



Santa Barbara School Districts

Date: March 21, 2008
To: Dr. J. Brian Sarvis, Superintendent
From: Eric D. Smith, Deputy Superintendent
Subject: Report and Discussion of Possible Audit Committee

Conference Item *Time Required: 10 Min.*

Background

Some school districts have formed audit committees to strengthen internal controls and to effectively manage financial risk. An audit committee exists at the pleasure of a district's governing board. Before proceeding with the formation of an audit committee, the governing board should establish a charter and bylaws for the audit committee that define: (1) functions and objectives; (2) how members are appointed; (3) terms for members; (4) voting and quorum requirements; and, (5) how the members are to involve and communicate with district management and the governing board.

Results

Typically an Audit Committee consists of 5-7 people. Ideally, committee members should have business or legal backgrounds. While the committee may include members from the districts, it should not be dominated by district members. Rather, to ensure independence the committee should have a majority of its members from outside the district. Generally, the chief business official of the district serves as a resource to the committee.

Typically the audit committee's charge is to:

1. Recommend to the board approval of independent auditors.
2. Review the independent audit engagement including the fee, scope and timing of the audit, and other services to be rendered, including non-audit services.
3. Review with the independent auditors, district policies and procedures regarding accounting and financial controls.
4. Upon completion of their audit, review with the independent auditors the cooperation they received from district personnel during the audit, the extent to which district resources could be used to minimize the time spent on the audit, and any significant matters of concern arising from the audit.
5. Review with the independent auditors any significant transactions which are not a normal part of the district's business, any changes in accounting principles and practices, all significant proposed audit adjustments, and any recommendations that they may have for improving internal controls, choice of accounting principles of management systems.



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6. Review and recommend district policies to the board to prohibit unethical questionable or illegal activities by district employees.

7. Upon completion of the independent audit, review with the district's financial and accounting managers their perception of the independent auditors, any significant matters of concern arising from the audit, and the extent to which recommendations made by the independent auditors have been implemented.

8. Engage in an exit interview with independent auditors who elect not to provide service to the district.

One advantage of an audit committee is that it enables financial management and internal controls to be reviewed in more detail than can be done by the full board at a board meeting where there are always issues that financial management must compete with for attention. Another advantage of an audit committee is that it provides another vehicle of review for voter approved initiatives. By demonstrating to the community that the district has its proverbial "house in order", constituents may be more inclined to support the district in passing such initiatives. An audit committee can be instrumental in lending credibility during this process.

Attachment(s)?	Yes (if so, please attach)	<input checked="" type="checkbox"/>	No	<i>Powerpoint</i>	<i>Ovrhead</i>	<i>Consultant</i>
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