

1 **..Title**

2 **Audit Committee** – For the purpose of establishing an Audit Committee; authorizing the
3 powers and duties of the Audit Committee; and matters generally relating to said Audit
4 Committee.

5 **..Body**

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7

CITY COUNCIL OF THE
City of Annapolis

8
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Ordinance 30-17

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Introduced by: Alderman Littmann

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13

14 **Referred to**

15 Finance Committee
16 Rules and City Government Committee

17
18

19 **AN ORDINANCE** concerning

20
21

Audit Committee

22
23

FOR the purpose of establishing an Audit Committee; authorizing the powers and
24 duties of the Audit Committee; and matters generally relating to said Audit
25 Committee.

26
27

BY adding the following portions to the Code of the City of Annapolis, 2016 Edition

- 28 2.48.400
- 29 2.48.410
- 30 2.48.420
- 31 2.48.430

32
33

WHEREAS, the Maryland Annotated Code, Local Government Article, Section 16-305,
35 requires that each municipality shall have its financial records audited at
36 least once each fiscal year, at which time an external, independent auditor
37 shall examine the methods, accuracy, and legality of the financial records
38 of the municipality; and

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WHEREAS, an Audit Committee is a practical means for a municipality to provide
41 much needed independent review and oversight of its financial reporting
42 processes, internal controls and independent auditors; and

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WHEREAS, an Audit Committee provides a forum separate from City management in
45 which auditors and other interested parties can candidly discuss concerns;
46 and

1
2 **WHEREAS**, an Audit Committee helps to ensure that City management properly
3 develops and adheres to a sound system of internal controls, that
4 procedures are in place to objectively assess City management's practices,
5 and that the independent auditors, through their own review, objectively
6 assess the City's financial reporting practices.
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9 **NOW, THEREFORE,**

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11 **SECTION I: BE IT ESTABLISHED AND ORDAINED BY THE ANNAPOLIS**
12 **CITY COUNCIL** that the Code of the City of Annapolis shall be amended to read as
13 follows:
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15 **TITLE 2 – ADMINISTRATION**

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17 **Chapter 2.48 – BOARDS, COMMISSIONS AND COMMITTEES**

18
19 **ARTICLE XV – AUDIT COMMITTEE**

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21 **SECTION 2.48.400 - COMPOSITION.**

22
23 THE AUDIT COMMITTEE SHALL CONSIST OF THREE ALDERPERSONS
24 AND TWO VOLUNTEER CIVILIANS WHO HAVE FINANCIAL REPORTING,
25 AUDIT COMMITTEE OR AUDITING EXPERIENCE. THE ALDERPERSON
26 MEMBERS SHALL BE APPOINTED BY THE MAYOR AND CONFIRMED BY THE
27 CITY COUNCIL. THE CIVILIAN MEMBERS SHALL BE APPOINTED BY THE
28 ALDERPERSONS ON THE COMMITTEE AND CONFIRMED BY THE CITY
29 COUNCIL. THE TERMS OF THE ALDERPERSONS SHALL BE IDENTICAL WITH
30 THEIR TERMS OF OFFICE. EACH CIVILIAN MEMBER SHALL SERVE FOR A
31 TERM OF THREE YEARS, OR UNTIL THE MEMBER'S SUCCESSOR IS
32 APPOINTED AND QUALIFIED, COMMENCING ON THE FIRST DAY OF JUNE,
33 THE TERM OF NO MORE THAN ONE CIVILIAN MEMBER EXPIRING EACH
34 YEAR. ALL MEMBERS OF THE AUDIT COMMITTEE SHALL HAVE EQUAL
35 VOTING RIGHTS. THE AUDIT COMMITTEE SHALL REPORT TO THE CITY
36 COUNCIL.
37

38 **SECTION 2.48.410 – PURPOSE.**

39
40 THE PURPOSE OF THE AUDIT COMMITTEE IS TO PROVIDE
41 INDEPENDENT REVIEW AND OVERSIGHT OF THE CITY'S FINANCIAL
42 REPORTING PROCESSES, INTERNAL CONTROLS, EXTERNAL/INDEPENDENT
43 AUDITORS, AND CITY INTERNAL AUDITOR.
44

45 **SECTION 2.48.420 – RESPONSIBILITIES**
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- 1 A. THE AUDIT COMMITTEE SHALL BE RESPONSIBLE FOR THE
2 RETENTION AND OVERSIGHT OF THE WORK OF ANY EXTERNAL
3 INDEPENDENT AUDITORS ENGAGED FOR THE PURPOSE OF
4 PREPARING OR ISSUING AN INDEPENDENT AUDIT REPORT OR
5 PERFORMING OTHER INDEPENDENT AUDIT, REVIEW, OR ATTEST
6 SERVICES. ALL EXTERNAL, INDEPENDENT AUDITORS SHALL
7 REPORT DIRECTLY TO THE AUDIT COMMITTEE, BUT SHALL
8 PROVIDE COPIES OF ALL REPORTS AND RECOMMENDATIONS TO
9 THE FINANCE DIRECTOR, MAYOR, CITY COUNCIL, CITY MANAGER,
10 AND ANY AFFECTED DEPARTMENT DIRECTOR. AN EXTERNAL
11 INDEPENDENT AUDITOR SHALL BE HIRED IN ACCORDANCE WITH
12 THE CITY'S STANDARD PROCUREMENT PROCEDURES AND IN
13 COORDINATION WITH THE PROCUREMENT OFFICER.
14
- 15 B. THE AUDIT COMMITTEE SHALL MAKE RECOMMENDATIONS TO THE
16 CITY MANAGER FOR THE APPOINTMENT AND RETENTION OF AN
17 INTERNAL AUDITOR IN ACCORDANCE WITH THE CITY'S
18 STANDARD HIRING PRACTICES AND IN COORDINATION WITH THE
19 HUMAN RESOURCES MANAGER. THE CITY MANAGER SHALL
20 ACCEPT THE RECOMMENDATIONS OF THE AUDIT COMMITTEE
21 UNLESS THERE ARE COMPELLING REASONS TO THE CONTRARY.
22 THE AUDIT COMMITTEE SHALL HAVE OVERSIGHT OVER THE WORK
23 OF THE INTERNAL AUDITOR. THE INTERNAL AUDITOR SHALL
24 REPORT DIRECTLY AND EXCLUSIVELY TO THE AUDIT COMMITTEE
25 AND SHALL PERFORM THE DUTIES SET FORTH IN SECTION 2.48.430
26 OF THIS CHAPTER. THE INTERNAL AUDITOR SHALL PROVIDE
27 COPIES OF ALL REPORTS AND RECOMMENDATIONS TO THE
28 FINANCE DIRECTOR, MAYOR, CITY MANAGER, AND ANY
29 AFFECTED DEPARTMENT DIRECTOR.
30
- 31 C. THE AUDIT COMMITTEE SHALL PRESENT ANNUALLY TO THE CITY
32 COUNCIL A WRITTEN REPORT OF HOW IT HAS DISCHARGED ITS
33 DUTIES AND MET ITS RESPONSIBILITIES. THE AUDIT COMMITTEE'S
34 REPORT SHALL BE MADE PUBLIC AND SHALL INCLUDE COPIES OF
35 ALL REPORTS RECEIVED FROM ANY AUDITORS (EXTERNAL OR
36 INTERNAL) DURING THE YEAR REVIEWED.
37
- 38 D. THE AUDIT COMMITTEE MAY ESTABLISH WRITTEN RULES AND
39 REGULATIONS FOR THE GOVERNANCE OF ITS MEETINGS AND
40 RESPONSIBILITIES, WHICH, IF ESTABLISHED, SHALL BE ADOPTED
41 AS SPECIFIED IN SECTION 2.48.020.F BELOW. SUCH WRITTEN RULES
42 AND REGULATIONS SHALL, AT A MINIMUM, INCLUDE A
43 PROCEDURE FOR THE RECEIPT, RETENTION, AND TREATMENT OF
44 COMPLAINTS REGARDING ACCOUNTING, INTERNAL CONTROLS,
45 FRAUD, WASTE, ABUSE, OR OTHER AUDITING MATTERS, AND

1 PROCEDURES TO PROTECT THE CONFIDENTIALITY OF
2 ANONYMOUS COMPLAINANTS.

- 3
4 E. THE FINANCE DIRECTOR AND FINANCE DEPARTMENT SHALL
5 COOPERATE WITH THE AUDIT COMMITTEE TO ASSIST THE
6 COMMITTEE IN PERFORMING ITS DUTIES AND RESPONSIBILITIES.

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8 **SECTION 2.48.430 – CITY INTERNAL AUDIT SERVICES.**

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10 A. THE INTERNAL AUDIT SERVICES SHALL BE PERFORMED BY A
11 CERTIFIED PUBLIC ACCOUNTANT LICENSED FOR THE PRACTICE OF
12 HIS OR HER PROFESSION UNDER THE LAWS OF THE STATE OF
13 MARYLAND, AND SHALL HAVE AT LEAST FIVE YEARS EXPERIENCE
14 IN GOVERNMENTAL ACCOUNTING AND AUDITING.

- 15
16 B. THE INTERNAL AUDIT SERVICES SHALL INCLUDE, BUT NOT BE
17 LIMITED TO:

- 18
19 1. SUBMISSION TO THE AUDIT COMMITTEE OF REPORTS OF AUDITS
20 OF ALL CITY OFFICES AND DEPARTMENTS AS SOON AS
21 PRACTICABLE UPON THEIR COMPLETION. SUCH REPORTS MAY
22 INCLUDE EXPLANATORY COMMENTS AS THE INTERNAL
23 AUDITOR DEEMS APPROPRIATE. COPIES OF THE REPORTS
24 SHALL BE PROVIDED TO THE FINANCE DIRECTOR, CITY
25 MANAGER, AND ANY AFFECTED DEPARTMENT DIRECTOR. ALL
26 RECORDS AND FILES PERTAINING TO THE RECEIPT AND
27 EXPENDITURE OF CITY FUNDS BY ALL AGENTS AND EMPLOYEES
28 OF THE CITY AND ALL OFFICES AND DEPARTMENTS THEREOF,
29 SHALL AT ALL TIMES BE OPEN TO INSPECTION BY THE
30 INTERNAL AUDITOR;
31
32 2. MONITORING IMPLEMENTATION OF INTERNAL CONTROLS
33 OVERSEEN BY MANAGEMENT, TO INCLUDE THOSE INTERNAL
34 CONTROLS DESIGNED TO PREVENT OR DETECT CITY
35 MANAGEMENT OVERRIDE;
36
37 3. REVOLVING AUDITS OF ALL CITY OFFICES AND DEPARTMENTS
38 AND, WITH THE APPROVAL OF THE AUDIT COMMITTEE,
39 EXAMINATIONS AND AUDITS OF ALL ACCOUNTS, BOOKS AND
40 RECORDS REFLECTING TRANSACTIONS INVOLVING THE
41 FINANCIAL ACTIVITIES AND AFFAIRS OF THE CITY INCLUDING
42 THOSE FOR WHICH THE CITY HAS A RESPONSIBILITY AS AN
43 AGENT, CUSTODIAN OR TRUSTEE;
44
45 4. PROMPT REPORTING TO THE AUDIT COMMITTEE, MAYOR AND
46 CITY COUNCIL, WITH NOTICE TO ANY AFFECTED DEPARTMENT

1 DIRECTOR OF ANY PERCEIVED OR ACTUAL IRREGULARITY OR
 2 IMPROPER PROCEDURE. THE AFFECTED CITY DEPARTMENT
 3 DIRECTOR SHALL BE PROVIDED WITH AN OPPORTUNITY TO
 4 RESPOND TO SUCH REPORT AND TO PROVIDE ADDITIONAL
 5 INFORMATION OR EVIDENCE, AS APPLICABLE. THE AUDIT
 6 COMMITTEE SHALL CONSIDER WHETHER ANY CORRECTIVE
 7 ACTION IS WARRANTED BASED ON ALL INFORMATION
 8 PRESENTED, AND SHALL MAKE RECOMMENDATIONS TO THE
 9 MAYOR AND CITY COUNCIL AS TO ANY CORRECTIVE ACTION.
 10 THE MAYOR AND CITY COUNCIL SHALL MAKE A FINAL
 11 DECISION CONCERNING ANY CORRECTIVE ACTION;

12
 13 5. PROMPT REPORTING OF ANY SPECIAL EXAMINATION OR AUDIT
 14 TO THE AUDIT COMMITTEE, THE MAYOR, CITY COUNCIL,
 15 FINANCE DIRECTOR, CITY MANAGER, AND ANY AFFECTED
 16 DEPARTMENT DIRECTOR.

17
 18 C. THE AUDIT COMMITTEE SHALL HAVE THE POWER TO IMPLEMENT
 19 THE PROVISIONS OF THIS ARTICLE AND TO ASSIGN ADDITIONAL
 20 FUNCTIONS, DUTIES AND PERSONNEL TO INTERNAL AUDIT
 21 SERVICES NOT INCONSISTENT WITH THOSE PROVIDED IN THIS
 22 ARTICLE OR THE CITY CHARTER.

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 24
 25 **SECTION II: AND BE IT FURTHER ESTABLISHED AND ORDAINED BY**
 26 **THE ANNAPOLIS CITY COUNCIL** that this ordinance shall take effect from the date
 27 of its passage.

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 30 **EXPLANATION**

31 CAPITAL LETTERS indicate matter added to existing law.

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

33 Underlining indicates amendments