

## Introduction

1. The Board of Retirement has established an Audit Committee to assist it in overseeing the audit function within OCERS. The Audit Committee is an advisory committee to the Board of Retirement, and its recommendations are subject to final approval by the Board. Notwithstanding the preceding sentence, with respect to those matters expressly assigned to it in this Audit Committee Charter, the Audit Committee has final authority.

## Purpose

2. The Audit Committee provides oversight of OCERS' internal and external audit activities. The Audit Committee assists the Board in ensuring the independence of the internal audit functions and ensuring that appropriate action is taken on audit recommendations. The Audit Committee helps promote and enhance effective internal controls for OCERS operations, and oversees communication between external auditors, internal auditors, and management.

## Membership

3. The Audit Committee will consist of four members of the Board of Retirement. The Board Chair will appoint members of the Audit Committee as provided in the OCERS By-Laws and designate one member to serve as the Committee Chair.

Ideally, members should have expertise in accounting, auditing, financial reporting, and internal control. Although these desired traits are not mandatory, members should be sufficiently knowledgeable about these topics to make informed decisions with the assistance of a financial expert.

## Meetings

4. The Audit Committee will meet at least quarterly, with authority to convene additional meetings as circumstances require. All Audit Committee members are expected to attend each meeting. The Director of Internal Audit will attend all Audit Committee meetings. Meeting notices will be provided to interested parties in conformance with applicable laws, regulations, customs, and practices. All meetings are subject to the Brown Act. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of meetings will be prepared. Minutes of the meeting will contain a record of persons present, decisions taken, and a high-level summary of the discussion.

## Responsibilities and Duties

5. The Audit Committee's key areas of responsibility are:
  - a. *Law and Ethics*: The Audit Committee will provide the policy and framework for compliance with laws and regulations, mechanisms for assessment of compliance, and communication with the Board on OCERS policies.
  - b. *Financial Reporting Process*: The Audit Committee will:

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1. Oversee the reporting of all financial information, including reviewing with the external auditor their scope, plan, duties, responsibilities, and the timing and engagement fee of the annual financial audit;
  2. Resolve disagreements between the internal auditor, external auditor, and /or management regarding financial reporting and internal control risks identified in the audit;
  3. Review the audited financial statements with the external auditor and senior management;
  4. Review management letters with management;
  5. Review the findings or comments of regulatory agencies concerning financial statements or other information regarding OCERS;
  6. Review the external auditor's assessments of the appropriate application of accounting principles by OCERS management;
  7. Review all matters required to be disclosed by accounting standards, including significant changes in those standards; and
  8. Meet with senior management, at least annually, to discuss the effectiveness of the internal financial and operational control policies.
- c. *Oversight of the External Auditors:* The Audit Committee will:
1. Conduct the solicitation for the financial auditor, including without limitation, approving the Request for Proposals or other solicitation vehicle, reviewing candidate qualifications and conducting interviews, and recommend one or more finalists to the Board for appointment;
  2. Conduct the solicitation for the actuarial auditor, including without limitation, approving the Request for Proposals or other solicitation vehicle, reviewing candidate qualifications and conducting interviews, and recommend one or more finalists to the Board for appointment;
  3. Conduct the solicitation for, select, and appoint all external auditors (other than the financial auditor and the actuarial auditor) engaged for the purpose of issuing an independent audit report or performing other independent audits, reviews, or attest services;
  4. Oversee the work of all external auditors; and conduct regular monitoring and performance reviews of the actuarial auditor and the financial auditor at least biennially in accordance with the Board's Procurement and Contracting Policy; and
  5. Approve other audits, agreed upon procedures, and non-audit work to be conducted by external auditors.
- d. *Oversight of Internal Audit:* The Audit Committee will:
1. Approve all decisions regarding the performance evaluation, appointment, or removal of the Director of Internal Audit;

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2. Approve the compensation and salary adjustments of the Director of Internal Audit;
  3. Review the charters and policies assigned to Audit Committee at least once every three years in accordance with the schedule set forth in the OCERS Charters and Policies Review Schedule and recommend the same for approval by the Board of Retirement;
  4. Review and approve the risk assessment and annual Internal Audit Plan prepared by the Director of Internal Audit;
  5. Receive and review internal and external audit reports and management responses;
  6. Review significant recommendations from audits during the year and management's responses, and make appropriate recommendations to the Board; and
  7. Make appropriate inquiries of the Director of Internal Audit to determine whether there is audit scope or budgetary limitations that impede the ability of the internal audit activity to carry out its responsibilities.
- e. *Internal Control and Risk Management:* The Audit Committee will review management responsibilities for:
1. The adequacy of OCERS' internal controls, including information systems;
  2. Material risks facing OCERS and management's actions to minimize risk;
  3. Risks from external organizations such as service providers, vendors, investment managers, consultants, and plan sponsors; and
  4. Special investigations and whistleblower mechanisms. The Audit Committee can retain independent counsel, accountants, or other specialists to assist in the conduct of an investigation.

## Reporting

6. The Audit Committee will:
  - a. Report to the Board of Retirement its activities and the results of its reviews; and
  - b. Review significant changes in accounting standards, policies, or practices that may impact OCERS and report the results of that review to the Board of Retirement.

## Charter Review

7. The Audit Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.

## Charter History

8. The Audit Committee Charter was adopted by the Board of Retirement on November 18, 2002, and amended on January 17, 2012, July 20, 2015, and May 15, 2017.



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### Secretary's Certificate

I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.



5/15/17

Steve Delaney, Secretary of the Board

Date