

SEWERAGE & WATER BOARD OF NEW ORLEANS

AUDIT COMMITTEE MEETING

MONDAY, SEPTEMBER 19, 2016

10:30 AM

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Dr. Tamika Duplessis, Chair • Marion Bracy, Vice-Chair • Robin Barnes • Eric Blue • Scott Jacobs

FINAL AGENDA

ACTION ITEMS

1. Adoption of Sewerage & Water Board of New Orleans Audit Committee Charter (R-107-2016)

PRESENTATION ITEMS

2. Overtime Management Plan

INFORMATION ITEMS

3. Any Other Matters



SEWERAGE AND WATER BOARD

Internal Audit Department

Inter-Office Memorandum

Date: 6-30-16

To: Sharon Judkins, Deputy Director

From: Raymond Gable, Internal Audit Manager

Re: Audit Committee Charter

Please place this matter on the agendas of the Audit Committee Meeting scheduled for August 15, 2016 and the Board of Directors' Meeting scheduled for August 17, 2016 as an action item. It is recommended that the attached proposed Sewerage and Water Board of New Orleans Audit Committee Charter be adopted.

I also attached hereto, a proposed resolution providing pertinent details of the charter in support of its adoption.

Raymond Gable

cc: Cedric S. Grant, Executive Director
Kathleen Lafrance

ADOPTION OF SEWERAGE AND WATER BOARD OF NEW ORLEANS AUDIT COMMITTEE CHARTER

WHEREAS, the purpose of the Sewerage and Water Board of New Orleans Audit Committee Charter is to provide guidance to the Audit Committee members as to best practices in audit governance and to establish the committee's role to oversee all material aspects of the Board's reporting, control, and audit functions, except those, specifically related to the responsibilities of another standing committee of the Board; and

WHEREAS, the Audit Committee's role includes a particular focus on the qualitative aspects of financial reporting and on company processes to include but not be limited to (a) the management of business/risk and (b) for compliance with significant applicable legal, ethical, and regulatory requirements as they relate to such business and financial risks; and

WHEREAS, the Audit Committee's roles includes coordination with other Board committees and maintenance of strong positive working relationships with management, external and internal auditors, counsel, and other committee advisors; and

WHEREAS, the committee should fulfill its responsibilities within the context of the following principles Communications, Committee Education/Orientation, Annual Plan, Meeting Agenda, Committee Expectations and Information Needs, External Resources, Committee Meeting Attendees, Reporting to the Full Board, Committee Self-Assessment, Meeting Frequency, To establish the Committee's role with External and Internal Auditors; To establish primary Committee responsibilities; The committee should review and assess: Risk Management, Annual reports and other Major regulatory Filings, Internal Controls and Regulatory Compliance, Internal Audit Responsibilities, Regulatory Examinations, External Audit Responsibilities, Financial Reporting and Controls, Auditor Recommendations, Complaint Procedures, Office Questionnaire Responses, The Code of Ethical Conduct, The Internal Audit Charter, Changes in important accounting principles and the application thereof in both interim and annual financial reports, Significant conflicts of interest and related-party transactions, External Auditor performance and changes in external audit firm subject to ratification by the full board, Internal Auditor performance and changes in internal audit leadership and/or key financial management.

NOW, THEREFORE, BE IT RESOLVED that the Sewerage and Water Board of New Orleans adopts the Sewerage and Water Board of New Orleans Audit Committee Charter attached hereto.

I, Cedric S. Grant, Executive Director,
Sewerage and Water Board of New Orleans, do hereby
certify that the above and foregoing is a true and
correct copy of a Resolution adopted at the Regular
Monthly Meeting of said Board, duly called and held,
according to law, on September 21, 2016.

**CEDRIC S. GRANT, EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS**

Sewerage & Water Board of New Orleans

Audit Committee Charter

2016

Charter Purpose

1. To provide guidance to the Audit Committee members as to best practices in audit governance. It is not intended to supplant board actions or policies.

Committee Role

2. The committee's role is to oversee all material aspects of the company's reporting, control, and audit functions, except those specifically related to the responsibilities of another standing committee of the Board. The audit committee's role includes a particular focus on the qualitative aspects of financial reporting and on company processes to include but not be limited to (a) the management of business/financial risk and (b) for compliance with significant applicable legal, ethical, and regulatory requirements as they relate to such business and financial risks.
3. The role also includes coordination with other Board committees and maintenance of strong positive working relationships with management, external and internal auditors, counsel, and other committee advisors.

Committee Operating Principles

The committee should fulfill its responsibilities within the context of the following overriding principles:

4. **Communications** – The chairperson and others on the committee should, to the extent appropriate, have contact throughout the year with senior management, other board members, etc., as applicable, to strengthen the committee's knowledge of relevant current and prospective business issues.
5. **Committee Education/Orientation** – The committee, with management, should develop and participate in a process for review of important financial and reporting topics that present potential significant risk to the company. Additionally, individual committee members are encouraged to participate in relevant and appropriate self-study education to assure understanding of the business environment in which the company operates.
6. **Annual Plan** – The committee, with input from management and other key committee advisors, should develop an annual plan responsive to the "primary committee

responsibilities” detailed herein. The annual plan should be reviewed and approved by the full Board.

7. **Meeting Agenda** – Committee meeting agendas should be the responsibility of the committee chairperson, with input from committee members, management, internal audit, and other committee advisors as appropriate.
8. **Committee Expectations and Information Needs** – The committee should communicate committee expectations and the nature, timing, and extent of committee information needs to management, internal audit, and external parties, including external auditors. Written materials, including audit reports, financial reports, and other appropriate management documentation, should be received from management, auditors, and others at least three working days in advance of meeting dates.
9. **External Resources** – The committee should request authorization from the Board of Directors to access internal and external resources, including authority to engage and funding for independent counsel and public accounting firms and other advisors as the committee requires carrying out its responsibilities.
10. **Committee Meeting Attendees** – The committee should request members of management, counsel, internal audit, and external auditors, as applicable, to participate in committee meetings, as necessary, to carry out the committee’s responsibilities. It should be understood that either internal or external auditors, or counsel, may, at any time, request a meeting with the audit committee or committee chairperson with or without management attendance. In any case, the committee should consider meeting without management attendance separately with internal and external auditors, at least annually.
11. **Reporting to the Full Board** – The committee, through the committee chairperson, should report periodically, as deemed necessary, but at least semi-annually, to the full Board. In addition, summarized minutes from the committee meetings, separately identifying monitoring activities from approvals, should be available to each board member prior to the subsequent Board Meeting.
12. **Committee Self Assessment** – The committee should review, discuss, and assess its own performance as well as the committee role and responsibilities, seeking input from senior management, the full board, and others. Changes in role and/or responsibilities, if any, should be recommended to the full board for approval.

Meeting Frequency

13. The committee should meet at least quarterly. Additional meetings should be scheduled as considered necessary by the committee or chairperson.

Committee's Relationship with External and Internal Auditors

14. The external auditors, in their capacity as independent public accountants, should report to the board of directors and the audit committee as representatives of the citizens.
15. The committee should be responsible for pre-approving all audit and non-audit services, including the scope of such work performed by the external auditors.
16. As the external auditors review financial reports, they will be reporting to the audit committee. They should report all relevant issues, including any new information, to the committee responsive to agreed-upon committee expectations. They should immediately notify the committee of any material weakness in internal controls or potential fraud identified during an audit engagement. In executing its oversight role, the board of committee should review the methods, audit techniques, and the basis for any findings of external auditors.
17. The committee should annually review the performance (effectiveness, objectivity, and independence) of the external and internal auditors. The external auditors should conduct their audit engagement under the independence rules of the AICPA. The committee should ensure receipt of a formal written statement from the external auditors consistent with standards set by the Independence Standards Board. Additionally, the committee should discuss with the auditor relationships or services that may affect auditor objectivity or independence. If the committee is not satisfied with the auditor's assurances of independence, it should take or recommend to the full board appropriate action to ensure the independence of the external auditor.
18. If the committee decides to retain an audit firm following review, the committee should, at a minimum, rotate the lead audit partner and audit review partner every five years.
19. The committee should review annually the external auditor's policies and certifications regarding workpaper retention and destruction.
20. If either the internal or the external auditors identify significant issues relative to the overall board responsibility that have been communicated to management but, in their judgment, have not been adequately addressed, they should communicate these issues to the committee chairperson.
21. Changes in the director of internal audit should be subject to committee approval.

Primary Committee Responsibilities

The committee should review and assess:

22. ***Risk Management*** – The Board’s business risk management process, including the adequacy of the company’s overall control environment and controls in selected areas representing significant financial and business risk.
23. ***Annual Reports and Other Major Regulatory Filings*** – All major financial reports in advance of filing or distribution.
24. ***Internal Controls and Regulatory Compliance*** – Management’s assessment of the system of internal controls for detecting accounting and reporting financial errors, fraud and defalcations, legal violations, and noncompliance with the corporate code of conduct.
25. ***Internal Audit Responsibilities*** – The annual audit plan and the process used to develop the plan. Status of activities, significant findings, recommendations, and management’s response.
26. ***Regulatory Examinations*** – The results of examinations by regulatory authorities in terms of important findings, recommendations, and management’s response.
27. ***External Audit Responsibilities*** – Auditor independence and the overall scope and focus of the annual/interim audit, including the scope and level of involvement with unaudited interim-period information.
28. ***Financial Reporting and Controls*** – Key financial statement issues and risks, their impact or potential effect on reported financial information, the processes used by management to address such matters, related auditor views, and the basis for audit conclusions. Important conclusions on interim and/or year-end audit work in advance of the public release of financials.
29. ***Auditor Recommendations*** – Important internal and external auditor recommendations on financial reporting, controls, other matters, and management’s response. The views of management and auditors on the overall quality of annual and interim financial reporting.
30. ***Complaint Procedures*** – Procedures established for the receipt, retention, and treatment of complaints received regarding accounting, auditing matters, and internal controls.
31. ***Officer Questionnaire Responses*** – Review the Code of Ethics Questionnaire responses and Internal Control Questionnaire responses from Board executive managers.
32. Other matters which are within the above-defined role of the Committee.

The committee should review, assess, and approve:

- 33. The Code of ethical conduct.
- 34. The internal audit charter.
- 35. Changes in important accounting principles and the application thereof in both interim and annual financial reports.
- 36. Significant conflicts of interests and related-party transactions.
- 37. External auditor performance and changes in external audit firm subject to ratification by the full board.
- 38. Internal auditor performance and changes in internal audit leadership and/or key financial management.

Audit Committee Charter 2016

Chair, Audit Committee

Date

Vice Chair

Date

Executive Director

Date

Multi-Year Working Audit Universe			Calendar Year			2014			2015			2016			2017			2018			2019			2020		
Item	Audit Category	Audit Type	Risk Rating	Audit Objectives	Planned Audit Hours	Maximum Staff Hours	Discovered Hours	Audit			Discovered			Planned			Discovered									
								Findings	Comments	Costs	Findings	Comments	Costs	Findings	Comments	Costs	Findings	Comments	Costs							
30	Accounting	Operational	High	Warehouse Inventory Management																						
31	Accounting	Operational	High	Warehouse Inventory Audit Count																						
32	Accounting	Operational	High	Warehouse Inventory Cycle Counts																						
33	Administrative	Operational	High	Plant Safety & Security																						
34	Administrative	Operational	High	Internal Control Evaluations & Assessments																						
35	Capital Budgeting	Operational	High	Capital Administration - Capital Projects, software, inspection process																						
36	Operations	Operational	High	Plant Management																						
37	Risk Management	Operational	High	Risk Management																						
38	Risk Management	Operational	High	Emergency Management																						
39	Security	Operational	High	Waste Operations																						
				Strategic Operations																						
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