

1 **..Title**
 2 **Audit Committee** – For the purpose of clarifying the responsibilities of the audit committee
 3 members; specifying reporting requirements; providing for external and internal reporting
 4 services; providing program metrics, measurements, and evaluation; and generally relating to the
 5 audit committee.

6 **..Body**

7
 8 **CITY COUNCIL OF THE**
 9 **City of Annapolis**

10 **Ordinance 45-20**

11
 12 **Introduced by: Alderman Paone**
 13 **Co-sponsored by:**

14
 15 **Referred to**
 16 **Rules and City Government**
 17 **90 day Rule:** _____

18 **AN ORDINANCE** concerning

19 **Audit Committee**

20
 21 **FOR** the purpose of clarifying the responsibilities of the audit committee members; specifying
 22 reporting requirements; providing for external and internal reporting services; providing
 23 program metrics, measurements, and evaluation; and generally relating to the audit
 24 committee .
 25
 26

27
 28 **BY** repealing and re-enacting with amendments the following portions of the Code of the City
 29 of Annapolis, 2020 Edition
 30 2.48.400
 31 2.48.410
 32 2.48.420
 33

34 **BY** repealing the following portion of the Code of the City of Annapolis, 2020 Edition
 35 2.48.430
 36

37 **BY** adding following portions to the Code of the City of Annapolis, 2020 Edition
 38 2.48.430
 39 2.48.440
 40 2.48.450
 41
 42

43 **SECTION I: BE IT ESTABLISHED AND ORDAINED BY THE ANNAPOLIS CITY**
 44 **COUNCIL** that the Code of the City of Annapolis shall be amended to read as follows:

45 **Title 2 – ADMINISTRATION**

1 **Chapter 2.48 - BOARDS, COMMISSIONS, AND COMMITTEES**

2 **Article XV - Audit Committee**

3
4 **Section 2.48.400 - Composition.**

5
6 A. The Audit Committee shall consist of three Alderpersons, three ~~volunteer~~
7 ~~civilians~~ APPOINTED CITIZENS and one member ~~of~~ SELECTED BY the Financial Advisory
8 Commission FROM AMONG ITS MEMBERSHIP. THE APPOINTED CITIZENS SHALL
9 HAVE EXPERIENCE IN ONE OR MORE OF THE FOLLOWING AREAS: MUNICIPAL
10 FINANCE; CITY OPERATIONS; OR FINANCIAL REPORTING, ACCOUNTING, AND
11 AUDITING. THE AUDIT COMMITTEE SHALL REPORT TO THE CITY COUNCIL.
12 ~~who have financial reporting, audit committee or auditing experience.~~ The Alderperson
13 members shall be appointed by the Mayor and confirmed by the City Council. The ~~civilian~~
14 ~~members~~ APPOINTED CITIZENS shall be ~~appointed~~ NOMINATED by the Alderpersons ~~on~~
15 ~~the committee~~ ALDERPERSON MEMBERS and confirmed by the City Council. The terms
16 of the Alderpersons shall be identical with their terms of office. The initial terms of office for
17 the three ~~civilian members~~ APPOINTED CITIZENS shall be two, three and four years
18 respectively. Thereafter, each ~~civilian~~ CITIZEN member shall serve for a term of three years,
19 or until the member's successor is appointed, ~~and qualified, commencing on the first day of~~
20 ~~June, the term of no more than one civilian member expiring each year.~~ All members of the
21 Audit Committee shall have equal voting rights, ~~except that the Finance Director and City~~
22 ~~Manager shall be nonvoting members of the Committee. The Audit Committee shall report to~~
23 ~~the City Council.~~ THE CITY MANAGER AND FINANCE DIRECTOR, OR HIS/HER
24 DESIGNEE, SHALL ATTEND THE MEETINGS OF THE AUDIT COMMITTEE UNLESS
25 OTHERWISE NOTIFIED BY THE CHAIR THAT THEIR PRESENCE IS NOT
26 REQUIRED. FURTHER, EACH SHALL PRESENT A REPORT AT EACH MEETING TO
27 THE AUDIT COMMITTEE REGARDING THE STATE OF THE CITY'S FINANCES.
28 HOWEVER, THE CITY MANAGER AND THE FINANCE DIRECTOR SHALL NOT BE
29 REGARDED AS FORMAL MEMBERS OF THE AUDIT COMMITTEE.

30
31 B. THE AUDIT COMMITTEE SHALL REPORT TO THE CITY COUNCIL ANNUALLY
32 AND SUPPLEMENT THESE REPORTS FROM TIME TO TIME AS DETERMINED BY
33 THE AUDIT COMMITTEE OR THE CITY COUNCIL.

34
35 **2.48.410 - Purpose.**

36
37 The purpose of the Audit Committee is to provide independent review and oversight of the
38 City's financial reporting processes, internal controls, AND RISK MANAGEMENT
39 ASSESSMENTS; PROGRAM PERFORMANCE METRICS, MEASUREMENTS AND
40 EVALUATION; ~~external/independent auditors~~ AUDITS; COMPLIANCE WITH FINANCIAL
41 POLICIES, and ~~City~~ internal audit services.

42
43 **2.48.420 - Responsibilities.**

44
45 A. The Audit Committee shall be responsible for the REVIEW, retention and oversight of the
46 work of any external ~~independent~~ auditors engaged ~~for the purpose of preparing or issuing an~~

1 ~~independent audit report or performing other independent audit, review, or attest~~ TO
2 PERFORM INDEPENDENT AUDIT, REVIEW, OR ATTESTATION services. All
3 external, ~~independent~~ auditors shall report FINDINGS directly to the Audit Committee AND
4 SHALL DIRECTLY RECEIVE ALL REQUIRED COMMUNICATIONS ISSUED.
5 EXTERNAL AUDIT SERVICES SHALL BE CONTRACTED FOR IN ACCORDANCE
6 WITH THE CITY'S STANDARD PROCUREMENT PROCEDURES UNDER THE
7 DIRECTION OF THE CITY PROCUREMENT OFFICER AFTER THE SCOPE OF WORK
8 AS BEEN REVIEWED AND APPROVED BY THE AUDIT COMMITTEE., ~~but shall~~
9 ~~provide copies of all reports and recommendations to the City Council and City Manager. An~~
10 ~~external Independent Auditor shall be hired in accordance with the City's Standard~~
11 ~~Procurement Procedures and in coordination with the Procurement Officer.~~

- 12 B. The Audit Committee shall BE RESPONSIBLE FOR THE OVERSIGHT OF ANY
13 INTERNAL AUDITORS, EMPLOYEES, AND CONSULTANTS ENGAGED TO
14 PROVIDE INTERNAL AUDIT SERVICES TO THE CITY. THE AUDIT COMMITTEE
15 SHALL make recommendations to the City Manager for the appointment and retention of
16 individuals OR FIRMS ~~who perform~~PERFORMING internal audit services, ~~in accordance~~
17 ~~with the City's standard hiring or consultant retention practices and in coordination with the~~
18 ~~Human Resources Manager or Procurement Office, as appropriate.~~ The City Manager shall
19 accept the recommendations of the Audit Committee unless there ~~are~~IS compelling
20 ~~reasons~~REASON to the contrary PRESENTED TO THE CITY. THE WORK PRODUCT OF
21 ANY INDIVIDUAL OR FIRM ENGAGED TO PERFORM INTERNAL AUDIT
22 SERVICES SHALL BE FURNISHED DIRECTLY TO THE AUDIT COMMITTEE. ~~The~~
23 ~~Audit Committee shall have oversight over the internal audit services. Individuals performing~~
24 ~~internal audit services shall: (i) report directly and exclusively to the Audit Committee; (ii)~~
25 ~~perform the duties set forth in Section 2.48.430 of this chapter; and (iii) provide copies of all~~
26 ~~reports and recommendations to the Finance Director, Mayor, City Manager, and any affected~~
27 ~~Department Director.~~
- 28 C. The Audit Committee shall present ~~no less than quarterly~~ ANNUALLY to the City Council a
29 written report of how it has discharged its duties and met its responsibilities. The Audit
30 Committee's report shall be made public and shall include copies of all reports received from
31 any INTERNAL OR EXTERNAL Auditors ISSUED SINCE THE LAST WRITTEN
32 REPORT. ~~(external or internal) during the year reviewed.~~
- 33 D. The Audit Committee ~~may~~SHALL establish written rules and regulations for the governance
34 of its meetings and responsibilities. ~~Such written rules and regulations shall, at a minimum,~~
35 ~~include a procedure for the receipt, retention, and treatment of complaints regarding~~
36 ~~accounting, internal controls, fraud, waste, abuse, or other auditing matters, and procedures to~~
37 ~~protect the confidentiality of anonymous complainants.~~
- 38 E. ~~The Finance Director and Finance Department shall cooperate with the Audit Committee to~~
39 ~~assist the Committee in performing its duties and responsibilities.~~ THE AUDIT
40 COMMITTEE SHALL OVERSEE THE ESTABLISHMENT AND EXECUTION OF
41 PROCEDURES FOR THE RECEIPT, RETENTION, TREATMENT, AND RESOLUTION
42 OF ALLEGATIONS OF IMPROPER PROCEDURES, IRREGULARITIES, FRAUD,
43 WASTE, OR ABUSE IN CITY GOVERNMENT.
- 44 F. THE FINANCE DIRECTOR AND FINANCE DEPARTMENT SHALL COOPERATE
45 WITH THE AUDIT COMMITTEE TO ASSIST THE COMMITTEE IN PERFORMING ITS

1 OVERSIGHT DUTIES AND RESPONSIBILITIES BY FULFILLING REQUESTS FOR
2 INFORMATION AND ADMINISTRATIVE SUPPORT IN A RESPONSIVE MANNER.

3
4 ~~2.48.430 – City internal audit services.~~

5
6 ~~A. Individuals performing internal audit services (hereinafter "Internal Auditor") shall be~~
7 ~~performed by a Certified Public Accountant, Certified Internal Auditor, Certified Fraud~~
8 ~~Examiner or Certified Government Audit Professional, and a member of a firm licensed for~~
9 ~~the practice of his or her profession under the laws of the State of Maryland, and shall have at~~
10 ~~least five years experience in governmental accounting and auditing.~~

11 ~~B. The Internal Audit Services shall include, but not be limited to:~~

12 ~~1. Submission to the Audit Committee of reports of audits of City offices and departments~~
13 ~~as soon as practicable upon their completion. Such reports may include explanatory~~
14 ~~comments as the Internal Auditor deems appropriate. Copies of the reports shall be~~
15 ~~provided to the Finance Director, City Manager, and any affected Department Director.~~
16 ~~All records and files pertaining to the receipt and expenditure of City funds by all agents~~
17 ~~and employees of the City and all offices and departments thereof, shall at all times be~~
18 ~~open to inspection by the Internal Auditor;~~

19 ~~2. Monitoring implementation of internal controls overseen by management, to include~~
20 ~~those internal controls designed to prevent or detect City management override;~~

21 ~~3. Revolving audits of all City offices and departments and, with the approval of the Audit~~
22 ~~Committee, examinations and audits of all accounts, books and records reflecting~~
23 ~~transactions involving the financial activities and affairs of the City including those for~~
24 ~~which the City has a responsibility as an agent, custodian or trustee;~~

25 ~~4. Prompt reporting to the Audit Committee, Mayor and City Council, with notice to any~~
26 ~~affected Department Director of any perceived or actual irregularity or improper~~
27 ~~procedure. The affected City Department Director shall be provided with an opportunity~~
28 ~~to respond to such report and to provide additional information or evidence, as applicable.~~
29 ~~The Audit Committee shall consider whether any corrective action is warranted based on~~
30 ~~all information presented, and shall make recommendations to the Mayor and City~~
31 ~~Council as to any corrective action. The Mayor and City Council shall make a final~~
32 ~~decision concerning any corrective action in accordance with their respective powers and~~
33 ~~authorities as set forth in the Annapolis Charter and Code;~~

34 ~~5. Prompt reporting of any special examination or audit to the Audit Committee, the Mayor,~~
35 ~~City Council, Finance Director, City Manager, and any affected Department Director.~~

36 ~~C. The Audit Committee shall have the power to implement the provisions of this article and to~~
37 ~~assign additional functions, duties and personnel to internal audit services not inconsistent~~
38 ~~with those provided in this article or the City Charter.~~

39
40 **2.48.430 – EXTERNAL AUDIT SERVICES.**

41
42 A. EXTERNAL AUDIT SERVICES INCLUDE AUDIT, REVIEW, AND ATTESTATION
43 SERVICES PROVIDED IN ACCORDANCE WITH PROFESSIONAL STANDARDS
44 ISSUED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTS OR
45 GOVERNMENT AUDITING STANDARDS ISSUED BY THE U.S. GOVERNMENT
46 ACCOUNTABILITY OFFICE.

1
2 B. EXTERNAL AUDITORS SHALL BE CERTIFIED PUBLIC ACCOUNTANTS LICENSED
3 TO PRACTICE IN THE STATE OF MARYLAND.

4
5 C. EXTERNAL AUDIT REPORTS SHALL BE FURNISHED DIRECTLY TO THE AUDIT
6 COMMITTEE BY THE VENDORS PERFORMING SUCH SERVICES. THE CITY
7 DEPARTMENT SUBJECT TO THE AUDIT SHALL BRIEF TO THE AUDIT
8 COMMITTEE WITH THEIR INTENDED RESPONSES TO AUDIT REPORT FINDINGS
9 OR RECOMMENDATIONS WITHIN 90 DAYS OF THE REPORT SUBMISSION TO
10 THE CITY.

11
12 **2.48.440 – CITY INTERNAL AUDIT SERVICES.**

13
14 A. INTERNAL AUDIT SERVICES MAY INCLUDE, BUT ARE NOT LIMITED TO:

15
16 1. EXAMINATION AND AUDITS OF ACCOUNTS, BOOKS, AND RECORDS
17 PERTAINING TO THE FINANCIAL ACTIVITIES, PROGRAM PERFORMANCE,
18 COMPLIANCE WITH TESTIMONY TO THE CITY COUNCIL AND OTHER CITY
19 OFFICIALS AND AFFAIRS OF THE CITY IN GENERAL, INCLUDING THOSE
20 FOR WHICH THE CITY HAS A RESPONSIBILITY AS AN AGENT, CUSTODIAN,
21 OR TRUSTEE; AND

22 2. EVALUATIONS OF THE INTERNAL CONTROLS IMPLEMENTED BY
23 MANAGEMENT OVER FINANCIAL TRANSACTIONS AND FINANCIAL
24 REPORTING.

25
26 B. THE FINANCE DIRECTOR SHALL CONSULT WITH THE AUDIT COMMITTEE ON
27 THE APPOINTMENT OF INDIVIDUALS RETAINED TO PERFORM INTERNAL
28 AUDIT SERVICES. THE RECOMMENDATIONS OF THE AUDIT COMMITTEE
29 SHALL BE ACCEPTED UNLESS THERE IS COMPELLING REASON TO THE
30 CONTRARY PRESENTED TO THE COMMITTEE.

31
32 C. INTERNAL AUDIT REPORTS SHALL BE FURNISHED DIRECTLY TO THE AUDIT
33 COMMITTEE BY THE INDIVIDUALS PERFORMING SUCH SERVICES. THE CITY
34 DEPARTMENT THAT WAS THE SUBJECT OF THE AUDIT SHALL RESPOND TO
35 THE FINDINGS OR RECOMMENDATIONS IN THE AUDITOR'S REPORT. THE CITY
36 DEPARTMENT SUBJECT TO THE AUDIT SHALL BRIEF THE AUDIT COMMITTEE
37 WITH THEIR INTENDED RESPONSES TO AUDIT REPORT FINDINGS OR
38 RECOMMENDATIONS WITHIN 90 DAYS OF THE REPORT SUBMISSION TO THE
39 CITY.

40
41 D. ALL RECORDS AND FILES PERTAINING TO THE RECEIPT AND EXPENDITURE OF
42 CITY FUNDS BY ALL AGENTS AND EMPLOYEES OF THE CITY AND ALL OFFICES
43 AND DEPARTMENTS THEREOF SHALL AT ALL TIMES BE OPEN TO INSPECTION
44 BY INTERNAL AUDITORS DESIGNATED IN WRITING BY THE CITY.

45
46 **2.48.450 – PROGRAM METRICS, MEASUREMENTS, AND EVALUATION.**

- 1
- 2 A. THE AUDIT COMMITTEE SHALL FROM TIME TO TIME CONSULT, COORDINATE
- 3 WITH AND ADVISE THE FINANCE COMMITTEE ON THE COMPLIANCE AND
- 4 CONFORMANCE WITH PERFORMANCE STANDARDS PRESENTED TO THE
- 5 FINANCE COMMITTEE TO JUSTIFY THE VALUE OF INDIVIDUAL PROGRAMS BY
- 6 THE VARIOUS DEPARTMENTS AND OFFICES. AUDITS INVOLVING
- 7 EVALUATION OR FINDINGS RELATED TO PERFORMANCE OF INDIVIDUAL CITY
- 8 PROGRAMS AND OF VALIDATED FINDINGS OF FRAUD, WASTE, OR ABUSE
- 9 WITHIN A PROGRAM SHALL BE SHARED BY THE AUDIT COMMITTEE WITH THE
- 10 FINANCE COMMITTEE AND ANY OTHER APPROPRIATE COUNCIL COMMITTEE
- 11 OR CITY BOARD OR COMMISSION.
- 12
- 13 B. THE AUDIT COMMITTEE SHALL HAVE THE POWER TO IMPLEMENT THE
- 14 PROVISIONS OF THIS ARTICLE.
- 15

16 **SECTION II: AND BE IT FURTHER ESTABLISHED AND ORDAINED BY THE**

17 **ANNAPOLIS CITY COUNCIL** that this ordinance shall take effect from the date of its passage.

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21 **Explanation:**

22 UPPERCASE indicates matter added to existing law.

23 ~~Strikethrough~~ indicates matter stricken from existing law.

24 Underlining indicates amendments.

25