The COSO internal control framework was adopted

Audit Committee By-Laws

- Committee procedures to be in compliance with GFOA and IIA best practices
- Terms of members were defined
- Chair, Vice-Chair, and Secretary position requirements established
- At least two meetings per year required
- Special meetings may be called

Buncombe County Personnel Ordinance

- Anonymous reports from the hotline are directed to internal audit to investigate and ensure appropriate follow up action is performed, as appropriate.
- Internal Audit Director position shall not be filled without recommendation of a majority of the County's audit committee; recommendation must be considered by the Board of Commissioners for final approval
- The Internal Audit Director position cannot be disciplined in any manner without recommendation by a majority vote of the County's Audit Committee; any member may initiate

action; a majority vote of discipline up to and including termination must be considered by the Board for final decision

- Supervisors and managers are required to report, in writing, any complaints or concerns about suspected ethical and legal violations to the Internal Audit Department, that has responsibility to investigate all reported complaints
- The Internal Audit Department is responsible for ensuring all complaints of unethical or illegal conduct are investigated and resolved; the Audit Committee will be advised annually of all complaints and their resolution
- The Human Resources Director will work in partnership with Internal Audit to investigate and address any concerns related to personnel matters.
- Internal Audit will notify the Committee of any concerns or complaints regarding the County's accounting practices, internal controls, or auditing and work with the Committee and the HR Director as appropriate until the matter is resolved.



County of Buncombe

INTERNAL AUDIT CHARTER

DEFINITION OF INTERNAL AUDITING

Internal Audit is an independent and objective assurance activity guided by a philosophy of adding value to improve the operations of Buncombe County. It assists the County in accomplishing its objectives by using a systematic and disciplined approach to evaluate and improve the effectiveness of the County's governance, risk management, and internal controls.

MISSION

To enhance and protect organizational value by providing risk-based and objective assurance and recommendations.

CORE PRINCIPLES

These principles articulate internal audit effectiveness. For an internal audit function to be considered effective, all principles should be present and operating effectively.

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organization.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organizational improvement.

GOVERNANCE

Internal Audit will govern itself by adherence to Government Auditing Standards, issued by the United States Government Accountability Office. The Standards provide a framework for performing high-quality work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations. In addition, the internal audit activity will adhere to relevant policies and procedures in the State Internal Audit Manual published by the Council of Internal Auditing for the State of North Carolina, guidance issued by Buncombe County Board of Commissioners and its delegates, and the Internal Audit function's standard operating procedures manual.

AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the County's records, physical properties, and personnel pertinent to the scope of any engagement. All County employees are requested to assist Internal Audit in fulfilling its roles and responsibilities.

ORGANIZATION

The Internal Audit Director reports administratively to the County Manager with clear and recognized access and reporting to the Buncombe County Board of Commissioners and the Audit Committee.

Upon consideration of the recommendations of the County Manager, the Audit Committee will:

- Approve the internal audit charter.
- Approve the annual risk-based internal audit plan.
- Review the internal audit budget and resource plan.
- Receive communications from the Internal Audit Director on the internal audit activity's performance relative to its plan and other matters.
- Approve decisions regarding the appointment, discipline or removal of the Internal Audit Director as per the Buncombe County Personnel Ordinance.
- Review the remuneration of the Internal Audit Director.
- Determine whether there are scope or resource limitations that should be addressed.

The Internal Audit Director will attend meetings of the Audit Committee and communicate with its members, including in closed sessions and between Audit Committee meetings as appropriate and as allowed by North Carolina General Statutes.

INDEPENDENCE AND OBJECTIVITY

Internal Audit will remain free from interference by any element in the County, including matters of audit selection, scope, procedures, frequency, timing, or report content to maintain their necessary independent and objective judgment.

The Internal Audit Director will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the auditor's judgment.

The Internal Audit Director will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. The Internal Audit Director will make a balanced assessment of all the relevant circumstances and will not be unduly influenced by their own interests or by others. The Internal Audit Director will confirm to the Audit Committee, at least annually, the organizational independence and objectivity of the internal audit activity.

RESPONSIBILITY

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the County's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the County's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on the County.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out efficiently and effectively.
- Evaluating governance processes.
- Evaluating the effectiveness of the County's risk management processes.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific issues and operations at the request of the Board or management, as appropriate.

INTERNAL AUDIT PLAN

At least annually, the Internal Audit Director will submit an internal audit plan to senior management for further recommendations and to the Audit Committee for approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The Internal Audit Director will communicate the impact of any resource limitations and significant interim changes to senior management and the Audit Committee. The internal audit plan will be developed using a risk-based methodology, including input of senior management and the Audit Committee. The Internal Audit Director will review and adjust the plan, as necessary, in response to changes in the County's risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit Committee through periodic activity reports.

REPORTING AND MONITORING

A written report will be prepared and issued by the Internal Audit Director or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee. The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Internal Audit Director will periodically provide updates to senior management and report to the Audit Committee on Internal Audit's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee. A subcommittee of the Audit Committee will periodically meet privately with the Internal Audit Director to allow for discussion of sensitive topics.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Internal Audit will develop and maintain a quality control and assurance program that covers all aspects of the internal audit activity. The program will include an evaluation of Internal Audit's conformance with the Government Auditing Standards published by the United States Government Accountability Office. The program will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement. The Internal Audit Director will communicate to senior management and the Audit Committee on the quality control and assurance program, including results of ongoing internal assessments and external assessments conducted.



County of Buncombe

AUDIT COMMITTEE CHARTER

PURPOSE

To assist the Board of County Commissioners (BoCC) in fulfilling its 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 and the code of conduct.

AUTHORITY

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

- Recommend to the BoCC the appointment and compensation of and oversee the work of, any registered public accounting firm employed by the County.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing 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 of the Finance, Budget and Internal Audit departments – all of whom are directed to cooperate with the committee's requests - or external parties.
- Meet with County management and staff, external auditors, or outside counsel, as necessary.

COMPOSITION

The Audit Committee will consist of seven members including at least two members of the BoCC. The BoCC will appoint the Audit Committee members and the Audit Committee will elect its officers.

Each committee member will be both independent and financially literate.

MEETINGS

The Audit Committee will meet at least two times a year, with authority to convene additional meetings as circumstances require. All committee members are expected to attend each meeting. The committee will invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

RESPONSIBILITIES

The Audit Committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, 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 audit report and related regulatory filings 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.

Internal Control

- Consider the effectiveness of the county's internal 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

- Approve the internal audit charter.
- Ensure there are no unjustified restrictions or limitations on the Chief Audit Executive, and concur in the appointment, replacement, or dismissal of the Chief Audit Executive.
- Approve the annual internal audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
- Review with the Chief Audit Executive the internal audit budget, resource plan, activities, and the organizational structure of the internal audit function.
- At least once per year, review the annual compensation of the Chief Audit Executive.
- Monitor and review the effectiveness of the internal audit function.
- Meet separately with the Chief Audit Executive as needed, and as permitted by NC General Statute 143-318.11, to discuss any matters that the committee or Chief Audit Executive 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 recommend the appointment or discharge of the auditors to the BoCC.
- 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.
- Meet separately with the external auditors as needed, and as permitted by NC General Statute 143-318.11, to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

- Obtain updates from internal audit, management and County legal counsel regarding compliance on an as needed basis.

Reporting Responsibilities

- Report to the BoCC about committee activities, issues, and related recommendations as needed.
- Provide an open avenue of communication between internal audit, the external auditors, and the BoCC.

Other Responsibilities

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

BUNCOMBE COUNTY BUDGET TIMELINE
PRESENTED TO THE AUDIT COMMITTEE ON 10-20-2020

- Departmental Training & Information October 2020
- Capital Project Submissions November 2020
- IT Operating Costs (Less than \$5,000) December 1, 2020
- Multi-Year Workbook January 8, 2021
- Initial Meeting with ACM/CM January 11-22, 2021
- Position Requests Due (Prior Work Needed) January 29, 2021
- Budget Request Submitted January 29, 2021
- Completed Budget Presentation January 29, 2021
- Second Meeting with ACM/CM February 1-12, 2021
- Budget Presentation with CM By March 12, 2021

**Due to the County timeline of the budget process for fiscal year 2022 (July 1, 2021 through June 30, 2022), Internal Audit will be presenting and requesting a vote on the proposed Internal Audit budget at the December 2020 regularly scheduled meeting.*