

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: January 23, 2007

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Audit Committee Agenda Date: January 29, 2007

Item Number: 2

Item: Discussion and consideration of the proposed amendment to the Permanent Rules of Council to Establish an Audit Committee

OVERVIEW

On January 29, 2007, the Audit Committee will consider this proposal to establish the Audit Committee under the Permanent Rules of the Council in the San Diego Municipal Code § 22.0101.5. This proposal establishes composition of the Committee and provides guidelines and oversight responsibilities.

DISCUSSION

The proposal in the attached amendment to the Municipal Code reflects the recommendations made by Kroll as well as information published by advisory organizations such as the Government Finance Officers Association and the American Institute of Certified Public Accountants. In addition, the proposal was developed in consultation with the City's new Independent Consultant, the City Attorney's Office and the Mayor's Office.

The rules provide that the Audit Committee shall retain and oversee independent audit firms; receive and respond to "whistleblower" complaints; review draft financial statements; review the annual report on internal controls; and review and comment on the Auditor's Annual Audit Work Plan, among other duties. The rules also provide for the retention of professional consultants and/or creation of an ad-hoc temporary committee of citizens with financial expertise in order to assist the Audit Committee in their work.

CONCLUSION

The IBA believes that this proposal will provide a firm foundation for the Audit Committee, and recommends that the Committee forward the attached to the full City Council for approval.

[SIGNED]

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Attachment